

A CHINESE WEEKLY OF NEWS AND VIEWS

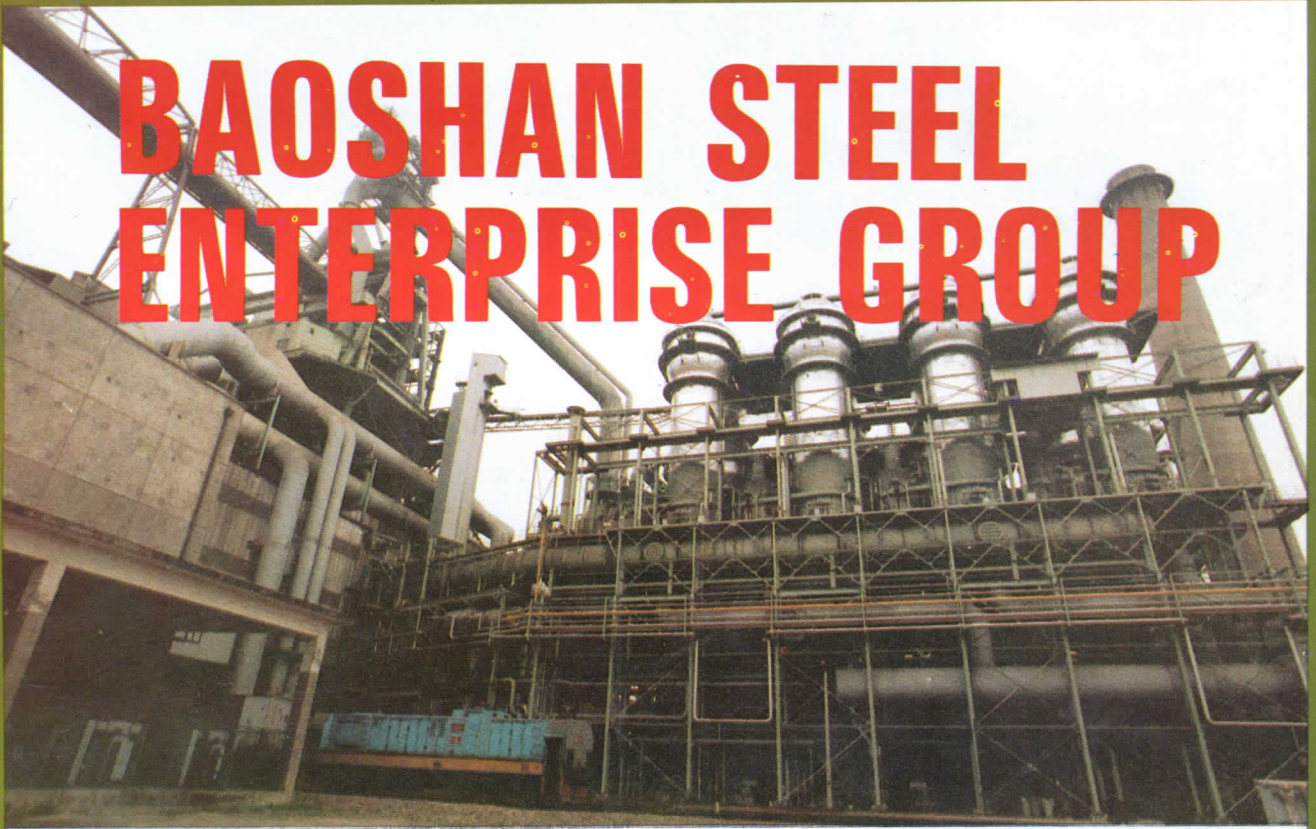
# Beijing Review

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## Exclusive Interview With a Hungarian Leader

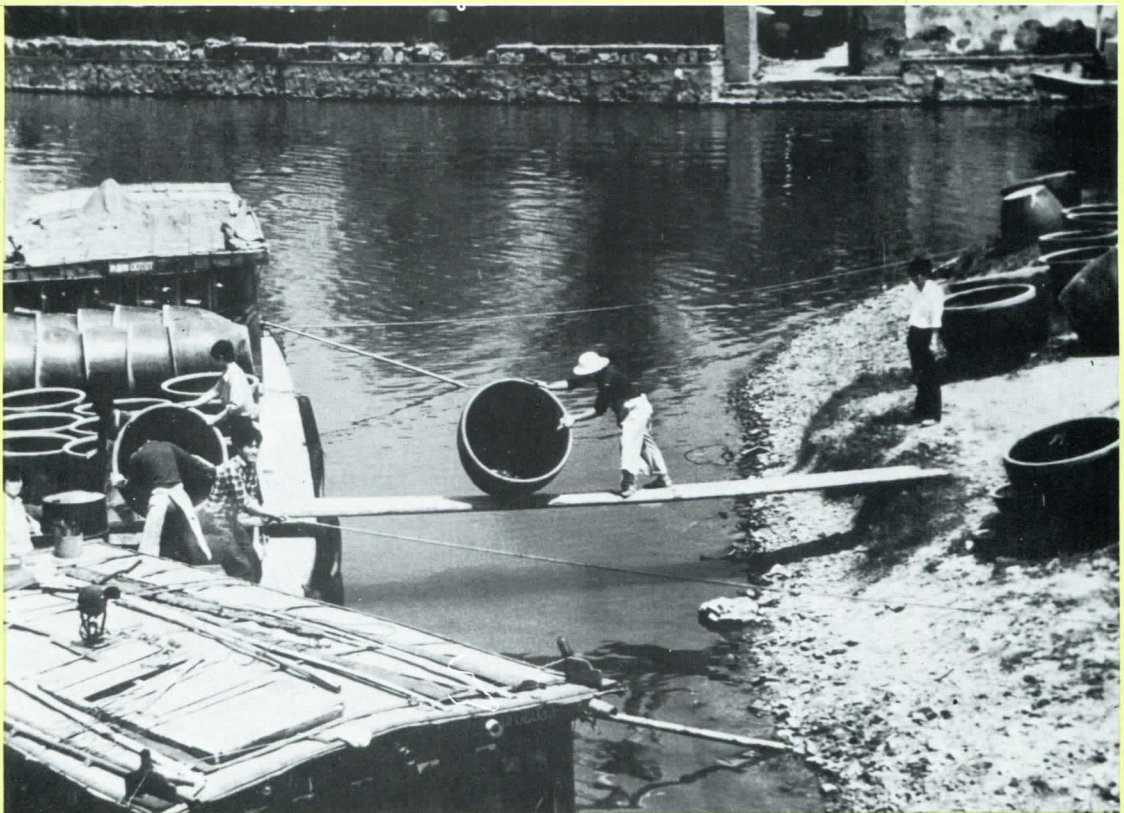
# BAOSHAN STEEL ENTERPRISE GROUP







Above: "Convenient for Both" (photo by Wang Zhenyang, Singapore), Below: "Superb Job" (photo by Douglas Samuels of Jamaica), both selected from the International Photographic Exhibition, China in the Eyes of a Foreigner.



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Cover: The Shanghai Baoshan Iron and Steel Complex.

Chen Zonglie

## HIGHLIGHTS OF THE WEEK

### Price Reform and the Enterprise Contract System

■ Enterprise reform, price reform and wage reform complement each other. Price reform creates the conditions for enterprises to compete equally and fairly, whereas revitalized enterprises and improved economic results will facilitate price and wage reforms (p. 4).

### Mainland & Taiwan Move Towards Reunification

■ Relations between China's mainland and Taiwan are warming up after a period of coolness or even hostility which has lasted since the late 1940s. Cries for reunification has been gaining force and non-governmental contacts are increasing (p. 5).

### Steel Giant Unveiled in Baoshan

■ A consortium of 50 Chinese companies formed the country's largest steel-based corporation in August. Centred around Shanghai, the Baoshan United Iron and Steel Complex (Group) comprises steel producers, car manufacturers, light industrial factories, research institutes and monetary institutions. Already it has won a contract for part of Shanghai's underground transport system (p. 19).

### Rural Reform Logs Remarkable Achievements

■ Starting this issue, *Beijing Review* presents a ten-part series by the State Statistical Bureau on economic and other changes during the last ten years. First, agricultural reform is examined (p. 27).

### Visiting Hungary, Front-runner in Reform

■ Following their trip to the German Democratic Republic, our two staff reporters went on to visit Hungary, where they interviewed a Hungarian Party Politburo member on the country's political restructuring (p. 14) and reviewed the progress of reforms (p. 16).

# Price Reform and the Enterprise Contract System

by Ge Wu

For some time, Chinese economists have differed over what should constitute the focal point of China's current economic reform. Some suggested that price reform should be introduced first to create a good market environment; others argued that initially the enterprise contract system should be improved to invigorate production and management of commodities.

After a period of debate, however, their views have merged. They have agreed that both price reform and the contract system should be closely united in a programme of "co-ordinated reform."

Enterprises are the foundation of both the economy and society. Previously, enterprises were rigidly controlled through a centralized system. Since decision-making power was granted to enterprises, this has changed. After successfully introducing the contract responsibility system to small enterprises, it was implemented in the majority of medium-sized and large ones, firing the enthusiasm of the workers and improving management. Now, 80 percent of the country's larger enterprises have instituted the contract system. But it has proved difficult for them to set contract targets with prices in a state of confusion and fluctuation.

Reform of pricing system is crucial to the success or failure of reforms to the entire economy. Although prices have been adjusted and decontrolled for some farm and sideline products in the past few years, China's seriously distorted pricing system has not been fundamentally changed. Furthermore, inflation has become increasingly serious

since the beginning of this year, making the issue more complicated. On the other hand, if an enterprise has not established new management mechanism and cannot accommodate price adjustments, price reform can hardly be carried out smoothly.

Facts have proved that enterprise reform, price reform and wage reform complement each other. Price ratios have to be rationalized to enable them to be determined by the market, thereby creating conditions for enterprises to compete equally and assume sole responsibility for profits and losses. Rational management should be established through enterprise reform. Revitalized enterprises and improved economic results will facilitate the implementation of price and wage reform. Otherwise, all other reforms would be subject to restrictions.

China will concentrate its efforts on making the enterprise contract system a success in two to three years in the following fields:

- Introducing competition between contracting enterprises through tendering where conditions permit. In enterprises where managers are improperly selected and contracts are not fulfilled, managers will be re-selected.

- By developing contracts between enterprises and take-overs, the ownership and management of poorly run enterprises will end up in the hands of successful companies. Thus talents, funds, land, equipment and technology can be fully utilized and economic results improved.

- The establishment of a mechanism for jointly sharing contract

risk by allowing workers to buy shares in contracts. If the work proves unprofitable, the money will be used to offset losses, but if profits accrue then the workers will be given a dividend. Thus closer relations can be forged between management and the work force, fostering workers' business sense and responsibility.

- Through the development of new technology and new products, quality should rise, consumption of raw materials fall, and economic results improve, thus creating favourable conditions for price reform.

At present, China's economy has entered a period of all-round development, offering favourable conditions for price reform. But if this reform proceeds at an undue pace, it will result in "more haste, less speed." It will take upwards of five years to decontrol prices for the overwhelming majority of commodities and subject them to market regulation. A few important commodities and labour services will remain under state control.

Both price reform and enterprise reform require co-ordinated macro-economic control. The pressing need here is firm control of the money supply and credit to prevent runaway inflation.

This year, prices have risen by more than 10 percent in China, leading to complaints from both enterprises and the masses. The government is determined that the rate of price rises will be lower next year.

As well as restricting currency issue, capital construction and the purchasing powers of government institutions and public organizations have to be reduced, and





## Mainland & Taiwan Getting Closer

**A**fter nearly 40 years, relations between Taiwan and mainland are beginning to warm up as authorities make gestures of friendship and non-government contacts increase.

On September 11, the units of the Chinese People's Liberation Army (PLA) stationed in Fujian Province abolished the 26-year-old reward system for military defections from Taiwan to the mainland. The system was introduced by the PLA's Fujian Frontline Command in 1962 at a time of serious confrontations across the Taiwan Straits.

A spokesman announcing the new move said it was aimed at creating a more peaceful environment in which relations between the two sides could be improved.

In the past few years, the mainland stopped sending propaganda material to Jinmen (Quemoy), Mazu and other islands under the control of Taiwan authorities.

On September 13 Li Xiannian, chairman of the National Com-

mittee of the Chinese People's Political Consultative Conference of the mainland, suggested that the mainland and Taiwan should look to the future, establish good relations and strive for an early reunification of China. He said this when meeting Hu Chiu Yuan, a member of Taiwan's "Legislative Yuan."

Hu, honorary chairman of the China Reunification League in Taiwan, said the Chinese nation has been plagued by disaster in the 20th century so that the country remains split even today. "Every Chinese has a responsibility to end this sorry state of affairs to help usher China into a new era," he said.

Both Li, 79, and HU, 78, are natives of Hubei Province. They said they share the same fervent hopes for a united and prosperous motherland.

Zhu Xuefan, vice-chairman of the mainland National People's Congress Standing Committee said, during a meeting with Hu, that the peaceful reunification of China is in the highest interests of all Chinese people. No political party should put its own interests above that, Zhu said. "As long as

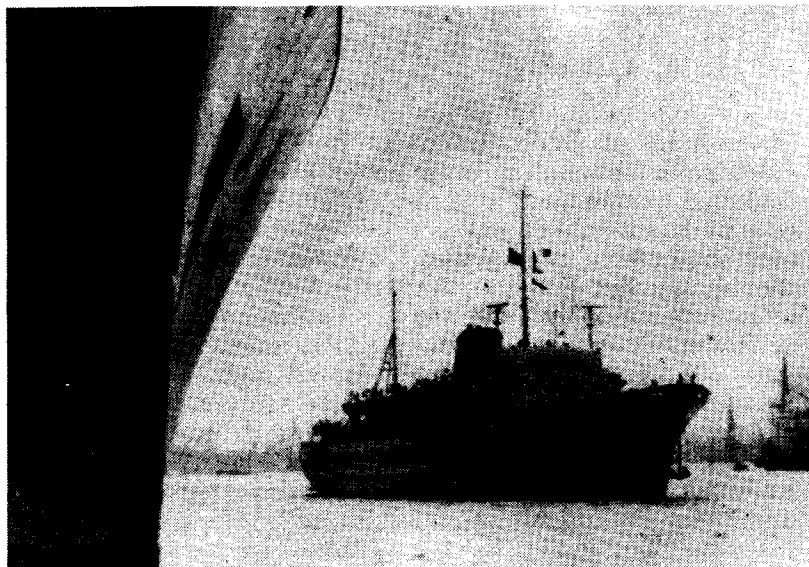
social consumption curtailed. Experts maintain that according to China's present GNP and financial revenue growth, capital construction investment should not rise by more than 15 percent annually. In 1986, however, it grew by 17.8 percent, in 1987 by 20.6 percent; in the first half of this year it was 100 billion yuan above the planned target. In February, the State Council issued an emergency circular calling for a 20 percent reduction in the purchasing powers of government institutions and public organizations. However, in the first seven months of 1988, the amount spent was up 19.8 percent from the same period last year. Clearly orders have been disobeyed and prohibitions not effected. Therefore supervision must be intensified and rule by law enforced.

The three basic links in the development of a socialist commodity economy are dynamic enterprises, a relatively complete market system and macro-economic management based mainly on indirect control. They are organically united, mutually related and interdependent; none of them can be dispensed with. With their implementation, China will have reached its goal where "the state regulates the market, the market guides enterprises."

Li Xiannian (left) and Hu Chiu Yuan.

WU JIGUO





The passenger ship carrying visitors from Taiwan arrives in Shanghai.

XU YIGEN

the two sides can sit down and talk together, a way to achieve reunification will surely be found," he added.

Zhu is also chairman of the Central Committee of the Revolutionary Committee of the Kuomintang. On another occasion he recently expressed his appreciation for the proposal by Taiwan's KMT senior statesman Chen Li-fu and the 34 members of the KMT Central Evaluation Committee, which called for a move for the "reunification of China through Chinese culture." The proposal suggests if mutual trust and confidence are established between the two sides, unity will automatically follow.

In an interview with the Taiwan press, Chen expressed his willingness to visit the mainland and talk with Deng Xiaoping. But he said he was unable to do so at present because of the KMT's policy of "no contact, no compromise and no negotiations (for reunification)."

Nevertheless, the "3-no" policy is losing its appeal in the population. Taiwan authorities had to lift bans on mainland visits last November, and since then

some 170,000 Taiwan residents have visited their relatives on the mainland. Most of the visitors travel by air via Hong Kong, but the first group of Taiwanese to take a sea route arrived in Shanghai on September 12 via Japan's Okinawa Island.

At the same time an indirect trade boom between Taiwan and the mainland has been sparked off. The total trade volume during the first half of this year reached US\$1.1 billion, 65.7 percent more than for the same period last year.

Although the day is yet to come when the leaders of both sides will sit together and set down decisive measures, many politicians here consider it high time to replace hostility with friendship. "We are blood relatives after all, not foes," a mainland official said.

by Wang Xin

## China Welcomes Lee Kuan Yew

China together with Singapore and other ASEAN countries will continue its efforts to achieve a fair and reasonable settlement to the Kampuchean question at an

early date.

Chinese Premier Li Peng made the remark at a banquet for visiting Singapore Prime Minister Lee Kuan Yew in Beijing on September 15.

Li said that the international community and the people of this region all wish to see a political settlement to the Kampuchean question.

He said, "The Chinese government has always maintained a positive attitude on this. We have consistently held that the key to a political settlement of the Kampuchean question is the complete withdrawal of Vietnamese troops from Kampuchea as soon as possible, and that the Kampuchean people should solve their internal problems free of outside interference.

On bilateral relations, Li Peng noted that fresh progress has been made in relations between the two countries since Lee's visit to China in 1985.

He said the Chinese and Singapore governments have signed agreements on mutual protection of investment, double taxation, and tourist and civil aviation services.

Li Peng said China and Singapore have become important partners in the fields of economic co-operation and trade exchange.

Discussing the international situation, Lee Kuan Yew noted that there have been many changes and new developments. "The INF treaty between the US and the Soviet Union is a significant step forward in creating a new climate of reduced tensions, and will help the next stage of negotiations for further agreements on reduced levels of nuclear and conventional forces," he said.

In Southeast Asia, he continued, Prince Sihanouk and members of the CGDK, ASEAN and China have demonstrated their readiness to work towards a



Li Peng holds a ceremony to welcome Lee Kuan Yew.

WANG JINGDE

political solution in Kampuchea and the withdrawal of Vietnamese forces.

He said that diplomatic efforts through the Jakarta informal meeting, the initiatives of Sihanouk and discussions among interested parties, all recognize the aim for achieving this objective. "We must arrive at a solution which an overwhelming majority of the world will support," he said.

Discussing Sino-Singapore relations, Lee said that in the last three years, there has been much progress in economic co-operation between the two countries. Total trade amounted to about 4.5 billion Singapore dollars in 1987 and, as in previous years, the trade balance has been in China's favour. "The present trade arrangements should be maintained and new avenues explored to increase bilateral trade," he said.

He added that there has been substantial progress in Singapore's participation in China in investment, urban planning, airport development and the upgrading of tourist facilities and much more can be done.

In his meeting with Singapore Prime Minister Lee Kuan Yew on

September 16, Chinese Party leader Zhao Ziyang briefed Lee on China's reform.

He said, "As you are one of our old friends, we respect your point of view and hope you will offer your suggestions on China's construction and reform."

That day was Lee's 65th birthday. After the meeting, Zhao hosted a banquet in his honour and wished him many happy returns for his birthday. ■

## PLA Officers Made Generals

A ceremony was held in Zhongnanhai in Beijing on September 14 to grant the military rank of general to 17 senior officers of the Chinese People's Liberation Army (PLA).

The officers include Hong Xuezhi, Liu Huaqing and Qin Jiwei, members of the Central Military Commission, Chi Haotian, chief of the PLA General Staff, Yang Baibing, director of the PLA General Political Department, Cho Nam Gi, director of the PLA General Logistics Department and Xu Xin, deputy chief of the PLA General Staff.

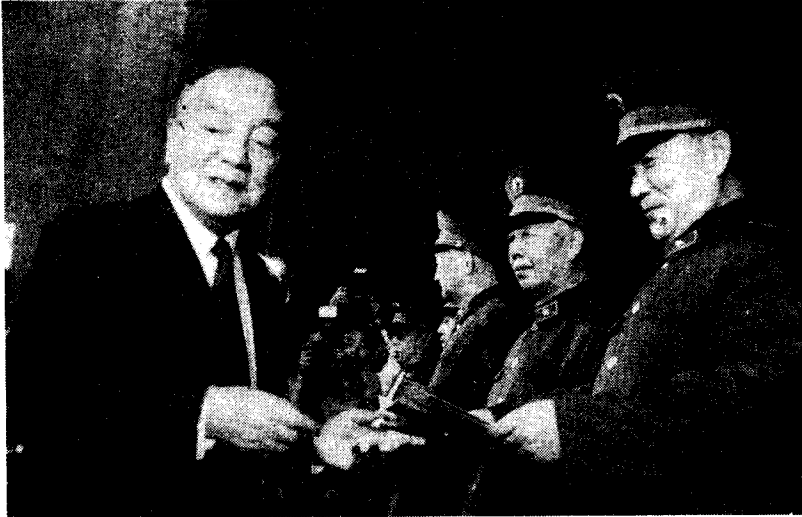
Others are Guo Linxiang, secretary of the Commission for Discipline Inspection of the Central Military Commission and deputy director of the PLA General Political Department, You Taizhong, second secretary of the Commission for Discipline Inspection of the Central Military Commission, Wang Chenghan, political commissar of the Academy of Military Sciences, Zhang Zhen, president of the National Defense University, Li Desheng, political commissar of the National Defense University, Liu Zhenhua, political commissar of the Beijing Military Area Command, Xiang Shouzhi, commander of the Nanjing Military Area Command, Wan Haifeng, political commissar of the Chengdu Military Area Command, Li Yaowen, political commissar of the Navy, and Wang Hai, commander of the Air Force.

The ranks were conferred by Zhao Ziyang, general secretary of the Chinese Communist Party (CPC) Central Committee and vice-chairman of the Central Military Commission, and Yang Shangkun, state president and vice-chairman of the Central Military Commission.

It was also in Zhongnanhai, the seat of the CPC Central Committee and the Central Military Commission, that the late Chairman Mao Zedong granted the rank of marshal 33 years ago to 10 senior leaders of the PLA, including Zhu De, Peng Dehuai and He Long.

At the ceremony, Yang Shangkun read an order of the Central Military Commission signed by Deng Xiaoping, chairman of the Central Military Commission, granting the rank of general to the veteran officers.

In his speech, Zhao Ziyang said the reform and modernization of the PLA have a direct bearing on the stability of the motherland and the happiness of the people. As a



WU SENHUI

Yang Shangkun (left), state president and vice-chairman of the Central Military Commission, reads the order granting the rank of general to senior PLA officers.

part of the country's overall reform and construction, he said, the success of the PLA's reforms depends on the broadening of the country's overall reform, the continuous development of the socialist modernization construction and the energetic support of all people.

Zhao called on PLA officers and soldiers to support the country's reform, encourage the PLA's modernization and contribute towards the defense of China.

Deng Xiaoping met with the 17 senior PLA officers shortly after they were granted the rank of general and extended his congratulations to each of them personally. ■

## ICSU Meet In Beijing

The largest international organization of scientists should work harder to improve public attitudes towards science, ensure the open circulation of scientific data and equipment, and reduce the arms race. This

statement was made by Sir John Kendrew, president of the International Council of Scientific Unions (ICSU), at the opening ceremony of the organization's 22nd General Assembly on September 11.

The President of the China Association for Science and Technology Qian Xuesen also stressed the importance of co-operation between scientists in his speech. Scientific development is becoming more global, and any scientific or technological breakthrough of importance to mankind requires the joint efforts of scientists all over the world, he said.

More than 200 distinguished scientists and leaders of scientific organizations from 60 countries and regions participated in the meeting.

Among them were three scientists from Taiwan, the first group of Taiwanese to attend an international conference held on the mainland. Led by Prof. Su Chung-ching from the Biochemistry Research Institute under Taiwan's Academic Scinica, the scientists came to Beijing with the highest

authority's permission. The other two scientists were Yeh Yeong Tien and Chou Chang-hung, also from Taiwan's Academic Scinica.

Zhou Guangzhao, president of the Chinese Academy of Sciences delivered a report entitled "The Past, Present and Future of China's Scientific and Technological Development."

Other topics raised at the six-day meeting included immunology, climatic changes and global water circulation, and the development of science in Asia.

The ICSU, founded in 1931, is one of the largest non-government international academic societies. Since its founding, most of the organization's general assemblies have been held in Europe and America. China is the second Asian country after India to host an ICSU conference.

Early in 1937, China joined the ICSU and has since maintained friendly co-operative relations with it. Since 1982, the China Association for Science and Technology, China's largest non-government organization of scientists, has actively participated in ICSU's activities. The association and its affiliated societies have established ties with and become members of more than 200 international societies including the 20 unions under the ICSU. Several hundred Chinese scientists have been accepted as members of international organizations.

by Wei Liming

## Hydropower Stations Enter New Period

The rapid development of small hydropower stations is helping to relieve power shortages in rural China. Most of the power consumed in about one-third of the country's 2,000 counties is now generated by these stations.



Small hydropower stations are those with an installed capacity of less than 25,000 kw. By the end of last year, there were more than 63,000 such stations, generating 29 billion kwh annually.

This, however, still fell short of the demand, according to Niu Maosheng, vice-minister of water resources. There is an energy shortfall of about 70 billion kwh a year particularly affecting rural areas, he said. This is because the development of the nation's industry as a whole is much more rapid than that of the power industry.

But China has abundant water resources, he pointed out. The active development of small hydropower stations and local networks is "of great importance to the solution of power shortages especially in remote areas."

Hydropower stations provide energy to township enterprises and households as well as for grain processing. New stations and networks are being built, the vice-minister continued.

Better management has led to more efficient use of hydropower stations, Niu said. In order to further accelerate development and raise economic efficiency, he called on local departments to stabilize energy supply by establishing networks.

Niu asked departments concerned to raise money from different sources. In addition to government or bank loans, other channels such as bond issues and foreign investment can be utilized to invest in hydropower stations. ■



## Weekly Chronicle (September 12-18)

### POLITICAL

September 13

■ The Sino-Portugal liaison group starts its second meeting in Beijing to discuss questions of common concern about Macao in the transitional period.

The group held its first meeting in Lisbon last April. The third and final one will take place in Macao in January next year, according to an official of the Chinese Foreign Ministry.

September 15

■ In an interview with a group of Singapore journalists, Chinese Premier Li Peng says that lengthy discussions on the Kampuchea question between Chinese and Soviet foreign deputy-ministers held two weeks ago were "useful."

He says that the two sides agreed that the crucial point in the settlement is the early withdrawal of Vietnamese troops from the country.

September 16

■ Meeting in Beijing with Susumu Nikaido, former vice president of Japan's Liberal Democratic Party, Chinese senior leader Deng Xiaoping tells his guest that China's inflation is largely the result of a slackening of control, not of reforms to the pricing system.

Deng refuted the notion held by some foreigners that Chinese top leaders differ on certain major issues, saying this was "a false observation." ■

### ECONOMIC

September 12

■ In provisional regulations on cash administration, the State Council calls on all government institutions, social groups, army

units and enterprises to settle their accounts by cheque rather than cash.

A spokesman for the People's Bank of China says the move is an important step towards stabilizing the monetary situation.

September 14

■ A total of 976 private technical firms have been formed in Beijing so far this year, 87 percent more than for the same period last year, Xinhua reports. This figure accounts for one third of the national total.

The firms employ some 10,000 technicians, the majority of whom come from government-funded technical firms and research institutions.

### CULTURAL

September 14

■ The Ministry of Culture makes a donation of 200,000 yuan to the China Minority Nationality Culture and Art Fund, established in Beijing today.

The main task of the fund is to raise money both at home and abroad to provide financial support for the development of minority nationality culture and art.

### SOCIAL

September 15

■ Peng Li, a fashion model with the Beijing Fashion Modelling Team, won first place at the 1988 International New Models Competition in Selerno, Italy, last month, defeating 51 opponents from 29 countries, Xinhua reports.

A former cafeteria attendant at the Shangri-la Hotel in Beijing, 1.75-metre-tall Peng is 19 years old. She joined the team for only 17 months. ■

NAM

## Making a Fresh Start

*In the midst of positive developments on the international scene, foreign ministers of the non-aligned movement recently met in Nicosia and called for an updated strategy to keep up with the changing world situation.*

The four-day foreign ministers' conference of the non-aligned movement (NAM) concluded in Nicosia, the capital of Cyprus, on September 11 after adopting political and economic declarations, and a special document called the Nicosia Declaration. The conference may well serve as a new starting point, but it also raised many heavy tasks for the group.

The Nicosia Declaration states that the movement will adopt a revised strategy to fit in with the new climate of improved international relations since recent rapprochement between the United States and the Soviet Union. The movement could thus play a more active and decisive role in solving regional and global problems.

The declaration deserves due attention in view of the fact that 698 delegates, including 73 foreign ministers and ministers of state from 95 of the movement's 101 members, participated in the Nicosia conference. The highest number ever to attend a NAM ministerial conference, this indicated a desire among non-aligned countries for the democratization of international relations, and a determination to become more involved in the international arena.

For years, the two superpowers and their allies have played a major part in regional and global issues. Meanwhile, the role of NAM, founded in 1961 to become a strong neutral force, seems to have weakened with the death of

its major founders—Josip Broz Tito, Jawaharlal Nehru and Gamal Abdul Nasser, former leaders of Yugoslavia, India and Egypt. The organization's rapid expansion made it even more difficult for consensus on many issues to be reached within the movement.

Before the Nicosia conference, there were worries that NAM may have fallen seriously behind because even the two superpowers had made moves towards rapprochement.

As the Nicosia Declaration pointed out, however, serious problems and conflicts still exist and threaten the progress of detente. International relations are still characterized by the use of force, intervention, interference and coercion, as evidenced by the ongoing problems in the Middle East, South Africa and Central America.

The declaration also noted that responsibility for the future of mankind cannot be left in the hands of a limited number of countries, no matter how great and powerful they may be. NAM, whose members account for two-thirds of UN membership, can and should play an important role in regional and global affairs.

According to the declaration, NAM will intensify dialogue with all groups and actively participate in the search for a solution to international problems.

The conference chose Yugoslavia to act as leader of the movement for the next three years. A revival of the movement under

the leadership of Yugoslavia, which proposed the revised strategy prior to the conference, could well be expected.

But the movement is now facing many problems. Almost all regional conflicts listed in the political declaration adopted at the conference involved member states. The divergence of their national interests often makes it difficult for these countries to reach agreement on solutions to a conflict. This weakens the unity of the movement and often prevents concrete action and the implementation of NAM conference documents.

The recently-concluded conference was marked by heated debate on the issues of Kampuchea, Afghanistan, the Iraq-Iran conflict and the selection of avenue for the next NAM summit. Wide divergence of opinions made it necessary to extend the closing session.

Most of the non-aligned countries are beset by natural disasters and economic problems in the shape of drought, floods, food shortages and heavy foreign debts. The total foreign debt for the developing countries exceeded US\$1,200 billion at the end of 1987. Debt service ratios remain high as interest rates increase, and export incomes have fallen off. At the same time a net outflow of resources has forced an increasing number of developing countries to suspend their debt payments or go into arrears.

The foreign debt issue has also created grave political and social problems in some developing countries. These economic problems often constitute a greater challenge to the non-aligned movement and its new ambitions.

However, as long as it keeps up its struggle, it will be within the movement's power to overcome these difficulties.

It is the wish of the Chinese

people that the 27-year-old organization will prosper and

override the heavy tasks it faces.

by Yu Yuanjiang

UNITED NATIONS

## Mediating Role Strengthening

*The United Nations has had considerable success in resolving some very difficult problems in recent years and it now seems to be a stronger force in the international scene.*

In recent years, the United Nations has achieved obvious results in actively helping to resolve local conflicts, displaying an increasing role in world affairs.

The long-standing Afghanistan problem has been eventually resolved through the mediation and intervention of UN Secretary-General Javier Perez de Cuellar and his special envoy Diego Cordovez. An agreement to withdraw Soviet troops was signed in April this year. Iran and Iraq agreed on a ceasefire on the basis of UN resolution 598 which was unanimously supported by the Security Council in April last year.

UN's efforts also brought fresh hopes for the settlement of the problems facing West Sahara and Cyprus. The string of successes has drawn the appreciation and support of the international community.

The success of the UN's efforts is closely linked with the changing international situation which is characterized by a trend of dialogue rather than conflict, and a struggle for world peace. The United States and the Soviet Union, long battling in an arms race and an attempt to gain strongholds in other countries, were largely responsible for the turbulent world situation and for much local unrest. But in recent years, with third world countries making a stand against hegemony, the superpowers are hard put to follow their old policies and approaches. Overburdened economies and political isolation

also forced them to readjust their policies.

Often disputes between third world countries could easily have been resolved through negotiation, but unfortunately ended in armed conflict. Natural resources, money and manpower were plunged into wars, slowing down the development of economies and preventing an improvement in living standards. The conflicts ran counter to the people's interests and raised cries for peace and the settlement of disputes.

The UN's increasing role in settling conflicts is closely related

with its special position in the world. "Any one country can not alone resolve its existing conflicts," the UN Secretary-General stated. "It needs multilateral action. The United Nations is the only rightful worldwide tool responsible for maintaining peace."

The UN was set up more than 40 years ago to maintain world peace and security. Its mechanisms were designed with just those purposes in mind.

The organization is thus the most influential political one in the world. Its General Assembly consists of nearly all sovereign states and offers an important platform for discussing the issues of peace and security. It stands for justice and fights political and moral oppression at the hands of hegemonic countries bent on invasion and expansion.

In the wake of recent international developments, dialogue and co-operation are becoming an increasingly strong force within

After his Iranian visit, UN Secretary-General Javier Perez de Cuellar stopped in Baghdad to hold talks with the Iraqi leader on the implementation of UN's resolution 598.





Security Council. Last year, five permanent and ten non-permanent council states worked together to unanimously pass resolution 598, laying a sound foundation for the settlement of the prolonged Iran-Iraq dispute.

Secretary-General de Cuellar is playing an increasingly large role in resolving and mediating local conflicts. Under the Charter of United Nations, he is the chief administrative officer empowered by the UN General Assembly and Security Council to perform peace missions and mediate in conflicts. His position as an international service person and his special "detached" mediating role make it

possible for both parties in a conflict to be receptive to his recommendations.

History has shown that the role of the United Nations in peace keeping could not be taken over by any other separate state, state group or organization.

Facing the new detente situation and the trend towards dialogue in the place of conflict, all hopes rest with the UN in its fight for just and reasonable settlements of local conflicts. Countries throughout the world should take a more positive attitude and support the UN in this fight.

**Guo Jishi**

Council of Ministers made a decision to support citizens engaged in individual labour and develop labour co-operatives, seeing this as a chance to inspire initiative in labourers, increase the production of some commodities and foods needed by labourers, and expand the range of services available to the people. The decision allows the retired, the invalid and householders to engage in individual labour, and employees and students of colleges and middle schools to work individually in their spare time or sign contracts with labour co-operatives.

To develop animal husbandry, early this year the government worked out a provisional regulation on contracting farming and animal husbandry by residential areas, families and individuals, encouraging herdsmen to sign contracts as individuals or collectives.

As a means of controlling production expenses, Mongolia stipulates expense limits for its more than 20,000 residential areas and nearly 2,000 production units, and encourages the use of cheques. To date, 75.2 percent of the country's farming and animal husbandry co-operatives and financial departments, 66.5 percent of its production units, and 54.2 percent of animal husbandry residential areas have adopted the new methods.

In April this year, Mongolia announced a draft law for state-run enterprises. It is another major measure towards economic reform. In recent years, Mongolia's industries achieved rapid growth: industrial output value accounted for 48.5 percent of the total social output value, and the export volume of industrial products accounted for 81.3 percent of Mongolia's total export volume.

Mongolia's new economic reforms have revitalized the

## MONGOLIA

### Economic Reform Under Way

*Economic reforms set in motion this year have instilled new vitality into Mongolia's economy.*

This year the People's Republic of Mongolia for the first time began to carry out economic reforms from decisions made by the 19th Congress of the Mongolian People's Revolutionary Party in 1986. The main measures adopted include using economic administration and accounting methods, allowing independent fund-raising and conferring sole responsibility for profits or losses on factories and enterprises, bringing unit and individual income and final-product output and quality closer together, reforming the planning system, and extending powers of self-determination in enterprises.

After the Party's 19th Congress, experiments in reform were first started in only a few enterprises to gain some experience from which later reforms could benefit. Now, such experiments have been expanded to light industries, food, post, fuel and power, construction and public service industries. More than 250 factories, enterpr-

ises and other economic departments are involved.

The state dropped its original practice of mandatory assignment and only set a few quotas. Factories, enterprises and financial departments can now set their own targets to meet state duties and market demands. The planning reforms allow greater independence, extend rights of self-determination and make it possible for enterprises to implement economic accounting and a system of rewards.

Mongolia's broad adoption of the contract system, which includes family and collective contracts, is another important measure in the current reforms. The contract system is regarded as an effective way of combining individual interests with those of the community and industry.

In order to develop the individual economy, Mongolia has relaxed restrictions on the number of livestock it is possible to own privately. This year, the

country's economy. The economic and social development programme implemented in the first quarter of this year has resulted in an increased growth which greatly exceeds the level for the same period in previous years. Industries and post and communica-

tion, commerce and foreign trade departments have all exceeded their targets this year. With further reforms, socialist construction in the People's Republic of Mongolia can only make even more progress in the future.

by Zhao Qingmao

## NICARAGUA

### Economy Disintegrates Amidst War Chaos

*Nicaragua's economy declines day by day with the long-standing civil war, the government's floundering and the US economic blockade.*

**A**griculture is the key sector of Nicaragua's economy, and the country's industry is weak. A mixed economy system was introduced after the 1979 revolution. However, owing to the shortage of energy resources and insufficient production, the country's economy has been on the decline since 1984. Production has been increasing for years, sending the unemployment rate to a peak at 40 percent. Last year, a severe drought struck the country, causing an estimated loss of US\$100 million. At the same time, the rate of inflation kept rising. It topped 1,347 percent last year and is predicted to exceed 4,000 percent this year.

A serious shortage of goods has led to tight supplies, an active black market and a heavy foreign debt burden. And the country's economic situation became even more grave because of the war-time economic policy. The policy, announced by the government in July, 1986, due to the on-going war, was aimed at allocating the country's goods, however limited, to the frontlines.

The civil war is the main reason behind Nicaragua's economic impasse. Direct or indirect losses caused by the six-year-old war have amounted to US\$3.6 billion, almost five times the government's financial budget for the fiscal year of 1987.

To deal with the contras and threatened foreign invasion, Nicaragua has had to maintain an army of more than 60,000 soldiers and 60,000 irregular troops. Military expenses in 1986 made up for half the state budget. Every year about 510,000 people are sent to war and plantations in the rear areas are short of labour.

The continuing war has forced local peasants to evacuate areas in the country's northern and middle regions, leaving most of the land uncultivated. The vast costs in manpower, material resources and funds of the war have directly affected the restoration and development of Nicaragua's economy. So peace is urgently needed for the country's economic reconstruction.

The United States has supported the contra forces with enormous supplies of money and weapons, and not only intervened in Nicaragua's internal affairs, but also imposed a trade embargo on it, dealing a heavy blow to its economy. The United States was one of the country's important trading partners, but on May 7, 1985, the US began to impose a comprehensive trade embargo on Nicaragua and suspended sea and air transportation between the two countries. Moreover, the United States encouraged international financial organizations to obstruct the flow of foreign funds into

Nicaragua.

Disregarding the Hague International Court's decision that the US trade embargo was illegal, the Reagan administration refused to cancel it. On April 25 this year, on the pretext that the Central American country still poses a threat to the security of the United States, President Ronald Reagan declared an extension of the embargo for one more year with the real intention of buttressing Nicaragua's internal opposition.

In recent years, confronted with its grave economic crisis, the Nicaraguan government has adopted drastic measures to adjust its economy, but the results achieved have been minor limited. For a time, operating on a budget deficit gave rise to runaway inflation. Last year the country's financial deficit equalled 16 percent of the gross domestic product, and the state had to compensate for this by printing more paper money.

In June, the Nicaraguan government announced a package of economic measures in an attempt to inject some vitality into the country's economy. The measures included: devaluing the cordoba by 566 percent and raising employees' wages by 30 percent; relaxing restrictions over prices; closing down enterprises with heavy losses; reducing defence expenditure and allowing private strata to participate in the management of state-run enterprises. However, prices took off following the relaxation of price restrictions. On August 30, the government announced that it would raise employees' wages by 140 percent, beginning in September.

The exchange rate between the cordoba and the US dollar went from 80:1 to 180:1. Although the discrepancy between supply and demand has eased up for the time being, inflation still rides high.

by Guan Yanzhong

# Hungarian Leader On Political Reform

**Berecz Janos, secretary of the Central Committee and member of the Political Bureau of the Hungarian Socialist Workers' Party (HSWP), met with "Beijing Review" reporters Dai Yannian and She Duanzhi in Szeged, Hungary on August 20 and answered questions on the experiences and lessons of Hungary's economic reforms and political restructuring.**

by Our Correspondents Dai Yannian and She Duanzhi



Berecz Janos.

**Question: Hungary's one of the earliest socialist countries to carry out reforms. Over the years, your country has experienced success as well as setbacks. To sum up the past, what do you think are the most important experiences and lessons?**

**Answer:** Our principal experience is that reforms cannot be fully implemented if applied to a single area only. We began our reforms in the economic sector and felt no need to do so in other areas, but this posed restraints to the reforms later on. We concluded that full-scale reforms extending to the whole society were needed, and this was confirmed at the National Congress of the Party last May. Thus we will take a giant stride along the path of reform—starting with political reform. That is to say, people are to be allowed to act independently in

the political field as well. Organizations are to be streamlined in order to suit the demands of modern times. Reforms are also to be carried out in the field of ideology. This I regard as our most important lesson.

The stand towards reform must be firm. At the beginning of the reforms, some contradictions and tensions emerged and political leaders were a little bit afraid to face these contradictions. Because of their worries and timidity, the reform came to a halt and even retrogressed. In reality, turning a blind eye to the contradictions did not help; on the contrary, conflicts finally broke out with damaging results. Reforms exposed contradictions, but reforms could also resolve contradictions.

Our country is small and so is our Party. Reform in our country alone will not help much (to strengthen socialism) unless it is followed by most of the other socialist countries, because in that way we can learn from and encourage each other. Differences can be studied and examined. Some experiences may be borrowed, while others may not. I'm glad that socialist countries such as China and the Soviet Union are also carrying out reforms, including reforms in the ideological field.

**Q: What major steps in political restructuring do you envisage for**

**the near future?**

**A:** We adopted the term "socialist political pluralism" at our Party conference (in May this year). Maybe Chinese comrades have no idea what we mean by it. What matters is the ideas represented by the term, rather than the term itself. We think that the role of the Party must be continued and strengthened. In the past the Party used to handle trivial matters, but now it has to change into a party that really exercises political leadership.

In the past, it was the appointed administrators who ran the show, but now they have been replaced by elected organizations instead. The role of the Party should be manifested not only in the Central Committee; all Party organizations have a role to play; this refers not only to the 108 members of the Central Committee, but to the 800,000 Party members. We should practise pluralism when exercising power, i.e. clarify what rights the Party, the parliament and the government respectively hold.

In addition, an independent court is needed. By independent we mean that the court is responsible only for laws, not for anything else. Some social organizations should also exercise their rights. We have made many laws, but some necessary laws



have not been formulated yet, such as citizens' rights of assembly, now absent in the constitution. Citizens should know what rights they have, what acts run counter to the social collective and what is unlawful.

We are not opposed to the practice of referendum. But so far we have not drawn up an election law. We do not consider parliamentary elections the most important issue. Democracy at local and grass-roots levels is equally important. For example, a city decides to build a road across a park. The government supports the decision, but the residents oppose it, citing environmental reasons. The issue should be decided by referendum, but there is no law concerning such things.

The National Assembly has convened four sessions this year and plans to hold three other meetings to discuss questions like this.

**Q: What is your opinion of the "socialist multi-party system" that is being talked about?**

**A:** We now have a one-party system. We are faced with a situation in which the solidarity and unity of the state must prevail over everything else; that is, we do not support the establishment of parties that threaten the socialist system. The new constitution (which is to be released soon) also asserts the leading role of the Party.

As long as the society is democratic and the interests of people from all walks of life and all strata are represented and protected, the necessity for setting up new parties will diminish, and such a demand will eventually cease altogether. We expect to hold this view for the next few decades. As for how our descendants will look upon it three or four decades later, that will be up to them.

**Q: How can some negative phenomena, such as money**

**worship, be avoided under the conditions of developing commodity production?**

**A:** We have developed to a stage that used to be called "refrigerator socialism." At that time we opposed certain forms of consumption, assuming that, for example, commodities like refrigerators would stop people advancing further. We viewed refrigerators as a luxury. Later we came to see the refrigerator as a daily necessity, nothing more.

Socialism means abundance, or affluence, not poverty. It means, first, everyone's basic living standards must be guaranteed, because socialism cannot reduce a certain class to a state in which basic living cannot be maintained; second, an individual's personal ability must be linked to the maintenance of public interests; and third, the ideology must also change. People should have new views on things. If these things are achieved, people will not be greedy for money and material interests.

**Q: We learned that Hungary is promulgating a law on joint ventures. What kind of ventures are they and what advantages do they offer?**

**A:** The law, if I go into detail, will be 300 pages long. I'd like to talk about it here from an ideological angle. We had two kinds of dogmatism in the past. One held that if socialist productive forces and productive relations are co-ordinated, then nationalization is co-ordinated. In fact this has not been proved correct. Our productive forces lag behind capitalism and the productive forces are not co-ordinated well with productive relations. The other belief was that only large-scale, state-run enterprises are socialist. But in reality about half of the national income was used to subsidize some state-run enterprises. What sort of socialism is it—if the survival of an enterprise is dependent on profits from elsewhere?

The new law on joint ventures sweeps away all this dogmatism. Management can be called socialist if it is useful to society. The scale and size of management should be decided by the requirements of the task. State-run enterprises can be combined with co-operatives. If an individual has an invention, he can cooperate with state-run enterprises or co-operatives. Management should bear responsibility, realizing the interests of the owner through economic efficiency.

After the formulation of the law, four to eight other existing laws must be revised and adjusted accordingly. Of course public property cannot be divided. But if it is poorly managed and unable to survive, it can declare bankruptcy.

**Q: What form of ownership are joint ventures based on?**

**A:** A form of mixed ownership. The state will not intervene; rather, it will co-operate through laws and contracts. This is a major step. We discarded some dogmatic practices when we organized agricultural co-operatives. The leaders of co-operatives were elected; they had autonomous rights as to what to produce and how to distribute wages. Co-operatives could engage not only in agricultural activities but also industrial production. Farmers have some land for their own use. Of course all these activities should be integrated with big enterprises. Now we must do away with dogmatism to organize joint ventures just as we did when forming co-operatives.

Since joint ventures involve the interests of both the individual and the collective, people will naturally exercise good supervision over them.

**Q: Is there going to be a big development of joint ventures in the future so that they will play a bigger role in the economy?**

**A:** Yes, we are looking forward to their playing such a role. ■

# Hungary: 20 Years On

by Our Staff Reporters Dai Yannlan and She Duanzhi

Twenty years ago, Hungary launched a major economic and political reform programme that has proved to be of far-reaching significance not only to the country but to most other socialist countries as well. What changes have the reforms brought to the society? How did the country manage to keep to the reforms in the face of constantly changing domestic and international conditions? What does the country plan to do in the wake of the new wave of reforms across the socialist world? With these and other questions in mind, we visited Hungary in mid-August at the invitation of *Vasarnapi Hírek* (Sunday News), a Hungarian news weekly published in Budapest.

## Prelude to Reform

After Hungary's liberation from Nazi Germany in 1945 by the Soviet Union, the country adopted a Soviet-inspired economic and political line characterized by heavily centralized Party and state control. The system based economic development extensively on labour and investment. The rate of investment suddenly jumped from the pre-liberation level of 4-5 percent to 25 percent of the national income by the early 1950s. Between 1949 and 1953, the number of workers employed in mining, manufacturing and building industries rose by 400,000. The result was rapid economic growth and the realization of industrialization. From 1950-1953, industrial production rose two-thirds (the output for metallurgical industries alone increased by 85 percent, and

that of machine industries more than doubled.)

However, these achievements were made at a high cost. Because of what is called "voluntarism in the economic policy," unrealistic goals were set, and the policy of over-industrialization aggravated structural disproportion (forcing agriculture to a crisis point) and decreased real wages. A one-sided quantitative increase of production resulted, while consumer goods shortages racked the country. Quality deteriorated and, without the controlling influence of the market, unsold goods stockpiled. The country's limited resources were thus being wasted, and technical progress was seriously held back.

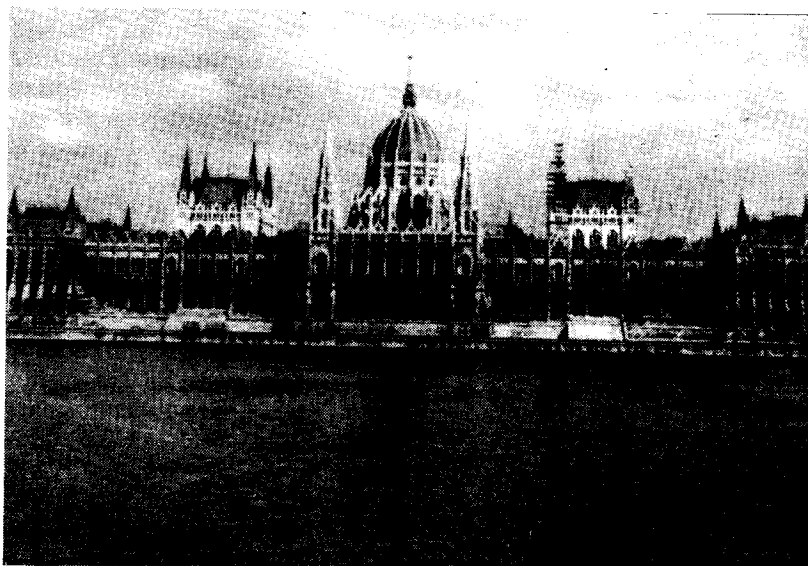
At the same time the political situation was dominated by a personality cult and an over-centralization of power. Following the 20th Congress of the

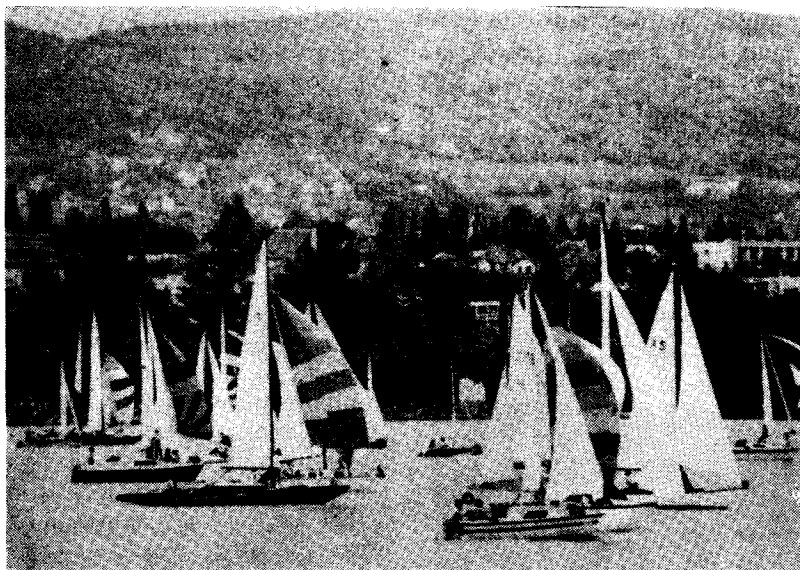
Communist Party of the Soviet Union in 1956, the economic difficulties and public demand for greater changes led to a huge outbreak of street violence in October.

The 1956 incident forced the Hungarian Socialist Workers' Party (HSWP) to recognize that it would be unwise to restore the old political and economic system. New concepts were adopted, including ones which would bring about a rise in living standards in line with economic growth.

In the economic sphere, it was accepted that money and commodities exist in socialist societies as well as in capitalist countries, and material interest and autonomy in economic units are necessary for economic growth. In agriculture, the system of "compulsory delivery" was abolished in October 1956 and a new system of voluntary contracts and free

The Parliament beside the Danube.





A yacht race on Lake Balaton.

purchasing introduced. In industry, compulsory company plan indexes were reduced and a profit incentive system established.

The result of these moves was an improvement in the economic situation: the growth ratio became more moderate, the distribution of investments more proportionate, and living standards, agriculture and industry developed in concert.

However, many problems remained unresolved. The expansion of the economy required a more open situation which the system did not suit at all. The role of central planning was still too strong and some traditional economic problems recurred. The hopes for improved efficiency remained unfulfilled in the early 1960s. The HSWP realized that the possibilities offered by the economic system transplanted from the Soviet Union had been exhausted and that it was time to start thinking about comprehensive reforms to the system.

### **New Economic Mechanism**

Hungary by the 1960s was becoming more and more aware

that one important reason for its economic impasse was the continued existence of central directives, the over-centralization of management, and the separation of the domestic market from external markets.

The reforms introduced in 1968, which came to be called the "new economic mechanism," linked the determining role of national economic planning with commodity and market. The main characteristic of the new management system was that it made as its basic goal an increase in the efficiency of social production. The traditional extensive development methods were replaced by a new intensive mode characterized by a strong reliance on science and technology and raised efficiency in economic development.

The principle of material interest received appropriate attention. Workers' job performances were linked to income, as was enterprise performance. At the same time enterprise autonomy was strengthened, which raised the question of how to strengthen socialist democracy. Under the new economic mechanism, the interest and participation

of workers in factory management increased. The relationship between the state and enterprises became mainly an economic rather than administrative one. Decision-making became more scientific, since it was now based on market forces and economic interests.

### **Twists and Turns**

The country's path to comprehensive reforms was by no means a straight one. Three to four years after the reform programme began, the process of reform slowed down. We interviewed L. Koveskuti, member of the HSWP Central Committee and chairman of the National Association of Small Industries, who said the political leaders of 1972 dared not bear the possible consequences of further reforms. The public's capacity to accept a possible drop in living standards also played a part in hindering the progress of reform. In fact, those whose interests were placed at risk by the reforms strongly criticized and opposed the programme.

Hungary's economy, already closely linked to the world economy, suffered from its unpreparedness for the oil price hikes of the early 1970s and its failure to adapt to transformations in the international structure following the oil crisis. This added to the difficulties facing reform.

The international environment in the early 1970s was also an unfavourable one for Hungary. Attempts at reform in Czechoslovakia and Poland fell flat, so Hungary's reform programme met with challenges not only within Hungary itself but also in other East European socialist countries.

All this brought a halt to the reform programme after 1972. National income fell while domes-



tic consumption increased, the deficit was covered by raising foreign credit. The resulting period of stagnation lasted until 1978, when the Central Committee of the HSWP adopted a resolution which sought to slow down the rate of economic development and improve the external economic balance.

In 1979 and 1980, significant

changes were made to the regulation system, the most important of which was the introduction of a price mechanism which linked domestic prices with world market prices.

Between 1980 and the present, Hungary's growth rate was maintained at around 1.4 percent. Foreign debts in 1987, however, rose to US\$16 billion and the per

capita debt, the highest in Eastern Europe, stood at US\$1,500. The inflation rate grew from 5 percent in 1981 to 10 percent in 1987.

## Experiences

In a brief interview with us in Szeged, the capital of the Csongrad County, where a mass rally was held to commemorate August 20, Constitution Day, Politburo member of the HSWP Berecz Janos said Hungary's main lesson from the changes made was that reforms cannot be successful if they are not implemented in all areas. In other words, reforms should not be confined to the economic sphere alone.

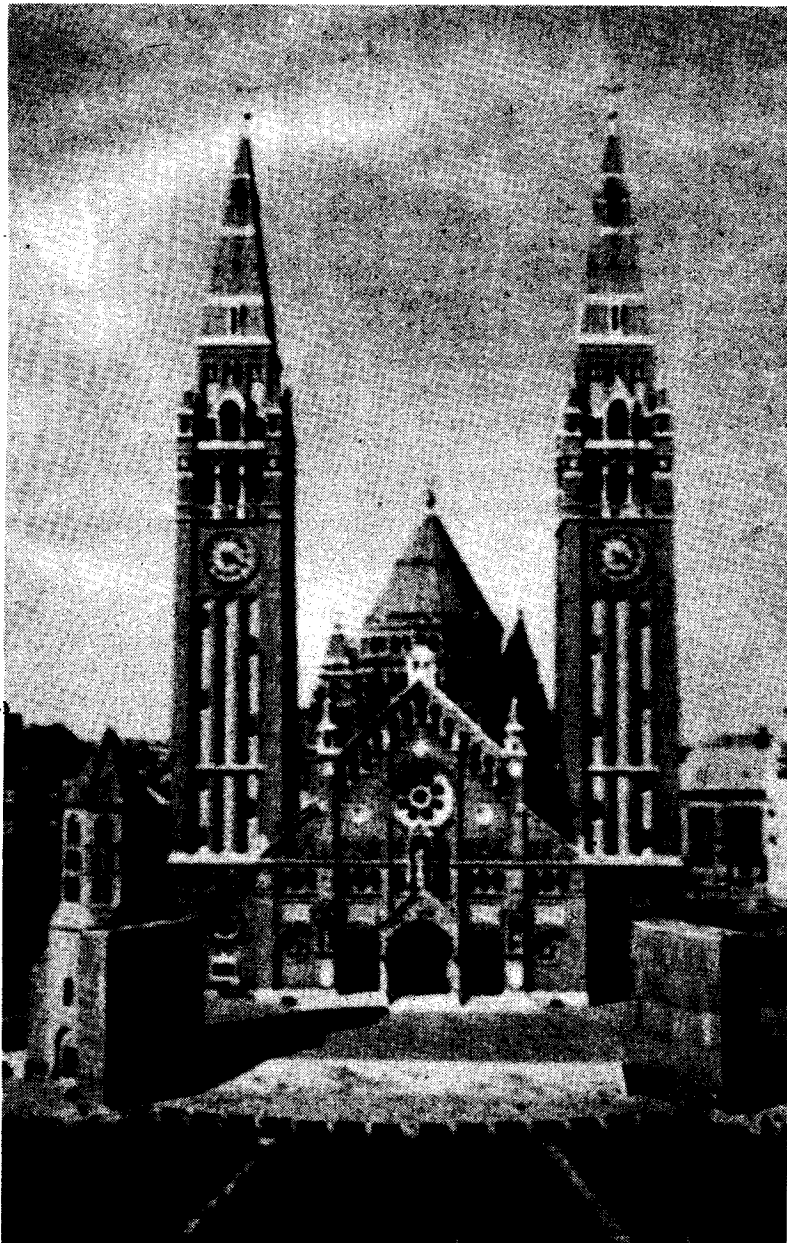
Comrade Koveskuti saw another lesson in the reforms. He asserted that the elimination of administrative directives alone could not guarantee enterprise autonomy and material interest and the establishment of a market mechanism. A socialist economy can operate effectively without specifying planned indexes. The management problems arising after the elimination of compulsory directives are still due to a lack of autonomy, he said.

Hungarian theorists feel another important lesson was the realization that reform could lead to a re-distribution of interests and that different interest groups could emerge as a result. Hungary's reform process proved the necessity for the co-ordination and protection of these groups to facilitate reforms and safeguard against strong political criticism and opposition to reforms.

## New Steps

The National Conference of the HSWP last May marked a new stage in the reform progress. Caroly Grosz took over as the Party's general secretary and

Szeged open-air theatre.



pledged to accelerate the progress of the reform programme. Comrade Berecz Janos told us that reforms in political and ideological fields will soon get underway. (For details see p. 14 in this issue.)

The Central Committee of the HSWP has adopted a resolution to revise and adjust its economic policy with a view to drastically reforming the economic structure and accelerating technological development by making use of market forces. Specific measures include lifting restrictions on imports in external trade, adjusting the exchange rate, stepping up competition, and facilitating wage management by enterprises.

Comrade Koveskuti told us that some important measures adopted since the mid-1980s to deepen reforms include legitimizing the managerial activities of small enterprises, reforming banking and tax systems, and considering a law allowing the establishment of joint ventures. These steps are designed to strengthen the self-organizing ability of the economy and decrease state interference in economic activities.

Koveskuti also discussed ways to tackle the problem of inflation.

He said past efforts to reverse distorted prices only added to the pressure of inflation. Now the government has asked enterprises to exercise restraint when raising prices. The final solution to inflation lies in the success of structural reform and the complete establishment of a sound market mechanism, he said.

Considering the heavy foreign debt burden, Koveskuti said technological transformation requires more funds, so a sharp reduction in loans would not contribute to structural transformation. He said Hungary will set up more joint ventures with foreign countries to absorb more foreign capital and reduce direct credit.

Divided by the Danube, Budapest is a very beautiful city. With a population of two million, it is one of Europe's largest cities.

Signs of Hungary's openness can be seen everywhere in the capital. Western advertisements for products like Coca-Cola, Marlboro cigarettes, Sony electronics and French cosmetics brighten the shop-windows. Almost half the people in the streets are foreign tourists, many of them from Austria and West Germany. (We learned that in

1987, a total of 19 million foreigners—more than the country's population of 11 million—visited Hungary.) Tourism is in fact one of the main sources of foreign exchange income. Last year it accounted for 8.7 percent of total foreign income, amounting to US\$550 million.

We were told that last year, almost every Hungarian also travelled abroad. In January this year, the government opened all borders and lifted travel restrictions, another manifestation of Hungary's openness and confidence.

Before our visit, we learned that Hungary was experiencing some economic difficulties, yet once there we could see little evidence of that. People looked happy. Shops were well stocked with goods. The people we talked with—in offices, in industrial and agricultural co-operatives—were all optimistic, confident in their work and resolute in continuing the reforms. We got the impression that after 20 years of experimentation and in the favourable current international environment, particularly with the Soviet drive for reform, Hungary's reforms will yield even more fruitful results. ■

## Baoshan Forges Steel Giant

**The Baoshan United Iron and Steel Complex (Group) comprising 50 businesses and companies was unveiled at the beginning of August in Baoshan, near the mouth of the Changjiang River. This is a major step forward for the economic reform programme and the development of an export-oriented steel industry.**

by Our Correspondent Dai Gang

**A** giant steel corporation comprising 50 businesses and companies was unveiled at the

beginning of August in Baoshan, near the mouth of the Chanjiang (Yangtze) River. Based around

the Baoshan Iron and Steel Complex (BISC), China's most heavily invested and advanced

steel enterprise, the formation of the Baoshan United Iron and Steel Complex (Group) is regarded as a major step forward for the economic reform programme and the development of an export-oriented steel industry.

The 50 partners come from 11 provinces and municipalities. Apart from BISC, they include financial institutions, foreign trade institutions, scientific re-

yuan of fixed assets and 65 million yuan of liquid funds. Being a limited responsibility corporation, the individual members remain economically independent, but it is hoped that through pooling resources and knowledge they will all benefit mutually.

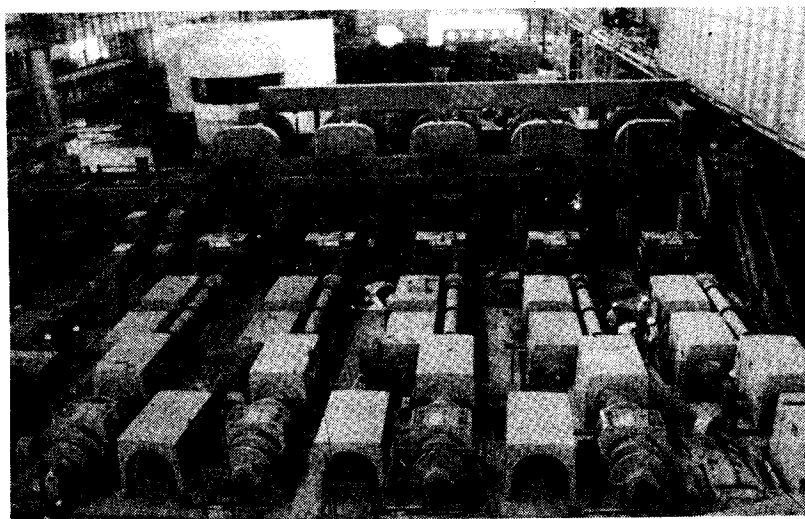
The group's management, however, has already expressed a wish that transition towards capital and management integration will

Ministry of Metallurgical Industry as a vice-minister, said feasibility studies and preparations had begun last year. After extensive consultation, the prospective members gathered in early May to draw up operational guidelines, elect a board of management and raise funds by buying shares.

At present, the group's headquarters are temporarily set up in BISC's Baoshan Hotel. The board of directors consists of chief executives from the major member enterprises, while the leading managerial personnel have all been drawn from BISC. This will change, said Li, with the development of the group.

At the heart of the group lies BISC. Since the seven-year first-phase construction of BISC, incorporating advanced Japanese technology valued at 12.8 billion yuan was completed in 1985, output has steadily increased. Last year, 3.08 million tons of iron and 3.24 million tons of steel, much of its up to international standards, were produced.

A second phase of construction is currently under way, involving a further 12 million yuan and using technology from the Federal Republic of Germany. As a result, the largest cold-rolling mill in China should come into production in September, followed by a continuous ingot casting and hot-rolling mill next year. By the time phase two is completed in 1991, annual output should be: 6.5 million tons of iron, 6.71 million tons of steel, 4 million tons of hot-rolled plates, 2.1 million tons of cold-rolled plates, 0.5 million tons of seamless tubes, and various chemical by-products. According to BISC's top management, plans are being drawn up for a third phase which should raise capacity to 15 million tons of steel a year. This construction programme has not only made BISC China's largest steel base, but has dragged



ZHANG PING

Chinese-made auxiliary equipment has been installed alongside the 2030 continuous roller imported from the Federal Republic of Germany in the complex's cold rolling mill.

search organizations, motor vehicle manufacturers, light industrial factories who use steel in their products, and other iron and steel plants from around Shanghai. Their combined workforce totals 470,000, of which 58,000 are engineers and technicians. Their total fixed assets are worth 17 billion yuan, and last year their output value amounted to 15 billion yuan, 4 billion yuan of which was handed over to the state as taxes or profits. Together they earned US\$200 million in foreign currency from exports.

So far, the group itself has a registered capital of 265 million yuan, split between 200 million

gradually occur among some of the partners.

There has already been widespread interest and support for this massive venture. The State Commission for Restructuring the Economy has given it official approval, and sent its representatives to stand alongside the minister of metallurgical industry and the mayor of Shanghai at the opening ceremony held on August 8 in Shanghai. The day after, representatives of foreign businesses and consular agents in Shanghai were invited to a reception addressed by the corporation's president, Li Ming.

Li, who also serves in the



in a dozen of the country's leading civil engineering and design companies. Their efforts won a national engineering technology prize for the first phase, and their experience in working with BISC should contribute a lot to the future development of the iron and steel corporation.

Other members of the group can broadly be split into three categories. First, there are the financial institutions: the Shanghai branches of the China Industrial and Commercial Bank, the Chinese People's Construction Bank, the Bank of Communications and the Bank of China.

technology. Shanghai Volkswagen Automotive Co. Ltd., Shanghai-Ek Chor Motorcycle Co. Ltd. and China International Iron & Steel Manufacturing Ltd. are not only customers for BISC's steel, but now have the opportunity through greater co-operation of exporting its brand-name products.

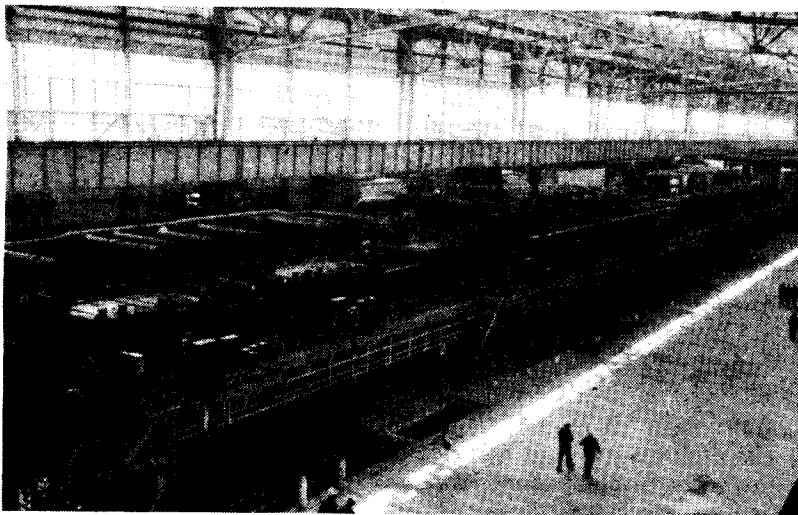
For similar reasons, other manufacturers of automobiles, electrical goods and light industrial products have joined the group. These include China's No. 1 and No. 2 automobile plants, the Wanbao Electric Industry Co., and the Shanghai General Wash-

Ministry of Metallurgical Industry, the Luoyang Refractory Materials Research Institute and the Shanghai Iron and Steel Research Institute—all of which have a long history of metallurgical research and should give the corporation the technological support it needs to move into new areas.

In possession of all this experience and knowledge, the group has listed seven areas of business in which it wants to get involved: contracting for national and international construction and renovation projects; offering services in the development, leasing and transfer of advanced technology supplemented by instruction and training; leasing machinery and electrical equipment; processing products for export; establishing new ventures both at home and abroad run directly by the group; establishing Sino-foreign design, manufacturing, processing and retail businesses; and handling imports and exports entrusted by foreign trade departments.

Despite barely having got off the ground, the group has already signed contracts with clients from both China and abroad. By far the most important of these is its 52.15 million yuan tender for the civil engineering work at Xujiahui on Shanghai's future subway network.

Although the world's iron and steel industry has been stagnating—if not positively declining—for some time, the Baoshan United Iron and Steel Complex (Group) is confident it can combine a common development of its 50 members with an advance towards international standards of iron and steel production and construction. In doing so, its top executives believe, it should raise the overall level of metal-based industries throughout China. ■



WU ZHUZHENG

The galvanizing units for the cold rolling mill have been installed ahead of schedule.

This is the first time such a powerful financial conglomerate has been incorporated into such a venture, and such financial backing has proved particularly attractive to foreign businessmen interested in financial participation. Second, there are foreign trade departments and Sino-foreign joint ventures. The China National Technology Import and Export Corporation played an important role during BISC's construction in securing the import of overseas equipment and

ing Machine Plant, Shanghai No. 3 Bicycle Factory and Shanghai No. 2 Refrigerator Plant. Additionally, several other iron and steel works from around Shanghai have signed up to supplement BISC's output.

Scientific research institutes make up the corporation's third group of members. The major participants are the Academy of Iron and Steel Studies, the General Institute for Architectural Research and the Automation Research Institute under the

# What Do Former Capitalists Do Now?

**Ex-capitalist industrialists and businessmen from the early post-liberation days became ordinary labourers in 1956 during the socialist transformation. Later they experienced the ordeals of the "cultural revolution." The introduction of China's open and reform policies since 1979, however, has again created an opportunity for them to serve China and the Chinese people with their special knowledge.**

by Our Correspondent Lu Yun

**W**hen the fifth national congress of the China Democratic National Construction Association (CDNCA) was held in June, this correspondent interviewed some former capitalists—national industrialists and businessmen from the early post-liberation days. All of them experienced the socialist transformation of 1956 which turned them into labourers, and the ten-year chaos of the "cultural revolution." However, the introduction of China's open and reform policies since 1979 has again created an opportunity for them to employ their special knowledge to serve China and the Chinese people.

## Eminent Politician

Zhu Ermei, 59, is now a deputy to the National People's Congress. Having served six years as deputy mayor of Ningbo, a coastal city in Zhejiang Province with a population of 4.9 million, Zhu was recently elected vice-chairman of the standing committee of the city's people's congress.

Zhu's grandfather ran a shop in Ningbo selling delicacies from southern China, and his father established a paper mill. Zhu became the director of the mill when he was only 20 and continued to work there after joint state-private ownership was introduced in 1955. During the

"cultural revolution," he was forced to do physical labour. In 1978, as a worker in a chemicals warehouse at the mill, he found some problems affecting product quality which were corrected and subsequently saved a considerable amount of money.

In February 1982, Zhu Ermei was elected deputy mayor of Ningbo by the city's people's congress. He was re-elected in October 1983 and was charged with the responsibility of overseeing the city's industrial production. In 1984, Ningbo opened its doors wider to the outside world, and Zhu was given the task of providing leadership for economic exchanges with other countries.

His progress has been watched with interest by many Hong Kong Chinese—especially those who left Ningbo after liberation in 1949. He represented the city when it decided to establish the Ningxing Co. Ltd. in Hong Kong as a showroom and business agency for its exports, and went to offer condolences after the death of Wong Kwan-cheng, a former chairman of the Chinese General Chamber of Commerce who originated from Ningbo.

Wong and other Hong Kong residents with roots in Ningbo, such as Sir Yue-Kong Pao, chairman of Worldwide Shipping Agency Ltd., have donated large funds to develop the city's economy and education.

Zhu said that many overseas Chinese who knew his personal history realized there had been serious changes in Chinese politics, but they still ask him if he means what he says—his answer is always "yes." He added, "As the former owner of a paper mill, my election to the post of deputy mayor has been particularly appreciated by Hong Kong businessmen."

In the latter half of 1985, Zhu took charge of the city's market, pricing, industrial and commercial administration as well as its national minorities and religious affairs. He worked on promoting the city's private economy and rural markets, stressing that industrial and commercial administrators should think more about the interests of the consumer.

To know more about the problems faced in day-to-day shopping, he personally wants out and bought vegetables. When water melon flooded the market, Zhu suggested individual customers who bought more than 25 kilogrammes should enjoy wholesale prices. At the same time, he proposed raising the bonuses of cleaners and keeping fruit in air-raid shelters to reduce the market price.

## Economic Adviser

Fang Zhanying was formerly a representative for a privately

owned insulating materials factory. When the China Democratic National Construction Association (CDNCA) and the All-China Federation of Industry and Commerce, founded the Beijing Advisory Services Company in April 1985, Fang was appointed its deputy general manager. Over the past few years, the company has provided advisory services in management and technological affairs to areas inhabited by minority ethnic groups, and helped import advanced technology and find investment.

In 1985, the Ulanhot Knitwear Mill in the Inner Mongolian Autonomous Region was in a desperate plight. Due to poor management it could even not issue wages to its employees. To help the mill resolve its problems, the company chose more than a dozen experienced technicians and managers to provide all-round advisory services, improve 20 old products and develop four new ones. At the same time, the company helped the mill find a supply of cotton yarn and open new marketing channels.

As a result, the mill became profitable the same year, and the amount of taxes it paid to the state increased 17-fold over the previous year.

Recently, Fang Zhanying cooperated with some old colleagues to set up a township-run factory in the suburbs of Beijing. The factory produces plastic toys and parts for colour television sets and refrigerators. Despite the fact that Fang and his colleagues are all approaching retirement, they have agreed to continue to work with the factory.

Yue Siliang was the owner of the Taikang Foodstuff Factory in Shanghai, China's biggest industrial metropolis. With 45 years of experience in the production of canned food, he made six trips to the Ningxia Hui Autonomous Region between 1983 and 1987 to

help develop its canned food industry. As a result, not only has 400,000 yuan been saved, but annual output has risen from 200 tons to 500 tons, and the region has imported advanced foreign equipment for canning tomatoes, some of which are now exported.

For his achievements, Yue Siliang was commended by the Central Committee of the CDNCA, of which he is a member, and was recently nominated a model worker by the Shanghai municipal government for promoting unity between nationalities.

### Foreign Trade Services

In the 1940s, Bai De-o, now 68, was the manager of a small foreign trade firm in Shanghai. He retired eight years ago in line with state regulations and could have stayed at home to lead a life of comfort. But, the wave of reforms and the open policy stimulated his patriotic enthusiasm. He has kept working—writing books and giving lectures—to pass his experience in foreign trade on to younger people. In addition, through his relatives and friends abroad, he has helped foreign businesses willing to trade with China find Chinese partners.

According to Bai, the CDNCA Shanghai Committee has more than 60 members with experience in foreign trade. Like Bai, they are all around their 70s, and over the past eight years they have helped foreign trade departments accomplish business worth 123.33 million yuan. They have also formed an advisory group on foreign trade practice which lectures in Shanghai and other open cities. The group has published two books—*A Handbook for Export Documentation* and *Foreign Trade Practice*—and this year another three are in the pipeline. These books have met an

urgent need in the training of foreign trade personnel and have been circulating widely. Although the government allows compensation for services and the Shanghai Committee of the CDNCA has suggested they receive some pay, these veterans have persisted in giving their services for nothing. Bai said, "We are keen to support socialist construction, and the country's economy will only flourish when foreign trade is fully developed. If our experience can be of some use to society, we will all be very pleased."

Now, these former capitalists frequently travel between various foreign trade companies looking for partners for the overseas businesses with which they still keep contact. Over the past eight years, they have played host to more than 5,000 overseas business representatives from more than 20 countries and regions.

M.T. Chen, 77, has a friend in Hong Kong who recently had talks with the Shanghai Silk Import and Export Corporation. Due to insufficient production capacity, nothing came of them. When Chen heard that the municipal handicraft bureau had the facilities to process silk clothes, he got in touch with both sides and now the Hong Kong businessman does US\$10 million worth of business with the Shanghai Silk Import and Export Corporation.

C.Y. Tai, 73, was a businessman handling machinery imports before liberation. He heard from an American friend that the United States had a sesame husking machine more advanced than any in Shanghai, and that sesame husks could be used for producing medicines. Immediately he contacted the Shanghai Cereals and Oils Import and Export Corp., and after many rounds of talks, an agreement was signed with the American producer. Now, a joint venture

factory is being built, with the American side providing the equipment and the marketing necessary to sell all its output in the United States.

## Business School

In 1985, the Shanghai Institute of Business Administration, the first privately operated institution of higher education in the city, was founded under the auspices of the CDNCA Shanghai Committee and the Shanghai Federation of Industry and Commerce. Specializing in adult education in the fields of finance and economics, its board of directors comprises many well-known entrepreneurs, educators and distinguished scholars from China and abroad. The chairman is Liu Jingji, a prominent entrepreneur who is concurrently the vice-chairman of the National Committee of the Chinese People's Political Consultative Conference and the sponsor

of the institute. The board has engaged Ding Chen, an economics Ph. D. from Harvard University, as president of the institute. Of the four vice-presidents, Sun Pijin presides over the day-to-day work.

In the 1940s, Sun once served as manager of the Shanghai Fengsheng Industrial Co. After 1978 he volunteered to teach English in the workers' university run by the Shanghai Textile Machinery Corporation. As he is still deputy secretary-general of the CDNCA Shanghai Committee, he can only go to the institute in the afternoon, where he is in charge of administrative work and the hiring of teachers.

The institute takes both students on a two-year university course and short-term trainees. For instance, it has offered short-term training to 120 people from the military services. As their class teacher, Sun personally drew up the teaching programme and daily schedule as well as looking after the ideological work. The course

advocate that students manage their own affairs, and much attention is paid to combining a curriculum with regular and systematized teaching.

Well-known scholars and entrepreneurs have been invited to give lectures, and the trainees have been organized to visit foreign trade institutions and Sino-foreign joint ventures. They all have learnt a lot, and some of them can now hold business talks with foreign representatives or go on overseas business tours.

As Sun is very busy, he only returns home late at night. Among the teaching and administrative staff of the institute, there are many former capitalists like Sun. All of them have worked hard, and the institute now has 1,750 regular students and has trained 1,055 people through short-term courses. When they complete their studies, the students all know they can serve society with the knowledge they have learnt from people well-versed in business and foreign trade. ■

## Taiwan Reporters in Beijing

**Over ten Taiwan reporters came to Beijing via Hong Kong or Singapore on the pretext of visiting their relatives. On arrival the reporters, arousing interest in Beijing press circles, not only arranged interviews in Beijing but found themselves also being interviewed.**

by Our Correspondent Wei Liming

Three scientists from Taiwan representing the island's scientific circles arrived in Beijing on September 11 to attend the 22nd General Assembly of the International Council of Scientific Unions (ICSU). The event drew the attention of the media, because the delegation is the first approved by Taiwan authorities to attend an international meeting here. To

gather news of the delegation on the mainland, more than ten Taiwan reporters also came to Beijing via Hong Kong or Singapore on the pretext of visiting their relatives. On arrival the reporters, arousing interest in Beijing press circles, not only arranged interviews in Beijing but found themselves also being interviewed.

Miss Clara Chou, reporter from the *United Daily News* said in an interview that before coming to the mainland she had planned to file an article about Mr. Qian Xuesen, chairman of the China Association for Science and Technology. Because Miss Chou had carefully studied Qian's photo in advance and made other preparations, she recognized Qian



at first sight at the opening ceremony, and snapped up the chance to interview him.

Miss Chou asked Qian about the current situation in science and technology on the mainland.

As compared with advanced countries, Qian said, China still lags behind in the development of science although the country forges ahead of others in certain fields. The main reason for this is shortage of money, which hinders scientific progress. Insufficient funds, Qian said humourously, of course, can be solved through the wisdom of the Chinese people.

Noted scientist Qian, returning to China from the United States in the 50s, took charge of the research and manufacture of China's missiles.

When asked his views on the manufacture of atom bombs in China, Qian replied firmly, atomic research and the manufacture of atom bombs is very necessary for China, it has established China as a power country in the world.

The interview with Mr. Qian made a good impression on her.

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***Jay Fang works for the 'China Times Press.' He told 'Beijing Review' that he had sent back several reports altogether more than 10,000 words long. His great interests are the development of scientific philosophy and scientific studies, which he holds scientists on both sides of the Taiwan Strait should be concerned about. He professed ignorance of the development of science and technology on the mainland. The essence of science is to benefit mankind, he continued. Social progress can not be judged by a country's GNP only.***

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Miss Chou explained that many people in Taiwan had the idea Mr.

Qian had died. Others thought that at his age, he must be senile. However, after seeing the photo of him taken at the current meeting in the *United Daily News*, many Taiwanese were surprised to see how well he looked. The photo created quite a stir.

Jay Fang works for the *China Times Press*. He told *Beijing Review* that he had sent back several reports altogether more than 10,000 words long. He graduated from the University of Minnesota with a master's degree in biology. His great interests are the development of scientific philosophy and scientific studies, which he holds scientists on both sides of the Taiwan Strait should be concerned about. He professed ignorance of the development of science and technology on the mainland.

The essence of science is to benefit mankind, he continued. Social progress can not be judged by a country's GNP only. Mr. W. Shea, secretary-general of the Commission for Scientific Philosophy and History of ICSU, said much the same to him in an interview during the meeting: Measuring the well-being of a country only by GNP will lead one astray, because GNP may not truly reflect the happiness of all its people.

Though Fang is young, the impression he gives is that of a thinker. In his opinion, policy-making for science and technology and for the direction of scientific development are very important to a society.

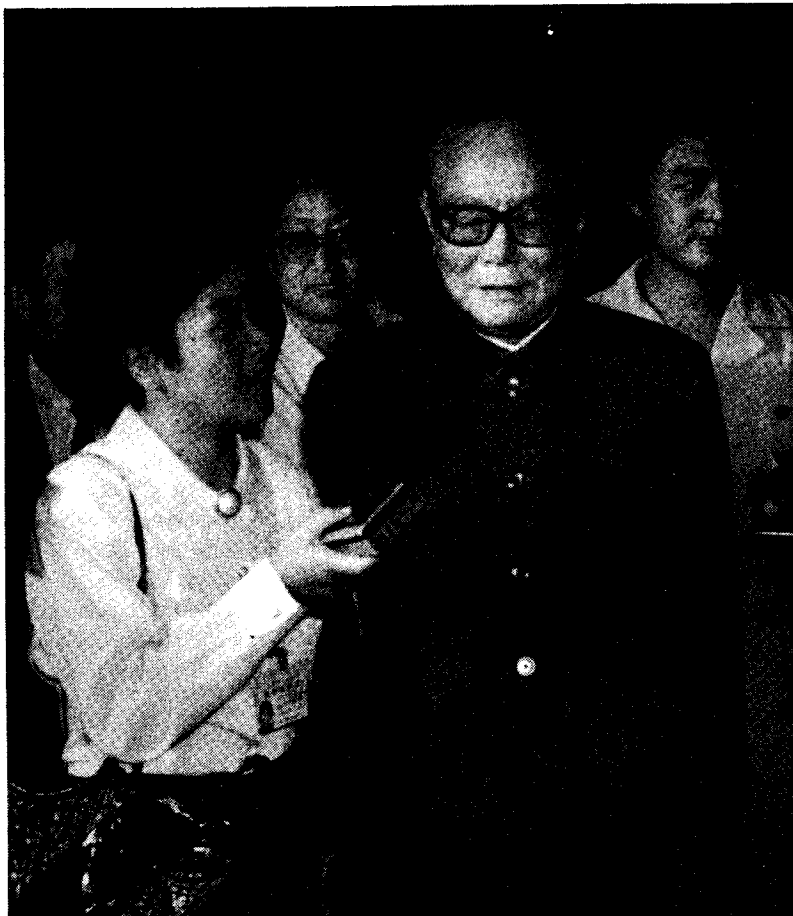
Taiwan colleagues on the mainland for the first time are keenly interested in many fields. Miss Chou even wanted to interview pedlars on the streets, and deemed it a pity she couldn't find the time.

Mr. Luo Kuochun is also from the *United Daily News*. He had

**Geoscience Professor Yeh Yeong Tien (second from right) and two other scientists from Taiwan's Academia Sinica attend the 22nd ICSU General Assembly held in Beijing.**

YANG WUMIN





WANG JINGDE

Li Xiannian, chairman of the National People's Political Consultative Conference, being interviewed by Taiwan reporter Clara Chou. Asked how long he thought it would be before the mainland and Taiwan were reunited, Li replied, "the sooner the better."

expected there must be a heavy political atmosphere on the mainland—wherever you went, you would see slogans and posters. But this time, he said, I was taken by surprise. The only slogan I saw was at the Beijing Airport. Besides, he expressed appreciation for the TV programme on international news via satellite, saying it could help Chinese people know more about the outside world.

When speaking about living standards on the mainland, he said that China still has a long way to go to catch up with Taiwan. Shops are not well stocked. He himself is

a political reporter. After the meeting, he wants to cover some aspects of the mainland's social system and people's life.

In Taiwan, what with the intense competition in press circles, reporters have to be very active in their work. The last to arrive in Beijing was Miss Wu Yuanhua from *Ta Hua Evening News*. As soon as Miss Wu arrived in Beijing, she went straight to the scientific conference though her accommodations had not yet been arranged.

Miss Chou, who is in charge of reporting foreign affairs in the *United Daily News*, is very grateful for the help provided by working

members of the meeting and other mainland people. She had been to many countries to cover international conference, she said, but she felt that few could equal Beijing in providing convenient arrangements. Their mainland colleagues were deeply impressed by the Taiwan reporters' active working spirit even in the face of the many difficulties caused by not being familiar with the people and places.

The two sides of the Taiwan Strait have been out of touch for political reasons for 40 years. Now that reporters of the mainland and Taiwan have the chance to get together, they find they sometimes run into inconveniences in their talks because of the long separation. For example, translations of scientific terminology often differ between the mainland and Taiwan. This causes considerable trouble in the exchange of science and technology between them. Even my name is a stumbling block to Taiwan reporters. When they see it in writing they look perplexed, because none of them can read the character of my surname (Wei). This is because it's one of the simplified Chinese characters popularized on the mainland in the early 50s. Today, Taiwanese still use earlier more complicated forms of Chinese ideographs with many strokes. We are all Chinese, yet we can't always recognize each other's written words. This makes us feel it all the more urgent to increase exchanges between the two sides.

Miss Chou hoped that some day Taiwan's news media would be allowed to send reporters to Beijing to set up permanent offices so that Taiwan people could get the latest news from the mainland without delay. As for the mainland reporters, they hoped to be the first mainland newsmen to go to cover Taiwan. ■

# Rural Reform

It is almost ten years since the historic Third Plenary Session of the 11th Central Committee was held in December 1978. For almost a decade China has been open to the rest of the world. Its economy has undergone major reforms — as have other fields. Starting with this issue, 'Beijing Review' presents a ten part series written by the State Statistical Bureau on the changes that have taken place. We hope they will prove useful to readers studying contemporary China.

by the State Statistical Bureau

The curtain was raised on rural reform with the introduction of the contracted household responsibility system in 1978. Releasing market forces, raising the prices of farm and sideline products and allowing diversification of production kindled the pent-up economic zeal of hundreds of millions of farmers. The rural economy developed fast in an all-round way.

Further reforms have initially proved successful. Unified state purchasing and marketing of grain has been replaced with contract buying and the structure of rural production has been adjusted to meet the demands of the market.

## Economic Development

— **Co-ordinated growth.** In 1987, gross output value of social products in rural areas reached 943.2 billion yuan, 230 percent up on 1978 and an average annual increase of 14 percent in real terms. Agricultural output value was 467.6 billion yuan, up 76.8 percent. The average annual growth rate of 6.5 percent far exceeded the 2.6 percent of the

previous 26 years, putting an end to the steady but slow development of rural production.

At the same time, diversification has taken place: compared with 1978, in 1987 farm produce was up 54.3 percent; forestry, 69.5 percent; stock raising, 120 percent; sideline products 280 percent; and fish production, 160 percent.

As agriculture has expanded, non-agricultural occupations have put down roots. With the development of rural industry, building, transport and commerce, non-agricultural output value rose to 475.6 billion yuan in 1987 — 6.5 times the 1978 figure. The average annual increase for the decade was 23.2 percent in real terms.

— **Increase in major farm products.** Grain output in 1987 reached 404.73 million tons, China's second highest harvest after the all-time high of 1984. Cash crop output has also increased considerably:

— **Growing range of industrial products.** Village and township enterprises are now not only manufacturing sideline goods but also an increasing number of heavy and light industrial products. In 1987, raw coal output

from those enterprises reached 239 million tons; silk fabrics, 630.2 million metres; and edible cottonseed oil, 1.368 million tons — respectively 2.4, 9.1 and 2.6 times up on 1978.

	1987 (million tons)	Increase over 1978 (%)
Cotton	4.25	96
Oil-bearing crops	15.28	190
Sugar-bearing crops	55.5	130
Jute, ambarry hemp	2.08	54.1
Cured tobacco	1.94	56.5

## The Co-ordinated Structure of Production

The rational adjustment of the structure of agricultural production has changed the rural economy from being backward

	1987 (kg)	Increase over 1978 (%)
Grain	1286.3	19
Cotton	13.5	75.3
Oil-bearing crops	48.6	160
Meat	63.1	110
Aquatic products	30.4	84.2

and merely self-sufficient into a co-ordinated series of primary, secondary and tertiary industries.

— **Balancing grain and cash crops.** Under the guidance of the principle “Lose no effort in grain production while energetically developing a diversified economy,” low grain-yielding land has been switched to cash crop production and arable land to forestry and animal husbandry. In terms of areas sown, the ratio between grain, cash crops and other farm products in 1978 was 80:10:10, by 1987 it was 77:14:9.

— **Rectifying the neglect of forestry, animal husbandry, sideline production and fisheries.** With a total output value of 183.8 billion yuan in 1987, products from these areas accounted for 39.3 percent of total output value in rural areas—a large increase on the 1978 figure of 23.3 percent. The percentage of farm products decreased correspondingly from 71.7 percent to 60.7 percent.

— **Non-agricultural production surpasses agricultural production.** Output value of rural industry, building, transport and commerce rose from 31.4 percent of gross output value of social products in rural areas in 1978 to 50.4 percent in 1987. This rapid development has dramatically raised the importance of the countryside for China’s economy

as a whole. In 1987, the gross rural output constituted 40.9 percent of China’s GNP as against 29.8 percent in 1978.

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***Farmer’s income and living standards have greatly improved during the last ten years. However, there are still some destabilizing factors at work in the countryside. To ensure the future prosperity of the rural economy, the reform programme has to be continued and deepened, with priority given to the sustained and steady development of agriculture, further improving the unified state purchasing system and expanding the use of modern agricultural technology.***

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### Improvements in Economic Efficiency

— **Rise in productivity.** Agricultural output value per capita in 1987 was 2,400 yuan, up 2.5 times on 1978 in real terms.

The average amount of products in kind of every farmer increased sizably from 1978-87:

— **Arable output up.** In 1987, the per-mu output of grain was 242 kg (up 43.2 percent on 1978); cotton, 58 kg (93.3 percent); and oil-bearing crops, 91 kg (62.5 percent).

— **Rising commodity rate.** The percentage of farm and sideline products sold as commodities rose from 45.2 percent in 1978 to 58.2

percent in 1987. Industrial and other rural commodities sold on the market rose from 53.7 percent to 69 percent.

The development of the rural commodity economy has provided light industry with a rich source of raw materials. The output value of light industry using raw materials from farm and sideline products was 342.6 billion yuan in 1987, 2.8 times the 1978 figure with an average annual growth rate of 12 percent in real terms.

The development of the rural commodity economy reduced the pressure of domestic demand for farm and sideline products, creating possibilities for the development of an export-oriented economy. By 1987, export volume of farm and sideline products totalled US\$16.34 billion, up US\$10.23 billion on 1978.

Farmer’s income and living standards have greatly improved during the last ten years. The per-capita net income of farmers in 1987 was 463 yuan, up 134 yuan from 329 yuan in 1978. This has led to the accumulation of funds for the expansion and improvement of rural production.

In 1987, farmer households owned: 610,000 large or medium-sized tractors (69 percent of China’s total); 4.96 million small-sized (including walking) tractors (93.6 percent); 360,000 heavy-duty trucks (65.4 percent); and 4.14 million generators for irrigation and drainage (60.5 percent).

However, there are still some destabilizing factors at work in the countryside. To ensure the future prosperity of the rural economy, the reform programme has to be continued and deepened, with priority given to the sustained and steady development of agriculture, further improving the unified state purchasing system and expanding the use of modern agricultural technology. ■



## Beijing Hails World Tourist Day

To celebrate World Tourist Day on September 27, Beijing has arranged a series of special events. These include:

—Organizing information centres in the city's main thoroughfares and scenic spots manned by 2,000 teachers and students from Beijing's tourist institutes.

—All hotels for foreigners and overseas Chinese will offer a 20 percent discount to individual visitors and arrange rich and colourful night-time activities;

—Running special transport to Beijing's main hotels and scenic spots;

—Two cities and three provinces—Beijing, Tianjin, Hebei, Liaoning and Jilin—are jointly organizing "Last Emperor" events. In the Forbidden City's Palace Museum, more than 200 pieces of Pu Yi's personal possessions and photographs

dating from his stay in the palace (1908-24) will be on view. Coins issued in the Qing Dynasty (1644-1911) will be on sale for the first time.

—A "World Tourist Day" event and a "Golden Autumn Scientific Technological Fair" will be held among the ruins of Yuanmingyuan.

"World Tourist Day" is sponsored by the World Tourist Organization (WTO), which China joined in 1983.

In 1987, the National Tourism Administration decided to nominate one of China's major tourist cities as a centre for celebrations on "World Tourist Day" each year. Shanghai was the first city to be chosen, and its efforts proved so successful it won a prize from the WTO.

by Han Guojian

particularly interested in experiencing the last emperor's life can even stay the night.

by Han Guojian

## News in Brief

■ After a 17,000 km drive from Paris, the 30 cars of the Beijing International Auto Rally pulled into Tiananmen Square on September 2.

Half of the travellers for the one-and-half month journey were women. They left Paris on July 16, to pass through a dozen countries, including Switzerland, Italy, Yugoslavia, Egypt, Syria, Jordan, and Pakistan.

They crossed the Khunjerab Pass on the Chinese-Pakistan border on August 14, to finish off the drive with a 5,000 km trip within China along the legendary Silk Road.

The rally was sponsored by the French Automobile Club and the France-China Friendship Association.

■ In 1987, 28,100 foreign travellers visited Shanghai—more than 50 percent up on 1986. The Shanghai branch of the China International Travel Service hosted passenger ships from 64 countries including Japan, Britain, Greece, Denmark, Norway and the Soviet Union.

In 1988, shipping companies and travel agents have said they would arrange for more tourists to visit China through closer co-operation with Shanghai, and so the number of passenger ships is expected to increase.

■ China will take a tourism exhibition on the road in Japan from the beginning of October. Major tourist cities in 12 provinces and municipalities and the China International Travel Service are taking part in the exhibition, the largest of its kind China has ever put on. Slides, photos, models, films and artifacts will be displayed to show the latest in tourist development. ■

## Tourists Follow on Last Emperor's Heels

The international success of the nine Oscar-winning film *The Last Emperor* has brought many new visitors to China this year. Among them was Jordi of Spain who visited Beijing's Palace Museum on his second China trip after seeing the film.

To satisfy the desire of overseas travellers to find out more about the real life of Pu Yi, Beijing, Tianjin, Liaoning, Jilin and Hebei have organized a series of special events to take place on September 27 this year, China's International Tourist Day.

In Beijing, visitors will be shown around the Palace Museum, the last emperor's home in his early years. Many of his personal possessions will be displayed for the first time. At Gongwangfu, Pu Yi's birthplace, the manuscript of

his autobiography *The First Half of My Life* will be on view with an exhibition of his and his family's paintings and calligraphy.

In hotels and restaurants across the capital, palace banquets will be served to the accompaniment of court music and dancing.

In 1924, Pu Yi was driven from his palace in Beijing and went to live a secluded life in Tianjin until he was made a puppet emperor by the Japanese in the 1930s. Both his residence in Tianjin and the Manchu Palace in Changchun, Jilin Province, are now open to visitors.

At the Reform-Through-Labour Camp for War Criminals in Fushun, Liaoning Province, tourists can view the spot where Pu Yi carried out his reform through labour. Those who are

## China Looms Large in Wool Market

In 1987, China became the second largest buyer on the world sheep's wool market. It imported 175,000 tons, exceeding France and Japan.

In the first six months of this year, 90,000 tons were imported, and the total for the whole year is expected to be 200,000 tons.

The principal reason for the growth in imports is the rocketing demand for wool in China. According to an official from the Raw Materials Bureau of the Ministry of Textile Industry, in 1984 China's domestic output of 180,000 tons needed little supplement from imports to meet the textile trade's demand of 120,000 tons.

Since then, however, the demand for wool on the domestic market has surged—it now surpasses that of the United States, the Soviet Union and some European countries. It is estimated that with China's present production capacity, there will be a shortfall of 170,000-180,000 tons annually.

The problem stems from the lack of expansion in the sheep breeding industry. During the Sixth Five-Year Plan period (1981-85), the number of sheep in China fell by 17 percent. In the three years since then, the number of sheep has risen, but only slowly: the amount of wool produced in 1987 was just 6 percent up on 1986.

A 10 percent increase is predicted for this year, but even if this rate is maintained, China cannot expect to meet current domestic demand for another decade.

The official said, however, that in 20 years time, the demand for wool was likely to have risen so much as to make it impossible to

rely solely on home-produced wool.

At present, all woollen products exported by China use imported wool, as do most products on the domestic market. It is unlikely that this situation will change in the near future.

by Yao JIanguo

## Substandard Goods Dumped on China

Huge consignments of equipment imported into China have been discovered to be substandard, defective, or not what was ordered by Chinese inspectors in the first four months of 1988.

The list includes:

- 27 out of 73 batches of power equipment.
- 45 out of 148 batches of electrical equipment.
- 305 out of 897 batches of light industrial machinery.

Most of these substandard products came from Italy, the Federal Republic of Germany, the United States, Japan, Hong Kong and Taiwan. Some of the equipment has proved to be out of date and of poor quality, as Shanxi Province discovered when it bought Taiwanese glass production equipment costing US\$1.02 million via a Hong Kong businessman. Not only was the machinery old and substandard, but the technological blueprint did not match the materials delivered.

In this case, the Chinese Commodity Inspection Bureau forced the Hong Kong businessman to take back the goods.

Inspecting officials in Shenyang, the capital of Liaoning Province, discovered that some components were missing for the

rolling mill equipment imported from the United States and those that had been delivered were covered in rust. It subsequently came to light that the machinery had been manufactured in the 1960s in the United States and had been discarded as obsolete.

Consignments have been received with inferior components. The Ministry of Railways bought two American bearing heat treatment production lines, and Anhui Province imported machinery from Hong Kong for extracting oil, none of which have worked because of poor-quality parts.

Some equipment has also failed to meet contract models and specifications. Hunan Province spent US\$700,000 on Japanese rice flour, pressed salt duck and cake production lines. The rice flour machinery proved so backward it was not installed, and the cake line ran poorly at full capacity due to a lack of moulds.

The Baotou Iron & Steel Works bought US\$1.29 million worth of equipment from the Federal Republic of Germany. On arrival, 284 components were missing.

The dumping of substandard equipment and breaches of contract have caused heavy losses to the Chinese economy. The various departments concerned plan to strengthen administration and inspection of imports, and to take legal action wherever necessary. ■

## Insurance Company Ups Foreign Trade

The People's Insurance Co. of China (PICC) earned US\$203 million from overseas-related business in the first six months of 1988, up 26.26 percent on the same period last year, according to an official of the company's Intern-

ational Business Department.

The company's annual income was US\$270 million in 1986, and US\$316.75 million in 1987. It has insured overseas-related matters for nearly 40 years, and now has more than 30 solely or jointly owned branches around the world in places such as the United States, Britain, Singapore, Hong Kong and Macao.

With the rapidly expanding business in recent years, the company has opened new offices in New York, Hamburg and Tokyo. It has more than 400 overseas representatives inspecting and settling claims, and has established business ties with lawyers and arbitration agencies in the United States, Britain and Hong Kong.

PICC currently offers to insure more than 80 different items, such as the transport of imports and exports, processing raw materials, compensatory trade, building projects, animal husbandry, civil aviation and nuclear power stations. It plans to offer insurance for satellite launches in the near future.

In addition, it has established reinsurance business relations with more than 1,000 insurance and reinsurance institutions in over 100 countries and regions throughout the world.

The company reports that it deals with 30,000-40,000 insurance claims each year. In processing them it tries to live up to its reputation of "taking the initiative and being rational, accurate and quick."

To date, 90 percent of China's imported cargoes and 60 percent of its exported ones, as well as most foreign funded companies and foreign diplomatic and trade missions in China have used PICC's services. As a result, it is the largest company in China insuring overseas-related matters, and now has 1 billion yuan of capital.

Other insurance companies in China undertaking similar business include Shanghai's Bank of Communications and the Pingan Insurance Co. in Shenzhen.

The China International Trust and Investment Corp. and the China Shipping Corp. are also currently establishing their own overseas-related insurance company, which it is said will be called China International Insurance Co. Ltd. ■

## Zhenjiang City to Host Trade Talks

The newly founded industrial city of Zhenjiang in Jiangsu Province will hold its largest series of talks on economic co-operation with overseas businesses from October 3-6. More than 700 foreign businessmen from around the world have been invited to this city on the lower reaches of the Changjiang (Yangtze) River.

Zhenjiang has selected more than 140 local products for possible joint ventures, co-operative enterprises or compensation trade. They include machinery, electronics, textiles, building materials, chemicals, medicines, and metallurgical and light industrial products. Among the larger specific projects on offer are cement production, digitally controlled lathes, and aluminium and titanium oxide processing.

During the talks another 4,000 products from the area will be on display. They will include both traditional Chinese products and recently developed ones aimed at the world's markets, such as foodstuffs, light industrial products, medicines and other health goods, and various kinds of machinery. ■

## News in Brief

■ To help overseas businesses and compatriots from Hong

Kong, Macao and Taiwan with their legal matters, the Tianping Law Office was established in Beijing on September 1. The office specializes in matters relating to co-operation between Chinese and foreign companies, handling negotiations, drawing up contracts and registering new ventures.

■ China's first joint venture advertising agency—the Dashijie (Great World) International Advertisement Co. Ltd.—was set up in Beijing on September 2 with an American company.

The agency is expected to have a turnover of 1 million yuan in its first year of business. The contract signed has a duration of 10 years.

■ More than 72 overseas companies and 170 Chinese factories had goods on display at the International Packing Exhibition held at the Beijing Exhibition Centre from September 9-15.

The exhibition was jointly organized by the China Council for the Promotion of International Trade and the China Packing Technology Association. The main products on display included machines for automatically packing liquids, solids and powders, label printing and sticking machinery, automatic production lines, and vacuum packing machines.

■ The Guangdong Jianlibao Soft Drinks Group earned US\$22 million from exports in the first eight months of 1988—318 percent up on the same period last year.

The drinks were sold to the United States, Canada, Singapore, Malaysia, Indonesia, Brunei, Japan, Thailand, the Philippines, United Arab Emirates, Panama, Hong Kong and Macao.

The company's drinks have been selected as the official beverage for the 11th Asian Games and for the Chinese team at the Seoul Olympics. ■

## Jia Bo's Paintings a Kind of Blue

**B**lue dominates the work of Jia Bo, a 26-year-old painter from Jiangxi Province, as could be seen in his man exhibition *blue south* held recently in Beijing.

Jia draws his themes from daily life in his hometown. He has adopted blue as his basic colour because of its widespread use in the flower designs printed on white hand-woven cloth in south China's countryside.

This cloth is used for clothing,

Returning From the Fair.



Burning Incense in April.



curtains, bags and decoration. Jia feels that by transferring it to his paintings he can express both the mood of the figures that populate his work and his own emotions. Certainly, it gives his art a vivid, clear-cut touch.

*Returning From the Fair* is an attempt to depict the honest and natural beauty of three rural women. Using blue to evoke a mood of serenity and harmony, Jia simultaneously conjures up a feeling of rough vitality mingled with desire and satisfaction.

*Burning Incense in April* has a group of old women paying religious homage. Seen from behind, their heads are slightly lowered to indicate honesty and loyalty. The ochre of their incense bags across their backs contrasts strongly with the mixed blue hues of their clothes to create a work tinged with mystery.

*Lover* offers a powerful contrast. Using an expressionistic style of bold lines and strong contrasting colours, Jia has succeeded in transmitting the delicate emotions of his subject.



Lover.

All by JIA BO

Jia is a graduate of the Zhejiang Academy of Fine Arts. He is now responsible for designing exhibitions at the Museum of the Chinese Revolution, and principally paints in his spare time.

With blue he believes he has found the proper medium to express himself and develop his own characteristic style. He says of his work, "It's not just an effort to perfect my technique but of delving ever deeper into life."

by Feng Jing

## Regong Art — Buddhist Paintings

*Regong* is the name given to the Buddhist Paintings and sculptures produced in Tongren County, an area of the Huangnan Tibetan Autonomous Prefecture in Qinghai Province. Qinghai has the largest Tibetan population outside the Tibetan Autonomous Region.

Two of the most popular mediums for *regong* artists are frescoes and scrolls, known as *tangka* in Tibetan. Using a style not dissimilar to *gongbi* (a traditional Chinese technique involving delicate lines and fine details), most *tangka* are devoted to portraying Buddha or Buddhist stories.

*Tangka* grew to maturity from the mid-17th to the early 19th century. It is characterized by simple tones, harmonious colours and flowing lines.

The frescoes at the temples of Wutun and Niandu feature fine examples of *tangka*. Buddha is depicted in many different poses—sitting, standing, walking, dancing—and many different moods—majestic and frightening, genial and benevolent.

One of the paintings shows Sakyamuni deep in contemplation inside his palace. Outside, many people can be seen suffering. He wants to aid them, but guards are preventing him from leaving. Other paintings depict rural scenes or feasting.

*Regong* artists' handling of gold lacquer is revealed at its best in





A statue of Buddha in a Tongren County temple.



A clay Buddha statue on display in Tongren County's Art Gallery.

these works. By carefully coating their paintings, they not only produced a delicately grained surface but managed to generate a three-dimensional effect.

Sculpture is another popular form of *regong* art. Not only have many clay Buddhist statues been preserved in temples, but the doors and pillars of ordinary houses are decorated with carved



Xiawu Calrang finishing a 'tangka' fresco.

Photos by YANG LIMING

reliefs and often contain small shrines with wooden figures of Buddha. Many artists still like to carve butter into religious or natural forms, which prove highly popular with local people.

Like *tangka*, *regong* sculpture reached maturity in the period running from the mid-17th to the early 19th century.

One of the most outstanding contemporary *regong* artists is Xiawu Chairing. Born into a family of *regong* artists stretching back over four generations, he learnt his initial skills from an uncle. His skills were honed through his friendship with the late Chinese artist Zhang Daqian, who taught him the rules of proportion and perspective in return for his knowledge of mixing colours.

Together, Xia and Zhang visited the grottos at Dunhuang to study and copy the frescoes, and Xia's work can be seen in many temples across Qinghai.

Xia says that of his 300 works, the one he is most satisfied with is the Amitabha statue he finished in 1977. A portrait of it stands in his home.

This April, Xia was awarded the

title, Master of Chinese Applied Arts, at the Third National Congress of Artists and Technicians of Applied Art held in Beijing.

by Yang Liming

## Husband & Wife On the Silk Road

Zhao Congxiong and his wife Geng Yukun, from the Beijing Studio of Art and Calligraphy, drew from their impressions from the ten journeys they made along the ancient silk road since 1975 to paint vivid landscape scenes.

At the end of last year, the couple visited more than 40 scenic spots and historic sites in Iraq and recorded local sceneries with their paint brushes. An exhibition of their paintings held in July centred on this trip to Iraq, the western trip of the ancient road linking culture and trade between the East and West.

The exhibition opens up the wonders of the world in Babylon—the site of the famed hanging gardens and stone lion statue, the splendid mosque, the sun city's central hall of the gods,

and modern sculptures in Baghdad's streets.

On display is also a painting of the statue of Maierjiana, a character from the story of *Ali Baba and the 40 Thieves* from the famous *The Thousand and One Nights*. In the picture, Maierjiana is holding a two-handled jar with both hands. It was in jars like this one that the clever woman burned the thieves who had hidden in jars one after another with boiling oil.

One traditional Chinese painting, *Adam and Eve*, by Geng Yukun depicts a clay model in the Babylon Museum. She models the figures onto a palm tree which embodies life.

Geng and Zhao, although in their 50s, are still very energetic. They have already visited six provinces on the silk road in northwest China, travelling 200,000 kilometres, and painted over 2,000 works, and more than 4,000 sketches. They have held six painting exhibitions.

The couple plan to visit other countries on the western trip of the silk road, such as Iran, Turkey and Pakistan, to depict an even more complete picture of the silk road.

by Wei Liming

## Where the White Animals Room

**M**ore than 20 species of white animals have been spotted in Shennongjia Forest in central China's Hubei Province.

The animals include monkeys, bears, wolves, snakes, squirrels, crows, turtles and spiders and so the area has become known as the home of the world's white animals.

During the 1950s, several white bears caught in the forest were put on display in Zhongshan Park in Wuhan, capital of Hubei.

In 1977, a team was organized by the Chinese Academy of

Sciences to clarify reports of "wild men" in the area. Instead of catching "wild men," they returned with various species of white animals.

Initially no one was aware of the scientific importance of these creatures. Now, however, Chinese scientists believe they are descendants of ancient species, and that their whiteness has been caused by either inbreeding of albinos or environmental influences.

Species of white animals exist across the world: polar bears in the arctic, tigers in India, monkeys in Taiwan, Guangxi Zhuang Autonomous Region and Yunnan Province. Most of these animals, however, are extremely rare, whereas experts who have visited Shennongjia Forest have been surprised at both the range of species and the size of their populations.

## More Countries Teach Chinese

**T**oday the Chinese language is being taught in more than 60 countries. Many universities and colleges have Chinese departments or offer Chinese as a speciality. And in some countries secondary and primary schools have placed Chinese on their curriculum.

In Federal Germany, the number of people learning Chinese has doubled and redoubled during the past few years. In 1986 there were nearly 2,000 students learning the language in universities and colleges, and 20 secondary schools offered Chinese courses, compared with four in 1984.

Commenting on the growing interest in learning Chinese, Zhou Min, an official of the London Bureau of Education in charge of audio-visual language instruction said that as China develops its

trade with foreign countries, its language will be considered increasingly important in Britain and other countries. As a matter of fact, many British organizations are already paying attention to employing people with a knowledge of both Chinese and English.

To satisfy the intense popular interest in Chinese studies, China now has 60 institutes of higher learning and three special colleges that offer Chinese language courses to foreign students and overseas Chinese.

## China Wins Pater Awards

**A** two-day meeting for the presentation of the Pater Awards was concluded at World Expo'88 in Brisbane recently, with three Chinese media organizations winning prizes in this year's awards.

The Pater Awards are organized by the Australasian Academy of Broadcast Arts and Sciences on an annual basis with the aim of promoting the radio, film and television industry in the Asia-Pacific region.

Radio Beijing—or China International Broadcasting Station—as it is officially known has won a prize for the third year in succession with its music feature *Life Along River at Qingming Festival*. This was judged the best special music programme.

Liaoning Television Production Centre won the award for the best television drama mini-series with their entry "New Year's Day."

Radio Shanghai won two awards: the best special current affairs feature with an entry entitled "City Nights-City Lights" and the best advertisement for children's games and toys with the feature "Toy cars."



## Miao Nationality Folk Papercuts From Guizhou Province

These Miao nationality folk papercuts from Guizhou Province depict mythical and real animals. Northern Chinese papercuts are traditionally used as window decorations, but Miao nationality papercuts are mainly used as patterns for embroidery.



ART PAGE



The three provinces and two municipalities—Beijing, Liaoning, Jilin, Hebei and Tianjin are planning a tour itinerary which takes in some of the places which appear in the recent film *The Last Emperor*. The film arouses an interest in China and will entice you to visit the hometown of the emperor.



Please come to see the film,  
and visit China's scenic spots.

Beijing Tourism Administrative Bureau