

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

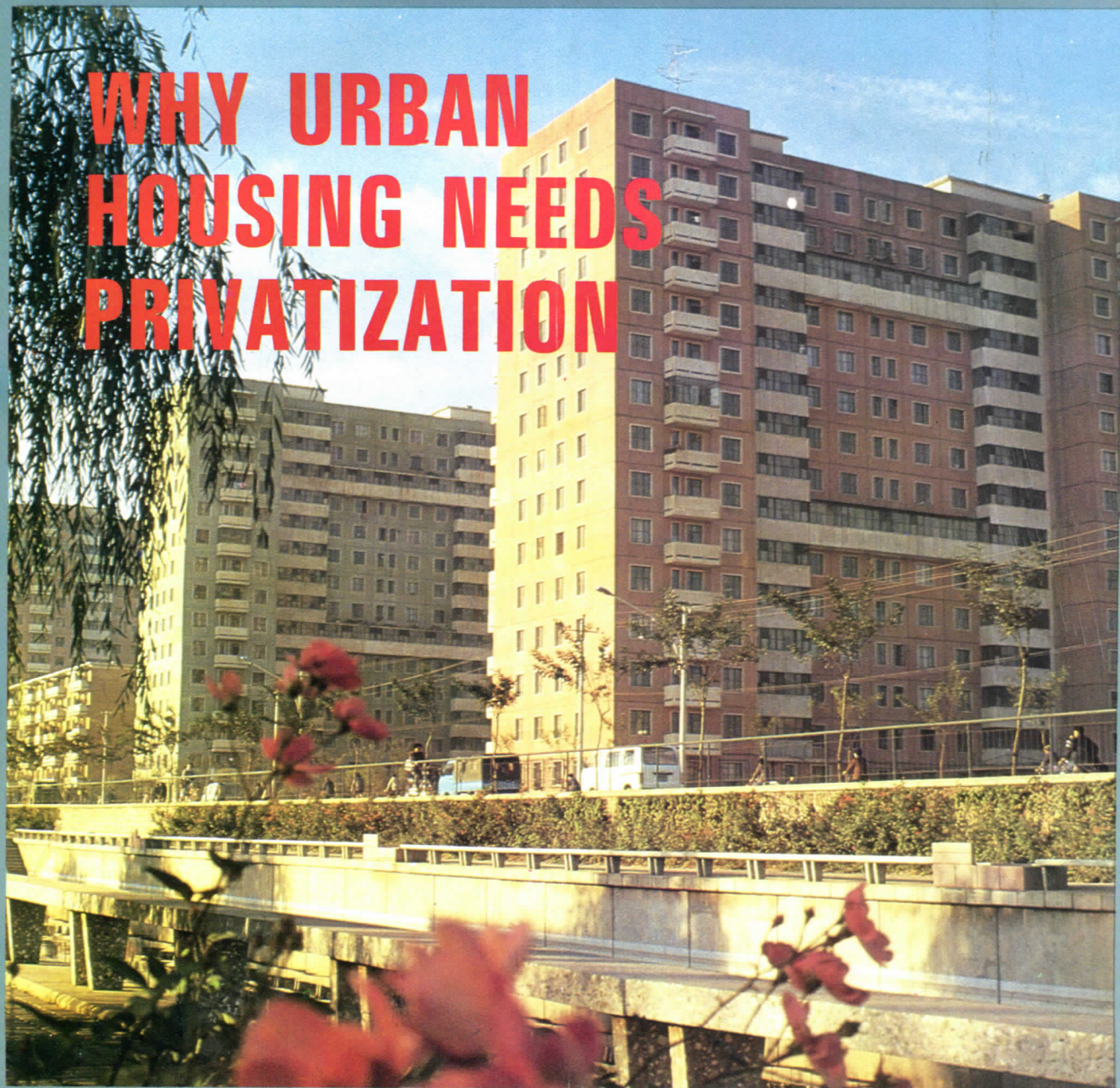
北京周報

Vol. 31, No. 46

November 14-20, 1988

Reunderstanding Capitalism and What It Offers China

**WHY URBAN
HOUSING NEEDS
PRIVATIZATION**





Capturing a unique scene.

Wang Wenlan

CONTENTS

NOTES FROM THE EDITORS	4
Public Tip-Offs Aid Drive Against Corruption	
EVENTS/TRENDS	5-9
Revving Up Rural Reform Foreign Contracts Will Be Respected	
UN Awards Disability Worker Three-Gorges Plan: Finalization Needed	
Pugwash Ponders Regional Peace	
Weekly Chronicle (Oct. 31-Nov. 6)	
INTERNATIONAL	10-13
UN: Nations Rally; Free Kampuchea	
Middle East: Tripartite Talks Promote Peace	
FRG-USSR: Kohl Visit Warms Relations	
Israel: Major Parties Vie for Swing Votes	
The Privatization of Urban Housing	14
Documents: Report to the Third Plenary Session of the 13th CPC Central Committee (Centrefold)	
Reunderstanding Capitalism	18
China's Elderly Surveyed	22
Causes Given for Income Unfairness	25
Facts & Figures (Decade of Reform VIII): Changes in the Life-Style of Urban Residents	26
FROM THE CHINESE PRESS	28-29
BUSINESS/TRADE	30-31
CULTURE/SCIENCE	32-33
TOURISM	34
COVER: New high-rise apart- ment blocks in Beijing.	

Xue Chao

HIGHLIGHTS OF THE WEEK

Reunderstanding Capitalism

■ In a frank and systematic appraisal of modern capitalism, Xu Jiatusun, head of the Xinhua News Agency's Hong Kong branch, calls for the rejection of stereotyped views of capitalist societies. He acknowledges that great changes have taken place in their social and economic practices, and that they still possess a large potential for developing their productive forces. Xu also claims that capitalism's positive features and achievements should be assimilated into the task of building socialism with Chinese characteristics (p. 18).

Public Tip-offs Aid Anti-Corruption Drive

■ This year, 900 corruption reporting centres have opened across China to collect and process information supplied by the public about official malfeasance. The centres have both played a major role in the recovery of millions of yuan's worth of goods and money and helped to promote clean government. The Supreme People's Procuratorate is now drawing up a series of regulations to standardize corruption reporting work across the country (p. 4).

Privatization of Urban Housing

■ Until now, housing provision in China's cities has always been regarded as a welfare service. But the Chinese government is currently planning to put half of the country's 2.4 billion square metres of public housing up for sale. Its overall goal is converting the heavily subsidized house-building industry into a self-financing business (p. 14).

Zhao's Report to 3rd Plenum of the CPC

Chinese Party leader Zhao Ziyang delivered a report to the Third Plenary Session of the 13th CPC Central Committee on September 26. The report, recently published in Chinese newspapers, dealt with three major issues—improving the economic environment and rectifying the economic order; promoting comprehensive reform systematically and under unified leadership; and strengthening Party leadership. Full text of the report (Supplement).

Published every Monday by
BEIJING REVIEW
24 Baiwanzhuang Road,
Beijing 100037
The People's Republic of China

General Editorial Office Tel: 8314318
English Dept Tel: 831.5599 Ext. 546

Distributed by China International Book
Trading Corporation (GUOJI SHUJIAN)
P.O. Box 399, Beijing, China

Subscription rates(1 year):

Australia	A.\$29.00	USA	US\$29.00
New Zealand ...	NZ.\$39.00	Canada	Can.\$25.00
UK	£14.50		

Public Tip-Offs Aid Drive Against Corruption

China has made great achievements in reform and opening to the outside world in the last ten years. But some government employees have taken advantage of the reform programme and the open policy to abuse their powers for personal gain. Such malfeasances have hindered economic development and the implementation of various reforms. They have also tarnished the reputation of the Party and the government, and generated strong feelings of resentment among the people. The corruption report system has been one of the country's responses to the problem.

by Li Li

Since China's first corruption report centre was opened by the Shenzhen Municipal People's Procuratorate in Guangdong earlier this year, another 900 have sprung up across the country. Acting on tip-offs from the public, they have already handled more than 40,000 cases of corruption, embezzlement, bribery and other crimes. In addition to clamping down on illegal activities, their very effectiveness has played a positive role in the supervision of officials and the promotion of clean government.

Corruption has manifested itself in China alongside the great achievements of the last ten years. Some government employees have taken advantage of the reform programme and the open policy to abuse their powers for personal gain. Such malfeasances have hindered economic development and the implementation of various reforms. They have also tarnished the reputation of the Party and the government, and generated strong feelings of resentment among the people.

The corruption reporting system has been one of the country's responses to the problem, along with measures to strengthen China's legal system, oversee the strict enforcement of laws and impose Party and administrative discipline. To ensure the system works effectively, the government,

the Party and the judiciary have acted in unison. On June 29, the Supreme People's Procuratorate opened its anti-corruption telephone hotlines, and the chief and deputy chief procurators demanded daily reports on progress. On August 4, the Ministry of Supervision established a series of corruption report centres to handle information and charges of administrative breaches of the law or discipline.

In early September, the CPC Central Commission for the Inspection of Discipline republished in *Renmin Ribao* (People's Daily) its Regulations on the Handling of Reports, Accusations and Appeals which it had adopted in 1987. These state that it is impermissible to suppress or harass anyone who exposes or accuses Party members or organizations guilty of corruption, and anyone who attempts such actions should be dealt with severely.

The public have proved enthusiastic participants in the crime reporting system. When the Guangzhou Municipal People's Procuratorate opened its centre on June 1, people queued up outside the gate to pass on information before it started work. The Shanghai Procuratorate's centre handled 1,937 cases within its first 48 days, and the Ministry of

Supervision's hotline received an average of 44 calls a day in its first 13 days of operation.

Among the many problems exposed have been: official abuse of power for personal gain, acceptance of bribes, bureaucratism, dereliction of duty, the protection and cover-up of corrupt officials, and infringements on citizens' rights. The guilty have included leading officials, Party members and legal personnel.

The overwhelming majority of the information has come from cadres, workers, sales clerks and residents, but perhaps the most significant tips have been provided by accountants, treasurers, entrance guards and drivers — many of whom gave eyewitness reports of illegal acts. Most of the informants supplied their names, work units and addresses, and said that in protecting the interests of the state they were not afraid of retaliation.

To process the information provided by the public, China's procuratorial bodies have organized special teams. The Supreme People's Procuratorate issued a special circular in October urging procuratorial bodies to handle cases based on public information. This has raised the public's confidence in the system — as have some of the major cases that

have been uncovered and prosecuted. Between June and September, the Linfen Municipal Procuratorate in Shanxi Province recovered around 50,000 yuan by pursuing reports of 22 economic crimes. Acting on a series of tip-offs, Wuxi Municipal Procuratorate in Jiangsu Province uncovered one case of embezzlement involving 500,000 yuan of public funds.

Between March and August, Shenzhen, Guangzhou and Shantou in Guangdong Province investigated 183 reports of malfeasance. Although 30 have been placed on file for further investigation, already several hundred thousand yuan's worth of goods have been recovered and activities costing the state 7 million yuan have been stopped.

Following this opening round of success, the problem facing China's anti-corruption drive is how to maintain momentum. A national corruption reporting work conference held in Shanghai in mid-October both summarized major achievements of the past year and drew up some guidelines for future development. Various suggestions were made, including adjustments in procuratorial bodies, strengthening the quality of their personnel, new methods of handling cases and processing information, the protection of informants' rights and the prevention and punishment of frame-ups.

If these measures cannot be satisfactorily incorporated into the work of China's corruption report centres, popular confidence and enthusiasm is likely to be dampened. To avoid this, the Supreme People's Procuratorate is currently drawing up a set of regulations on the People's Procuratorate's corruption reporting work aimed at standardizing investigatory procedures across the country. ■

Rewving Up Rural Reform

Rural reform needs to be accelerated in order to increase agricultural production, especially grain production, by 1991, or before the Eighth Five-Year Plan begins, according to Vice-Premier Tian Jiyun.

Speaking on November 2 at a national agricultural work meeting, convened by the Central Committee of the Chinese Communist Party (CPC) and the State Council, Tian said China's rural economy has made notable progress in the past decade.

For instance, China's grain production in 1987 totalled 400 million tons, a 32 percent growth over 1978, and the average per-capita income in rural areas in 1987 showed a 2.5-fold increase over 1978.

However, there are still problems in agriculture that cannot be ignored, and of eminent concern is the gap between demand and supply in the grain sector, Tian said.

According to statistics, in 1984, China's grain output hit the all-time high of 407.3 million tons. Since then the country's grain production has stagnated and failed to meet the state plan.

"These problems, if not solved soon, will hamper the country's reform, the development of the national economy, and the stability and improvement of people's living standards," Tian stressed.

He pointed out that agriculture is the basis of the country's national economy, and grain is the basis of agriculture, so it must not be neglected.

Although the country's economic growth rate will be decelerated and capital construction reduced somewhat in the next two years, Tian said, agricultural development, especially grain and cotton production, will be stepped up. "We should redouble our efforts to get bumper harvests next

A national agricultural work meeting was held in Beijing. China's Premier Li Peng (third from left) presided over the November 2 meeting and Vice-Premier Tian Jiyun (second from right) made a speech on speeding up agricultural production.

LIU JIANGSHENG



year in agricultural production," he added.

Another problem China's agriculture is facing is a lack of sufficient funds to support agricultural development. The state investment in basic agricultural facilities has dropped to 3.3 percent of the country's total investment in capital construction in recent years, compared with an average of 11.9 percent during the 29 years from 1950 to 1979.

China will do its best to increase agricultural input, Tian said.

The key to solving the agricultural problems lies in taking effective measures to strengthen the basic position of agriculture among the whole national economy, he continued.

More specifically, Tian called for further stabilization and perfection of the rural contract responsibility system; gradual and systematic reform of the produce distribution and pricing systems; and strengthening macro-control over major agricultural products, production materials and markets. He also emphasized the importance of scientific research application to agricultural production.

The vice-premier's views echoed the concerns of a previous state meeting on rural reform.

On October 29, the Political Bureau of the Central Committee of the CPC held its 13th plenary session to discuss enhancing rural reforms and agricultural development during the forthcoming Eighth Five-Year Plan period, with an emphasis on preparatory measures to be taken in the next two years.

Addressing the fourth meeting of the Standing Committee of the Seventh National People's Congress, He Kang, minister of agriculture, said that Chinese agricultural output has seen a steady increase so far this year.

However, he pointed out that this year's grain and oil-bearing

crop will be lower than last year and the cotton output will be the same as in 1987.

The minister attributed the decrease in grain production to the severe natural disasters that affected 52 million hectares of farmland, the low market price of grain, and the short supply and high cost of farm equipment. He also pointed out that low investment remains the major factor restricting the development of agricultural production.

The minister's proposals for developing agriculture next year were similar to those later presented by Tian. However, He Kang did specifically mention the need for raising the purchasing prices of grain and oil crops and more investment in agricultural production. ■

Foreign Contracts Will Be Respected

Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee, told more than 80 foreigners who attended the 8th International Business Leaders' Symposium on November 2 that reform and opening up to the outside world are general and long-term policies and principles that will last for dozens or even a hundred years. These policies and principles will never alter because of partial and temporary political or economic changes, he said.

Zhao noted that China's 10 years of reform and opening up to the outside world have witnessed great achievements and changes in China, so there is no reason for China to reverse her decision on these matters. Without the support of the people, the Chinese leadership would not have had the determination to conduct such reforms, he explained.

"Ten years of practice have proven that to reform means to march forward," Zhao said. The cause of the recent drive to improve the economic environment and rectify the economic order lies in inflation, Zhao said. The present sharp rise in inflation is taxing the endurance of the Chinese people, so it must be curbed by the government, he explained.

Zhao told his audience that the country's current economic readjustment will not affect China's foreign economic relations. In fact, he said, from a long-term point of view such a restructuring of the economy will create even better conditions for economic and technical co-operation with other countries.

Zhao invited businessmen and industrialists from other countries to invest in China by establishing independent enterprises or joint ventures on the basis of existing enterprises. He described the process of establishing such joint ventures as "grafting foreign advanced technologies and management on the tree of Chinese enterprises," and said he hopes to see more of such ventures in the future.

Yuan Mu, a spokesman for the State Council, said on October 28 that all signed Sino-foreign contracts and economic co-operation projects will be protected during the on-going national campaign to rectify the economic environment.

But the spokesman added that some projects under negotiation might be affected to a limited extent. They include such non-productive projects as hotels and office buildings and those processing projects that are not urgently needed.

Yuan Mu told about 100 Chinese and foreign journalists at a press conference that China's co-operative projects with foreign countries in such fields as energy,

transportation and communication will be strengthened.

Construction of hotels in some tourist cities and areas will not be affected by the nation's current drive to cut down on the scale of capital construction. China, in fact, will attract more foreign investments and expand its importation of advanced technology, he said.

Yuan also announced that all of China's government employees and those who work for state-owned enterprises would have more pay next year. He declined to tell in detail how much the pay raises would be, but said that further economic reform would surely improve the people's standard of living.

He added that strict controls on price rises would continue and that price reform next year would be carried out "at an obviously slow pace" so as to help curb the current inflation. But the price of grain and other agricultural and sideline products would be readjusted appropriately next year, Yuan said.

In the first nine months of this year, the state investment in agricultural projects totalled 3.4 billion yuan (about US\$920 million), 6 percent more than in the same period last year. The investment in agriculture for next year will be decided at a national economy planning conference scheduled for November, Yuan said.

Yuan said there was no plan to curb the development of the growing rural industries, which account for one-fourth of the nation's total output value of industry and agriculture. The rural enterprises have not only provided various commodities urgently needed on the market, but have also gained experience in flexible management that state-owned enterprises may find useful.

To keep the overheated

economy under control, he said China will hold its overall industrial production growth to a rate of 10 percent or lower in the next two years.

Yuan said that financial departments are still discussing the possible cancellation of Foreign Exchange Certificates (FEC) and are considering "something new to replace the currency." The FEC was issued in early 1980 mainly for foreigners working or touring in China. But, he added, various problems, such as illegal money exchange, plague areas open to foreigners because of the over-expansion of the issue of FEC. ■

UN Awards Disability Worker

The United Nations, currently celebrating its "Decade for the Disabled" campaign, has awarded a testimonial to Deng Pufang, president of the China Disabled People's Federation, in honour of his outstanding contributions to the cause of disabled people in China.

The presentation was held on

October 28 as part of the inauguration ceremony of the China Rehabilitation Research Centre. Mr. Sharif, assistant director of the United Nations Centre for Social Development and Humanitarian Affairs, presented the testimonial to Deng on behalf of United Nations Secretary-General Javier Perez de Cuellar.

Deng, 45-year-old son of senior leader Deng Xiaoping, is also deputy director of the Chinese Organizational Committee for the United Nations' Decade for the Disabled and chairman of the China Fund for the Handicapped.

He was persecuted by the "gang of four" and became disabled himself during the 1966-76 "cultural revolution." After he began to work for disabled people, Deng advocated socialist humanitarianism as one of the elements essential to Chinese society, a virtual law in people's contact with one another, and the banner of the handicapped people's cause. Therein, he has helped promote the common people's understanding, respect and concern for the handicapped.

Mr. Sharif, assistant director of the UN Centre for Social Development and Humanitarian Affairs, presents the testimonial to Deng Pufang.

CHEN ZONGLIE



He established the China Fund for the Handicapped in 1984 and made it a turning point of the Chinese handicapped people's cause. This year, he set up the China Disabled People's Federation.

Deng has traveled about the country in his wheelchair, spending several years investigating grassroots organizations for the disabled, the conditions of families with disabled members and social welfare factories and departments for the handicapped.

With Deng and his colleagues' effort, there has been a great improvement in the handicapped people's employment and enrollment in universities and colleges. Now, there are more than 30,000 social welfare set-ups for the handicapped, whose yearly output value amounts to 10 billion yuan (about US\$2.7 billion).

Chinese universities and colleges had never enrolled disabled students before 1983, but now the number of such students has surpassed 3,000. At present, the China Disabled People's Federation is helping the State Education Commission revise the physical examination standards for students who enter into polytechnic schools so as to let more handicapped people have the chance of receiving specialized education.

Deng helped draw up the government's "Five-Year Work Plan of the Chinese Handicapped People's Cause" and had rehabilitation of the handicapped included in the state's overall development plan.

He also promoted "peace, development, friendship and humanity," as well as international exchanges and co-operation, and has established relations with handicapped people's organizations in more than ten countries. In September, the United Nations

Secretary-General awarded the China Fund for the Handicapped its Peace Messenger Award.

The China Fund for the Handicapped is a state member of the International Rehabilitation Society. Chinese handicapped people's groups have also joined with international associations for the deaf, blind and disabled in order to form sports organizations. At the recently closed Olympic Games for the disabled in Seoul, 43 athletes from China won 34 medals.

by Yang Xiaobing

Three-Gorges Plan: Finalization Needed

Members of the National Committee of the Chinese Political Consultative Conference (CPCC) urged that a final decision on the Three-Gorges project be made as early as possible. They expressed this view during their recent 12-day inspection tour of the areas expected to be submerged if the Three-Gorges reservoir is built.

In Wuhan, they visited the Changjiang River valley planning office and heard brief introductions on the project.

While travelling by boat, they held discussions on some of the problems, such as sedimentation, resettlement of emigration and investment. Before they reached Chongqing, they also stopped several times to inspect Wanxian and Fengdu, areas expected to be submerged.

"It has been 30 years since the project was first proposed," they complained after the tour, adding, "Economic development has been affected considerably because people there are afraid their efforts will be washed away by the water if the central government decides to proceed."

Despite their conflicting views concerning whether the Three-Gorges project should be built or not, they unanimously agreed that the government should finalize their decision soon, so that a plan for the overall development of the Changjiang River valley could be possible. ■

Pugwash Ponders Regional Peace

The 53rd Pugwash Symposium on Peace and Security in the Asia-Pacific Region, sponsored by the Pugwash Conference on Science and World Affairs (PCSWA) and the Chinese People's Association for Peace and Disarmament (CPAPD), was held October 17-20, 1988, in Beijing. This was the first such international meeting held in China. It was attended by 50 scientists and scholars from 13 countries, and received 26 papers.

PCSWA is an international peace organization of scientists from the East and the West and an important consultant for both the United Nations and governments of related countries. The first Pugwash meeting was held in the fishing village of Pugwash in Canada in July 1957. PCSWA aims at promoting research on peace and disarmament and making scientific and technological achievements to bring benefits to humanity.

The most recent symposium covered the concept of regional security, problems in areas of heightened tension and conflict, scientific co-operation and exchange, and stopping the arms race in the region.

Participants listed the central problems and dilemmas affecting the region, including:

— Economic security is an important precondition for the attainment of military and

political security;

—The North Pacific sub-region is most affected by the naval and aerial arms race and competition between the Soviet Union and the United States;

—The promotion of common security in the Asia-Pacific region has to reflect its distinctive cultural and political characteristics; and

—To ease military tensions and pre-empt accidental conflict, there is a need to end the Kampuchean war, reduce East-West naval and air competition, further denuclearize the region, effectively demilitarize the demilitarized zone in the Korean Peninsula, lower force levels on both sides of the Sino-Soviet border, restrain Japanese defense expenditure and address the positive and negative consequences of foreign military bases in the region.

The summary report of the symposium said that without economic development and environmental security, the absence of war alone will not result in long-term stability in the region. ■

Weekly Chronicle (October 31-November 6)

POLITICAL

November 3

■ At a weekly news briefing, foreign Ministry spokeswoman Li Jinhua says that the Vatican should end diplomatic relations with Taiwan and recognize the government of the People's Republic of China as the sole legal government of the whole China before it attempts to restore relations with the Chinese Catholic Church.

Li adds that the Chinese Catholic Church pursues a policy of managing its own affairs.

November 4

■ Meeting with the visiting Vice-Premier and Foreign Minister of the Democratic People's Republic of Korea (DPRK) Kim Yong Nam, Chinese Premier Li Peng stresses that China will, as always, firmly support the DPRK in its cause for independence, peace and unity and its efforts for easing the tension on the Korean Peninsula.

November 5

■ During the talks held between Chinese Premier Li Peng and visiting Uruguayan President Julio Maira Sanguinetti, Premier Li Peng says that the future of the world seems to indicate that nations will become increasingly polarized. China gives importance to the unity and co-operation displayed by Latin American countries and the roles played by the eight-nation group in Latin American affairs.

ECONOMIC

November 2

■ East China Airways, one of six major Chinese airlines formed last June, plans to open eight new routes this month to meet the increasing number of travellers, the airline's authorities say.

The routes are Nanjing-Hong Kong, Nanjing-Guangzhou, Yantai-Beijing, Fuzhou-Xian, Shanghai-Xiamen, Nanchang-Ganzhou, Nanchang-Changzhou and Jinan-Hangzhou.

November 4

■ Chu Baotai, deputy director of the foreign Investment Bureau of the Ministry of Foreign Economic Relations and Trade, addressing more than 100 businessmen from China and Japan, says that as far as Chinese policy is concerned, businessmen from South Korea enjoy equal treat-

ment with other foreign business people.

He says China separates government affairs and politics from enterprise matters and business relations.

CULTURAL

November 1

■ The Beijing Branch of Federal Germany's Goethe Institute is officially inaugurated today at the Beijing Foreign Studies University.

Hans Genscher, vice-chancellor and foreign minister of Federal Germany who is now on a visit to China, addresses the inauguration ceremony. He expresses hope that China will set up a similar branch institute in Federal Germany.

SOCIAL

November 2

■ Mohammad Imami, 25, an Iranian national who has fraudulently cashed traveller's checks worth 130,000 yuan in foreign exchange certificates at 13 hotels, is sentenced to a prison term of eight years and deportation by the Beijing Intermediate Court.

Mohammad was arrested March 18 while trying to cash a bad cheque at the Beijing International Hotel.

November 4

■ Taiwan authorities have decided to accept applications from mainlanders for attending funerals of their parents, children and spouses in Taiwan starting on November 9, according to a news report from Taiwan via Xinhua.

Mainland visitors will be allowed to stay up to two months in Taiwan, but they can apply for an extension of one month if they have special reasons, the report says. ■

UN

Nations Rally: Free Kampuchea

As many regional conflicts are being resolved, the unsettled Kampuchean issue is drawing more attention from the international community than ever before.

Since November 2, the current 43rd United Nations General Assembly has started to debate the Kampuchean issue. This is the tenth discussion of this issue since 1979. With many regional conflicts being peacefully settled, the international community is paying more attention to the Kampuchean situation than ever before and trying its best to get an early settlement.

The Kampuchean issue is the result of the Vietnamese troops' invasion and occupation of Kampuchea. At the past nine sessions of the UN General Assembly, representatives from various countries of the world condemned the Vietnamese aggressive acts, and a series of correct resolutions demanding the withdrawal of Vietnamese troops from Kampuchea have been adopted by the vast majority of votes every year. Unfortunately, the Vietnamese authorities have not recognized and implemented them. Consequently, the Kampuchean issue has not been resolved peacefully so far.

The current General Assembly adopted a draft resolution calling for Vietnamese withdrawal of all its forces from Kampuchea under effective international supervision and control. This resolution, worked out by the countries of the Association of Southeast Asian Nations, was adopted by a vote of 122 in favour, five more than the one passed last year.

Son Sann, prime minister of Democratic Kampuchea, told the General Assembly on November 2

that his government is convinced that without the effective international supervision for the Vietnamese withdrawal and their non-return, peace and security in Kampuchea will remain precarious and threatened. His view was shared by many delegates.

The political settlement of the Kampuchean issue first requires the immediate withdrawal of Vietnamese troops from Kampuchea. This is the key to the restoration and guarantee of the independence, sovereignty and non-aligned status of Kampuchea.

It has recently been noted that the Vietnamese authorities have become a bit more flexible in terms of their troops' withdrawal, but many factors prove that they lack sincerity. First, Viet Nam refuses an unconditional withdrawal of its forces from Kampuchea. Instead, it offers a timetable for a three-phased withdrawal and three-phased halt of outside interference in and assistance to Kampuchea.

However, Viet Nam has not announced the time frame for pulling out the troops. It linked the withdrawal of its invading troops to an end of outside aid to the resistance forces. This is unjustifiable.

The so-called "outside interference" comes from Viet Nam itself, not others. Therefore, international assistance to the resistance forces will naturally end when Viet Nam ends its invasion of Kampuchea, abolishes its "strategic alliance" with the Heng Samrin regime, gives up control

over Kampuchea and really restores the peace, independence, neutrality and non-alignment of the country.

What merits attention is that Viet Nam has quickened the pace of its efforts to strengthen Heng Samrin's forces by creating excuses to delay its military withdrawal. According to estimates by diplomats in Hanoi, including some from Viet Nam's allies, the Heng Samrin regime has more than 80,000 regular army troops and more than 100,000 militiamen.

Viet Nam's purpose is to restrict, weaken and even wipe out the resistance forces. It hopes to make Heng Samrin's forces the strongest in Kampuchea. Second, Viet Nam demanded that the refugee camps be moved away from the Kampuchea-Thailand borders. It never mentioned the expatriation of a large number of illegal Vietnamese immigrants to Kampuchea.

Tens of thousands of Kampuchians left their homes for Thailand due to the Vietnamese invasion of their nation. This brought a heavy burden to Thailand and the international community. So when the war in Kampuchea ends, the refugees will return to their own country and rebuild their homes. How can they be driven to foreign nations further away?

Diplomats in Hanoi believe that the number of Vietnamese immigrants in Kampuchea is between 800,000 and 1 million. Most of them illegally entered Kampuchea since the Vietnamese invasion in 1978. As a result, Kampuchea, a small country with a population of only 7 million, faces the danger of "being Vietnamized."

Third, Viet Nam is still opposed to setting up a quadripartite coalition government with Samdech Norodom Sihanouk as the head. It prefers to try to legalize

the Heng Samrin regime. The Vietnamese suggest that the activities of the international supervisory committee must be reported to the "Kampuchean state" and obtain its permission. Since Viet Nam refuses the idea of establishing a quadripartite coalition government headed by Sihanouk, its so-called "Kampuchean state" obviously refers to the Heng Samrin regime.

In recent days leaders of the United States and Britain expressed support for Prince Sihanouk. US Assistant Secretary of State Gaston Sigur, in Paris on November 1, reiterated American

confidence in Sihanouk's "central role" in seeking a solution to the Kampuchean problem and the US belief that he "should lead any government that emerges after a settlement."

In view of the above situation, the international community demands that the Vietnamese authorities withdraw their troops from Kampuchea as early as possible, and that the fundamental rights of the Kampuchean people be restored and respected. Let them choose their own destiny under peaceful, free, just and democratic conditions.

by Ren Yan

MIDDLE EAST

Tripartite Talks Promote Peace

With the opening date of an emergency session of the Palestine National Council very near, concerned parties are busy co-ordinating preparations for a significant announcement and a possible international peace conference.

From October 22 to 23, the leaders of Jordan, Egypt and the Palestine Liberation Organization (PLO) held two rounds of talks in the port city Aqaba in southern Jordan in order to co-ordinate their stance on the establishment of an independent Palestinian state and Arab-Israeli peace negotiations. Although details have not been revealed, King Hussein's interview with journalists has suggested that the talks were fruitful. Hussein of Jordan confirmed an agreement with PLO Chairman Yasser Arafat to continue mutually co-ordinated efforts for a Middle East peace.

The talks between Hussein, Arafat and Egyptian President Hosni Mubarak centred on establishing a confederation to be comprised of Jordan and an independent Palestinian state. The

independent Palestinian state is expected to be proclaimed during the forthcoming emergency session of the Palestine National Council (PNC) in Algiers in November, in a bid to speed up the Middle East peace process.

The Jordanian news agency reported that, during the talks, the three leaders persisted in plans to convene an international Middle East peace conference to be attended by the five permanent member states of the United Nations Security Council and all parties involved in the Arab-Israeli dispute.

"This meeting aims at co-ordinating Arab positions so we can move forward quickly to convening an international peace conference," Arafat told reporters after his first session with Hussein and Mubarak.

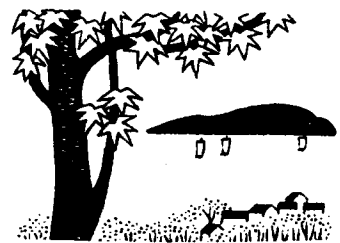
The tripartite talks also were

intentionally held two weeks before the US presidential election. In the two recent meetings with Arafat, Mubarak persuaded him to postpone the declaration of a Palestinian state until after the American election. This would leave more time for the new US government to re-consider previous US policies on the Middle East.

Recently, the US government accepted the "symbolic meaning" of the PLO and offered to give the Palestinian people "political rights." This US gesture was initially appreciated by the PLO and Arab countries. Later, the US government gave a positive appraisal of the Aqaba talks. Although the actual changes in policy of the next US government are difficult to foresee, the government's call for Jordan and the PLO to send a united delegation to attend an international Middle East peace conference clearly strengthens the probability that such a meeting will occur.

No doubt, the Aqaba talks are an important development in the rapidly changing Middle East situation. They show that Arab countries are endeavouring to create conditions favourable for an international Middle East peace conference in the near future. Hopes remain that this will wholly and fairly settle the Palestinian problem and bring a lasting peace to the Middle East.

Chu Qimen



FRG-USSR

Kohl Visit Warms Relations

Federal German Chancellor Helmut Kohl ended his four-day visit to the Soviet Union on October 27, declaring that his visit has opened a new chapter in the relations between his country and the Soviet Union.

Federal Republic of Germany's (FRG) Chancellor Helmut Kohl paid his visit to the Soviet Union from October 24 to 27. He and Soviet leader Mikhail Gorbachev conducted ten hours of talks during the four days, focusing on security and disarmament in Europe and bilateral co-operation. As a result of these talks, the two leaders signed seven co-operation agreements, in regard to the following: research on outer space, utilization of nuclear energy, nuclear technology, protection from nuclear radiation and a series of co-operative projects. The FRG Defence Minister Manfred Worner, a member of Kohl's delegation, also paid his first visit to the Soviet Union and made official contact with the Soviet military leaders. Both Kohl and Gorbachev highly appraised the visit as a new chapter in the relations between the two countries.

It is not accidental that the FRG-USSR relations, which have been cold during the past few years, are beginning to turn warmer. It is the result of the two countries' mutual efforts and needs.

It is well known that in the early 1980s, Federal Germany insisted on the "dual-track decision" of the North Atlantic Treaty Organization (NATO) and deployed the United States' medium-range missiles, which cooled off the FRG-USSR relations. The FRG's participation in research for the US Star Wars programme made the USSR

angrier and their relations became even colder. They did not improve until the US and USSR signed the Intermediate-Range Nuclear Force (INF) Treaty in 1987. The FRG decision to give up the US Pershing missiles removed the main obstacle between the two countries' relations. In July 1986, Dietrich Genscher, FRG's foreign minister, visited the USSR. This was followed by FRG President Richard von Weizsacker's visit in July 1987. Soviet Foreign Minister Eduard Shevardnadze visited the FRG in January 1988. These visits helped improve their relations and set the stage for Kohl's visit.

Economic interdependence has also contributed to the improved relations. Federal Germany is a rich, technologically developed country. It is realistic for the Soviet Union to strengthen its economic and technological ties with the FRG in its efforts to revitalize its own economy. The FRG is the Soviet Union's main trade partner among Western

countries. But since 1984, the trade volume between the two countries has been reduced because of the falling prices of raw materials in world markets. Last year, imports of the FRG from the USSR were only valued at 7.2 billion marks, a decrease of 22 percent from the previous year. Exports to the USSR were worth 7.8 billion marks, a 16 percent reduction from 1986.

Both sides have made great efforts to reverse this slide. Currently, they have opened 13 jointly funded enterprises and are negotiating to open another 35. What is more remarkable is that the FRG has decided recently to provide 3 billion marks in a loan to the USSR, the first such loan in the past seven years. The USSR is a large market for the FRG, which also needs the support of the USSR in its effort to develop relations between the two Germanies. In view of this, FRG-USSR economic and technological co-operation will expand further after Kohl's visit.

However, differences on the disarmament in Europe, the unification of the two Germanies and human rights still remain. For example, Kohl opposed the dismantling of all types of nuclear weapons in Europe, while Gorbachev proposed destroying all the tactical nuclear weapons.

by Jiang Jianguo

ISRAEL

Major Parties Vie for Swing Votes

Preliminary results of Israel's parliamentary elections indicate that the two major parties, Likud and Labour, are now locked in a tight race to form the next government.

Neither party emerged a clear victor in Israel's parliamentary elections on November 1. The Likud bloc gained 39 seats in the 120-member parliament, and the Labour Party took 38.

But four religious parties, which are traditionally closer to Likud, surprisingly won 18 seats. These conservative minor parties now hold the likely swing votes in the formation of a new government.

With no party achieving the 61-seat majority in the Israeli parliament, assembling a new government will be more difficult than expected. The two major rival parties, who have shared power in an uneasy coalition since 1984, have begun to woo the small religious factions whose support are key to forming a coalition government that will control a parliamentary majority.

If its courting of the right-leaning religious parties succeeds, the right-wing Likud bloc of Prime Minister Yitzhak Shamir will probably head Israel's 23rd government and make the moderate Labour Party a minority opposition force.

Reports from Jerusalem show that Shamir is confident that his hard-line party will lead the new government. In a TV interview on November 2, he opposed the idea of a national unity government with Labour, adding that he had already contacted the religious parties that have emerged as power brokers. But the Labour Party chief, Foreign Minister Shimon Peres, has not conceded defeat.

Arab-oriented parties, considered unlikely partners to any alliance, won eight seats in the elections. Local analysts predicted that Labour might still have a chance of blocking Likud by winning some of their swing votes.

It is widely thought that the elections, to a certain extent, will determine the future of the Israeli-occupied territories and shape Israel's policy on dealing with the Arabs, particularly the Palestinians.

The campaign prior to the elections focused on the Palestinian uprising in the occupied territories and the possible birth of an independent Palestinian state co-existing with Israel after the November 12 session of the Palestine National Council. The

two parties disagreed on whether to annex or abandon the West Bank and Gaza Strip and whether to peacefully co-exist with Arab neighbours, particularly the Palestinians.

Labour expressed a readiness to trade peace for territory and reaffirmed its support for an international Mideast peace conference. Shamir's Likud bloc claimed that any concession to the Palestinians would endanger Israel's security and threatened to take tougher measures against the Palestinian uprising.

Despite differences on territory and security, both parties have rejected direct talks with the Palestine Liberation Organization (PLO), denying it is the sole legitimate representative of the Palestinians. They also opposed an independent Palestinian state and favour the use of arms to crush the Palestinian uprising.

However, pressure is mounting in Israel for peace. A recent Israeli newspaper opinion poll of 1,200 people showed 65 percent of the Jews in favour of "trading land for peace." Yet the right-wing still gains great support; 53 percent in the same poll opposed talks with the PLO and an independent Palestinian state.

The PLO called Israel's election results "a fatal blow for peace." "We expect more intransigence, hate and terrorism with a Likud government," the PLO news agency said in a political commentary. The PLO Chairman Yasser Arafat, who visited Italy on November 2, said to reporters that the Israeli elections have no effect on the Palestinian uprising in the occupied territories. He added, "It is obvious that we will continue with our uprising wave after wave until the end of the Israeli occupation."

by Lu Jianxin

International Studies

A Quarterly in Chinese

Contents of Issue No. 4, 1988

- Study New Changes in the World With New Thinking and New Perspective — Wang Shu
- Observations on the New Detente Between the United States and Soviet Union — Jin Junhui
- The Situation of the Black People's Struggle Against Racism in South Africa and Its Prospects — Wu Shi
- The Panama Crisis and the US-Panamanian Relations — Xiao Yu
- Takeshita's Diplomacy that Has Attracted Attention Both at Home and Abroad* — Lu Guozhong
- Australia's Shift of Strategic Focus and the Problems in It* — Cheng Qizhen
- Two Interrelated Strategic Goals — A Brief Discussion of West Europe's Economic Reinvigoration — Huang Suan
- Federal Germany and EEC — Zhu Yiqing
- Mr. Mitterrand's African Policy — Zhang Hongming
- A Book on Contemporary Chinese Diplomacy — Feng Chunfang

* * *

China's Foreign Relations: A Chronicle
A Classified Subject Index to INTERNATIONAL STUDIES (From No. 1, 1988 to No. 4, 1988)



The Privatization of Urban Housing

In Chinese cities, the provision of housing has been perceived up to now as a welfare service. Soon, however, homes will be sold as commodities. It is estimated that half of the country's 2.4 billion square metres of public housing will be put on the market with the aim of recouping 180 billion yuan. The overall goal of housing reform is to convert the heavily subsidized house-building industry into a self-financing business.

by Our Correspondent Liu Jianjun

On the eve of World Housing Day (October 3), Lin Hanxiong, leader of the State Council Housing Reform Group and minister of Construction, said China would step up the reform of its housing system through a policy of privatization. In short, people would be able to buy their own homes.

The aim of the programme is two-fold: to halt the spending spree on consumer durables and to provide everyone with shelter. At the same time, it will open new financial channels for the housing construction industry to operate profitably and free of state support.

The Chinese government has decided to commercialize urban housing after a long period of deliberation and various trials in a handful of pilot cities. As detailed measures remain to be released, it has to be asked: Why make such a decision? Is it feasible, and how will the public react?

Finance and Distribution

In China's countryside, all houses are privately owned. Farmers build their homes at their own expense, and hand them down to their children. In the cities, however, almost all housing has been built and maintained with state funds, and then rented

out at the unbelievably low cost of around 3 percent of the inhabitant's monthly income. Because of this, China's urban housing industry is a welfare undertaking making no profits at all.

From 1957-78, low investment in housing and the spiralling growth in population made the housing shortage one of the severest social problems in China.

Since 1979, the central government has tried everything possible to accelerate housing construction. Altogether 1 billion square metres have been built—equal to the entire area of the previous 30 years. From 1981-87, China spent around 25 percent of its total fixed asset investment on housing construction, which compares favourably with the 15-20 percent average of other developing countries and the 20-30 percent average of the developed countries.

These new homes raised average living space per capita from 4.2 square metres in 1978 to 8.04 square metres in 1987—7.7 square metres in China's larger cities and 9 square metres in county-level towns.

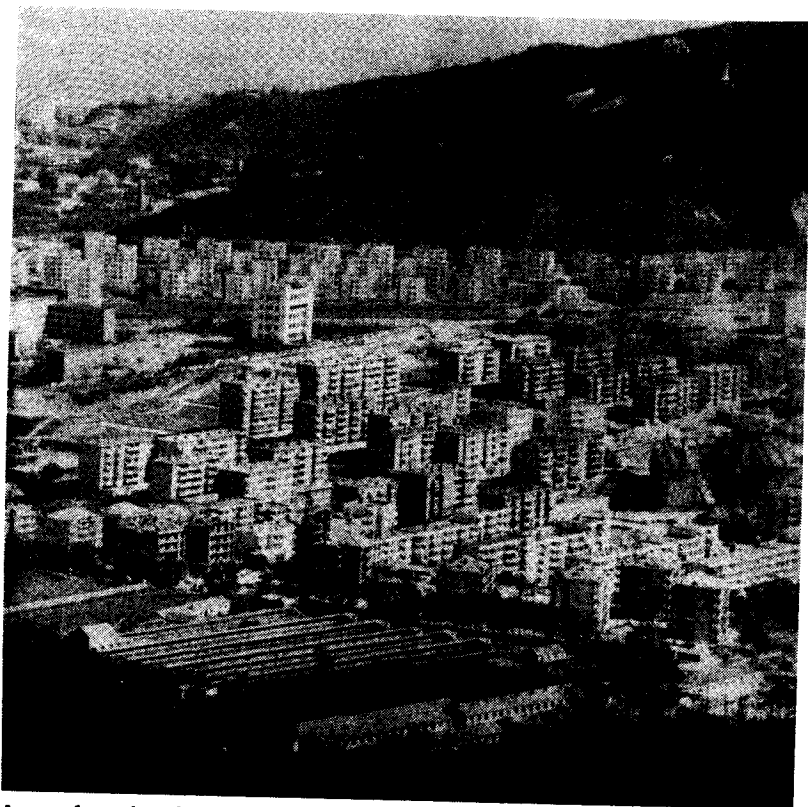
However, behind these seemingly encouraging figures lies a bleak fact: the state's financial burden has grown increasingly heavy.

At present, monthly interest

payments per square metre amount to 3 yuan, while the rent collected is 0.1 yuan—only enough to offset one-third of the maintenance fees. Such an astonishing gap between investment and returns is becoming increasingly unbridgeable. Investment in housing construction is nothing less than throwing money into a bottomless pit. The more the state spends on housing, the more it loses. This situation presents a stark contrast to the profit-making real estate industry abroad.

In addition, the practice of distributing houses as welfare benefits stimulates the desire for larger and more comfortable homes. And although houses are distributed through repeated consultancy with representatives of the people, some cadres have abused their powers to ensure they receive the best accommodation—generally arousing dissatisfaction.

A survey conducted at the end of 1985 indicated that about 20 percent of urban households had an average of more than 10 square metres per person, while 25 percent had less than 4 square metres per capita. In some homes, three generations were packed into a single room. In short, China's housing industry, handicapped with an unbearable financial burden and conflicts in



Acres of new housing — a typical scene across the whole of China.

distribution, has no future except through reform.

Plan for Housing Reform

As early as 1980, Deng Xiaoping pointed out that the housing shortage had become "an explosive social problem." He said, "residents should buy their own houses," adding that "rents should be readjusted in line with investment in housing construction."

In January 1981, the then State Council Premier Zhao Ziyang called for housing reform when he went to Changzhou in Jiangsu Province to inspect the city's newly built residential areas. At that time, houses were being sold to individuals on a trial basis in the four cities of Zhenzhou, Changzhou, Siping and Shashi. Because of limited purchasing power, the state, the buyer and his or her work unit split the cost three ways.

This method, however, proved unpractical. Although it was acceptable to those badly in need of homes and who could afford their share, both the state and work units found the cost unbearable. As a result, the experiment was abandoned.

As China's economic reforms have continued to unfold, increasing numbers of people have come to realize the need for the development of a commodity economy at the present stage. Zhao Ziyang asked in 1985: If scientific research results could be commercialized, why not housing? The over-rapid expansion of consumption, he said, has led people to buy colour television sets and refrigerators when the money could be used to develop housing construction.

In 1986, Yantai in Shandong Province, Bengbu in Anhui, Tangshan in Hebei and Shenyang in Liaoning were selected as the

first group of pilot cities for urban housing reform. Last year, another 12 cities, including Chongqing, Wuhan, Lanzhou and Shijiazhuang, were singled out for further trials in home ownership.

Early this year, a special State Council meeting discussed and adopted a 10-year programme to encourage residents to buy their own homes, to establish a housing fund and to raise rents.

Restructuring of Rents

Experiments in housing reform have been guided by the principle that commercialization should not involve imposing an extra financial burden on tenants. As a result, most of the pilot cities have attempted to raise rents while improving the structure of subsidies.

Yantai is typical: while increasing monthly rents from 0.16 yuan per square metre to 1.28 yuan, the city government introduced "housing subsidy coupons" worth 23.5 percent of a tenant's monthly wage. Those with smaller houses could put coupons aside to buy a house, while those with larger houses have had to make up their payments from their own purse. Thus, subsidies have been transferred from the housing industry to the residents themselves.

Because of this new method, more than 31,000 families, including the mayor and most of the cadres who live in spacious homes have had to supplement their coupons, while 33,000 overcrowded households have had a surplus. The experiment has not only distributed the state's subsidies more equally, but also dampened the demand for larger homes. Many families with larger living quarters have moved into smaller homes, helping to alleviate the housing shortage. In addition, the considerable rise in rents has made it less economical to rent a



One of Yantai's estate agencies.

house than to buy one. Now, more than 4,000 families have registered to buy their own homes, and since special savings accounts for potential house buyers were introduced last December, more than 80 million yuan has been deposited.

However, the Yantai experiment has not relieved the state's financial burden. In the past year, subsidies have totalled almost 10 million yuan. In addition, opposition from some quarters, notably those cadres living in larger homes, has caused the city to offer rent reductions, which in turn have dissatisfied the general populace.

Sales of Public Housing

While the pilot cities have been experimenting with rent increases and subsidy adjustments, some small cities have begun selling state-owned houses to residents.

Jinxian County Town in Liaoning Province has 10,000 households. Its initial foray into subsidies came to a discouraging end when it had to put aside 5 million yuan plus 500,000 yuan for

maintenance every year—an unbearably large amount for the county government.

At the beginning of 1988, a new programme was introduced to encourage individuals to buy their own homes. All public housing was classified into one of seven grades according to quality. Then a series of preferential terms for house buyers were drawn up, such as low-interest loans, a 14 percent

discount for those who could pay a lump sum and subsidies for those with financial difficulties. With affordable prices, a house buying spree hit the town. Savings which would otherwise have been used to buy colour televisions or refrigerators went on homes instead, and within three months, 96 percent of the town's public housing was sold, recovering more than 10 million yuan. Re-invested in housing construction, this was enough to build 40,000 square metres of new accommodation.

Feasibility Analysis

Half of China's 2.4 billion square metres of public-owned urban housing can be sold at present—making privatization readily feasible. If the price was set at 150 yuan per square metre on average (a realistic figure taking average financial circumstances into account), then 180 billion yuan could be recovered over ten years. This sum could not only contribute to boosting the housing construction industry and removing much of the state's current burden, but could also help curb

House buyers paying an instalment at a local bank.





Estate agents measure a house for sale.

Photos by LIU JIANJUN

inflation and stabilize the economy.

China's decade-long economic boom has considerably improved national living standards. By the end of last year, personal bank savings amounted to more than 420 billion yuan throughout the country, about half of the amount coming from urban residents. By pricing houses reasonably and adopting flexible sales measures, this powerful purchasing power which is now principally directed at household electric goods, could be converted into property—the most durable of commodities.

The problem is establishing a realistic price. If it was set according to the present market price of more than 1,000 yuan per square metre, hardly anyone would be able to afford the cost. The China National Real Estate Development Corp. now has apartments of 380,000 square metres which cannot be sold out simply because the prices are far too high for the average Chinese. But if the price was set too low and the construction costs could not be recovered, the state's burden would merely increase.

Therefore, both the construc-

tion costs and financial ability must be taken into account. To encourage house buying, rents should not be set too low and purchase must be made easy to bear through measures such as discounts for lump sum payments, installment payment, low-interest loans and subsidies for households on a low income.

These preferential terms, experts suggest, should be confined to a certain area per inhabitant, above which the price should be set at a rate not lower than the construction cost plus average interest rate to prevent speculation.

It is reported that the State Council's Housing Reform Group is deliberating a series of specific terms for house sales. In the meantime, it has approved the widespread adoption of the experiment conducted in Jinxian County. So far, several dozen counties have embarked on a similar programme, and if all of China's 2,000 counties and 11,000 cities follow suit, housing reform will accelerate considerably.

However, in the big cities the situation is a lot more complex. Low incomes and limited bank

savings may restrict privatization, and once privately owned, home maintenance and repairs present another problem yet to be fully resolved. One of Beijing's deputy mayors has estimated it would take the capital ten years to fully carry out housing reform.

Public Response

A national survey has revealed that while most people advocate reforming the present housing distribution system, they would prefer to wait and see whether it was better to buy or rent.

Opposition has also emerged, notably from leading cadres living in comfortable and spacious homes. A veteran cadre in Yantai has said: "I fought across the country and have helped the revolution almost all my life. Now I have to buy my own house from my own pocket!"

Another retired cadre with eight rooms totalling 150 square metres of living space has taken it for granted that a single person of bureau-level rank has the right to live in such a big house. He refuses to pay more rent.

In a recent survey of more than 2,000 families in Jiangsu Province, 85 percent of those asked preferred the status quo—only 3.3 percent were opposed to the principle of "more rents for more housing."

Of the 1,050 households surveyed in Heilongjiang Province, 62.9 percent said they did not like their province being the first to carry out housing reform, and 69.4 percent were worried that some cadres would bend the central government's housing policy for their own personal interest, thus lowering general living standards. A primary school teacher said: "My salary is just enough for a basic living. How could I dream of buying a house on my own?"

Whatever the pros and cons of

housing reform, it is understanding that there are misgivings. Housing, after all, is a matter

intimately connected with everyone's daily life. People see the need for change, but want

assurance that there is no possibility they will lose out in the process. ■

Reunderstanding Capitalism

Compared with many similar articles that have appeared in the Chinese press during the past few years, this essay by the director of the Hong Kong branch of the Xinhua News Agency offers a frank and systematic exposition on modern capitalism. It calls for the rejection of stereotyped views of capitalist societies, acknowledges that major changes have taken place in their social and economic practices, and that they still possess a large potential for developing productive forces. At the same time, the author calls for the assimilation of the positive aspects and achievements of capitalism in the building of socialism with Chinese characteristics.

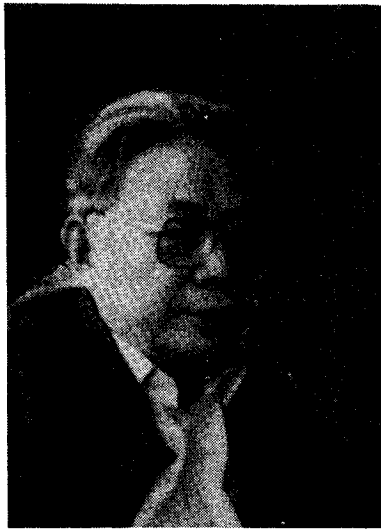
by Xu Jiatun

Over the past few decades, as socialism has developed, capitalism has also undergone quite a few transformations. In today's world, these two social systems exist side by side, competing with and influencing each other. And it is only by acquiring an objective and correct understanding of modern capitalism that we can sufficiently raise our consciousness to build socialism with Chinese characteristics.

Merits of Capitalism

To reunderstand capitalism we have to discard rigid and dogmatic conceptions of its nature. We must pragmatically study the course and laws of capitalist development, focusing on its present characteristics, mechanisms and conditions. In particular, we must comprehensively and correctly understand modern capitalism—capitalism since World War II.

In the long river of human history, capitalism has pushed the development of productive forces to a peak where they now far



exceed the total sum of all previous eras.

The history of human society is the history of attempts to understand and transform nature. It is reflected in the history of the development of productive forces: from the discovery of fire and slash-and-burn cultivation in

ancient times to the mechanization, electrification, automation and computerization of today.

The socialized mass production of capitalism is far more advanced than the family-based production of feudal society; and capitalism's highly developed commodity economy is far more advanced than the natural or semi-natural economy of feudalism. This is principally because it smashed the various bonds of feudal social relations, transforming slaves, serfs and peasants from being dependant or semi-dependent into free hired labourers, indispensable to the development of capitalist production. In other words, labour became a commodity.

At the same time, capitalism has made use of its unique law of value and the mechanisms of market competition to compel everyone involved in the production and management of commodities to make every effort to develop and improve skills, tools, management and efficiency. Thus production has advanced to suit the demands of society, raising productive

Report to the Third Plenary Session of the 13th CPC Central Committee

Zhao Ziyang

(September 26, 1988)

Comrades,

In the six months since the Second Plenary Session of the 13th Party Central Committee, the Political Bureau and its Standing Committee have on many occasions discussed China's economic and political situation as well as the issue of comprehensively deepening the reforms. Recently, a central working conference was held at which the Political Bureau put forth the following views: that China is at present in a period of transition from the old system to the new; that unless prices are rationalized, the establishment of a foundation for a new economic system in its true sense is out of the question, and that the deepening of the reforms involves not only the question of price reform but also comprehensive reform in many other fields as well; that in order to create conditions for rationalizing prices and to keep risks for the reform at the minimum, it is imperative to improve the economic environment and straighten out the economic order while adhering to the general direction of reform and opening to the outside world; that although the overall direction of the reforms must be steadfast, the steps and methods should be adopted according to actual conditions and be safe. Now, I hereby submit the opinions of the Political Bureau formed in the discussions to the Plenary Session for examination.

I. Improving the Economic Environment and Rectifying the Economic Order Will Be Key Tasks of the Reform and Construction in the Coming Two Years

China's reform has been going for a decade. It has instilled great vitality in the national economy, promoted economic and social development, and improved the people's living standards. Without reform, China would not have made the great strides it has made during the past ten years. The significance of reform to China lies not only in what it has accomplished, but, more importantly, in what it has put an end to: the closed, stagnant situation China was in before the reforms began and ushered in a new period of historical development.

Although China's economic situation at present is, in general, good, there are still many difficulties

and problems, the most serious of which is inflation caused by excessive price hikes. The fundamental reason for this situation is overheated economic development and the outstripping of social total supply by total demand. Excessive demand on China's market is a protracted problem that regulatory mechanisms cannot fully address or resolve during the interim when the old system is giving way to the new. Therefore, this makes it all the more necessary to improve administration and control in our work. Over the past few years, we have achieved some success in curbing the scale of budgeted capital construction. But the swelling of extra-budgetary capital construction has not been checked. On the contrary, the problem has become more and more serious. It would be easier if we paid attention to tackling the problem at the beginning of this year. To us, it may appear to be late in the day to only now realize the full extent of the problem and take action to solve it. Of course, it is still not too late to tackle this problem. In fact, even more serious problems will ensue if we continue to hesitate to tackle this problem. We must be fully aware of the importance and urgency of resolutely curbing inflation, and take prompt action and set the greatest determination on shifting in the coming two years the focus of the reform and construction to improving the economic environment and rectifying the economic order. Otherwise, not only will it be very hard to deepen the price reform as well as other reforms, it will also put the development of construction in question. It could even undermine the achievements made during the reforms of the past decade.

Here by improving the economic environment, we basically mean cutting back social total demand and checking inflation. How can we go about doing this? First, the total investment in fixed assets next year will be reduced by 50 billion yuan, roughly 20 percent of actual investment this year. The task can only be overfulfilled. It is necessary to adopt special policies for key industries and protective policies for foreign-invested projects, so as to truly introduce appropriate adjustments of the investment structure and bring real control over the scale of aggregate investment. Second, it is necessary to

control over-rapid growth in consumption, and in particular resolute measures should be adopted to curb institutional expenditures. While a considerable part of institutional expenditures is reasonable and normal, there is nevertheless serious waste. So, resolute measures must be taken to reduce such waste. Third, it is necessary to adopt a series of measures to stabilize the financial situation, strictly control money supply, efficiently manage value-ensured savings deposits, and open up different channels, such as selling publicly owned housing and issuing shares and bonds, in order to absorb idle funds in society and divert funds from consumption. Fourth, it is necessary to slow down overheated economic growth and reduce the growth rate of industrial production next year to 10 percent or lower. This decision is made in regard to the whole country. Different areas must, while "seeking truth from facts," proceed from their own realities. They should not compete with one another in a race for speed.

The scale of investment and institutional purchasing power have continued to swell despite repeated orders from the central government. There are two lessons to be learnt from this: at the top it is mainly softheartedness and a lack of solid work performance; and at the bottom, it is mainly the mischief done by selfish departmentalism and out-and-out disregard for orders and bans from the top. Next year, strict measures will be adopted to reduce unnecessary, non-productive, or overlapping construction projects as well as frivolous institutional expenditures. Doing so will not affect effective supplies, weaken our strength for future development, nor lower living standards. In fact, such measures are prerequisites for deepening the reforms and garnering the enthusiastic support of the people. This is an issue concerning the overall situation of reform and construction. Admonitions should be now given to leaders of various places, departments and units so that they do not make mistakes on this question. They must follow this line next year, and, in no case whatsoever, will be allowed to rush into new construction projects or spend money recklessly.

Rectifying the economic order means addressing and correcting the various abnormal economic phenomena that have cropped up in the transitional phase in which when the old system is gradually being replaced by the new. Now, there are many problems in the field of circulation. Price hikes have encouraged law breaking and discipline violation in circulation, while confusion in the field of circulation has pushed up prices. The mutual reinforcement of these two factors has caused the situation to worsen. This must not be allowed to go unchecked. Efforts must be made to rectify the disorder in the field of circulation. First, it is necessary to resolutely check the trend towards

arbitrary price rises. The State Council is planning to conduct a nationwide examination of matters related to pricing, accounting and taxation. Localities must make earnest efforts to organize strength, strengthen leadership, rely on the masses and do a good job, so as to resolutely halt all activities that are driving up prices in violation of state regulations. Earnings derived from illegal price rises must be handed over to the state treasury, and serious offences of law and discipline must be dealt with according to law. It is necessary to educate the people, tighten law and discipline and close up loopholes in order to establish and improve the supervisory systems in pricing, accounting and taxation, and market rules. Second, it is necessary to consolidate companies, separate enterprise management from government administration, and government from commercial undertakings, and severely punish "bureaucratic racketeers." All companies, except a few which can exercise certain administrative power with special approval of the State Council, must sever their links with Party and government organizations before a specified deadline. Otherwise, their licenses will be revoked. Third, it is necessary to establish as soon as possible an order for the circulation of important products. For those products whose circulation is in disarray, especially those essential means of production, it is necessary to make a list of them and conscientiously solve the problem of multi-channel and multi-link management. Some must be put under exclusive state control, while others must be traded at prices dictated by the unified state market. The "battle" of purchasing grain, cotton, raw silk and other products at higher prices must be halted. Fourth, it is necessary to strengthen the macro-economic supervisory system. It is imperative to, under the unified guidance of the central government, strengthen the macro-economic control foundations of planning, banking, financial, taxation, customs and railway departments, making full use of their supervisory roles while at the same time strengthening supervision over them, so as to form a closely knit system of supervision. Fifth, it is necessary to stop apportion, sharing of profits, and exploitation of enterprises by various sectors. All these must be taken as important tasks in our current efforts to establish a new order for the socialist commodity economy.

To tackle the problem of general demand outstripping general supply, on the one hand, it is necessary to control the swelling of general demand, and on the other, to make great efforts to improve and increase effective supply. Otherwise, there will be serious problems in the market supply. It is necessary to work hard to increase production, especially the production of agricultural, light and textile industrial products and other daily necessities, as well as products that sell well and are

in short supply. Energy, raw materials and transport facilities saved from cutting down the scale of capital construction will be used for this purpose. The export of raw materials and necessary consumer goods which are in short supply on the domestic market should be reduced to guarantee sufficient domestic supplies. Particular attention should be devoted to solving the problem related to grain and vegetable production. It is predicted that China's grain production will be somewhat lower than last year due to the greater number of natural disasters. Reduction in agricultural output this year is a worldwide phenomenon, and so substantially increase grain exports is not in our interests. In general, the situation with regard to grain reserves in China is good. To ensure that there will be no trouble in grain supply, on the one hand, it is necessary to resolutely stop panic buying of grain at higher prices that drives up grain prices and disrupts the grain market, and on the other, to ensure that the grain reserves follow central unified allocation. On the question of grain allocation, comrades in the localities must lay store on the entire situation in the country and give support to the central government. If there are instances of violation of the central government's unified guidelines on allocation, the provincial Party secretary and provincial governor will be held responsible. This point must be made clear now. The problem of "vegetable basket" affects all families and it should never be treated in an offhanded manner. Last year, the rise in prices of general consumer items accounted for two-thirds of the general rise in the retail price index. Price hikes since the beginning of this year have also been fairly large. All cities, especially the big and medium-sized ones, must adopt measures in the fourth quarter of this year to ensure market supply, particularly during the Spring Festival (the first day of the first month of the Chinese lunar calendar. — *Tr*). As for the problem of rural reform and agricultural development, it will be discussed at a conference on rural work to be held this year.

The current efforts to improve the economic environment and rectify the economic order must be integrated with efforts for strengthening and improving macro-economic control in the transitional phase between old and new systems. Comrade Deng Xiaoping recently pointed out, "Macro-control implies that the central authorities mean what they say. The road we have taken over the past few years has been correct. Now, it is high time that we begin summing up our experience. If over the past few years we had not relaxed control, would it have been possible for China's economy to develop as it has? In the past, we enforced control when there was poverty. Now, the situation is different. It is macro-control in the transition to a better-off society." These words of Comrade Deng Xiaoping's indicate to us that in the economy there

must be both dynamic energy and restrictions and both decentralization and control, and that the task of macro-control is extremely arduous. To exercise macro-control, it is necessary to make comprehensive use of economic, administrative, legal and disciplinary means as well as conduct extensive political and ideological work. In the transitional phase, in particular, it will be unwise to abandon administrative means prematurely or offhandedly. Otherwise, economic chaos will ensue. The purpose of strengthening administrative means is to better promote the reforms, not to return to the old system. A clear understanding of this must be acquired. We must study hard in practice, accumulate more experience and gradually grasp and improve our skills in macro-control.

Improving the economic environment and rectifying the economic order is a major problem that warrants our long-term attention. The most important is to ensure that price rises in the next two years are conspicuously lower than this year. This is the touchstone by which to test the Party and government's leadership and their ability to command the whole situation. Now, the people's attention is focused on this point. If we accomplish what are aimed at, we will win the confidence of the people and then there will be hope for deepening the reforms. Therefore, this is not only a serious economic problem but also an important political one. Minor principles must follow major principles. The present major principle is that price rises next year must be considerably lower than those of this year. All our work next year must be done in accordance with this principle.

II. Carrying Forward the Mutually Supportive Overall Reforms Under Organized Leadership and in a Measured Way

To solve fundamentally the complicated problems that have beset us in our course of development, and to set up step by step a new socialist commodity economy, it is essential for us, under organized leadership to resolutely and steadfastly deepen the reform in an all-round way.

Comrade Yao Yilin, on behalf of the Political Bureau of the Central Committee, will address the session to give an explanation of the tentative price and wage reform programmes. Today, I am going to elaborate on two points about the price reforms.

First, the overall price rises in 1989 will be significantly smaller than 1988, and in the following several years they will be each year less than 10 percent. This is the yardstick for judging whether the reforms are working effectively. In the light of the people's financial ability to bear and the enterprises' capability to take on the reform at

present, if the price rises reach double digit, the enterprises will not afford for them and resort to raising the prices of their products repeatedly. This kind of price spiral will endanger economic and social stability and give rise to panic.

However, will we be able to achieve initial success in readjusting the price system within five years or a little longer by limiting price rises to the above-mentioned range? It depends on whether we can effectively place social overall demand under control. So long as the gap between the overall demand and overall supply is not so big, the pressures caused by spontaneous price hikes will be limited and the price reforms will have plenty of room for manoeuvre. It is possible for us to complete the initial readjustment of prices in five years or more, so long as we place a firm grip on improving the economic environment and rectifying the economic order and effectively control the social overall demand in order to allow prices to rise only by a small margin. We shall strive to turn the possibility into reality.

Second, the double-track pricing system for a number of primary products and raw and semi-finished materials cannot and shall not be abolished in the near future. Ours is a planned commodity economy. The aim of price reform is to ensure that the price of a few major commodities and services will be set by the state and the prices of most commodities will be open to market forces so as to meet the requirement that "the state regulates the market, and the market guides the enterprises." However, this target can only be achieved by strenuous efforts over a long period. Judging from the situation in China, the opening of prices to market regulation can only be realized step by step. In the near future open prices should be introduced only to those products whose supply is greater than demand. These include a multitude of consumer goods and industrial products. The state shall continue to set prices for public undertakings, such as railway transport, communications and electricity. The double-track pricing system for those primary products and raw and semi-finished materials that are essential to the national economy and will be in short supply for a long time, including grain, oil-bearing crops, coal, crude oil, steel and non-ferrous metals, should not be abandoned rigidly and prematurely. Without market regulation for these products, it would be impossible to enliven the national economy, and in particular the rural enterprises, which produce one-fourth of the country's total industrial output value, would find it hard to operate. However, if the state-set prices do not figure in "on the other track," prices of a great many products, including some daily necessities, will soar and go out of control. As a result, costs of industrial production will greatly increase and the competitiveness of China's industrial products on

international markets will be impaired. The double-track pricing system is a product of specific historical circumstances. As China's commodity economy and markets are far from being developed, the time is not ripe yet for the abolition of this system. Since the double-track pricing system is inevitable for the time being, it is essential to strengthen management and supervision of it, to prevent confusion and to minimize its drawbacks. This is an extremely important task of the state in macro-control.

The wage system and social distribution are the concern of all. During the course of the price reform, the living standards of the overwhelming majority of workers and staff members shall be maintained at the current level, and be raised only in tandem with the development of production. This is our set policy. Reform of the wage system shall be carried out step by step and focus on overcoming egalitarianism. The salaries for the educational, scientific and technological, and medical personnel, which are on the low side, will be raised in a planned way. The state will tighten its control over newly founded state-owned corporations paying excessively high wages to their employees. High legal wages shall be adjusted through taxation, and all illegally derived incomes shall receive heavy censure.

The in-depth development of the reforms is a comprehensive project, in which reforms in various fields shall support and complement each other. For instance, the price reform should not and cannot be accomplished in isolation from other reforms. During the comprehensive reforms in various areas, it is essential to conscientiously implement the Enterprise Law, to deepen the reforms of enterprises, especially large and medium-sized state-owned enterprises, so that they can establish under the state's macro-control effective mechanisms of self-management and self-restriction and become responsible for their own profits and losses. With the establishment of this mechanism, the economic returns and ability of the enterprises to take on the reforms will be raised, repeated price spirals and unreasonably big price gaps as they are today will be prevented, and the state's macro-control will become all the more efficient. Pricing reform is going to slow down next year, but reform of the enterprises shall be intensified in the following two ways.

First, the government administration shall be further separated from enterprises management and, where conditions permit, enterprises shall operate relatively freely. Several factors are seriously affecting the vitality of the enterprises: the powers that should have been delegated to enterprises have been retained by administrative departments and local governments; restrictions and extortions placed on enterprises by all kinds of

administrative corporations and intermediate links; and a great variety of duties and charges demanded of enterprises. The complete separation of government administration from enterprise management will be the key to changing this situation and providing the enterprises with a better external environment. The government shall require that the great majority of state-owned enterprises operate within the limits of the law, pay taxes according to regulations, and carry out contracts to the letter. Those involved in illegal dealings, tax evasions, and breaking of contracts shall be duly punished. The state shall not interfere with the normal activities of enterprises, nor shall it subsidize their losses. This independent management shall be first implemented in state-owned enterprises in the same line that produce enough to basically meet demands and in state-owned enterprises at the county level.

Second, the contract system shall be improved, and the shareholding system carried out step by step. We have already gone two steps in enterprise reforms. The first step, granting power to enterprises and allowing them to keep a bigger share of profits, has greatly enhanced the vitality of state-owned enterprises. The second step is the separation of ownership and management by implementing the enterprise management contract system. The two steps have yielded good results. Our current tasks are to map out supporting measures for the enterprise contract system in order to facilitate its qualitative development, perfection, and development. Such measures would include introduction of a genuinely competitive system, the optimum organization of labour, improvement of management skills, and promotion of scientific progress. It is advisable to borrow and absorb good management skills from rural enterprises and foreign-funded ventures. We shall make a careful study of the shareholding system with public ownership as the mainstay, and then put it into practice step by step. China's state-owned enterprises will never be privatized. The shareholding system with public ownership as the mainstay is by no means privatization. In fact, it will change a kind of vague concept of ownership into clear concept of ownership to rationalize enterprise mechanisms and behaviours. The organization of enterprise groups is a good thing and shall be encouraged through voluntary participation, amalgamation, regrouping, and buying of shares. No coercive measures shall be taken in this respect. The implementation of shareholding system and the development of enterprise groups shall be experimented with at selected spots before formulating specific measures and clearly defined policies. They shall never be decided hastily.

We run socialist enterprises, and each one of them is a community of interest. The success of an

enterprise depends on the common efforts of both its leadership and workers. That is, the former should be ensured of independence in management, while the latter guaranteed of their democratic rights. The authority of the executives and the role of the workers as masters of the society are identical. They will never be opposed to each other. It is essential to keep this principle in mind when deepening the enterprise reforms.

The all-round, in-depth development of reform also touches upon planning, labour, commerce, material supply, foreign trade, finance, and investment. Special efforts should be made for reforms in areas essential to curbing the inflation. For instance, sales of public-owned residential housing shall be accelerated in order to gradually move in the direction of privatization. With several years of persistent effort, we will be able to recoup huge amounts of funds while energetically readjusting the structure of consumption and industrial composition. The public sale in a planned way and under organized leadership of the property rights of small state-owned enterprises and the encouragement given to large and medium-sized state-owned enterprises to issue their own stocks will turn a portion of consumption funds into accumulation funds, curtail the rise in market commodity prices, promote the flow of productive factors towards areas with better economic results, and optimize the allocation of resources. As with the compensated transfer of the right to use state-owned land, these reforms will never pose a threat to the dominant role of public ownership. On the contrary, they will enable us to make good use of idle funds in society to reduce the state's financial burden. They will be beneficial to the state and the people, and shall therefore be carried out with great enthusiasm.

III. Strengthening Party Leadership and Giving Full Play to Our Political Advantages

The difficult tasks before us are to bring order to the economic environment, rectify the economic order, and deepen the reforms in an all-round way. The whole Party should seek unity of thinking and action. The Party's leading, supervisory, central role should be strengthened. Every grass-roots organization of the Party should become a strong fighting unit. Every Party member must play a pioneering role among the masses. The Party should be run with iron discipline. Individual Party members must submit to Party organizations, the minority to the majority, subordinates to their superiors, and the Party organizations at different levels to the Party Central Committee. This was the political advantage we relied on in the past to overcome the numerous difficulties that were even

more severe than the current ones we face. We should continue to bring this advantage into full play and place high demands on our Party members, with an emphasis on the role and discipline of the Party, in co-ordinating efforts of the whole Party and nation to overcome the difficulties lying in the way of accomplishing the targets set forth by the session.

An extremely important problem is whether we can correctly handle the relations between the local interests and the over-all interests. In recent years, the central authorities has delegated powers to localities to encourage initiative on the part of the localities. This has proved correct. Local interests should always be respected and recognized by the central authorities. However, the powers that should belong to the central authorities must be centralized and neither diverted nor weakened. All the regions and departments should be responsible for the safeguarding of the interests of the whole nation and for subordinating their own interests to the interests of the whole nation. These relations between the part and the whole should not be ignored, much less turned upside down. This problem deserves special attention in the process of improving the economic environment. The country's economic environment is a whole. So when the state's finance bogs down, the whole nation will land in dire straits. If money supply goes out of control, all the markets across the country will be shaken. Putting the economic environment in order will never be an easy job. We have to suffer and make sacrifices. Faced with such difficulties, we should pull together, and each one of us should never act simply as he pleases. We should never do anything that benefits a locality at the expense of the whole, such as would happen if the practice of "countering a central measure with a local one" were condoned. In recent years, there has been a craze to emulate certain notions of "success." It is alright to emulate others in improving the economic environment and rectifying the economic order and deepening the reforms which are beneficial to both the part and the whole. The central authorities will give its full support to this kind of emulation. However, local institutions must never be allowed to vie with one another in blindly expanding the scale of construction and accelerating their rate of growth; constructing office buildings, auditoriums and hotels; and raising wages, fringe benefits and commodity prices. This kind of emulation is most unrealistic and destructive. It has to be stopped; otherwise it will be impossible for the central government to push forward its policies and exercise macro-control. Party organizations at all levels are integral parts of the Party. They must safeguard the authority of the Party Central Committee and carry out its orders. This is a question of political importance. Recently, when

addressing the issue of tackling the economic environment, Comrade Deng Xiaoping said that the Party Central Committee and the State Council must be authoritative, and it will not do without this authority. When a decision is made, it has to be carried out resolutely. We have to be strict, never lenient. We have to do it this way, even if we carry it out a little bit in excess. The Political Bureau of the Party Central Committee deems it necessary that Party and government leading bodies at all levels support and commend those Party members and cadres who pay attention to the interests of the whole and carry out orders of the central government in an exemplary way. Those who do not consider the interests of the whole, only act as they see fit, defy the leadership of the Party organizations, or violate norms of discipline shall be duly punished. We should, by citing facts, make sure all our Party comrades, especially leading comrades, understand that Party discipline must be implemented no matter what happens. It must not be allowed to happen that Party members turn their back on the Party's discipline. The Political Bureau is convinced that the overwhelming majority of cadres in leading positions are clearly aware of the situation and know their responsibilities. They should take the whole situation into account, and resolutely carry out central decisions regarding improving the economic environment, rectifying the economic order and deepening the overall reform. This is the yardstick for evaluating their Party morale.

The construction of Party's grass-roots organizations should be carried out in close connection with the improvement of the economic environment, the rectification of the economic order and the deepening of reforms in all fields. Not long ago, the Party Central Committee issued an emergency circular on strengthening Party discipline and safeguarding the reforms. It was rapidly passed out to Party organizations in order to mobilize the whole Party to play a major role in stopping bank runs and panic buying sprees. Facts have once again proved that the role played by basic Party organizations and their members is mostly dependent on the work of superior Party organs. Viewed from the whole, our Party works effectively. The great majority of its members are well disciplined. They play an active role when they are needed. The point to keep in mind is that the Party organizations must explain clearly to their members the principles and the situation, and let them know in time their tasks and what is required of them. Before the implementation of a major reform measure, work should be carried out among the Party members, especially the leading cadres, to let them know what is happening and enable them to facilitate their work among the masses. Confronted with the tasks of improving the economic

environment and rectifying the economic order, every Party member should work honestly, increase production and practise economy, struggle arduously, and strictly abide by the law. They should not engage in any illegal dealings. They should do nothing that is prohibited by the central authorities. Otherwise, they are not qualified to be Party members. The above exhortations provide the criteria for judging a Party member.

In summary, two points should be remembered about the current building of our Party. First, we must bring into full play the role of Party organizations and their members in ensuring the success of our attempts to improve the economic environment, rectify the economic order, and achieve all-round, in-depth reforms. Second, we must improve the effectiveness of Party organizations and the political awareness of Party members by improving the economic environment, rectifying the economic order and deepening the reforms in an all-round way.

One of our Party's traditional political advantages is its being able to unite with the masses through lively political and ideological work. Our strength lies in the masses. At present, we should start a nationwide educational drive among Party members and the entire people centring around the improving of the economic environment, the rectifying of the economic order, and the deepening of the reform in an all-round way. The masses support the reforms. Their discontent is focused on three points: first, the price hikes, second, the unfair social wealth distribution, and third, the corruption in Party and government organizations. These problems can be solved through patient work, and they can be clearly explained to the masses. We should let the masses know the Party's policies through the educational drive. We should tell them the facts about the substantial achievements made during the reforms in the past ten years, and the difficulties still lying in our way. We should discuss with them the methods to overcome these difficulties. Since we require everyone to take part in accomplishing the tasks, we should put all our cards on the table. We should tell them in explicit terms what we advocate, what we are opposed to and why. All questions raised by the masses should be analysed and answered in light of the Party's policies. This type of educational drive will be the most practical and most welcome part of our political and ideological work. When the masses know the truth, they will work whole-heartedly to overcome all these difficulties. This educational drive should be taken as the starting point of our attempts to improve our political and ideological work and will be continued in the future. The political and ideological work should be practical, lively, attractive, and convincing. The old way of doing ideological work, which was divorced from

the reality, formalistic and dogmatic, should be cast away. We should follow in the footsteps of and continue to develop the fine tradition our Party had during the war years. New ways of doing things should be tried out in the face of the new tasks, the new situation and under the new condition of the growing separation between government and Party. Owing to the differences among the enterprises, countryside, schools, and government organs, our political and ideological work should be based on the actual characteristics of different units and on summarizing the experiences we have already gained. The circular on strengthening and improving ideological and political work in enterprises presented to the session is a preliminary summation. The ideological and political work is not only the job of cadres in charge of propaganda, but also the work of the whole Party. All Party cadres and members, including those responsible for overall leadership and those engaging in economic work, should take ideological and political work as part of their own sphere of responsibility and make contributions to its improvement.

Maintaining the integrity of Party and government departments is an extremely important and pressing matter that has a direct bearing on current efforts to build the Party into a more effective organization. Historical experience tells us that corruption in the government departments is often inevitable during the stage of commodity economic development when legislation, regulations, and social order have yet to be firmly established. Ours is a socialist country under the leadership of the Communist Party. Therefore, the Party and government should and can keep their members and employees within the bounds prescribed by law and social discipline and require them to maintain high standards of ethical integrity and to keep corruption at a minimum and, in no case, let them run wild. The Second Plenary Session of the 13th Party Central Committee has earnestly issued a call to maintain high standards of ethical and professional behaviour on the part of the Party and the government. This shows that our Party is clearly aware of the problem and is serious about solving the problem. Party members must be able to stand the test of living up to being part of the ruling Party, one that is bent on pushing forward reforms and opening up to the outside world. Ethical and professional integrity is precisely this type of test. We should learn how to swim in the sea of commodity economy without being carried away by swirls of corruption. At present, corruption among staff members of Party and government departments—graft, accepting bribes, extortion, profiteering and squandering public funds—is bitterly hated by the masses. It is damaging not only the moral character of the Party members and

cadres involved, but also the image of the Party and government. If this problem continues to go unsolved, we will lose the support of the people. Over the past several months, Party committees and governments at different levels have taken actions and done a lot of work, including making public work procedures, setting up various corruption investigation and crime hunting centres, improving relevant regulations and discipline, and settling cases that involve violation of the law and discipline. All these have achieved good results. There are several important things to be done. First, the question of keeping a clean government must be put on the agenda of the leading organs. Being apathetic and turning a blind eye to this question are unpardonable. Second, we must increase the channels by which our work procedures can accept the open supervision of the masses. Third, we must set up all kinds of regulations in dead earnest, so that administrative work will become gradually standardized and put in good order to prevent power manipulators from being able to milk different situations for their own personal gains. Experiments and other work conducted in different areas should be continued in a down-to-earth manner in order to achieve solid results.

The reforms of our political structure and the construction of socialist democracy should be carried out unswervingly under Party leadership and in light of the principles proclaimed at the 13th National Party Congress. A political situation of stability, unity, democracy, and harmony is essential to creating a healthy, dynamic economic environment, rectifying the economic order, and deepening the reforms. We must handle social contradictions with great care. It is necessary to sum up experiences in handling the local unrest that has occurred in recent years. Efforts should be made to expand democracy in grass-roots units, to develop social dialogues, and to solve social contradictions within the bounds of democracy and law. Contradictions should be solved at the grass-roots

level long before they break out into open social disorder. However, when necessary, forceful measures are likely to be taken for the preservation of social stability. We should work doubly hard to prevent social disturbances. However, if disturbances do occur, we should be steadfast in pushing forward our reforms and construction. This should be the only policy of ours.

The four cardinal principles* are the foundation of our country. They must be closely followed. We should continue to carry forward our inherent political superiority. The purpose of our political reform is to further display the advantages of our socialist political system. We should continue to move towards separation of Party from government so that the Party can extricate itself from administrative matters and strengthen its leadership and supervisory role. It is essential to straighten out the relations between the organs of state power and administrative organs in order that they be able to perform their duties according to law and that the efficiency and authority of the government be raised. We shall strengthen the multi-party system of co-operation and consultation that operates under the leadership of the Chinese Communist Party in order to develop even closer relations among our Party, the democratic parties and non-party persons, and to strengthen the nation's unity. The whole Party and nation should be clearly aware of these fundamental policies. Their close observation will be beneficial to the smooth progress of our reform of the political structure and will serve as a powerful guarantee that the improving of the economic environment, the rectifying of the economic order, and the all-round deepening of the economic structural reforms will be successful. ■

Adherence to the socialist road, to the people's democratic dictatorship (i.e., the dictatorship of the proletariat), to the leadership of the Communist Party and to Marxism-Leninism and Mao Zedong Thought.

forces to an ever higher plane.

As the representative of the new mode of production, the bourgeoisie made painstaking efforts to create a world market and develop new technologies. This resulted in an even more rapid development of the productive forces. As early as the 1840s, Karl Marx and Friedrich Engels wrote in the *Manifesto of the Communist Party*, "The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together."

Since these words were written, capitalism has endured numerous crises, both large and small. Its relations of production and operational mechanisms have undergone various transformations and improvements, and its productive forces have seen new and massive development. Since World War II in particular, the capitalist world market has continued to expand, new industries have emerged one after another, and progress in science and technology and productivity has far exceeded expectation. The productive forces have rapidly moved from the era of iron tools and machines to the epoch of electricity and the age of computers. How big an impact the worldwide new technology revolution, especially the development of microelectronics, bioengineering, space technology, new forms of energy and new materials, will have on the future development of productive forces and human society, it is impossible to judge at present time.

As well as developing the productive forces, capitalism has also made some historical contributions to the ideological and political superstructure of capitalist societies.

At every stage of capitalism's economic development, corresponding achievements have been

realized in ideology, culture and politics, thus advancing civilization.

The foundations for capitalist civilization were laid during the Renaissance, which created the ideological and cultural preconditions for the development of the capitalist economy and the bourgeois revolution. The anti-feudal ideological, cultural, political and economic achievements of capitalism not only possess historic value but also are of great practical significance for those countries still haunted by remnants of feudalism.

But modern capitalism did not stop at mere opposition to feudalism. It has made many steps forward in establishing and improving the capitalist mode of production and social system, gradually evolving a superstructure which better suited the development of productive forces and the commodity economy. In modern developed capitalist societies, comprehensive and well-organized legal systems have been established, and the sense of competition and efficiency have taken deep root in the minds of the people.

It has to be noted, however, that capitalism's material advances, as well as those parts of its cultural wealth which are of positive significance, were created by the whole mankind: the bourgeoisie, the proletariat, intellectuals, farmers and so on. Thus they are the common wealth of the human race. People should treat capitalism and its accomplishments historically and scientifically, rather than adopt an attitude of historical nihilism aimed at negating all its achievements.

Changes in Capitalism

What method should be adopted in observing and understanding modern capitalism? One

is to proceed from books, making practice suit theory. The other is to proceed from practice, drawing new conclusions, improving and developing former theories in line with social changes. I think the latter is the correct method.

Over the past 100-odd years since Marxism came into being, and especially since World War II, capitalism has been compelled to make many adjustments in its relations of production. These have occurred for many reasons: the great expansion of its productive forces, the understanding of its own defects gained through practice, the development of the labour movement, the struggle against colonialism, and, in particular, the emergence of the socialist system.

New practices have emerged. For instance, to mitigate the harmful influence of economic crises and realize the state's macro-economic goals, some capitalist countries have strengthened government interference in economic life. This contradicts our former understanding that capitalist production was fundamentally anarchic. The fact that last year's stock market crash did not lead to a worldwide economic depression and the bankruptcy of many banks has something to do with the joint interference by the governments of major capitalist countries and the amendments they have made to their economic policies and laws since the crash of 1929.

In the field of production, to ensure fair competition and support the development of medium-sized and small enterprises, some capitalist countries have passed anti-monopoly laws. In many capitalist countries and regions, such enterprises still account for a large and important proportion of the economy. This also contradicts our former view that the capitalist economy is dominated by monopolies.

Some developed capitalist countries have adopted a series of social welfare policies and other income distribution policies. These serve to mitigate class contradictions, improve the relations between labour and capital and stabilize the social and political situation, improving living standards for people on low incomes and protecting the rights and interests of working people. In this way, the normal development of the economy can be maintained, which again runs counter to our former understanding that in capitalist societies the life of the working people is insecure, the relations between labour and capital are always antagonistic, and the working class is being plunged ever deeper into poverty.

In modern capitalist societies, property relations have become more complicated. Many enterprises do not belong to a single capitalist or a family. They now can sell their shares openly on the market, and in this way anyone can become a shareholder. In fact, many public institutions have become important shareholders in big companies, and some enterprises have encouraged their workers and staff to buy shares in their own company. Hence, the relationship between the employer and the employed has become blurred, and the role of the middle class has become increasingly obvious. They form an independent social strata, being neither ordinary hired labourers nor bosses of enterprises. In Hong Kong, they are called the "elite elements."

Overall, the bourgeoisie has strengthened its ability to control modern mass production, and so corresponding adjustments have been introduced to the socio-economic structure and class relations of capitalist society.

In addition, since World War II, developed capitalist countries have continuously adjusted their

foreign policies. Under the precondition of not giving up their interests in overseas expansion, capitalist countries have adapted their international policies in the hope of bringing about detente.

Although the current capitalist system has generated problems unforeseen 100 years ago, it can still accommodate further developments in its productive forces. Through fierce competition, the citizens of capitalist societies feel that it is possible for many people to change their economic and social status through their own efforts. In other words, a social environment exists where hard work by individual members of society is encouraged and the initiative and creativeness of the people can be aroused to a certain extent.

It should be acknowledged that in the past we underestimated the development potential of capitalism, particularly as regards its productive forces. For instance, at the end of the 1940s Hong Kong was basically a transit trade port. Its economic take-off began in the 1960s, and by 1985, its per-capita GNP had increased six-fold over 1951. This development has been achieved despite periodic upheavals: the panic bank runs in the 1960s, and the stock market slump, the oil crisis and worldwide economic depression of the 1970s. It shows that Hong Kong's capitalist economy and society has great flexibility in adapting to rapidly changing situations. Today, Hong Kong is a modern metropolis, one of the world's major trade and financial centres. And yet it still holds great potential for development.

For a long period, our understanding of capitalism came mainly from two sources: One was the Marxist-Leninist theoretical classics, and the other was our personal experiences of old China. In our mind, the capitalist system was extremely cruel, seriously

hindered the development of productive forces and would soon die out. Because of this, we drew some mistaken conclusions about its nature. We have failed to study the modern development of capitalism, and as a result knew little that the scientific and technological progress has influenced the capitalist world. We also failed to note that capitalism to a certain extent can accommodate and promote the development of productive forces through self-regulation and drawing on some successful experiences of socialism, and that modern capitalism has some advantages which we do not have in promoting the development of productive forces. Today, it is necessary for us to adopt the attitude of seeking truth from facts to form a new and objective judgment of modern capitalism. In particular, we must study how the capitalist system has matured and its future developmental prospects, so as to draw up a practical strategy for the period of socialist and capitalist co-existence.

Learning From Capitalism

The founders of Marxism forecasted that with the abolition of exploitation, socialism would undoubtedly create higher labour productivity and achieve a rapid development of the productive forces. Over the past 30-odd years, China's socialist construction has made great progress despite many serious setbacks and mistakes. A fundamentally socialist economic and political system has been established, exploitation and classes have been abolished, the economic strength of the state has grown enormously and educational, scientific and cultural undertakings have made considerable progress. It has to be said that such achievements in an extremely

backward country like China have initially demonstrated the superiority of the socialist system.

But it is also necessary to point out that the superiority of socialism has not been brought into full play: a large gap still exist between the concrete results we have realized and the theoretical possibilities offered by socialism. I think there are two important reasons for this phenomenon. One is that China was a semi-colonial and semi-feudal society up until 1949. It did not experience the full development of commodity production. Indeed, at liberation, small-farmer production was dominant and most of the population was illiterate. The difficulties of building socialism on such a foundation have naturally been formidable. The other reason is that for a considerable period we committed "left" mistakes. During the "cultural revolution" (1966-76) in particular, we tried to negate capitalism completely, equating it solely with the commodity economy, which we attempted to bypass in our construction of socialism.

After the Third Plenary Session of the 11th Party Central Committee in 1978, we closely re-examined both traditional socialist theories and the level of our economic development. At the same time, we began to restudy capitalism, reaching our present understanding after ten years. Looking back at this part of history, we now understand that China's congenital deficiencies in the development of capitalist commodity economy were a product of history. After the founding of New China in 1949, it was only natural that we devoted our major attention to developing a socialist commodity economy aimed at promoting socio-economic development. But, our subsequent errors impeded our efforts, and their pernicious

influence is still evident today.

In socialist construction, we have known too little and harboured too much fear of modern capitalism. Because of this, we have failed to inherit its achievements, and strived to negate many of its features from which we could have benefited. As Zhao Ziyang, general secretary of the Central Committee of the Communist Party of China, pointed out in his report to the 13th National Party Congress, "Many things which fettered the growth of the productive forces and which were not inherently socialist, or were applicable only under certain particular historical conditions, were regarded as 'socialist principles' to be adhered to. Conversely, many things, which, under socialist conditions, were favourable to the growth of the productive forces and to the commercialization, socialization and modernization of production were dubbed 'restoration of capitalism' to be opposed."

For far too long in the past, we harboured too many utopian ideas in our attempt to build a pure socialism, which were reflected in the "left" influence on many policies. I think acknowledging and correcting this has been our biggest lesson.

It remains true, however, that there are fundamental differences between socialism and capitalism. Therefore, we must adhere to the socialist principles of predominantly retaining public ownership and the common prosperity, while fostering contact with capitalism in the areas we share. As socialism can only be built on the foundations of previous social development, and the two systems will exist side by side for a considerable period to come, we should and must learn from capitalism and inherit all the outstanding cultural achievements of human history. Only in this way can socialism be consolidated,

improved and developed. Without the cultural heritage of capitalism, there would be not socialism. Socialism can never cut its historical and present ties with capitalism and succeed by isolating itself from the development of world civilization.

With the development of capitalism, various forms of economic relations have emerged which, through the commodity economy, have led to the introduction of numerous ways to organize and regulate socialized production. Most of these have a dual nature, both reflecting the characteristics of capitalism and manifesting the objective demands for the socialization of production and the development of the commodity economy. Take Hong Kong for example. Over a long period of time, it has established an internationally oriented market system incorporating management methods, a monetary system, and a legal system backed up by administrative control and socio-economic policies which combined to ensure free competition. At present and for the foreseeable future, these are basically conducive to the development of Hong Kong's productive forces. It is based precisely on such a judgment, which takes into account the history and current conditions of Hong Kong, that the Chinese government put forward the principle of "one country, two systems." According to this principle, Hong Kong will continue to practise capitalism for at least 50 years after returning to the motherland in 1997. At the same time, China will be able to expand its economic and trade relations with the capitalist world via Hong Kong. This will not only be conducive to Hong Kong's prosperity and development, but also benefit our socialist construction.

Because China is still in the primary stage of socialism, its

principal tasks are: achieving full industrialization, developing the commodity economy, and establishing a political structure that corresponds to the needs of the

new economic order. In all these fields, capitalism has already acquired much experience. Therefore, it is necessary for us to systematically and critically study

modern capitalism, so that we can learn from and assimilate its achievements, adopting any that prove suitable for the current conditions of China. ■

China's Elderly Surveyed

In 1982, China had 49.72 million people aged 65 or over. It is estimated that this figure will have almost doubled to 86.46 million by the year 2000, constituting more than 7 percent of the population. By 2040, the figure will have leapt again to 250 million, or an estimated 17 percent. According to a United Nations assessment, the changes that China will witness in four decades would take around 80 years in some developed countries.

by Tian Xueyuan*

Although one of the major problems facing China is controlling the size of its population through strict enforcement of the government's family planning policy, the very reduction in the birth rate is having a dramatic affect on the country's age structure. In particular, the numbers of the elderly are increasing fast.

In 1982, China had 49.72 million people aged 65 or over. It is estimated that this figure will have almost doubled to 86.46 million by the year 2000, constituting more than 7 percent of the population. By 2040, the figure will have leapt again to 250 million, or an estimated 17 percent. According to a United Nations assessment, the changes that China will witness in four decades would take around 80 years in some developed countries.

To discover more information

about China's elderly, the Chinese Academy of Social Sciences' Population Research Institute and the State Statistical Bureau's Sample Investigation Group for Rural and Urban Areas conduc-

ted a nation-wide survey of 36,755 people aged 60 or over in 1987. People were interviewed in all 28 of China's Provinces, autonomous regions and municipalities except Tibet and Taiwan. Using strict

A trio of 70-year-olds admire their new homes in Boai County, Henan Province.

ZHU GUANGZHI



* The author is director of the Population Research Institute under the Chinese Academy of Social Sciences.

principles of random sampling, the results should be accurate to within plus or minus 0.5 percent.

China's elderly tended to marry earlier than the generations that have followed them.

and 27.1 percent had had more than eight children.

Table 1. Age of First Marriage

Age at First Marriage	Proportion of Population Aged 60+	Proportion of Population Aged 15+(%)*
15-19	47.0	7.5
20-24	35.2	72.8
25-29	11.8	15.8
30-34	4.2	2.8
35+	1.8	1.1
Total	100.0	100.0

* 1986 figures.

Under the title 1987 Sample Survey Materials on China's Senior Citizens, the results of the survey have been compiled and published in book form by the editorial department of the research periodical, Chinese Demography. Its principal findings are listed below.

1. Age Structure: In 1987, the median age of people over 60 was 67.6, that is to say half of them were aged 60 to 67.6 and half were aged 67.6 plus.

2. Cultural Level: Using a standardized index, the survey revealed a national average cultural attainment of 2.00 for China's elderly (a 1982 survey of all ages produced a figure of 4.65).

This average, however, masks an enormous disparity between both the sexes and urban and rural dwellers. The urban male averaged 5.29, and the female, 1.73; in the countryside, the male averaged 2.13 and the female, 0.41.

3. Marriage: Over 60.3 percent of those surveyed had spouses; 30.6 percent were widowed (a majority of whom were female).

As the table below shows,

4. Child-bearing: Among the female senior citizens interviewed: 14.5 percent had borne a child before they were 20; 75.1 percent before they were 25; and 24.9 percent after they were 25.

Some 5.7 percent had had one child; 7.3 percent had borne two children; 9.3 percent had borne three children; 12.2 percent had borne four children; 65.5 percent had borne more than five children;

5. Family Structure: On average, each household surveyed had 4.9 people—an increase of 0.7 on the 1987 national census—and more elderly people (18.9 percent) belonged to a five-person family than one of any other number.

Of the elderly interviewed: 50 percent belonged to three generation families; 29.2 percent belonged to two generation families; 12.9 percent lived as a couple; 3.4 percent lived alone; and 3.0 percent belonged to a four generation or greater family.

6. Economic Role: Of those interviewed who lived in cities, 41.5 percent played the dominant role in their family's economics, compared with 39.9 percent in towns and 18.7 percent in counties.

7. Financial Support: The majority of China's urban elderly derive their income from pensions: 56.1 percent in the cities and 47.5 percent in the towns. Many are also supported by their children: 22.4 percent in the cities and 14.3 percent in the towns.

In rural areas, the situation is quite different. Some 67.5 percent are supported by their children,

Elderly people enjoying an after dinner harmonic concert.

ZHU GUANGZHI

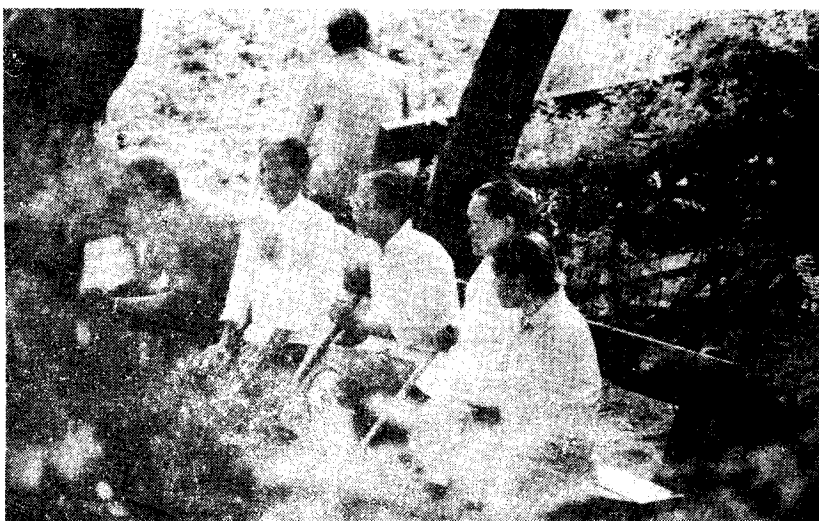


26.2 percent support themselves by working, and 5 percent are supported by their spouses. The remainder are supported by either other relatives, the government or collectives.

It is evident that China's urban elderly are principally reliant on the state and their former enterprises, while those who live in the countryside remain bound far more closely to their families. Over the past few decades, there has been a gradual movement from the latter to the former across the entire country.

8. Employment: Compared with rural areas, a relatively small proportion of urban elderly continue to work. In cities, they number 15 percent (20.4 percent male, 10.2 percent female); in the towns it is 11.6 percent (17.9 percent male, 6 percent female); and in the counties it is 31.5 percent (53 percent male, 12.4 percent female).

In the countryside, more than half of the over-60s are still engaged in manual labour, indicating that because of China's low productivity and relatively backward agricultural production, most rural elderly have to earn their own living. This, however, does have the benefit that they can continue to play a vital role in the economic life of their communities, adding sig-



A peaceful retirement beneath the trees in Tianjin.

MA PING

nificance to their own lives as well as those around them.

Of those who continue to work past 60, some 18 percent in the cities and 13.2 percent in towns have been re-employed in new jobs. Although this is clearly beneficial to those concerned—generating income to participate in wider social activities—it does nothing to alleviate China's shortage of jobs.

During the next two or three decades, China's working population will reach a peak, with supply far outstripping demand. This will prove a severe challenge to the growing re-employment of the elderly.

9. Medical Services: The following table gives a breakdown of how China's elderly pay their medical expenses:

10. Health: According to the survey, 10.3 percent of China's over-60s are in good health; 28.3 percent have relatively good health; 27.9 percent felt they were generally all right; 17.6 percent were moderately unhealthy; and 9.3 percent were in poor health. Some 0.7 percent were not clear.

In all, around 70 percent faced no serious health problems, and 83.8 percent declared they could look after themselves in their daily lives.

11. Daily Activity: Those surveyed were asked to quantify the time spent on four categories of activities: sleep, labour (including housework), study and recreation. In the cities, the proportion was 9:5:4:3, while in rural areas it was 9:5:1:9. The urban elderly indicated that they spent around three hours more a day on reading, study and other cultural activities than their rural counterparts.

It is little wonder, therefore, that 31.4 percent of the over 60s in the countryside asked for greater access to cultural facilities. ■

Table 2. Payment of Medical Fees (%)

	National	City	Town	County
Paid at				
Own Expense	71.7	26.7	45.1	94.7
Half Paid	9.9	22.1	19.2	3.1
Free Medical Care	18.4	51.2	35.7	2.2
Total	100.0	100.0	100.0	100.0

Again, the major discrepancy is between rural and urban areas.

Causes Given for Income Unfairness

Some people in China say that "the experts who make missile earn less than the pedlars who sales eggs; the barbers who wield razors earn more than the surgeons who use scalpels." These are the complaints of an unfair income distribution system. Chen Xiao wrote this article for the Opinion column of "China Daly" on November 5. We reprint it to help our readers gain further understanding of China's reform programme.
by Chen Xiao

Some sayings such as "the experts who make missiles earn less than the pedlars who sale eggs; the barbers who wield razors earn more than the surgeons who use scapels" have become popular in China in recent years.

In fact, these are the complaints of an unfair income distribution system, a hot point of the current reform.

The situation has created disadvantages. Professionals receive incomes that are so low that they almost lose their initiative for work. The unfair system is polarizing society and making the social structure unbalanced. It has become an obstacle to social and economic development.

At present, many economists and entrepreneurs have expressed views on the causes of the problem and offered their prescriptions.

Fan Yifei, a scholar of the Ministry of Finance, analysed the causes from the standpoint of the state system.

"The shortcomings of some systems are important causes," Fan wrote in Financial Times.

He called the wage management unfair, saying it was drawn up under economic conditions that have passed. Although the economy is being reformed, the wage management system still has shortcomings. There is still no adequate method to readjust personal incomes.

In recent years, the proportion of wage in personal total incomes has dropped, he said. However, the wage management system

covers only the basic wage. Within the confines of this wage system, there remains equalitarianism.

Fan described the personnel system as unreasonable. the "iron bowl" (a secure job) is still one of the main features of the personnel system, he said. A good job or a high position earns a high wage. So, those who do not have good jobs or high positions will suffer low wages no matter how hard they work.

The management of enterprises is not equitable either, he said. Enterprises have not yet achieved complete independence. Reforms such as the contract system cannot solve all the problems of enterprises.

The "double-track" price system has negative influence on wages, too, Fan said. Individual producers, private enterprises and even some state-enterprises take advantage of the loopholes of this price system to speculate and make profits.

Basic Cause

Wang Jiuying, an editor of the economic page of Guangming Daily, analyzed the problem from a different angle. The basic cause of income inequalities is the difficulties some enterprises encounter in adapting to a commodity economy without freeing up the old pay distribution system.

Wang said reforms of production and the exchange of commodities are proceeding fast. However, the reform of income distribution has hardly made any

headway. The result is those who work in enterprises get their income from various sources, and those who work in institutions receive only basic wages. The capacity of the central government to budget for salaries is getting smaller and smaller. The government cannot readjust personal incomes.

Wang said, as the central government delegates power to the localities, each local authority will scramble for investment and preferential rights to consolidate their own interests. This has caused differences in income levels among different localities.

Xin Changxing, a research fellow in the Ministry of Labour and Personnel, said that old thinking impedes income reforms.

The old idea holds that brain work is not real work. Although the slogan, "esteem intellectuals" has been raised as a state policy, many people, especially workers, ignore it. Xin said, government efforts to raise the basic wages of intellectuals will be opposed, at least initially.

The experts also suggested various solutions. As the suggestions each lay particular emphasis on some aspects of the problem, they are useful if the government can synthesize them.

Fan Yifei urged establishment of a comprehensive market system that would bring the market into full play. He said the government should open the labour force market and cancel the "double track" price system to create an environment of competition on equal basis. ■

FACTS & FIGURES (Decade of Reform VIII)

Changes in the Life-Style of Urban Residents

by the State Statistical Bureau

Since 1978, great changes have taken place in the lives of China's urban residents. Their income has risen rapidly and its sources have diversified. Accompanying this transformation in their personal finances has been a restructuring of their consumption patterns, greater ownership of private property, a rise in bank savings, and improvements in housing conditions and cultural life.

Increase in Income

Before 1978, the major source of income for China's urban citizens was their basic wages. For many years, these had not only remained low, but had increased extremely gradually. The principal ways in which urban living standards were raised were by increasing job opportunities and providing greater social welfare.

Since 1978, however, policies aimed at smashing the "iron rice bowl" have led to the abandonment of egalitarian distribution. Through China's reform programme, competition has been introduced into daily economic life, enterprises have greater autonomy to determine how their employees should be paid, and new forms of ownership have emerged. Accompanying these changes has been a diversification in income sources for urban residents.

But perhaps more immediately significant is the huge jump in urban income. In 1978, the

average per-capita income for urban citizens was 315.83 yuan. By 1987, however, it had soared to 915.96 yuan, an average annual growth rate of 12.6 percent. Allowing for price increase, this has meant an 85.7 percent rise. At no time since the founding of the People's Republic in 1949 has real income climbed so rapidly, and as a result, urban citizens have never been better-off.

Although basic wages have risen substantially, the major leap in income has come from money earned through other channels. In 1978, the annual wage income of workers in urban state-owned enterprises was 318.03 yuan. It reached 613.08 yuan in 1987, an increase of 92.8 percent, or 7.6 percent annually. Of this total, basic wages amounted to 286.87 yuan in 1978 and 404.16 yuan in 1987, up 40.9 percent at an average of 3.9 percent a year.

The balance has come in the forms of bonuses, subsidies, floating and contracted wages. In 1978, such items totalled 31.16 yuan, in 1987 they totalled 208.92, up 570.05 percent, at an average annual growth rate of 28.5 percent. Their proportion of total income increased from 9.8 percent in 1978 to 34.1 percent in 1987, and to 33.3 percent in the second quarter of 1988. Other possible income sources for urban workers now include dividends on share, rents from property, subsidies for commodity prices, and securities. These accounted for 19.9 percent of all personal income in the first half of 1988. They will continue to rise with the deepening of reforms.

Consumption Patterns

With more income sources and raised level of their income, urban citizens have gradually altered their patterns of consumption.

—The proportion of money spent on food in the total expenditures on consumer goods has decreased from 56.65 percent in 1981 to 55.73 percent in 1987. However, the proportion of non-staples foodstuffs, especially animal produce, in the diets of urban residents has risen markedly. From 1978 to 1987, average annual grain consumption per capita dropped by 18.59 kg, pork rose by 5.15 kg, and eggs by 2.87 kg. From 1981 to 1987, fish and shrimp consumption increased by 6.67 kg and sugar 1.97 kg, while the consumption of fresh vegetables decreased by 162.10 kg.

—The purchase of medium- and high-grade consumer goods has increased. In 1978, many urban residents still wore what some foreigners called "Mao jackets." Since then and especially during the last five years, people have begun to pay more attention to the style, colour and material of their clothes. High-quality, ready-made and fashionable clothes have become ever more popular. In 1987, for every 100 urban households there were 36.97 fur-lined overcoats, 154.22 woollen overcoats, 359.01 woollen garments (including 155.42 Western-style suits), 630.02 pairs of leather shoes and 105.32 blankets.

Per-capita spending on clothing rose from 42.24 yuan in 1978 to 121.09 yuan in 1987, or an average

increase of 186.67 percent a year. Its proportion of the total living expenditure increased from 12.53 percent in 1978 to 13.69 percent in 1987.

Furniture consumption has also moved up-market. Suites and unit furniture are proving ever more popular, hard chairs are being replaced by all sorts of sofas, and wooden beds by spring mattresses. In 1987, for every 100 urban households, there were 8.13 sets of unit furniture, 10.12 spring mattress beds, 145.08 sofas and 105.03 wardrobes.

—During the “cultural revolution” (1966-76), urban residents owned little family property. With more money in hand, people vied with each other in purchasing the high-grade goods in the last decade. From 1979 to 1987, for every 100 urban households, ownership of bicycles increased from 112.7 to 176.53, sewing machines from 54.26 to 74.88, and watches from 204.16 to 314.91; but ownership of radios decreased from 70.46 to 67.01. Ownership of electronic goods has risen particularly fast. In 1987, for every 100 urban families there were 99.4 television sets (including 34.63 colour sets), six times the 1979 figure; 19.91 refrigerators; 103.92 electric fans, nine times more than in 1979; 57.38 cassette recorders (including 29.36 stereo ones); and 14.34 cameras.

Nowadays, some well-off families are turning their attention to remote control large-screen colour TVs, high capacity refrigerators, automatic washing machines, video-cassette recorders, and hi-fidelity music and equipment.

—Expenditure on services has jumped from 2.63 yuan per capita in 1978 to 75.13 yuan in 1987, a 21-time increase in real terms.

Savings Deposits

Over the last decade, urban citizens have deposited a greater

sum of money in banks each year. By the end of 1987, savings totalled 206.76 billion yuan, to which another 31.5 billion yuan can be added in cash kept at home.

So far this year, deposits have dropped off slightly as a result of interest rates failing to keep pace with inflation and the subsequent rush to buy goods or other forms of investment. Recent statistics reveal that average per-capita monthly deposits in the second quarter of 1988 were 11.10 yuan—a slight drop on the 12.71 yuan of the first quarter.

The last few years since 1985 saw a faster growth in both the time and expenditure spent by city residents on elementary education, retraining, intellectual pursuits, recreation and tourism. Now urban employees spend an average of three hours a day on education, sport, entertainment or socializing.

Housing Conditions

By the end of 1987, the average urban household had 2.44 rooms, every urban citizen had an average of 8.47 square metres of living space, a considerable rise on the 4.96 square metres in 1980. Around 72.25 percent of households had tap water, 81.30 percent had separate kitchens, 54.90 percent had lavatories and washing facilities, and 26.38 percent had gas or liquefied petroleum.

During the last two years, the government has been experimenting with housing reform in some selected cities in preparation for a nationwide reform of the housing

system. This should lead to a thorough improvement in living conditions.

Across China, municipal governments have constantly increased investment in facilities to make urban life more comfortable and convenient. The amount of money spent on tree-planting, schools, kindergartens, hospitals, transport and recreation centres has risen greatly.

Cultural Life

In 1987, the average urban resident spent 14.15 yuan on cultural, educational and recreational services (up 4.19 yuan on 1985), 2.76 yuan on medical and health care (up 0.84 yuan), and 6.89 yuan on tourism and transport (up 2.45 yuan). The last few years since 1985 saw a faster growth in both the time and expenditure spent by city residents on elementary education, retraining, intellectual pursuits, recreation, and tourism. According to a sample survey, urban employees now spend an average of three hours a day on education, sport, entertainment or socializing—around half of their spare time.

All these changes indicate that urban citizens have substantially benefited during China's decade of reforms and opening to the outside world. Anxieties remain, mainly stemming from the sharp price rises of the last few years, which has led to a drop in real income for some households. There are also problems with income distribution, an insufficient supply of certain goods, the income falling short of expenditure in some families; the gap between personal wishes and reality; poor housing conditions and traffic jams. These problems, either hangovers from the old system or the newly emerged during the last decade, should certainly be solved as China's reform programme grows in depth and breadth. ■

Officials Profit by Illegal Sales

"Shichang"

(The Market)

While there is a voice for a ban on bureaucratic racketeering, the Administration for Industry and Commerce of Shenyang City in Liaoning Province has offered some figures.

In the first half of 1988, the city investigated and dealt with 986 cases of illegal sales, of which 101 major ones were imposed a fine of 1.77 million yuan and goods were confiscated, however, bureaucrat racketeers of every description can only be investigated but not stopped. So bureaucrat racketeering seems to have become more prevalent.

Why is this happening? An office worker of a corporation in Shenyang said: "Only several bureaucrats do whatever they like and seek exorbitant profits. If only the corporations are punished, and the bureaucrat racketeers are not investigated, how can bureaucrat profiteering be banned?"

His remarks contain a grain of truth which is illustrated by the following two cases:

The first case: A planned quota of one hundred tons of cold-rolling steel plates was changed into an apartment.

In 1986, Gao Fei, an assistant chartered accountant of the Coal Industry Ministry's Northeast Administrative Bureau of Materials and Equipment had a housing problem in Shenyang. To solve the problem, the supply department of the Qitaihe Coal Mine in Heilongjiang Province took out one hundred tons of cold-rolled steel plates and asked Gao Fei to resell them. Gao Fei found

his buyer—the Metal and Industrial Chemicals Corporation affiliated to the Xinchengzi District Bureau of Materials and Equipment in Shenyang. In late July of the following year, these steel plates were transported to Xinchengzi from Wuhan at the price of 890 yuan per ton. In Autumn, they changed hands at the price of 1,070 yuan per ton, reaping a profit of 190,000 yuan. Of this, 90,000 yuan was sent to Shenyang Railway Bureau's Beifang Jointly Managed Department Store, which sells hardware, alternating-current equipment and materials. In early September, the department store withdrew 60,000 yuan and bought an apartment. Gao Fei moved into the apartment this February. At the same time, he withdrew more than 10,000 yuan to buy a video tape recorder and electronic organ. He pocketed 3,000 yuan.

The allotment and profiteering of the one hundred tons of cold-rolled steel plates evolved around buying a house for Gao Fei with the illegal income 100,000 yuan. Of this, Gao Fei's individual income was more than 70,000 yuan. Wasn't this bureaucrat's personal gain a vital part of the bureaucrat racketeering case?

The second case: Seven tons of polyethylene were sold six times by eight corporations, four bureaucrat racketeers benefited from it.

In October 1987, through the introduction of Yang Huilan, an office worker of the Beihua Plastic Packing Materials Factory in Shenyang, the First Branch of the Shenyang Industrial Chemicals Corporation purchased 7.1 tons of polyethylene from a processing factory for plastic materials in the suburbs of Fushun at a price of 5,000 yuan per ton. On October

14, the corporation raised the price 150 yuan per ton and sold the material to a Shenyang jointly managed industry and trade corporation and gained 1,065 yuan in profit. This corporation paid Yang Huilan 1,500 yuan, and its office workers, Yu Changcheng, Hao Yushen, Chen Ping, 3,100 yuan. After that, fenced by the four bureaucrat racketeers, 7.1 tons of polyethylene changed hands seven times among five corporations. The price rose from 5,150 yuan to 7,300 yuan per ton, resulting in illegal profits of 15,000 yuan. A detailed investigation of the case revealed that the corporation in Shenyang illegally gained some 10,000 yuan and the other seven corporations benefited anywhere between several hundred yuan and one thousand yuan. Those corporations knew clearly that they could make only minor profits illegally. What prompted them to do such a thing? The key factor was that the four bureaucrats profited from it. Their individual illegal income amounted to 4,600 yuan. Facts show that the bureaucrat profiteering of all types are done by a variety of bureaucrat racketeers. In order to ban bureaucrat profiteering, the punishing of corporations is necessary, but more importantly, bureaucrat racketeers should also be brought to trial.

(August 29, 1988)

Higher Education in Minority Area

"MINZU TUANJIE"

(Nationality Unity)

In recent years, notable progress has been made in the underta-

king of minority education as a result of the implementation of special policies in the minority areas.

The institutions of higher learning in minority autonomous regions have increased from 78 in 1984 to 91 recently, an increase of 16.7 percent. Some 65 institutions of higher learning have been established in the five autonomous regions of Xinjiang, Inner Mongolia, Ningxia, Tibet and Guangxi. Judging from enrolment at the 12 existing institutes for nationalities (two of them are still being built), the number of students has topped 20,000. These institutes have a total of 72 disciplines, 31 special departments for master degrees and three for doctoral degrees.

Since China set up its first Institute for Nationalities in the 1950s, it has had more than 139,000 graduates. Some top-rated universities affiliated with the State Education Commission and some institutions of higher learning under the provinces also hold minority classes or minority preparatory courses. According to 1986 statistics, the number of minority students in colleges and universities throughout the country stood at more than 100,000, an increase of about 180 percent over 1978. Besides, there are now more than 1,900 minority post-graduates in various specialities.

The country has 55 minority nationalities, each with a number of college students. Now the number of college students out of every one thousand people in some minority nationalities is 3.46 for Korean nationality and 2.35 for Inner Mongolian. These figures are higher than the country's average. There are more than 14,200 full-time university teachers for minority students.

(No. 7, 1988)

Engineers Do Sunday Work

"LIAO WANG"

(Outlook Weekly)

Every Sunday about 20,000 engineers in Shanghai go to suburban areas by bus or bicycle to help township enterprise develop new products, train technical personnel or resolve technical problems. Though the numbers of their workdays are not many, their technological know-how has immediately brought vitality to those township enterprises with low production owing to the shortage of technical forces.

With their contributions, the Sunday engineers have won respect from rural enterprises, which have also created a fine working condition for them.

However, many of them look depressed, even perplexed and uneasy, when they return to the town because their work has incurred censure from various quarters.

One such engineer said, in the second half of 1986, he worked in a township enterprise during his spare time. In the beginning, he was very happy. But one day his leader told him that technicians were not allowed to hold part-time jobs according to higher-authority regulations. "Because it is so," he said, "I have no way out."

Several other engineers from a research institute under the Chinese Academy of Sciences said bitterly, "What we are most concerned about is applying our knowledge and technical achievements to the practice of production. As for rewards, we only get the share we deserve."

Views on Sunday engineers vary in Shanghai. Since the State Council approved a document allowing scientists and technicians

to hold part time jobs in 1988, people began to wake up to the reality. Allowing scientists and technicians as "Sunday engineers" can meet the shortage of technical forces in collective and township enterprises. At the same time, they can increase their incomes to improve their lives.

(No. 16, 1988)

China Studies Plateau Diseases

"RENMIN RIBAO"

(People's Daily, Overseas Edition)

China leads the world in the prevention and treatment of plateau diseases, the study of human colonization of plateaus and adaptation, and the manufacturing of antianoxia medicine. Now, those who take business trips, make a long journey or work in China's plateau areas have no need to worry about plateau diseases for which the medical field used to be at a loss what to do.

Based on their knowledge of basic biological theory and traditional Chinese pharmacology, Chinese medical workers have prepared more than ten medicines for preventing plateau diseases. These antidotes, comprised of plants growing in areas with high elevation and cold climate, have received good results.

China's achievements in studying plateau medicine have drawn international attention. Over the past few years, China has co-operated with the United States, Japan and Australia in plateau medicinal scientific research. Some other countries have asked to join in this co-operation or make investigations in China.

(August 22, 1988)

Sales of Plane Components Soar

Major advances in the scale and technical standards of China's aviation industry have led to the export of US\$10 million worth of aircraft components this year, according to Sun Lipeng, general manager of the CATIC Industries Corp.

After a period of stagnation in the early 1980s when China drastically cut its armed forces, the country's military aircraft factories switched their attention to civil aeroplanes. To boost its commercial airlines, China imported a series of Western models. But from 1986 onwards, the government has insisted that increasing numbers of components and spare parts be produced in China.

This gave the national aviation industry the boost it needed, and to date, contracts totalling US\$100 million have been signed to supply parts over the next decade with companies from the United States, Britain, France, the Federal Republic of Germany, Canada and Sweden. Already landing gear, main and auxiliary wings, fins, engine components, forged and cast parts, noses and stabilizers have gone into production.

The Harbin Manufacturing Co., for example, has manufactured landing gear for British Aerospace and wings for Short Brothers, as well as numerous parts for Sikorsky's Black Hawk helicopter.

As business has expanded, technological standards have advanced. The Chengdu Engine Manufacturing Co. has begun production of jet engine components for an American company. Its parts all passed a strict quality control test at the first attempt.

The rapid expansion of its trade has led to plans for establishing a warehouse in the United States.

The Chinese government plans further growth in the export of aircraft spare parts and components.

by Liu Jianjun

Texan Company's Hong Kong Link

About 85 percent of all China's imports of plotters and digitizers come from one source—the Houston Instrument Co. This Texas-based company, however, is quick to attribute its success in cracking China's market to its Hong Kong partner, Sinotronic Ltd.

When HI drew up plans to market its goods in China six years ago, like many other foreign businesses it discovered it knew almost nothing about Chinese business practice. Casting around for advice, it selected Sinotronic as its agent.

The partnership has proved a resounding success. Their first undertaking was replacing several hundred Japanese instruments for the Ministry of the Aeronautics and Astronautics Industry. Now the ministry buys around US\$1 million worth of HI's instruments annually.

According to Wu Hongbing, general manager of the ministry's importing arm, the Beijing Astronautical Technology Development Co., HI's products cost a bit more than their Japanese equivalents, but their quality and the company's after-sales service are superior.

Perhaps equally important, however, has been the trust HI has developed with its partner and clients. This was demonstrated half a year ago when faults appeared in one of HI's major production processes. The company immediately halted all exports, only resuming them when the problems were fully resolved. HI has also politely declined offers from some Chinese companies who suggested buying directly from the United States instead of via Sinotronic.

HI's business in China has grown several-fold over the last few years. Now, company president Doyle Cavin has declared, it is time HI considered making a technical investment in China. As a result, HI is drafting a plan in collaboration with Sinotronic to manufacture its goods in partnership with Chinese companies. It is expected that co-operation should start some time in 1989.

by Yue Haitao

Huimin Seeks Funds For Export Boost

Over the past four years, exports from Huimin Prefecture in Shandong Province have leapt dramatically. In 1984, trade value stood at around 70-90 million yuan. In 1985, it rose to 139 million yuan, and it has kept rising by around 100 million yuan a year ever since.

This year, trade should top 450 million yuan, and according to the director of the prefecture's foreign economic relations and trade commission, the figure should rise to 700 million yuan in 1990 and 1.5 billion yuan in 1995.

Huimin Prefecture, populated by 6 million people, stands at the north of an area rich in mineral resources and agriculture. Its major export commodities include



Wickerwork baskets produced in Boxing's Industrial Art Factory.

LI JIANGUO

maize, soya beans, cotton, peanuts, fruit, machinery, granite and textiles.

Before 1985, no foreign capital was invested in the prefecture. But since then, money has flowed in at an increasing rate: US\$2.239 million in 1987, and US\$6.92 million by October of this year. Including four projects due to be signed by the end of the year, total foreign investment should stand at US\$19.27 million.

The region, however, still seeks further overseas funding to purchase advanced technology. To develop trade, several areas have been designated as key projects for foreign investment:

Sea salt. Huimin plans to double its annual output of sea salt to 800,000 tons next year. Plans have been drawn up to use foreign capital to set up two 500,000 ton salt works.

Cotton. Overseas companies are currently being sought to invest in Huimin prefecture's cotton processing industry.

Agricultural and sideline products. Around 10 million kg of

pears and jujubes are grown in the prefecture for domestic and overseas consumption. Investment is required in processing machinery to enable exports to be increased.

Petrochemical Industry. With the Shengli Oilfield, China's second largest, Huimin is rich in oil resources.

Grass. Each year, Huimin grows 280,000 tons of fresh grass and 1.65 million tons of straw, making it an ideal place for developing animal husbandry. It is planned to use West European capital to develop sheep and cattle breeding farms.

by Zhang Zeyu

Kodak Develops Links With China

To consolidate and expand its market share in China, Eastman Kodak organized a photographic and information management technical exchange in Beijing

last month.

According to Kodak (Export Sales) Ltd., the company now sells US\$50 million worth of film, photographic paper and other materials in China each year. It has also exported to China audio-visual equipment, chemical fabrics and plastic raw materials.

Work has started on establishing two co-operatively owned and managed factories in China, one in Shanghai to produce slides and the other in Xiamen for colour film and photographic paper. When fully up-and-running early next year, they should satisfy half of the country's demand for colour film.

The Chinese military has also bought many of Kodak's products. The University of National Defence, the PLA's major institute of higher learning, spent US\$100,000 on a series of programme-controlled film projection and production facilities. Both the Military Commission of the CPC's Central Committee and the State Education Commission have praised the results produced by the equipment.

by Yang Xiaobing

News in Brief

■ A new Sino-foreign joint venture restaurant opened in Beijing last week. The Beijing Doo San Restaurant, which offers more than 40 varieties of roasted foods in the Korean style is located in the capital's newly-developed food area, Hualong Street to the west of the Beijing Hotel. Almost \$1.1 million was put into the venture by the Japanese Sansui Scoji Company Ltd. and the China Ocean Aviation Corporation. The Japanese investment accounted for 80 percent of the total. ■

Yi Woman Shows Coloured Woodcuts

Li Xiu, from Yunnan Province, is the first female woodcut artist of Yi nationality to hold an individual exhibition in Beijing.

The woodcuts, exhibited at the National Art Gallery of China during October, are all in colour. The styles are both bold and flowing, full of distinctive local and national features.

"The colours of Yunnan Province are very abundant and attractive," Li Xiu said, "Without colour, you can't manifest its beauty and inner feeling."

The series of woodcuts *Leisured Time* portrays Jingpo mountain areas in the western Yunnan Province. In the first woodcut, *Offering Sacrifices to the Mountain*, the cold tone carries the ancient aesthetic feeling of the



Woodcut: Blissful Land.

LI XIU

Woodcut: Red Duckweed.

LI XIU



Jingpo custom to the viewers; the second, *The Flower Goddess*, shows Flower-Picking Day with a shining warm tone that radiates the happiness of youth; and *Longing For* sets a hopeful theme for scenery typical of the Jingpo mountain village. The three woodcuts are also decorated with tiger skin signifying bravery and wealth, and herbs and mountain flowers peculiar to this area in the spring. Combined, these decorations make the tableau appear as ardent and reserved as the Jingpo nationality.

The series of woodcuts *Oh, the Caravan*, which won first prize in the National Art Exhibition of Minority Nationalities in 1982, displays the primitive tranquility of the natural terrain where the Yi nationality live in compact communities and describes the life



Woodcut: On the Return.

LI XIU

of caravans with rich, local features. *Campfire* manifests the alternating use of various blue hues. The warm tone of a campfire contrasts with the stark images of black and white horses in various postures. These images, combined with azaleas blazing blue light in the night, create a picture of mountain delights and harmony between nature and humanity.

The series of woodcuts *The Hengduan Mountains*, created in 1987, represents the artist's search for a new approach. On the tableaux of the four works, there are no human beings, only white clouds, mountains, a full moon, herds of cows, lakes and trees. In one of the woodcut series—*Summons*, the artist cuts a white wooden frame on the crimson ground, occupying almost half of the tableau. Under the frame is a

white foal, with mountains and clouds vaguely visible in the background. The whole picture is designed succinctly to create the idea of mystery and remoteness.

Li Xiu, a graduate from the painting department of the Guangxi Art Institute, is now a council member of the Chinese Artists' Association and of the Chinese Woodcut Artists' Association. She is also a professional painter at the Academy of Fine Arts of Yunnan Province. ■

Rare Birds Live in Inner Mongolia

The white ibis, a bird near extinction, is found in the reserve at Dalai Nur Lake,

hinterland of the sparsely populated Inner Mongolian grassland. White ibis are very rare in the world; only in New Zealand are there around 200. Several workers there claim to have witnessed white ibis groups twice: 10 white ibis the first time and 14 the second. These sightings indicate that this is a breeding place for the birds.

The white ibis has a big, crooked sickle-like beak and pure white feathers. The exposed skin of an adult's head and neck is black, as well as its beak, feet and legs. An immature white ibis has blackish-brown feathers around its neck. This species builds nesting cavities in big trees and looks for food in freshwater rivers and the marshland.

An investigation group consisting of biologists and professors from the Inner Mongolia Teachers University has observed that besides white ibis, a dozen or so rare birds, including stork, swan, bustards, lark and red-crowned crane, are found in the Dalai Nur Lake area. According to the group's preliminary statistics, they belong to 15 orders and 32 species. Many birds breed and raise their young there.

The Dalai Nur Lake is a habitat for migratory birds in spring and autumn. In the autumn of 1983, there were 2,400 swans staying there. Two years later, during the same season, there were 2,300. The herders described the white swan groups as looking like flocks of sheep. ■



Travel Services Multiply

The various provinces, autonomous regions and municipalities directly under the central government, as well as ten cities with separate plans will each set up one or two travel services with the power to establish connections with foreign travel agencies and to issue visas, according to the State Tourism Administration.

Now work units with the above power include 17 travel services and tourism bureaus across the country. When the above-mentioned travel services are established, there will be approximately 90 such bodies with foreign travel agency relations.

The increasing inter-agency contacts are a result of expanding tourist areas, new tourist programmes and the increasing

numbers of tourists, a state tourist official said.

Regardless of whether the climate is hot or cold, tourist resources in areas such as Xinjiang, Tibet, Hunan, Henan, Shanxi, Guizhou and Heilongjiang have been tapped in recent years. With the opening of new scenic spots and the emergence of special tourist programmes, travellers' demands can hardly be met merely by a few travel services.

Severe competition is expected to emerge on China's tourism market in the future. Travel agencies and tourists from abroad will have greater choice of better service and more colourful and interesting activities.

by Han Guojian

Don't Fence Me In

China, heeding the call of the wild, has been paying more attention to forest tours in recent years. Following the establishment of Zhangjiajie Forest Reserve in Hunan in 1983, nine large-scale forest parks have been established. They include Tiantong Mountain and Qiandao Lake in Zhejiang, Shatoujiao and Liuxi River in Guangdong, Louguan Terrace in Shaanxi, Mount Taishan and Weihai in Shandong, Langya Mountain in Anhui and Songshan Mountain in Henan. In addition, there are tourist spots at Sichuan's Emei, Jiangxi's Lushan, Hunan's Hengshan, Anhui's Huangshan and Shandong's Laoshan mountains.

Adventurers, following the lure of nature, have changed wilderness areas into new tourist hot spots. An American tourist who visited Zhangjiajie was impressed

by the fresh air there. A Japanese tourist who visited Qiandao Lake said he previously thought that Chinese brush paintings were all fabricated, but he now realizes that such natural scenery does exist.

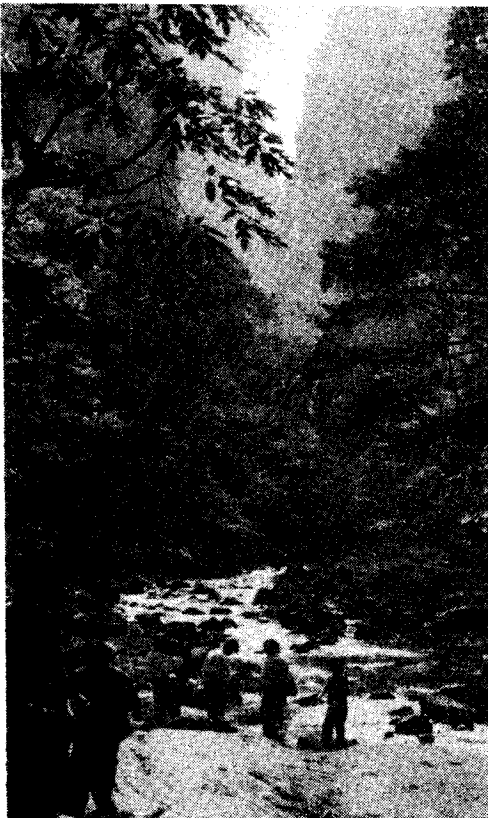
According to statistics, since 1983, approximately 70 million Chinese and foreign tourists have journeyed to these forest meccas. More than 5 million, including over 100,000 from abroad, went to Zhangjiajie. The Liuxi River Forest Park in Guangdong Province, only 90 kilometres from Guangzhou, has 6,600 hectares of bamboo forest and 1,400 hectares of water surface. Dozens of academic and cultural groups have toured there annually. The Qiandao Lake Forest Park in Zhejiang has 40,000 hectares of woods, 50,000 hectares of water surface and 1,078 islets. In co-operation with Hong Kong businessmen in recent years, it has organized various tourist activities, which have delighted nature-lovers.

Many forest areas in China have dense woods, unusual landscapes, various wildlife and famous ancient temples. Inquisitive visitors can join tours to survey plants, row boats, visit historical places, hunt, fish, ride horses, climb mountains and swim.

by Han Guojian

News in Brief

■ The Sino-Japanese Loulan Tourist Exploratory Team of 80 people arrived at Urumqi, after completing its travels on October 12. It started off from Gansu Province's Jiayuguan Pass, the western end of the Great Wall, on September 20, and went westward passing Dunhuang, known for its arts grottoes, Lapeiquan and Milan along the ancient Silk Road.





River and Lake Village.

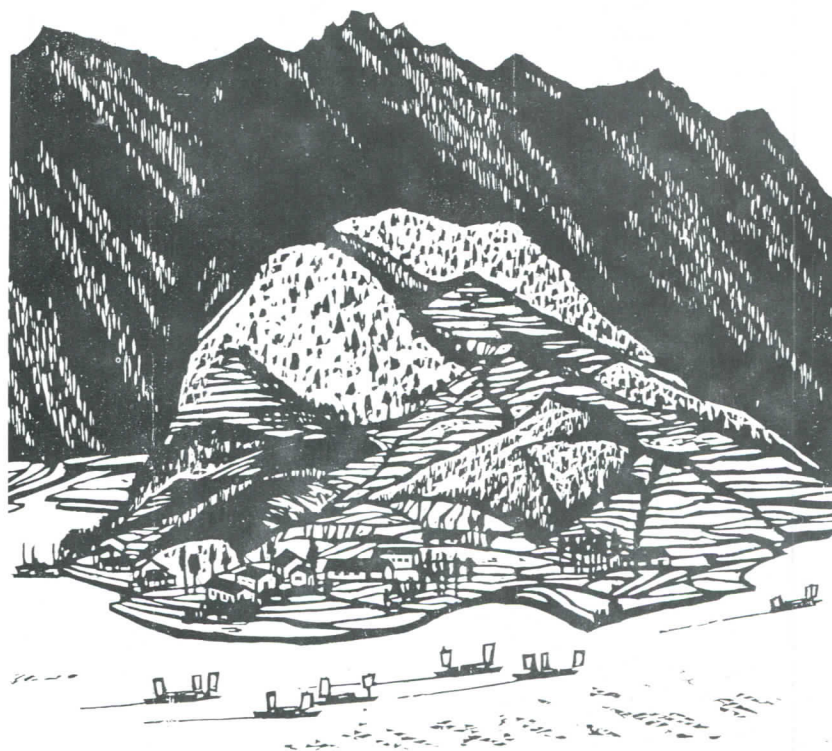


Houses South of the Changjiang River.

ART PAGE



Pedestrians in a Small Town.



A Mountain Village by a Riverside.

Woodcuts by Yang Mingyi

Yang Mingyi, born in Suzhou, Jiangsu Province in 1943, is a professional painter of the Suzhou Studio of Chinese Painting.

He is adept at woodcuts and Chinese paintings and devotes his skills to China's river and lake landscapes south of the Changjiang River. His paintings evoke the tranquility of nature.

COLOUR TV SETS



BEIJING



14-and 18-inch sets,
among others, available

- *Clear in picture*
- *True in colour and sound*
- *Beautiful in design*



**China National Light Industrial Products
Import and Export Corp., Tianjin Branch**
Address: 164 Liaoqing Rd., Tianjin, China
Telex: 23142 TILIP CN
Cable: INDUSTRY TIANJIN