

A CHINESE WEEKLY OF NEWS AND VIEWS

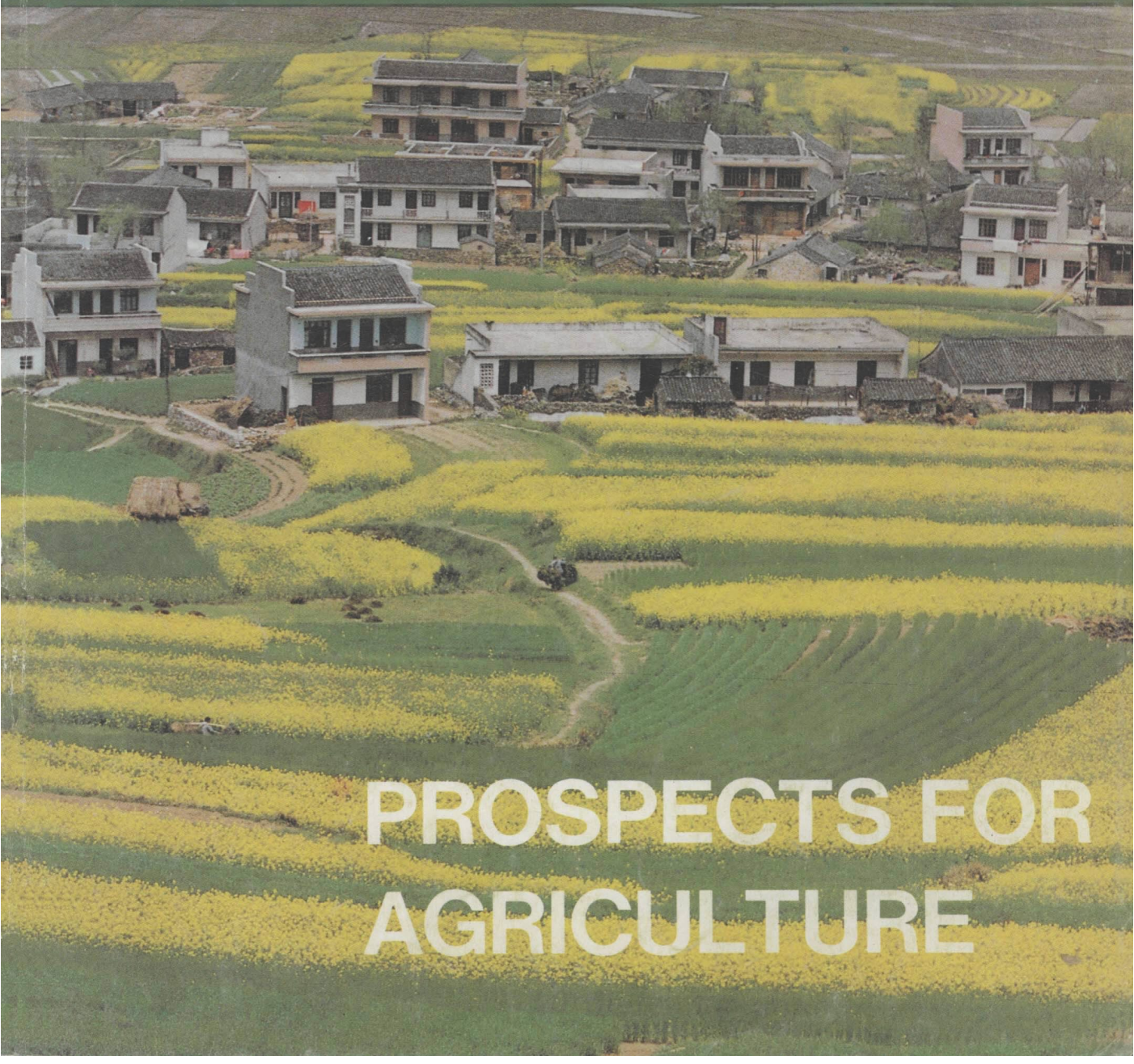
# Beijing Review

北京周報

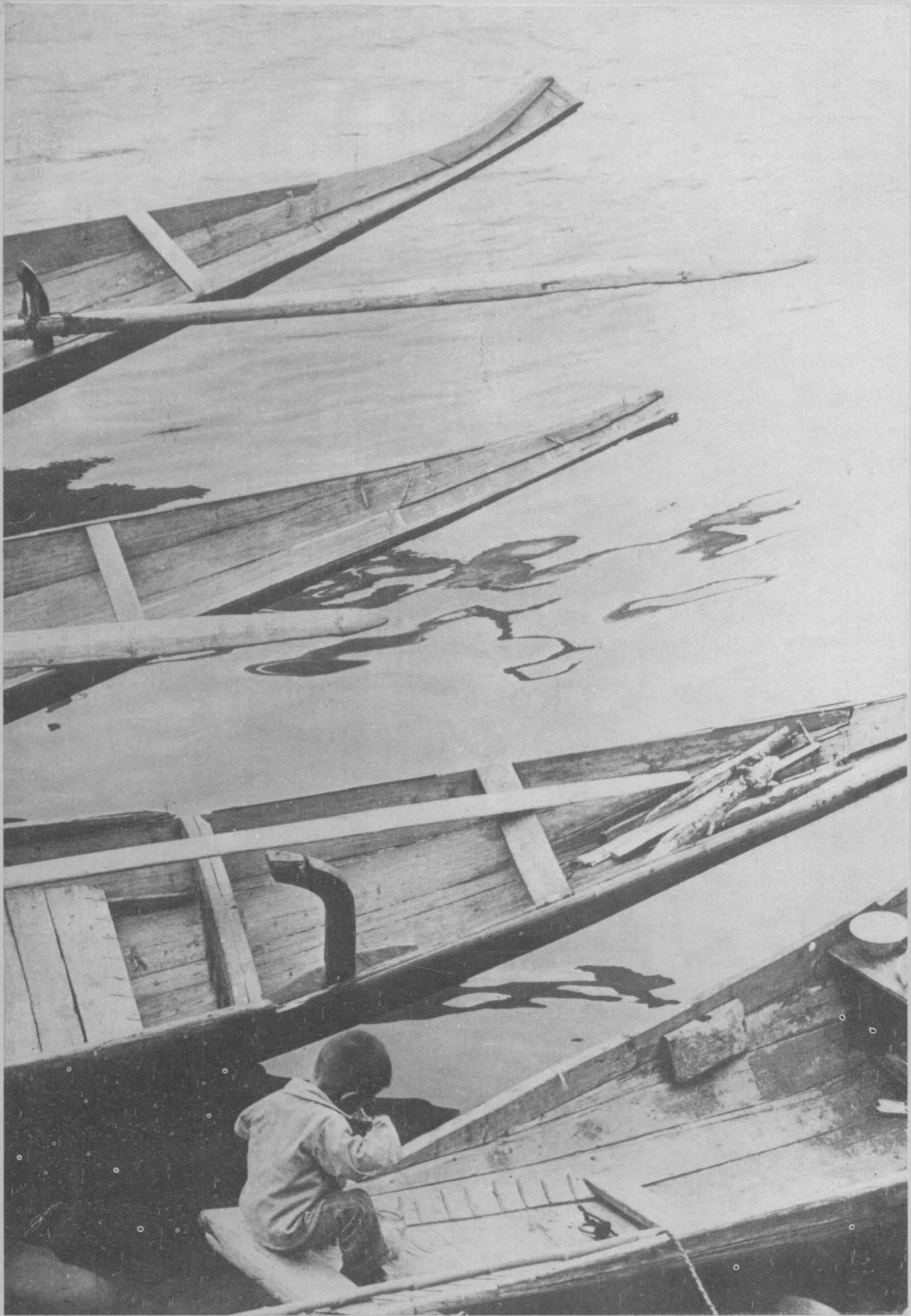
Vol. 32, No. 18

May 1-7, 1989

## Changes in Moscow's Japan Policy



PROSPECTS FOR  
AGRICULTURE



A child plays along the banks of Guizhou's Qingshui River.

*Photo by Wang Wenlan*

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**COVER:** A glimpse at a village south  
of the Changjiang (Yangtze) River.  
by Liu Ying

## Grand Service in Memory of Hu

□ Former CPC General Secretary Hu Yaobang was deeply mourned at a mass memorial meeting in Beijing on April 22 (p. 5).

## A Call for Unity Against Turmoil

□ During the mourning period for former Party General Secretary Hu Yaobang, a handful of individuals in Beijing fabricated rumours against the Party and state leaders and even shouted the reactionary slogans like "down with the Communist Party," said the "Renmin Ribao" editorial on April 26. "This is a grave political struggle facing the whole Party and Chinese citizens of all nationalities" (P. 9).

## Patriotism, Science, Democracy

□ China will mark the 70th anniversary of the May 4th Movement this week. Patriotism, science and democracy, the major themes and spirit demonstrated by that movement, will be re-emphasized to serve China's modernization drive (p. 4).

## Minister He Kang on China's Agriculture

□ China's agriculture has made little headway over the last four years. What is holding it back? What measures should the government take? What is the situation this year? Minister He Kang of Agriculture answers these questions in a matter-of-fact way in *Beijing Review's* exclusive interview with him (p. 16). A young Chinese economic researcher offers his own views more or less on the same questions (p. 20).

## What We Know of Wei Jingsheng

□ In a recent interview with a special correspondent of the Hong Kong-based *Ta Kung Pao*, Tang Zhanyun, vice-president of the Beijing Municipal Higher People's Court and one of the judges at Wei Jingsheng's trial, discussed Wei's case and answered many of the questions people abroad are concerned or curious about (p. 23).

## New Soviet Moves to Court Japan

□ The Soviet Union's change in approach towards Japan has led to their improved relations. Moscow seems to be taking a more flexible stand on the territorial disputes between the two countries (p. 13).

Unless written by Beijing Review staff, the opinions expressed in signed articles do not necessarily reflect the view of the Beijing Review editorial board.

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# Patriotism, Science and Democracy

by Dai Yannian

**T**his year marks the 70th anniversary of the May 4th Movement which played an important role in China's modern history. The spirit of patriotism, science and democracy demonstrated by this movement still needs to be carried on energetically in today's China.

After the 1840s, China was gradually reduced to a semi-colony. At the end of World War I, as one of the victors, China demanded that the imperialists give up their prerogatives in China, and sought to recover its sovereignty over the territory, railways, and mines in Shandong Province forcibly occupied by the vanquished nation of Germany. But these just demands were rejected by the other victor nations at the Paris Peace Conference in 1919. The Chinese warlord government, ready to sign the "peace treaty," aroused the indignation of the whole nation. On May 4, Beijing students held a demonstration and paraded before Tiananmen, which inspired the response of students, workers and business people in all the large cities throughout China, sparking a nationwide mass movement. This compelled the warlord government to remove the traitors from their posts and to refuse to sign the "peace treaty." Hence, the May 4th Movement has been regarded as a patriotic mass movement against imperialism.

An anti-feudal, new cultural movement was launched around the May 4th Movement. In old China, which had suffered from the aggression and humiliation by imperialism, many people with lofty ideals had searched for ways to rejuvenate China. Some had endeavoured to develop in-

dustry and others worked painstakingly to change the system, but none succeeded. One of the important reasons was that feudal ideas which had lasted several thousand years were tightly trammeling people's thought. Around the May 4th Movement, a number of intellectuals advocated science and democracy in their publications and clearly raised the slogan of opposing feudal ideas and ethics. Ideologically, their efforts paved the way for national renewal.

The May 4th Movement opened a path for the dissemination of Marxism in China and helped it quickly integrate with the Chinese workers' movement. The Communist Party of China, the political party of the working class, was born in 1921 and shouldered the task of leading the Chinese people in waging the new-democratic revolution, which ended in victory in 1949. From then on China has embarked on the socialist road.

Today China marks the May 4th Movement under new historical conditions. The patriotic spirit now is mainly manifested in advancing China's socialist modernization drive, with science and democracy as the main content.

China's scientific undertakings have developed tremendously. In some areas, such as the research and manufacture of rockets and man-made satellites, China has entered the ranks of advanced countries around the world. However, considering the development level of China's science and technology as a whole, there is still a fairly large gap in comparison with the advanced world level. The science we promote today not only refers to natural

science but social science as well. The latter includes developing Marxism and theories on socialism, as well as scientific and democratic methods for making important decisions on the management of the state and society. All this is of important significance to the final victory of socialism in China.

The development of science relies on intellectuals who are trained in schools. Although China's education has developed rapidly, it still falls far short of the needs for the development of the nation's economy, science and technology. Despite repeated emphasis on the importance of education by the Party and government, the efforts made have not completely materialized. It is not only that the proportion of China's educational allocation to the national gross product is lower than that of the developed countries but that it is also lower than the average level of developing countries. The shortage of teachers, lack of school buildings, the dropping out of school by many primary and middle school students, and the fact that one-fifth of China's population is illiterate are real causes for anxiety. The Party Central Committee will hold a meeting to study the problems in education. The public hopes important policy-decisions will be made to expedite the development of education and raise the scientific and cultural level of the whole nation.

With the victory of China's democratic and socialist revolution, the feudal system was buried and the people have become the masters of the country and society. But there are still many remnant influences of feudalism,

such as bureaucracy, patriarchal behaviour, privileges, relationship networks, and nepotism. Moreover, the overcentralized system, which has persisted for many years, has led to the neglect of building democracy. Today, an important task confronting us is still to develop democracy. This is also a major task of the reform of the political system which runs parallel with the ongoing economic structural reform.

The functions of the National People's Congress, the organization through which the people exercise their rights, have been strengthened in recent years, and its image as a "rubber stamp" has changed somewhat. Efforts are being made to perfect and strengthen its functions to turn it into the highest organ of power in the real sense.

China now has eight democratic parties. The multi-party co-operation and the political consultation system under the leadership of the Communist Party are also being perfected. Political consultation through the Chinese People's Political Consultative Conference in regard to the country's principles and policies and major issues affecting the people's lives should be more frequent, and the role of democratic parties and patriotic non-party people should be given full play.

The basic people's democracy should be further developed to ensure the citizens' rights and freedom of election, religious belief, speech, the press, assembly, association, procession and demonstration as stipulated by the Constitution. Of course, acts abusing the people's rights and freedom by a handful of persons which undermine the stability of society should be curbed according to law. Only in a stable social environment can modernization be achieved. □

## Grand Service Memorizes Hu Yaobang



Hu at his Beijing home on March 23, 1989.

China's top leaders, including Zhao Ziyang, Deng Xiaoping and Li Peng, joined more than 4,000 people in mourning Hu Yaobang, the late leader of the Communist Party of China (CPC), and paying their last respects to Hu's remains April 22.

Chinese President Yang Shangkun presided over a meeting in the Great Hall of the People at which Zhao Ziyang, general secretary of the CPC Central Committee, made a memorial speech.

Hu died on April 15 of extensive cardiac infarction at the age of 73.

Beginning from 8:30 am, mourners wearing black armbands entered the Great Hall of the People on the eastern side of the Tiananmen Square. There was a huge streamer with the inscription "Eternal glory to great proletarian revolutionary and statesman Hu Yaobang."

In the central hall where the memorial meeting was held was a huge colour picture of the deceased. Hu's remains, dressed in a black suit and covered with a flag of the CPC, lay in state in a crystal casket surrounded by potted pines and a variety of flowers. Armed guards stood on either side.

In front of the portrait and the casket were floral baskets presented by Hu's widow Li Zhao and their children bearing inscriptions reading "Yaobang, may you rest in peace" and "Yaobang, a man open and above-board and with a clear conscience, may you rest in peace."

The meeting started with a three-minute silent tribute to the dead to the tune of funeral music. After the band played the National Anthem, Zhao Ziyang delivered the memorial speech.

"As a Marxist, Hu Yaobang led a glorious life," Zhao said. As one of the principal leaders of



Hu among some Yi people while he was on an investigation trip to Sichuan's Liangshan Yi Autonomous Prefecture in September 1982.

the CPC since the third plenum of the 11th CPC Central Committee held in 1978, Hu devoted himself to the intergration of the fundamental tenets of Marxism with China's modernization drive, the general secretary said. Hu made significant contributions in adhering to the four cardinal principles, in persisting in the policies of reform and opening to the outside world and in building socialism with Chinese characteristics, he added.

"Comrade Hu Yaobang dedicated all his energy to our great cause. He cherished a deep love for the Party and the people who in turn loved him deeply," Zhao stated.

Also present at the meeting were leaders of the National People's Congress Standing Committee, the National Committee of the Chinese People's Political Consultative Conference, the Supreme People's Court, the Supreme People's Procuratorate and various departments and ministries.

Veteran communists Chen Yun, Li Xianni-

an, Deng Yingchao, Xu Xiangqian and Bo Yibo who were unable to attend the meeting for various reasons either sent in messages of condolence or were represented by their children or close associates at the meeting.

There were over 500 wreaths presented by Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng and other Chinese leaders, by Hu's relatives and friends, as well as by Party, government and army organizations at the central and provincial levels.

Wreaths also came from Hu's hometown Liuyang in Hunan Province, and foreign governments, political parties, social



Hu Yaobang (right) and his cousin Yang Yong in Yanan, northern Shaanxi, during the anti-Japanese war.

groups and individuals and compatriots in Hong Kong and Macao.

After the speech, all those present bowed to Hu's remains amidst the tune of "the Internationale."

Then the mourners filed past the body of Hu Yaobang before it was moved to the Babaoshan cemetery for cremation.

The proceedings were broadcast through loudspeakers to some 100,000 students and other people gathered on Tiananmen Square along with hundreds of security guards who stood in front of the hall in silence with their hats off.

Most of the students, who were from about 20 universities, had walked several hours to the square the night before from the university district in northwest Beijing.

The city's 15-km main street leading to the cemetery was lined on both sides by an estimated 1 million mourners, many of them wearing white flowers and black armbands.

(Xinhua and CD News)

Hu chatting with people in Shakespeare's hometown during a visit to Britain in June 1986.



## Life vs. Death at Tombs

**W**hen a young woman wishes to marry in Wenzhou, in the eastern province of Zhejiang, one of the prerequisites she will look for in a suitor will be a noble looking family tomb, the hallmark of prosperity.

The notion would be quaint were it not for a revival of earth burials and other superstitious funeral practices. That revival literally pits the dead against the living for land.

Sparked by higher living standards, the drift back to traditional funerals has been increasing in the country, pushing down the cremation rate to 13.7 percent in 1981, the lowest since 1978.

In Wenzhou, a city that has struck prosperity since the reform movement, the new rural rich have begun repairing their ancestral graves and building new ones to show off their wealth.

"People should be concerned about their descendants," said Zuo Yongren at the Ministry of Civil Affairs.

"They don't realize that China has less than 0.1 hectares of cultivated land per head," he said. "It ranks 67th in arable land per capita in the world."

The funeral headache has made land shortages even worse. Although China reclaimed 25.1 million hectares of wasteland between 1949 and 1986, cultivated land has been reduced by 40.7 million hectares. That means a shrinkage of 15.6 million hectares.

Each burial mound takes up to 20 square metres of land and costs over 10,000 yuan. And with 30,000 tombs going up annually in Wenzhou alone, that city loses 600,000 square meters of land.

To change this will require no small effort. For thousands of years the Chinese have followed

traditional burial rites encoded in folk and Confucian tradition. Such rites, which insist that corpses be intact for the afterlife, are directly pitted against the fires of cremation.

Customs of burying the dead after lavish and costly services were on the decline after the founding of the People's Republic, especially among urban dwellers who have come to favour cremation.

It's almost vital to the nation to have the idea of cremation accepted, especially when there have been indications that the country's population controls are not working as well as they should. Reductions in farm land and forest reserves are heading for a flashpoint with the once again exploding population rate, said Zuo.

One hopeful note, said Zuo, has been the rate of cremation that has increased steadily since the State Council issued the provisional regulations on funerals and interment in 1985.

Zuo said that 28 percent of last year's deaths ended in cremation, an increase of 1 percent over the previous year.

"Progress in this respect is somewhat irregular," said Zuo. "In large cities like Beijing and Shanghai, almost all the dead are cremated. But some areas still have a cremation rate of less than 5 percent."

The invasion of the dead has even reached the picturesque West Lake in Hangzhou, capital of Zhejiang. About 70,000 cement tombs have been built in the 60-square-kilometre area around China's most famous Xihu, or West Lake, and more are expected.

The lake, besides attracting tourists with its premier tourist sites, also is a magnet for tombs since it is surrounded by rolling

hills that are top-rated in geomancy for burial ground.

Experts said that Zhejiang loses a medium-size county's area in arable land each year with the tomb construction going on.

Meanwhile, earth burials have added financial burdens to family members of those deceased. The average cost for burying a body is above 2,000 yuan, nearly 10 times the expenses of cremation.

There is a saying that the poor dare not die because funerals are so expensive. On a national scale, Chinese annually spend almost 7 billion yuan on funeral services.

Wenzhou city has been trying to improve the situation by removing 52 graves that have bordered major communications lines and scenic spots.

It has also demanded that all burial mounds near major roads and scenic spots be removed and afforestation fees be imposed on the tombs-owning families.

China is also trying to provide better quality cremation services, said Zuo, since 60 percent of the nation is lacking adequate facilities, that is at least partly to blame for the new demand for traditional burials.

Even with cremation, there has been an additional headache with providing enough spaces to keep up cinerary caskets. Families often opt for cinerary casket halls in cemeteries to preserve the bone ash of the dead. But many casket halls are unable to keep up with putting up new ones to store the bone ash due to the lack of funds.

Sea burial is a new approach that Guangzhou City started last year when the city began to provide ships to take families out to sea to scatter ashes of their dead.

In the first sea burial, which is now held twice annually, 420 caskets of ashes were sprinkled upon the sea near the mouth of the Zhujiang River.

The unprecedented event,

aimed at further deepening the reform of funerals, got a favourable response across the country.

"Since 91.8 percent of the people accept cremation, we are now working on sea burial that will save money, time and space," said Lin Wanhua, manager of the city's funeral service centre.

"Some people, however, still

prefer to keep the ashes of their ancestors to mourn the dead each year in front of their cinerary caskets.

"The funeral reform, from earth to fire, then from fire to water, will take a long time," Lin said, adding that his centre is not likely to stop erecting more bone ash buildings in the future.

by Wang Yanjuan

## State Plants See Money Crisis

It was plain something was wrong. There was a hunger striker at the front gate of the Oriental Motor Factory in Deyang, Sichuan, southwest China.

That striker was the deputy chief of the financial section of the Changchun No. 1 Machine Building Plant.

His placard said he intended to picket there without food until the factory paid up his state-owned enterprise.

The Changchun official represented the mood of many major state-owned enterprises that are so financially strapped that they are on the verge of locking their gates, said a *Renmin Ribao* (People's Daily) report.

The enterprises, which are mainly engaged in machine building, motor manufacturing, electric equipment and making important products for the development of energy, communications and major raw materials, occupy a vital position in the national economy.

The state-owned enterprises have been largely caught in the middle because they have simply to follow state orders to provide products for their customers.

But many of these customers haven't paid or can't pay their bills after having been caught in the government's spending cutbacks.

These defaults have cut into the state-owned firms, leaving them without enough fund to buy raw materials or pay wages owed to their workers, let alone

to keep up production.

The country's 10 top heavy-duty machinery plants are owed a total of 490 million yuan.

And it is very difficult for them to demand payment of the debts because nearly all their customers are also short of funds — often because they have spent too much money on capital construction to expand production.

The situation has reached the point where directors of some of these firms have sent their accountants to customers to demand payment of the debts — and have even ordered the accountants not to bother coming back if they can't get the money.

Things have also reached the stage where some companies can only give their workers 40 percent of their wages on payday and promise to pay the rest later.

## Jing Minority Likes Modernities

The life of about 5,000 minority Jing people living on the three islands of Wanwei, Wutou and Shanxi in the South China Sea reflects the extent of the Chinese reform that has entered every household.

Western suits are now taking the place of traditional costumes — tight fittings for females and long gowns belted at waist for males.

"I like to wear Western suits because they make me look smart, like a city people," says one young man.

It is believed that the Jing peo-

Some have even gone as far as informing the workers that the remaining 60 percent of their wages have been deposited in a bank.

In a big plant in Sichuan, workers lining up in the dining hall sang the proletariat's anthem — *The Internationale* — as they furiously beat their bowls to express their grievances, the paper said.

The rub is that if the state production plan for electrical equipment and machinery in these major enterprises cannot be fulfilled, production of electricity and other important items will be seriously cut back, the report added.

The State Council, in an attempt to alleviate the problem, has promptly allocated a special sum of 3 billion yuan (about US\$810 million) for these enterprises.

One official in charge of major enterprises said that he was "worried that the new loans allocated by the State Council can only temporarily solve the problem."

The way out is to make debtors pay up and set a fixed figure of circulating funds specially for these enterprises, *Renmin Ribao* said. □

ple immigrated from Viet Nam over 500 years ago. Up until China's open policy they more or less retained their old ways. But a new world has come to the southwest province of Guangxi Zhuang Autonomous Region, forcing the old to yield to the modern.

On the palm-shaded Wanwei Island, a well-preserved old thatched house of the 1950s still stands. Made of bamboo, wood and tile, the two-storey house has its first floor for the chickens while people lived upstairs.

"People no longer live in such dirty and damp houses," says the



village head Wu Ruifang. "We now live in large and spacious homes made of stone, brick and tile. That house we keep standing to remind us of how far we've come."

China's reform and open policy has transformed people, said Wu. Market-oriented thinking has replaced the "self-sufficient" commune approach; just as the people have changed their fashions.

People have broadened their vision of the world through watching TV and travelling to the mainland.

The Jing's 12,000 people, scattered over the southern bottom of Guangxi, have found that science can go a long way in filling the rice bowl.

With the development of an aquatic products industry they have spawned a local commodity market that has freed them from a simple and primitive form of self-reliance.

Wu Guilian, 32, is an example of the progressive style of the Jing nationality. She raises shellfish on Wutou Island after a technical adviser passed on the tricks used in Guangdong Province.

When she started in 1986 her shellfish earned her 18,000 yuan. Last year she took in 300,000 yuan from her business.

Many neighbours in the village followed her example, and last year her home town had shellfish earnings amounting to more than 1 million yuan.

The total industrial and agricultural output value of the three islands jumped almost 20 percent last year to 3.497 million yuan, with the big money-maker being the newly founded aquatic industry that produced 590 tons of shellfish for the health conscious Chinese.

To help the Jing people to produce more, the government has invested heavily in building dykes and highways that link the islands with the mainland, reclaiming farmland, and bringing fresh piped water to the villages. □

## A Call for Unity Against Turmoil

**R**enmin Ribao" (People's Daily), the official organ of the Chinese Communist Party Central Committee, on April 26 published an editorial urging people to take a firm stand against public disturbances.

The editorial stresses that it is impermissible to form illegal organizations, hold illegal demonstrations or visit factories, the countryside or schools to instigate people to protest against the government, the paper says.

During the mourning period for former Party General Secretary Hu Yaobang, who died on April 15, a handful of individuals in Beijing fabricated rumours against the Party and state leaders and incited people to attempt to storm into Communist Party headquarters and shout reactionary slogans like "down with the Communist Party."

In the provincial capital cities of Xian and Changsha, rioters also used the occasion to engage in looting and violence in the streets, the editorial says.

The editorial goes on to say that the Party Central Committee and the central government have exercised tolerance and restraint in dealing with inflammatory speeches by students.

However, the editorial continues, in the wake of the mourning service a handful of people with ulterior motives have continued to use the grief of students to create turmoil.

They wantonly violate the country's Constitution to advocate opposition to the Communist Party's leadership and the socialist system, and in some colleges and universities they have formed illegal organizations and incited students and teachers to stage strikes.

They have even resorted to the

unauthorized use of the names of workers' organizations to distribute reactionary leaflets, and continued to resort to demagoguery in an attempt to stir up more serious trouble, the paper says.

But the facts show that these people are actually opposed to the advancement of the process of socialist democracy and are trampling on both democracy and law, the editorial says.

"Their purpose," the editorial adds, "is to poison people's minds, create national turmoil and sabotage the nation's political stability. And this is a planned conspiracy which, in essence, aims at negating the Party leadership and the socialist system."

The editorial declares that "this is a grave political struggle facing the whole Party and Chinese citizens of all nationalities."

If the unrest is given free rein, China will be in continuous turmoil and genuine efforts at reform and the creation of a prosperous China will come to nothing—"and a promising China will become a turbulent and hopeless country," the editorial says.

The students' sincere demands for the elimination of corruption and the promotion of democracy are also the demands of the Communist Party and the government, the paper says.

But only under the leadership of the Party can these demands be satisfied in the process of reform and the improvement of socialist democracy and law.

In conclusion, the editorial calls on the whole Party and the whole nation to recognize the gravity of the current situation and unite in a firm stand against public disturbances, to protect China's political stability. □

# Premier Li's Remarks in Japan

**P**remier Li Peng successfully wrapped up his official visit to Japan on April 16. The following are his remarks on some major domestic and international issues during his five-day stay in Japan.

## Sino-Japanese Relations

The relations between China and Japan are good in general, but there are some problems that need to be solved. China and Japan have agreed to develop bilateral relations in accordance with the principles set forth in the Sino-Japanese Joint Statement and Sino-Japanese Peace and Friendship Treaty. Problems like the assessment of history and Japan-Taiwan relations can be solved in accordance with these principles.

Japanese Emperor Akihito has expressed his regret over the unfortunate past in China-Japanese bilateral relations.

**Direct Investment.** The Sino-Japanese co-operation in fund is an important aspect of the economic

co-operation between the two countries where much has been achieved. The construction of projects using Japanese loans is going well.

Both houses of the Japanese Diet (parliament) have approved a Sino-Japanese investment protection agreement, which will help further develop the economic co-operation between China and Japan.

China hopes that Japanese businessmen will come to China to start joint ventures or wholly Japanese-owned enterprises. There is a bright future in such undertakings.

Both the governments of China and Japan are willing to support the establishment of a Sino-Japanese investment promotion organization, which will surely play an active role in promoting Japanese investment in China.

China welcomes Japanese businessmen to start small- or medium-sized enterprises in China as well as large ones.

**Trade and Technological Co-operation.** The long-standing trade imbalance between China and Japan since 1986 has been considerably improved. China hopes that the Japanese side will make even greater efforts to promote Sino-Japanese trade on the basis of equality and mutual benefit.

The technological co-operation between the two countries needs to be improved. The "Toshiba issue," though already passed, has brought unnecessary losses to some Chinese enterprises. We hope that such incidents will never happen again.

Long-term and steady economic co-operation, based on the principle of equality and mutual benefit, will surely play an important role in promoting Sino-Japanese friendship.

## Sino-Soviet Relations

China and the Soviet Union are preparing a summit in May with the aim of realizing the normalization of Sino-Soviet state relations on the basis of the Five Principles of Peaceful Coexistence. Leaders of the two countries will exchange views on bilateral and international issues including the Kampuchean issue.

During his visit to Beijing, Mikhail Gorbachev, general secretary of the Soviet Communist Party, will meet with General Secretary of the Chinese Communist Party Zhao Ziyang and this naturally means that relations between the two parties will be restored.

Following the Sino-Soviet summit, there will be a written document but it won't be a treaty or a declaration.

The normalization of Sino-

A gathering of some 360 Japanese businessmen listens to Premier Li Peng's address. WANG JINGDE





Premier Li jovially holds the baby of a Japanese farmer's family that he is visiting.  
LAN HONGGUANG

Soviet relations will produce a positive impact on peace in the Asia-Pacific region and the rest of the world.

### ADB Meeting

China will warmly welcome a delegation from Taipei to participate in the annual convention of the Asian Development Bank (ADB) in Beijing next month. China will co-operate and provide every convenience possible to the Taipei representatives as it will to representatives from other members of the ADB.

The representatives from Taiwan will take part in the ADB meeting in the capacity of "Taipei, China."

### Stability in China

China's political situation is stable and the various speculations about Party General Secretary Zhao Ziyang are incorrect. China's present leading body was decided upon at the 13th National Party Congress and the First Session of the Seventh National People's Congress last year.

Generally speaking, Chinese leaders co-operate well. For example, the Report on the Work

of the Government at the recent Second Session of the Seventh National People's Congress was approved at a meeting of the Pol-

itical Bureau of the Party Central Committee presided over by Zhao himself.

We often exchange views on major issues and reach a unanimous agreement over such items as the Government's Work Report.

Of course, we are not entirely of the same views and there are different opinions on some specific issues under the same general orientation, that is, reform and the opening to the rest of the world. The different views concern only concrete ways and methods.

It is incorrect to divide China's leadership into political factions — those who actively support reform and those who cautiously support reform.

With regard to our different views over these methods, we exchanged views through meetings and then reached agreement. □

## Saudi Economy Pumps with the Punches

**Saudi Arabia is a kingdom of oil and other rich mineral resources. In the past its vast deserts restricted industrial and agricultural development, but the people could still prosper from the oil money. Since the 1970s, Saudi Arabia, relying on its oil income, has realized an economic take-off and diversified its oil-dependent base into a rapidly developing economy.**

by Sun Kun

**A**t the end of the 1930s, with the discovery and exploitation of oil, Saudi Arabia began its development on the basis of oil. In the 1960s, former King Faisal launched a reform movement that pushed the country towards modernization.

Saudi Arabia's present King Fahd has played an active role in

both domestic and international politics since the 1960s. Seeing that poverty is the root of upheaval, Fahd desired a modern and powerful Saudi Arabia that maintained a high level of welfare and held onto Islamic values. His vision of the new Saudi kingdom was very different from both the Eastern social-

ist nations and the Western democratic systems.

Fahd was determined to develop Saudi Arabia's economy from its oil-extractive, oil-refining and chemical industry base along with other industries, communications and transportation, irrigation and water conservancy and the service trades.

Saudi Arabia has taken great economic strides since 1970 through implementing its four five-year plans. The First Five-Year Plan (1970-1975) aimed at improving the people's living standards based on the reasoning that this would serve to maintain economic and social stability.

During this period, more than 260 new factories were set up, while annual GNP growth reached 13.5 percent. The opening volleys of this plan laid the foundation for the kingdom's industrial modernization.

After 1975, Saudi Arabia adopted another development line that took the oil-dollar and liberal economic system as its two economic pillars, while encouraging private investment and competition.

The Second Five-Year Plan that began in 1975, focused on expanding basic social facilities. During this period, both primary and tertiary industry drew worldwide attention by reaching a 9.3 percent increase in national production.

Seeing how overheated economies brought political upheaval to Iran and other countries, the Saudi government moved to reform economic structure. Emphasis was placed on stable progress and balanced growth while slowing price increases that would hurt the middle and lower classes.

The year 1980 brought the Third Five-Year Plan, the thrust of which was to allow Saudi Arabia to become a member of the industrialized world through shifting economic focus from

basic construction to industrial-commercial development, with more economic diversity.

The kingdom moved towards the development of private capital. While further strengthening the petrochemical and oil-refining industries, it moved to develop its agricultural and mining sectors.

The plan spelt progress for industry, agriculture, the service sector, communications, transportation and telecommunications in Saudi Arabia. Average annual growth of the industrial sector reached 14.1 percent while some products began entering the world market.

In 1981, Saudi Arabia's oil income topped a new record of US\$119 billion. But since 1982 international oil prices have tumbled, strongly cutting into the Saudi oil income. In 1984, the Saudi oil income fell to US\$36.2 billion, while economic recession and dislocation began to stir national concern.

The 1985 Fourth Five-Year

Plan continued to promote economic structural rationalization and diversification, to raise efficiency and develop industrial and agricultural production.

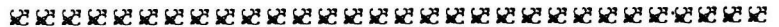
It also began to gear economic planning to the kingdom's own human resources while boasting the investment of private capital throughout the economy.

The year of 1985 was also a benchmark in a series of policies that would convert economic gains into lasting and stable development.

To encourage private capital investment in the kingdom's industrial and commercial development, King Fahd stressed that private capital would be allowed to take the initiative in Saudi Arabia's development.

He also demanded a scaling-down of capital construction and asked that more emphasis be placed upon small and middle business while underlining non-petroleum resources for development.

Government incentives helped



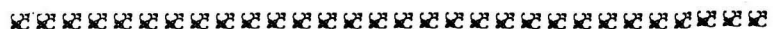
## Saudi Trade Office to Be Set up in Beijing

**S**audi Arabia has decided to set up a trade representative's office in Beijing.

Abdullah el-Kuwaiz, deputy Minister of Finance and National Economy of Saudi Arabia, made the announcement in Beijing on April 19. He also said that the director of the office has been appointed. "As far as I know, both China and Saudi Arabia have decided to open a trade representative's office in each other's country shortly," he added.

Lu Xuejian, Chinese Vice-Minister of Foreign Economic Relations and Trade, met Kuwaiz on the same day. They explored ways of enhancing economic co-operation and development between China and Gulf Co-operation Council.

Saudi Arabia is the only Arab country that has no diplomatic relations with China. □



the economy boast of more than 2,000 privately owned small and medium factories. This approach was pushed furthest after the privatization of the state-owned Saudi Basic Industries Co..

Saudi Arabia also took a series of measures to attract foreign capital and to encourage joint ventures there.

Faced with reduced crude oil exports the Saudis focused upon making its petrochemical industry a model for economic development strategy.

Planted around the petrochemical drive were the seeds of a number of new industries, such as building materials, food processing, garment manufacturing, furniture and paper making, that aimed at supplying the nation's internal needs. Over the past few years Saudi Arabia has also initiated gold ore prospecting to compliment this new diversification drive.

The Saudi Arabia government also holds agricultural development as an important factor in promoting economic diversity. Its 1985 Fourth Five-Year Plan brought agricultural investments to 10.8 billion Riyal, or 12 percent of total production investments.

Saudi Arabia, in order to ensure its oil income, has repeatedly adjusted oil output and pricing strategy for price stability. In June 1985 to support its policy advanced in March 1983 of limiting production to ensure prices, it cut back production to 2 million barrels a day.

Then, in September 1985, the strategy was changed to increasing production to ensure market share.

But then in 1986, the country went back again to pursue a policy of limiting production to increase prices.

In the future, the Saudi gov-

ernment will, according to the conditions of the international market, alternately open and close the oil flood gates to defend stable oil prices on the international market while at the same time maintaining its national interests.

Finally, Saudi Arabia is making a major effort to tap the talents and skills of its people. The Fourth Five-Year Plan has put US\$37 billion into building up elementary, secondary, and vocational schools that will upgrade human resources.

Since the implementation of these new economic policies, Saudi Arabia has been able to maintain a stable growth in its economy which has buffered the difficulties brought about by the reduction in oil revenue, thus preserving the kingdom's Mid-East financial clout and enabling it to escape the pitfalls of economic recession it has confronted for several years. □

## Moscow's New Japan Policy

**After Mikhail Gorbachev took office, the Soviet Union began taking the initiative to improve relations with Japan. Japan is using this opportunity to press home to the Soviets the urgency of their handing over the Kuriles—the four islands off Japan's Hokaido Island occupied by the Soviet Union since World War II.**

by Zhang Yaohua

**S**ince Mikhail Gorbachev took office as Soviet leader four years ago, the USSR's policy and attitude towards Japan has changed, leading to an upgrading of diplomatic relations with Japan. The then rookie leader, Gorbachev, had put forward a new diplomatic line rejecting the old world view of there being only two poles of global influence.

Gorbachev holds that the pol-

itical and economic relations among the capitalist countries that formed after world War II shifted at the end of the 1970s and in the early years of the 1980s.

The obvious change is the decline in the former US dominance over world politics and economics.

The US clout has also been outpaced by a reconstructed world that sees Japan and West-

ern European as new centres of world forces.

### Flexible Diplomacy

In numerous speeches after he took office, Gorbachev has stated his intention of developing Soviet relations with Japan.

To build new bridges with Japan, the Soviet Union has invited many Japanese politicians to visit the Soviet Union. Among

these are Takako Doi, chairman of the Japanese Socialist Party, Eitaro Itoyama, chairman of the Foreign Affairs Committee of the House of Representatives and former Prime Minister Yasuhiro Nakasone.

At the same time, the Soviet Union also dispatched many delegations to Japan for visits and to open new ties.

In recent years, the Soviet Union has played down its military might or any hostile diplomatic action towards the Japanese. Even the topic of the Kurile seems open for negotiation and change.

In the past, Moscow ignored Japanese demands for a return of these islands and even tabooed talks with the Japanese government on the issue.

With a set of new proposals put forward by scholars on how to handle the Kurile question, now the two countries can sit together to discuss the issue despite the Soviet Union not officially admitting that there is even a territorial issue between the two countries.

One such plan proposes joint rule of the islands, with neither side enjoying sovereignty over the area.

Another solution places the Kuriles under UN trusteeship while allowing both sides to share territorial sovereignty over the islands but vests administrative right with the UN.

These are some plans put forward by the Soviet scholars to sound out the Japanese.

To promote its economic and technological links, the Soviet Union is opening cities and planning to set up special economic regions for the Japanese. They are also relaxing the issuance of commercial visas to Japanese businessmen whom they eye as being their future partners.

In yet another area, the Soviet academy of science is setting up a Far East branch with a special

focus on Japan.

The greatest indicator of this new Soviet approach is in the military. While scaling down criticism of Japan, it has even proposed holding consultations with Japan on military affairs. Moscow has gone as far as indicating its willingness to even agree upon unilateral declaration of maneuvers in the strategic area.

Behind Moscow's urgency to improve relations with Japan are a series of factors that range from the need to develop her economy to a push for stronger influence in East Asia.

The Soviet Union requires a peaceful international environment to accelerate its economic development while holding onto the title of superpower.

Moscow's opening move came with its new links with China. With its Japan file sorted out Moscow knows a peaceful era in the Far East will prevail. Japan's gross national product has reached US\$2,000 billion which vastly outdistances the Soviet Union. With Japan's ranking as an economic and technical giant, the Soviet Union urgently needs a Japanese transfusion to bolster up its antiquated economy.

In March 1988, the Soviet Union established a committee in charge of developing economic relations with the Asian and Pacific countries.

As part of its new Asia and Pacific region policy, the Soviet Union has been stressing participation in various modes of Asian and Pacific economic cooperation. The Soviets know that if Japan stands in its way, Soviet efforts of extending influence and obtaining economic benefits from the region could be aborted.

### Japan's Reaction

All previous Japanese governments have paid much attention on opening up relations with the

Soviet Union. Nakasone set the improvement of Soviet relations as a major task of his cabinet.

He repeatedly stressed the danger of Japan's perpetual cold shoulder towards the Soviet Union.

Noboru Takeshita also said that Japan and the Soviet Union should co-operate for peace and stability in Asia and Pacific region.

Since Takeshita took office, Soviet-Japanese relations have been further improved with upscaled dialogues plus economic and trade exchanges.

The thrust of Takeshita's view is that Japanese relations with the Soviets is a means of strengthening Tokyo's political position and expanding its international influence as a "major political power."

A further advantage of Tokyo's improved relations with the Soviet Union will be increased relations with Eastern Europe.

The Japanese Foreign Ministry is also working out a strategy of opening up Soviet relations.

At the re-opening of the talks between the foreign ministers of the two countries towards the end of last year after a more than two years pause, both sides agreed to set up a vice-ministerial group to discuss the northern islands issue.

Along with the opening of political dialogues, total trade between the two countries reached US\$5.1 billion in 1986. According to Japanese estimates, trade volume between two countries grew to a record US\$6 billions in 1988.

The Japanese government is practicing a more patient approach in this new relationship.

In one case a Japanese economic delegation composed of government officials and people from private business circles was set to visit the Soviet Union last autumn, but its trip was repeatedly postponed.

In addition, the Japanese gov-

ernment has adopted a prudent attitude towards the Soviet Union's request for a joint research of 21 most advanced scientific branches.

Such subjects include items as superconduction and nuclear fusion. Tokyo shelved the Soviet requests, saying further discussions are needed.

Some reasons behind the Japanese adopting such a go slow attitude towards the Soviet Union can be considered in the following:

The Japanese are aware of the Soviet's urgency to improve relations and they are using this as a way to win more concessions in the Kurile talks.

In addition, Japan wants to internationalize the Kurile issue by involving Western nations, with a view to bringing support from the West. By handling the territorial issue as one of a West-East relations issue, Western support on the Soviets could be played.

Despite Moscow's friendly overtures the Japanese are still keeping a wary eye on the Soviets. Japanese officials recently pointed out that the Soviet Union has continuously strengthened its Far East naval might.

The Japanese also fear that once being drawn into contracts to develop Siberia, the Soviets are going to rip up any agreement over the Kuriles. Japanese enthusiasm over exploiting Siberia has been further trimmed with the global drop in energy and resource prices. After the Toshiba incident there has been increased pressure on Japan to restrain her relations with the Soviets. The Paris-based Coordinating Committee for Export Controls has brought further concern over the ties, strengthening trade limitations.

In addition, Japan holds that at the moment it can gain little benefit from the Soviet Union if it begins its economic cooperation with the Soviet. The

Soviet investment environment is poor and it is short of foreign exchanges.

### The Perspective

The territorial issue is still the main barrier to the improved Japanese-Soviet relations.

The difficulty for the Soviets is giving this strategic location up, the four northern islands that control navigation from the Sea of Okhotsk to the Pacific.

In order to protect the security of its own nuclear submarines in the region, the Soviet Union has been trying to turn the Sea of Okhotsk into its own internal sea so it can supervise and prevent US nuclear submarines or Japanese submarines from moving into the Pacific.

The Soviet Union also fears returning Kurile Islands will spark a chain reaction from European countries. Furthermore, domestic separatists might be morally strengthened and the Soviet's nationality contradictions brought further to a point.

It seems that the leadership of the Soviet Union is divided on just how to approach the Japanese.

The Japanese government has maintained that the Soviet Union should return territory at one time as part of a settlement package.

Tokyo's position is tempered by the long desire of its people and all political parties that hold that the Soviet Union should return all four of the Kuriles. With this in mind it will be very difficult for the Japanese government to make concessions on the issue. As a member of the Western bloc of countries and a US ally, Japan can use its ties with its friends to gain concessions over the territorial issue.

Although Moscow and Tokyo hold conflicting views and attitudes towards the Kurile issue, both sides will have to work for

a solution. With increased domestic needs in both nations and with a relaxed world situation, there is a further spur to them to reach some compromise over the issue. As a result, both governments will probably adjust their respective stand on the issue.

Future agreement between these governments could be: (1) The Soviet Union could begin by withdrawing its troops from the four northern islands with a curtailment on activity there until issues are settled through negotiations.

(2) The Kurile Islands could be jointly ruled and exploited by both countries or ruled by one country but used by either side.

(3) The Soviet Union could first return two of the four islands to Japan, while having the two other islands jointly used and ruled, or they could be ruled by one country and used by both sides.

(4) The Japanese government could barter back the four islands through the granting of an economic assistance programme to the Soviet Union or through some other means of assistance.

In coming years, high-level talks between the two national leaders will probably increase with the development of economic relations.

Within the year, Soviet leader Gorbachev's visit to Japan will probably take place and a definite date will be set for the visit of a Japanese economic delegation composed of both governmental and nongovernmental interests.

One further move towards this process is that in order to spur private investment in the USSR, the Japanese government has accepted all trade insurance liability for investment made there.

This move has helped investments, for example, the 12 billion yen luxury Moscow hotel, due for approval this summer, becomes quite feasible. □

# Minister He Kang on China's Agriculture

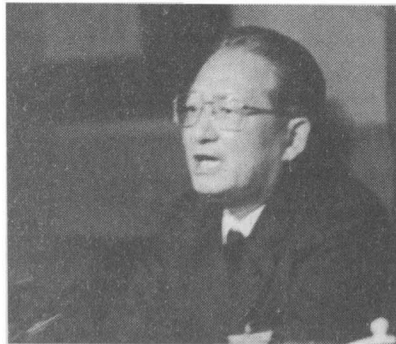
China's agriculture has made little headway for the last four years. What is holding it back? What measures will the government take? What is the situation this year? With these questions in mind, our staff reporter Liu Jianjun recently had an exclusive interview with He Kang, Minister of Agriculture—Ed.

**Question:** After a decade of reforms, what achievements and progress have been made in China's agriculture?

**Answer:** The period from 1979 to 1988 was the best period of economic development in China's rural areas. Along with the in-depth and healthy progress of the rural reform, agriculture, which is regarded as the foundation of the national economy, has achieved successes acknowledged by all. These include:

**Stable growth of the rural economy.** In 1988, total agricultural output value reached 561.8 billion yuan; calculated in terms of comparable prices, it increased at an average rate of 6.2 percent a year. Aggregate rural social output value amounted to 1,207.8 billion yuan; calculated in terms of comparable prices, it increased at an average rate of 14 percent a year. Non-agricultural output value in the rural areas stood at 600 billion yuan, or 3.5 percentage points higher than total agricultural output value; and in 1988, the per-capita annual net income of farmers came to 545 yuan.

**Growth in output of agricultural products.** Grain output soared from 305 million tons in 1978 to 407 million tons in 1984. Although fairly big natural calamities occurred in 1988, grain output still reached 394 million tons. Output of cotton reached 4.2 million tons, that of oil-bearing crops 13.2 million tons, sugar 4.55 million tons, meat



He Kang.

XUE CHAO

21.88 million tons and aquatic products 10.46 million tons. The sales volume of agricultural products doubled and redoubled and the commodity rate of agricultural products came to 60 percent. The problem of clothing and feeding one billion people has been solved in the main.

**Changes in agricultural structure.** The rapid growth of forestry, livestock, sideline occupations and fishery together with the secondary and tertiary industries in the rural areas has promoted the switch from a natural and seminatural economy to a commodity economy.

**Emergence of township enterprises.** In 1988, the number of China's township enterprises totalled 1.58 million, with a total output value of 600 billion yuan. As township enterprises emerged, they not only absorbed surplus rural labour power, but also became the main prop of the rural economy and an important component part of the national economy.

**Headway made in agricultural**

**science and education.** A number of advanced and practical technologies have been used in production and marked economic returns have been obtained.

The decade-long rural reform has offered valuable experience for China's economic reform as a whole and effectively supported the development of the national economy.

**Q: Some foreigners say that since 1985 China's agriculture has been in a "crisis," and that grain production in particular has stagnated for four years in succession. What are the main problems?**

**A:** After the Third Plenary Session of the 11th Party Central Committee held in 1978, the implementation of a series of principles and policies has fired farmers' enthusiasm for production. Thanks to the tapping of the potential accumulated in agriculture in the past 30-odd years and favourable natural conditions, China's 1984 grain output reached over 400 million tons, an all-time high. Because of the ineffectiveness of storage, transport and conversion at that time, the situation in which "farmers have difficulty selling their grain" occurred. This was a new problem arising during transition from a natural economy to a commodity economy, and from traditional agriculture to modern. Since 1984, fluctuations have occurred in China's agricultural production and grain output never reached the 1984 level. The situation in agricultural produc-



# Report on the Draft 1989 Plan for National Economic and Social Development

(Delivered at the Second Session of the Seventh National People's Congress on March 21, 1989)

Yao Yilin

Vice-Premier of the State Council and Minister in Charge of the State Planning Commission



Fellow Deputies,

In his report on the work of the government Premier Li Peng did a comprehensive analysis and exposition of the economic situation in the past year and set forth the guiding principles and major policies and measures for our economic work this year. On behalf of the State Council, I now submit to this session for examination and approval a report on the implementation of the 1988 Plan for National Economic and Social Development and a proposal for the 1989 plan.

## I. Implementation of the 1988 Plan

In 1988 China made further progress in its socialist modernization drive. Reform of the economic structure deepened, the national economy grew steadily, the country's economic strength continued to increase and various social undertakings scored new achievements. However, a

number of problems cropped up in our economy, the most prominent ones being conspicuous inflation and excessive price hikes, due to overheated economic growth and overinflated social demand.

*First, social production kept growing, but industry expanded at an excessive rate.* In 1988 the gross national product (GNP) rose to 1,385.3 billion yuan, an increase of 11.2 percent over 1987 if calculated in terms of comparable prices. National income reached 1,153.3 billion yuan, a growth of 11.4 percent when calculated in terms of comparable prices. In agriculture the output of grain, cotton and edible oils dropped to varying degrees, owing to frequent natural disasters. The output of grain was 394 million tons, a reduction of over 8.8 million tons from the 1987 figure; cotton, 4.2 million tons, a drop of 45,000 tons. However, the output of sugar-yielding crops picked up by a fairly big margin after decreasing for two successive years. The output of meats, poultry, eggs, milk and aquatic products grew to varying degrees. Total agricultural output value increased by 3.2 percent over 1987, instead of a 4 percent growth rate as planned. Total industrial output value increased by 20.7 percent, or 17.7 percent if industries run at the village level or below are excluded, far exceeding the planned rate of 8 percent. The output of raw coal amounted to 970 million tons, up 4.5 percent from 1987; crude oil, 137 million tons, up 2.2 percent; electricity, 543 billion kwh, up 9.2 percent; and steel, 59.18 million tons, up 5.2 percent. Big increases were registered in the manufacture of consumer goods, especially various durables, that used non-agricultural products as raw materials. Because the processing industry developed too fast, beyond the capacities of the energy and raw and semifinished materials industries, structural contradictions within various branches of the indus-

try became more prominent. Thanks to efforts by the railway, highway and water transport departments in exploiting their potentials, total freight volume grew by 5.1 percent. Transport was further strained by a drastic increase in the volume of both passengers and freight.

*Second, a number of large and medium-sized projects invested as fixed assets were completed and put into operation, but demand for investment continued to inflate, resulting in total investment in projects under construction far surpassing the national strength.* In 1988 a total of 78 large and medium-sized capital construction projects and 138 important single projects in other large and medium-sized projects were completed and put into operation throughout the country. The completion and commissioning of a group of major power plants, coal mines, railways, ports and scientific research projects added reserve strength for the continued growth of the economy. The installed capacity for electricity generation increased by 9.99 million kw, a record figure since the founding of New China. Nearly 40,000 projects in equipment renewal and technological transformation were completed and put into operation throughout the country and they will play a vital role in increasing the variety of products, improving product quality and cutting back consumption. Investment in fixed assets, especially extrabudgetary investment, continued to increase considerably. In 1988 investment in fixed assets throughout the country came to 431.4 billion yuan, an increase of 18.5 percent over 1987; of this, 269.5 billion yuan, or a rise of 17.3 percent, was invested in fixed assets of state-owned enterprises and institutions, both rates of increase far surpassing that of the national income. Total investment in projects under construction amounted to about 1,300 billion yuan, obviously outstripping the national capacity.

*Third, retail sales of all kinds of commodities increased, but the rise in prices was too sharp.* The total value of retail sales in 1988 came to 744 billion yuan, an increase of 7.9 percent after allowing for price rises. Sales values of such commodities as foodstuffs, clothing and articles for daily use all registered increases. The excessive issue of currency under the pressures of mounting social demand led to an 18.5 percent rise in the retail price index. The inflation caused several big waves of panic buying in the market, which added to the number of goods in short supply and to the confusion in commodity circulation.

*Fourth, the money incomes of people in both town and country continued to rise, but actual living standards dropped to a certain extent for some citizens.* The proportion of average per-

capita income that urban residents spent on living expenses in 1988 came to 1,119 yuan, an increase of 22.2 percent over 1987. Average per-capita net income of peasants was 545 yuan, a rise of 17.7 percent. Both rates of increase outstripped that of the national income by wide margins. After adjustment for price rises the actual rate of increase in the average income of urban residents was 1.2 percent and that of the peasants, 6.3 percent. The actual living standards of a considerable number of urban residents, confronted by excessive price hikes, were lowered because of differences in income increases and in the number of dependent family members. Both urban and rural bank deposits dropped in August but recovered gradually after some measures were taken. Housing improved for both urban and rural residents, with new houses built in urban areas totalling 190 million square metres in floor space and 880 million square metres in the countryside. Social welfare and insurance continued to develop.

*Fifth, economic and technological exchanges with foreign countries showed new progress, but the order in foreign trade should be improved.* Considerable progress was made in our foreign trade in 1988, thanks to the implementation of the economic development strategy for the coastal areas and the development of an export-oriented economy. According to customs statistics, total import and export value reached US\$102.8 billion, a 24.4 percent increase over 1987, total export value amounting to \$47.5 billion, up 20.6 percent, and total import value to \$55.3 billion, up 27.9 percent. The total trade deficit was \$3.1 billion after excluding the processing of supplied materials that did not involve foreign exchange in accounting and goods imported by foreign businessmen as investment. The mix of both import and export commodities kept improving. The proportion of manufactured goods in total exports continued to expand. In imports means of production accounted for over 80 percent, and the import of high-grade consumer goods was put under control. A total of \$9.8 billion worth of foreign funds was used, up 16.4 percent over 1987; of this, \$2.6 billion was direct investment by foreign businessmen, representing a 13.1 percent increase. Economic and technological cooperation with foreign countries and international tourism both progressed fairly quickly. Our foreign trade still suffered from shortcomings, however, such as delay in delivery of goods and failure to meet specifications of product quality, as well as competitive confusion as enterprises vied with each other for trade with foreign businessmen. Earnest efforts must be made to overcome all these shortcomings.

*Sixth, science, education, culture, public health and sports progressed further, but these areas cannot yet meet the needs of socialist modernization.* In 1988 we were quite successful in the development of science and technology, the state conferring 217 awards for invention and 513 awards for scientific and technological progress. Notable successes were achieved in key scientific and technological research projects specified by the state. The successful collision of the Beijing electron-positron collider, the successful underwater launching of a rocket from a nuclear-powered submarine, and the pinpointing of a communications satellite over the equator marked new breakthroughs in China's high technology. Meanwhile, efforts were redoubled to promote both basic and applied scientific research. Implementation of the "spark programme" brought us a stream of new achievements. Elementary education continued to improve. Secondary vocational and technological education expanded rapidly and the structure of secondary education was gradually rationalized. In higher education a pattern for the parallel advancement of regular and adult education was taking shape. Cultural undertakings such as literature, art, radio, the cinema, television, the press and publishing all witnessed accomplishments. Medical care and hygiene improved. New heights were reached in sports, and more and more people took part in sports activities. Nevertheless, considered as a whole, the development of these undertakings could not meet the demands for socialist material, cultural and ideological progress. We particularly lacked funds for science, technology and education, and, so far as available funds were concerned, we did not make the best use of them.

The foregoing evidence indicates that in 1988 we achieved all-round success in our national economic and social development. However, this success was coupled with overheated economic development, excessive market demand and aggravating inflation, which gravely hampered in-depth reform and steady economic growth and affected the stability and improvement of people's lives in both urban and rural areas. These problems were due to both objective causes and shortcomings and mistakes in our work, as explained by Premier Li Peng in his report on the work of the government. At its Third Plenary Session, held in September last year, the Thirteenth Central Committee of the Chinese Communist Party correctly analysed the economic situation, set the guiding principles of improving the economic environment, rectifying the economic order and comprehensively deepening the reform and decided to focus our construction and

reform on improvement and rectification this year and next. The concerted efforts of all localities and departments over the last few months have yielded initial results in this respect. We have been conducting a screening of construction projects and curtailing of investment in capital construction on a wide scale. By the end of February this year construction of 18,000 projects had been suspended or deferred throughout the country, reducing investment by more than 64 billion yuan in the next few years. Also, the excessive growth of institutional expenditures has been curbed, with a notable reduction in the turnover of commodities under special control, and the too-high industrial growth rate began to decline. In January and February this year the growth rate of the accumulated total output value of industry was 8 percent, much lower than the 18 percent of the same period last year. A slowdown in price rises has served to dispel people's anxiety somewhat and the order in circulation has been rectified. The experience of the past few months has shown that the guiding principles, policies and measures adopted at the Third Plenary Session of the Thirteenth Central Committee of the Party are correct and conform to reality, and they have contributed to stabilization of the economy. Meanwhile, we must realize that we have just embarked on the work of improving the economic environment and rectifying the economic order. This year we face even heavier and more arduous tasks; we need to take full account of them and have sufficient mental preparation. We cannot shrink from difficulty or give up halfway, nor can we act in haste or an oversimplified manner. Only by firmly implementing all the guiding principles, policies and measures of the Third Plenary Session, taking timely and appropriate action to deal with new economic problems, and making persistent efforts for two years or longer, will it be possible for us to extricate ourselves from the complications caused by inflation and bring about a new situation in our economy.

## **II. Major Targets and Tasks Set in the 1989 Plan**

In his report on the work of the government Premier Li Peng explicitly set forth six objectives for improving the economic environment and rectifying the economic order. In accordance with these objectives and the current situation, the major targets and basic tasks of the 1989 plan for national economic and social development are to slow down the overheated economic development, ensure a markedly lower rate of price rises than

that in 1988 and strive for a good harvest of farm produce. To this end, we should first stress curtailing the present excessive total demand and resolve to cut back further investment in fixed assets, especially extrabudgetary investment, making it gradually compatible with national capacity, and we should keep consumer demand from growing excessively, making it compatible with the rise in national income. While curtailing demand, we should work hard to increase the supply of essential products, especially the output of grain, cotton, edible oil and other major farm products, and, by increasing production and practising economy, gradually ease the existing strain on the supply of energy, raw and semifinished materials, and transport services. The effort to curtail demand and increase supply must be linked to readjustment of the economic structure, genuinely optimizing the distribution of limited resources and noticeably raising efficiency.

In line with the guiding concept mentioned above, the targets for macroeconomic regulation and control in the 1989 plan are as follows:

— Proper economic growth is to be maintained, subject to improved economic results. Agricultural production is to rise by 4 percent over last year and industrial production by 8 percent; the gross national product is to increase by 7.5 percent.

— Total investment in fixed assets of the whole society is to be reduced by more than 20 percent from last year's figure, and the investment pattern is to be improved in accordance with the country's industrial policy.

— Both the state budgetary deficit and currency issue are to be lower than last year.

— The increase rate of the national retail price index is to be lowered significantly through efforts to effectively control demand and increase and improve the supply of essential products.

The principal tasks of the 1989 plan are as follows:

1) *Firmly curtail investment in fixed assets and readjust the investment pattern.* The 1989 plan sets total investment in fixed assets of the whole society at 330 billion yuan, 92 billion yuan less than the estimated investment of 422 billion yuan last year. Of the total, investment in fixed assets of state-owned enterprises and institutions will come to 210 billion yuan, 51 billion yuan less than last year, capital construction accounting for 120 billion yuan and equipment updating and technological transformation amounting to 56.9 billion.

Reducing investment in fixed assets is of decisive significance to curtailed total demand and is also a method producing relatively quick results. Although some progress has been made in the

work of screening projects under construction and reducing investment, we still have a long way to go to fulfil this year's target, particularly because many regions and departments take a wait-and-see attitude, emphasize their peculiar circumstances, and keep a competitive watch on each other, so that the construction of a good many projects that should have been stopped or postponed has not halted and the construction of a large number of projects already stopped tends to be resumed. Therefore, to fulfil this year's targets of reducing investment and readjusting the investment pattern, we must be firm and take hard measures.

First, we must resolutely carry the work of screening projects under construction through to the end, cutting back nonproductive, unjustified construction projects, such as office buildings, auditoriums and hotels, and unnecessary overlapping construction projects. Rational planning is necessary even for the construction of justified projects, including those for energy, transport and raw and semifinished materials industries, and the construction of some of them will have to be stopped or suspended if it surpasses the capabilities of financial and material resources. It is essential to abide by contracts signed on projects involving foreign funds, with the exception of a few that the two parties have agreed, after consultation, to cancel or postpone. We should also screen and cut back construction of projects undertaken by collectives or individuals in urban and rural areas. Only by resolutely cutting back a large number of projects can we genuinely reduce the scale of investment. As for the projects that are stopped or postponed, careful follow-up work is needed.

Second, we must strictly control the start of new projects. Except for indispensable ones in farming, forestry, water conservation, chemical fertilizers and education, approved by higher authorities upon submission of reports by departments and localities, none is to be started before the end of July this year. Whether construction can begin after August will depend on our progress in reducing the scale of investment and the economic situation at that time.

Third, we must arrange investment rationally and readjust the investment pattern in line with the industrial policy. While resolutely cutting back investment in the construction of nonproductive projects, such as office buildings, auditoriums and hotels, and ordinary projects in the processing industry, we should adequately increase investment in agriculture, transport, coal and education.

Fourth, we must exercise control over bank

loans for investment through mandatory planning and strictly restrict expanded construction with funds raised from society. This year no investment loans will be issued to ordinary rural enterprises, individual economic undertakings or projects not covered by the state plan.

2) *Control excessive growth of consumer demand and gradually overcome the unfair distribution of social wealth.* To curb inflation, we must not only reduce the investment scale but also strictly control the excessive growth of consumer demand and resolve to change the situation in which the rise of consumption outstrips that of production, a situation that has lasted for quite a few years. Premier Li Peng has stated in the report on the work of the government that during the period of improving the economic environment and rectifying the economic order the government and people should all be mentally prepared to practise austerity for a few years. This is entirely correct and most important. In the past few years there have been widespread and serious extravagance and waste. Quite a few government organs, people's organizations, enterprises and institutions wined and dined guests and presented gifts out of public funds and distributed lavish subsidies in cash or in kind, vying with one another in an ostentatious display of wealth and indiscriminately modernizing facilities at increasingly higher levels. All this not only seriously conflicted with China's economic level at the present stage, but also tarnished our fine traditions and encouraged undesirable social conduct. We must change this situation by putting a firm stop to this unwholesome trend, by giving wide publicity to and implementing the principle of working hard to build up the country and of doing everything industriously and thriftily, by combating all sorts of extravagance and waste, and by strictly controlling the excessive growth of consumer demand. Only by determinedly practising austerity for a few years will it be possible to genuinely curtail excessive total demand and effectively check inflation.

Since we lack experience and know only a few effective methods to control excessive growth of consumer demand, we must rely on the joint efforts of all cadres and masses to explore ways through practice. Judging from the present situation, we must do the following.

First, adopt stringent measures to curtail institutional purchases. The plan requires that this year's institutional expenditures be reduced by 20 percent from last year's.

Second, tighten control over wage funds. To this end, we should effectively improve the system of linking the total wages of staff members

and workers of an enterprise to its economic performance, basing wage increases on genuine growth in production and rise of labour productivity; we should see that the enterprises rectify and strengthen management and supervision of funds owned by themselves and stop indiscriminate issuing of subsidies in cash or in kind; we should rectify and improve payment of wages and bonuses of various kinds by companies and establish and rationalize wage and financial systems; we should collect bonus and wage regulation taxes strictly in accordance with state regulations. The total wages of staff members and workers will continue to rise this year, on condition that the increase rate is limited to what the nation can bear, thus helping control the price increase rate.

Third, establish and perfect as soon as possible a system whereby each individual declares his or her taxable income and step up collection of the individual earnings regulation tax, so as to gradually narrow the wide gap between incomes.

Fourth, through reducing the investment scale, straightening out corporations, closing down certain enterprises, suspending their production, amalgamating them with other enterprises or switching their product manufacture, and optimizing the organization of labour, send or cut back capital construction contract teams, peasants who serve as odd-jobbers, and employees not covered by the national plan—people who have flowed into cities from rural areas in the last few years—and strictly restrict the practice of filling up natural vacancies by opening employment to the entire society.

Fifth, adopt diversified measures to attract more savings deposits from urban and rural residents and commercialize residential buildings, to rationally divert the use of consumption funds and absorb or postpone part of the current consumer demand, so as to stabilize the market.

3) *Strive for a considerable increase in agricultural production, particularly the production of grain, cotton and oil-yielding crops.* Experience has repeatedly shown that agricultural production can tremendously promote or restrict the development of the national economy as a whole. A considerable increase in agricultural production, particularly in the production of grain, cotton and oil-yielding crops, this year will provide an increased supply of essential products, stabilize the economy and check inflation. The plan for this year projects a grain output of 410 million tons, an increase of 16 million tons over last year; cotton, 4.5 million tons, an increase of 300,000 tons; oil-yielding crops, 16 million tons, an increase of 2.8 million tons; and sugar-yielding crops, 65 million tons, an increase of 2.63 million

tons. We shall continue to encourage pig raising, with a total meat output projected at 23.4 million tons, an increase of 200,000 tons.

In order to realize the goals set for this year's agricultural production and increase the supply of essential farm and sideline products, we must carry out the guidelines laid down at the national conference on rural work held by the Central Committee of the Chinese Communist Party and the State Council last November and, while continuing to deepen rural reform, take some effective measures in drawing up a plan.

1. We shall appropriately increase the acreage for growing grain and cotton, reducing that for flue-cured tobacco and other crops, and forbid the digging of fish ponds and the expanding of fruit production at the expense of arable land.

2. We shall increase funds for agricultural development. The central financial authorities plan a 10 percent or more increase in the input for agriculture even under the financial retrenchment this year; local financial departments are also expected to set aside more capital for agriculture. Loans by the Agricultural Bank and credit cooperatives will also be increased substantially. Beginning this year, capital will be raised through various channels to establish a fund for agricultural development. At the same time, peasants will particularly be encouraged to increase their input in agriculture.

3. We shall build production bases for agricultural commodities. We shall combine transformation of low-yield farmland with the development of commodity bases, appropriately concentrate the use of investment available for various agricultural undertakings and continue to build a number of commodity bases for the production of grain, cotton and sugar at the national level.

4. We shall step up the economic development of the poor areas, make good use of relief funds from various channels and increase economic returns through overall planning and concentrated utilization.

5. We shall continue to disseminate agrosience and agrotechnology. As required by the plan for this year, the acreage for growing hybrid rice will be increased by 10 million *mu* (1 *mu*=0.0667 hectares) and for hybrid maize, 20 million *mu*, and the acreage for cultivation by using plastic sheeting will be increased by 16 million *mu*. Efforts will be made to spread scientific application of fertilizers and increase the acreage to which various kinds of fertilizers are applied proportionally.

6. We shall increase the supply of the means of production for agriculture. The 1989 plan projects an output of 85 million tons of chemical

fertilizers and 200,000 tons of pesticides, plus imports, increasing the supply of both over that of last year. Peasants should be encouraged to grow more green manure plants and apply more farmyard manure and they should be mobilized to improve farmland and build water conservancy works.

At present, we should pay attention to preharvest management of the summer crops and, while continuing our work against drought, guard against plant diseases and insect pests, which are likely to occur this spring in the wake of the warm spell last winter— all for the purpose of reaping a bumper harvest this summer.

4) *We shall lower the excessive growth rate of industry and earnestly readjust the structure of production.* Lowering the excessive growth rate of industry to an appropriate level, as provided for by the plan, is a pressing need in order to improve the economic environment and slow down the overheated economic development and is the logical outcome of readjustment of the economy. Therefore, the rational slowdown of the growth rate should not be regarded as an irregular decline in production. The key to increased supply of essential products lies in the readjustment of the production structure, providing guarantees for or imposing restrictions on projects wherever necessary. The crux of the matter in this regard is to boost the production of coal, for only with more coal can we generate more electricity and increase production of raw and semifinished materials and, particularly, steel products in short supply. Obviously, solution of the coal problem necessitates solution of the transport problem. For this purpose, the State Council is coordinating the departments and localities concerned to take practical and effective measures to stabilize and increase the production of small and medium-sized coal mines under local authorities and organize and improve transportation of coal. The rail transport of coal should be under unified planning and strict control. Increased production of energy and raw and semifinished materials will enable us to increase the production of manufactured goods for people's daily use, readily marketable products of the textile and other light industries, products in great demand and export commodities that can earn foreign exchange. We shall have enterprises that turn out inferior, ill-functioning, energy-wasteful products and that are short of raw and semifinished materials suspend operation or switch to other products. We shall not only prohibit the expansion of small manufacturers without sufficient sources of raw materials, such as those that produce household electrical appliances, pop cans, cotton tex-

tiles, woollen fabrics, cigarettes, plastics, and aluminium materials, but have a number of existing ones close down, suspend operation or switch to the manufacture of other products. The distribution of energy, raw and semifinished materials in short supply, transportation and bank loans should conform to the restructuring of production and the principle of supporting successful enterprises and restricting unsuccessful ones, giving first priority to key enterprises shouldering major production tasks entrusted by the state and to enterprises yielding good economic results. All enterprises should do a good job of updating technology and improving management, reduce the consumption of materials by economizing on the use of resources and making multipurpose use of them, raise labour productivity, improve the quality of products, and reduce possession of idle funds, with a view to obtaining greater economic results. It is necessary to persist in the campaign to increase production, practise economy, raise revenues and curbing environmental pollution and reduce expenditures and achieve practical results.

Since the beginning of this year the growth rate of state-owned industries has been slowed considerably; however, the excessive growth rate of collectively owned industries, particularly township industries, has not yet been brought under effective control. Township and village industries should readjust their product mix, improve their business management, lay stress on raising economic results and curbing environmental pollution and reduce the growth rate to a reasonable level.

5) *We shall appropriately readjust the commodity mix for import and export and further expand economic cooperation and technological exchange with other countries.* Improvement of the economic environment and rectification of the economic order on the one hand and our policy of opening to the outside world on the other promote each other. We shall firmly pursue this policy, take full advantage of the favourable conditions therefrom and develop foreign trade and an export-oriented economy, for this will help regulate domestic supply and demand, increase the supply of essential products, create more revenues for earning foreign exchange through export, check inflation, and diminish the difficulties in our drive to improve the economic environment and rectify the economic order. In turn, successful improvement of the economic environment and rectification of the economic order will create a favourable environment for implementing the open policy and developing an export-oriented economy. This year we shall further extend our economic cooperation and technological exchange

with foreign countries and continue to press on with the economic development strategy for coastal areas.

We should make every effort to expand foreign trade and earn more foreign exchange, based on a rationalized mix of import and export commodities. We should pay attention to the need for sales both at home and abroad, gradually reducing the proportion of resource products and preliminarily processed products and increasing the proportion of machinery, electronic products and other manufactured goods in export, and develop the processing of imported materials and the processing of materials provided by foreign firms. First priority should be given to the import of goods vital to the national economy and people's lives, and rigid restrictions must be imposed on the import of certain high-grade consumer goods and on the duplicate introduction of technology and equipment from abroad. We must restrict or prohibit the import of commodities we can produce ourselves

The coastal areas should, in the process of improving the economic environment and rectifying the economic order, seize the opportunity to fully exploit their advantages. They should proceed from their local conditions in readjusting their economic structure and developing an export-oriented economy characterized by import of important raw and semifinished materials and export of finished goods. We shall continue to introduce overseas investment, advanced technology and managerial expertise, set up joint ventures and cooperative enterprises with foreign firms and entrepreneurs by retooling existing enterprises, and encourage foreign businessmen to launch wholly owned enterprises.

6) *We shall further the progress of science, technology, education, culture, public health, physical culture and sports.* This year, in accordance with the Seventh Five-Year Plan, we shall concentrate the necessary human, financial and material resources on tackling key scientific and technical problems in twenty technological sets, one hundred key techniques and four hundred important products and try to achieve a number of successes. We shall continue our efforts in the research and manufacture of eleven major items of technical equipment, including equipment for the second phase of the Baoshan Iron and Steel Complex, so as to raise the percentage of domestically produced equipment. We shall research and develop high technology on selected projects step by step. We must devote great attention to research in basic science and basic theory. We shall disseminate advanced practicable scientific and technological achievements and do solid work on

the fifteen industrial pilot projects to be appraised and checked by the state before acceptance and on the trial manufacture of major new products at national level. We shall continue the "spark programme," systematically put the "torch programme" into operation and further the technical progress of production and the commercialization of results from scientific research.

In the process of improving the economic environment and rectifying the economic order, we shall place education in an important strategic position and ensure its development. Although we are curtailing expenditures and investment in capital construction nationwide this year, expenditure for and investment in education will be increased and the teachers' working and living conditions improved to some extent, thanks to the great efforts of governments at all levels. We shall continue to encourage all sectors of society to pool funds to run schools. In line with the principle of readjusting their structure, enrolling students according to need and improving quality, institutions of higher education should appropriately restrict the enrolment of postgraduates and stabilize the enrolment of regular students. According to the 1989 plan, 40,000 postgraduates will be enrolled and 640,000 students will be recruited for regular institutions of higher learning, roughly the same as last year. In adult education, stress should be laid on strengthening the training of on-job workers and other employees. We shall continue to expand vocational and technical education and integrate the development of such education with universal education. We shall further develop primary and secondary school education, implement the Compulsory Education Law and stop in good time dropouts of primary and secondary school pupils, which have occurred in some localities. Meanwhile, we should lose no time in repairing dilapidated buildings of primary and secondary schools. Schools at all levels and of all categories must reform and strengthen moral education and promote the all-round development of students—morally, intellectually, physically and aesthetically.

People working in cultural undertakings, such as literature, art, radio, the cinema, television, the press and publishing, should adhere to the orientation of serving the people and socialism, uphold the principle of letting a hundred flowers blossom and a hundred schools of thought contend, correctly handle the relations between economic results and social impact, furnish plentiful and wholesome intellectual nourishment to the people and play an active role in promoting material, cultural and ideological progress.

In public health we shall continue to carry out the policy of putting prevention first and build up the contingent of medical workers, so as to render a high-quality service to society. In physical culture and sports, while strengthening the ranks of athletes we shall encourage mass participation, thus steadily improving the health level of the entire nation.

With its huge population and now in a peak period of births, China must redouble its efforts to ensure family planning and slacken no efforts in this regard. We should step up publicity and education and, in accordance with the current birth control policy, unswervingly keep a tight rein on the growth of population and improve the quality of population so as to promote economic development and social progress.

### III. Deepen the Reform in an All-round Way, Improve Macroeconomic Regulation and Control, and Strive to Fulfil the 1989 Plan

Closely combining the effort to improve the economic environment and rectify the economic order with the effort to deepen the reform in an all-round way provides a most important guarantee for fulfillment of the 1989 plan. The former and the latter are unified and complement each other. We should keep to the general orientation of reform in improving the economic environment and rectifying the economic order. Fundamentally, we can achieve results only by relying on a deepened reform. In turn, under present circumstances, only through improving the economic environment and rectifying economic order can we create in general a favourable economic and social environment for deepening the reform. This is why all reforms should focus on improvement and rectification. This year we shall concentrate on improving various reform measures being implemented and exploring new ways for the reform to suit the needs of improved economic environment and rectified economic order. Premier Li Peng has already explained, in his report on the work of the government, all the main tasks in economic restructuring this year. Here I should like to discuss three points:

*First, further improve the contracted managerial responsibility system in enterprises.* In the final analysis, offsetting the effects of price rises, increasing revenues and ensuring market supply depend on improved economic results on the part of enterprises, particularly large and medium-sized state-owned enterprises. Occupying a decisive position in China's economic activities and



possessing better technological equipment, managerial expertise and large numbers of skilled personnel, the large and medium-sized enterprises should and absolutely can contribute more to the enhancement of economic results and the increase of the supply of essential products. This year enterprises are confronted with numerous difficulties in production and management, among them the strain on the supply of energy, transport services, key raw and semifinished materials and funds, so they have to deepen reform and fully mobilize the enthusiasm and initiative of their workers and other employees in order to overcome these difficulties. They should improve the contracted managerial responsibility system through analysing their experience and increase their ability to restrict themselves and adapt to the changing markets. They should put the Enterprise Law into effect, continue to implement the system whereby factory directors assume full responsibility, intensify enterprise management and practise the optimum organization of labour. At the same time, in conformity with the requirement of economic readjustment, they should promote amalgamation and association of enterprises, or form themselves into groups, so as to optimize their organizational structure. It is necessary to draw up rules and regulations to facilitate experiments in the shareholding system, where public ownership is the mainstay

*Second, rectify the economic order, particularly in the field of circulation, so as to build a new order of socialist commodity economy.* It is essential to continue to screen and reorganize companies, greatly reduce the links in circulation and middleman extortions, and, in particular, deal severely with anyone involved in illegal operations. We shall continue to cultivate markets for various commodities and materials, strengthen the organization and building of markets, improve regulations for market operation and establish a normal market order. We should adopt different methods of circulation and management for different means of production and consumer goods vital to the national economy and people's lives. We shall exercise strict control over prices, guarding against and setting right arbitrary price rises and price rises in disguised forms. We shall effectively organize the supply of market commodities, paying particular attention to the purchase and distribution of important farm products, such as grain, cotton, edible oil, sugar and meat, and guarantee areas for growing vegetables for large and medium-sized cities, so as to increase supplies and stabilize prices. The large and medium-sized cities should catalogue the commodities of daily use and ensure the supply of

these commodities on the market and the basic stability of their prices.

*Third, effectively improve macroeconomic regulation and control.* Priority should be given to improvement of overall regulation and control in order to meet the needs of improving the economic environment, rectifying the economic order, deepening the reform in an all-round way, and developing a planned commodity economy. In light of the characteristics of economic operation and particular economic problems during replacement of the old structure by the new, we should pay special attention to the following problems when tightening overall regulation and control, strengthening comprehensive balance at the same time:

1. The central bank should increase its ability to control and regulate social funds. Both the central bank and specialized banks are state banks, and they must implement state policies and perform the functions of macroeconomic regulation and control. The central bank should exercise more effective leadership and administration over specialized banks and other banking institutions and provide vertical leadership over its subordinate departments. Local governments should help banks conduct their business, but they should not force banks to grant loans over and above the state credit plan. At present, the most urgent thing we must do to increase the regulating and controlling ability of the banks is to withdraw credit and attract savings deposits by all possible means. The current situation in which the savings deposits of urban and rural residents are rising too slowly, enterprise savings are decreasing, and the amount of funds collected in society at large and accounts settled in cash without going through the bank keeps increasing has resulted in fewer sources of funds for bank loans and loss of control over the money supply. This has not only imposed a strain on the working capital of many enterprises, large and medium-sized ones in particular, but also severely weakened the banks' ability to regulate and control funds in society. In order to change this situation we should take various effective measures, including more publicity and education among urban and rural residents, to encourage them to increase savings in the bank. We should help them understand that by increasing savings they will both assist the state in improving the economic environment and rectifying the economic order and suffer fewer losses from inflation. We should also enhance cash control where government organs, people's organizations, enterprises and institutions are concerned and restrict social activities to collect funds. At the same time we

should resolutely ban unlawful activities, such as usury, and work hard to channel scattered funds into banks.

2. We should appropriately expand the proportion of state revenue in the national income. In recent years the proportion has dropped annually, until it is now below 20 percent. Meanwhile, revenues for the central financial authorities have also formed too small a proportion, accounting for less than 50 percent of the total. In a big developing country like ours, this proportion cannot serve the needs of macroeconomic regulation and control, nor can it thoroughly overcome the financial difficulties of the state, especially of the central financial authorities. Therefore, in view of both immediate needs and long-term development, we should appropriately raise the proportion of both state revenue and revenues for the central financial authorities. Beginning this year, we should try to achieve this goal.

While tightening financial and monetary control, we should exercise more effective unified control over foreign exchange and foreign debt and take effective measures to guide all localities, departments and enterprises in the correct use of the foreign exchange they retain.

3. We should formulate and enforce industrial policies suited to China's actual conditions. At present the industrial structure remains a serious problem in our economy. Correct industrial policies provide an important basis for industrial restructuring and macroeconomic regulation and control, and the formulation of such policies involves complicated work. It calls for cooperation and concerted efforts by the departments concerned. To accomplish this work we should make comprehensive use of economic, administrative and legal means. Since this work has just started, it should gradually be improved.

In essence, tightening macroeconomic regulation and control means that the central authorities have the final say, their orders are obeyed and prohibitions enforced. In his report on the

work of the government Premier Li Peng stressed the need to ensure that the decrees of the Central Government are implemented, pointing out that without necessary centralization and unity it would be impossible to readjust the economy and overcome difficulties. The key to achieving this is to correctly handle relations between local interests and overall interests, making the part subordinate to the whole. When we check inflation and readjust the economic structure, we are bound to effect some necessary readjustments in the existing pattern of interests. Certain parts will inevitably have to make temporary sacrifices in favour of the stability and development of the whole. If all localities, departments, enterprises and individuals hold on to their vested interests, economic restructuring will fail. Therefore, leading cadres at all levels should take the interests of the whole into account and set an example in remaining honest and upright and working hard; at the same time, they should strengthen ideological and political work and carry forward a democratic style of work. They should truthfully explain to the masses the current problems and the reasons for taking various measures and outline the bright prospects ahead, and they should respect and assimilate all the useful suggestions put forth by the masses, so as to lead the masses and work together with them to overcome difficulties. Fellow Deputies,

The ten years of reform and construction have provided us with a good material foundation, and the present international environment is also favourable to us. Although we are faced with not a few difficulties and problems and the tasks to improve the economic environment, rectify the economic order and readjust the economic structure are hard to fulfil, if we rely on and closely unite the people of all our nationalities and resolutely follow the principles of improvement, rectification and deepened reform, we shall certainly fulfil the 1989 plan, gradually overcome temporary difficulties on our way ahead and steadily reinforce our socialist modernization drive. □

# Report on the Implementation of the State Budget for 1988 and on the Draft State Budget for 1989

(Delivered at the Second Session of the Seventh National People's Congress on March 21, 1989)

Wang Bingqian

State Councillor and Minister of Finance



Fellow Deputies,

On behalf of the State Council, I now submit for your examination a report on the implementation of the state budget for 1988 and on the draft state budget for 1989.

## I. Implementation of the State Budget for 1988

In 1988, under the leadership of the Chinese Communist Party and through the common efforts of people's governments at all levels and the people of all our nationalities we progressed in reform and construction, steadily increased production and achieved initial success in improving the economic environment and rectifying the economic order. Thanks to these achievements, revenues overfulfilled the budget plan for 1988, basically guaranteeing the financing of reform and construction and the development of other undertakings. Generally speaking, the 1988 state

budget was implemented fairly well.

According to present estimates, total state revenues in 1988 amounted to 258.782 billion yuan and total state expenditures to 266.831 billion yuan, creating a deficit of 8.049 billion yuan. These estimates will change somewhat when the final account is worked out, but I do not think the deficit will exceed the estimated figure.

Total state revenues for 1988 included domestic receipts of 245.782 billion yuan, or 101.3 percent of the budgeted figure, and receipts from foreign loans of 13 billion yuan, or 101.6 percent of the budgeted figure. For domestic receipts, the breakdown of major items was as follows: Tax receipts amounted to 237.58 billion yuan, or 101.8 percent of the budgeted figure; receipts from enterprises reached 4.866 billion yuan, or 106.5 percent of the budgeted figure; receipts from repayment of domestic debts were 13.101 billion yuan, or 100.8 percent of the budgeted figure; funds collected for construction of key energy and transport projects came to 18.359 billion yuan, or 101.6 percent of the budgeted figure; and receipts from other sources were 16.459 billion yuan, or 115.3 percent of the budgeted figure. In addition, subsidies for losses by enterprises amounted to 44.583 billion yuan. This amount was deducted from total receipts, as it was in the 1987 budget.

Of total state expenditures in 1988, those out of domestic revenues came to 253.831 billion yuan, or 101.2 percent of the budgeted figure, and those out of foreign loans stood at 13 billion yuan, or 101.6 percent of the budgeted figure. The breakdown of major items was as follows: Expenditures for capital construction totalled 61.949 billion yuan, or 97.6 percent of the budgeted figure; funds expended to tap the potential of existing enterprises, finance their technological transformation and subsidize the trial manufacture of

new products amounted to 14.333 billion yuan, or 117.4 percent of the budgeted figure; aid to rural production and other operating expenses for agriculture came to 15.51 billion yuan, or 100.9 percent of the budgeted figure; costs of urban construction and maintenance projects amounted to 10.094 billion yuan, or 113.8 percent of the budgeted figure; operating expenses for culture, education, science and public health reached 47.907 billion yuan, or 107.2 percent of the budgeted figure; expenditures for national defence totalled 21.796 billion yuan, or 101.3 percent of the budgeted figure; administrative expenses accounted for 22.107 billion yuan, or 122.4 percent of the budgeted figure; and subsidies to compensate for price rises totalled 31.695 billion yuan, or 88.5 percent of the budgeted figure. In addition, 3.417 billion yuan was spent on amortizing domestic debt and 4.264 billion yuan on servicing foreign debt.

In the implementation of the 1988 budget, our state met with many difficulties and contradictions. The most outstanding problems in the year's economy were conspicuous inflation and excessive price rises due to overheated economic development and excessive demand. The consequent effect on the state finances was a sharpened contradiction between fund supply and demand, a grave state for the finances. At the Third Plenary Session of the Thirteenth Central Committee, held last September, the Party made a correct analysis of the economic situation and adopted the principles of "improving the economic environment, rectifying the economic order and deepening the reform in an all-round way." Since then, the State Council has taken a series of measures for improvement and rectification. The people's governments at various levels and the departments concerned have had a great deal of success in their work to curb demand, readjust the economic structure, open up sources of finance, increase revenues, reduce expenditures and tighten control.

1. We overfulfilled the target for state revenues by developing production and financial resources. To increase production, practise economy, raise revenues and reduce expenditures, various localities and departments worked hard to increase production of readily salable goods, improve the quality of products, reduce consumption of energy and raw and semifinished materials, decrease overstocked goods and expand circulation of commodities, and they made progress in production. At the same time, financial and taxation departments at various levels, implementing the Urgent Circular on Improving Tax Collection to Ensure State Revenues issued by the State Council, col-

lected taxes according to law, readjusted tax reductions and exemptions, improved tax collection and administration, and made ample preparations for introducing new taxes, thus overfulfilling the quotas for taxes on industry and commerce. Thanks to the steady development of production and better organization of work, domestic revenues in the 1988 budget were overfulfilled, 19.5 billion yuan more than the 1987 figure, or an 8.6 percent rise, thus basically achieving the aim of raising revenues on the basis of increased production.

2. We increased investment in such key sectors of the economy as energy, transport and agriculture as well as in intellectual development.

Last year budgetary expenditures for capital construction were controlled in accordance with the state budget, so they did not exceed the budgeted amounts and were kept at roughly the same level as in 1987, but a necessary readjustment was made in the structure of investment. According to statistics, of the 32.685 billion yuan of capital-construction funds from bank loans rather than from state allocations, 15.851 billion was spent on key projects in energy, transport, communications, other infrastructure and the raw and semifinished materials industries, making up 50 percent of the total. This has helped and will continue to help ease the strain on the supply of energy, transport and communications services and raw and semifinished materials. At the same time, although there was a wide discrepancy between fund supply and demand, financial departments at all levels increased investment in agriculture and intellectual development. In 1988 expenditures for aid to rural production and other agricultural undertakings came to 15.51 billion yuan, an increase of 15.6 percent over 1987. The figure amounted to 18.1 billion yuan if the special fund of 2.6 billion yuan listed in the 1988 budget for aiding farmers in poor regions to boost agricultural development was included. Last year operating expenses for culture, education, science and public health came to 47.907 billion yuan, an increase of 18.9 percent over 1987. Of this, 27.126 billion yuan went to education, an increase of 19.7 percent over 1987. This figure greatly exceeded the rate of increase for regular domestic receipts. In addition, among other budgetary expenditures 5.23 billion yuan was used on education and educational capital construction. Of course, intellectual investment still fails to meet the needs of educational development. Expenditures in this field will be further expanded in the future along with the increase of state revenue.

3. We have further reformed the financial management system, thereby providing incentive to

localities to increase revenues and reduce expenditures. To improve the financial management system we focused on two aspects of work: First, we delegated to local management 13 kinds of taxes from a variety of local sources, such as house tax, slaughter tax, taxes on livestock trade, village fair trade, and the use of vehicles and boats, income tax on urban and rural individual industrial and commercial undertakings, personal income tax, regulatory tax on individual earnings, tax on special agroforestry products, and deed tax, with the increased earnings put completely at the disposal of the local authorities. Second, in the 17 provinces, municipalities directly under the Central Government, and cities handling their own development plans, namely, Beijing, Tianjin, Hebei, Liaoning, Shenyang, Dalian, Harbin, Shanghai, Jiangsu, Zhejiang, Qingdao, Ningbo, Henan, Hunan, Guangdong, Wuhan and Chongqing, that hand over to the Central Government larger proportions of their revenues than others, different types of systems under which each is held responsible for its own finances have been introduced. These reforms have contributed to the development of the economy in various parts of the country, helping localities tap their potential, open up new sources of revenue, increase income and curb expenditures. According to statistics, the income of the state treasury from the 13 kinds of taxes under local management in 1988 amounted to 9.21 billion yuan, a 32.3 percent increase over 1987; and since the adoption of the financial responsibility system, nearly all the 17 provinces, municipalities and cities mentioned above have registered increases in their own revenues, five of them showing an increase of over 14 percent.

4. Institutional purchases were strictly controlled and a general review of taxation, finance and prices was conducted. In order to improve the economic environment and rectify the economic order, the State Council issued a Decision on Strict Control over Institutional Purchases and a Circular on General Review of Taxation, Finance and Prices. While acting on relevant decisions of the State Council, all localities and departments have regarded the tasks set forth in the two documents as important measures in improving the economic environment and rectifying the economic order. They have strengthened leadership, organized personnel from various quarters, done a great deal of work and achieved initial results. According to statistics provided by the National Office for Controlling Institutional Purchases, in 1988 purchases by units at the county level and above throughout the country increased by 1.8 percent over 1987, with purchases of commodities

under special government control dropping by 9.1 percent, thus retarding the trend of excessive growth of institutional purchases. During the general review of taxation, finance and prices, while organizing the enterprises to undertake a self-review, various localities and departments sent out more than 130,000 teams, consisting of over 590,000 people, to enterprises and units for selected checks. This served not only to enforce rigorous financial discipline and set to rights certain unhealthy tendencies, but also to straighten out financial problems and retrieve some funds as revenue. By the end of last December newly discovered funds that should have been turned over to the financial departments amounted to 6.44 billion yuan, of which 4.22 billion has now been delivered to the treasury.

While acknowledging that implementation of the state budget has been satisfactory, we must not lose sight of the difficulties and problems in our state finances.

First, state finances have suffered deficits for several years on end. In the last couple of years not only the Central Government but some localities have registered deficits, the financial situation at the county level being even worse. Deficits, or revenues falling short of expenditures, are a contributing factor to inflation, exerting an adverse effect on economic stability and people's lives as well as on the effort to deepen the reform. Therefore, both central and local financial departments should take firm measures to gradually eliminate deficits and achieve financial balance.

Second, low economic returns, inferior product quality, excessive consumption of materials and high costs are ubiquitous among enterprises, and the number of enterprises running at a loss and the volume of loss have both increased. These, along with defects in enterprise contract systems, tremendously hindered the growth of revenue. Moreover, in recent years, owing to a sharp reduction of taxes to allow enterprises to keep more profits at their own disposal, loss of control over investment in fixed assets, an enormous increase in the amount of loan repayment before taxes, and excessively scattered funds, the proportion of revenue in the national income dropped from 31.9 percent in 1979 to 19 percent in 1988. All this made it hard to concentrate financial funds on major items in reform and construction.

Third, lax supervision and control, loosened budgetary restrictions and an inadequate concept of legality on the part of some people have given rise to tax evasion, illegitimate withholding of profits, diversion of funds and such wasteful phenomena as wining and dining guests, giving gifts and making tourist trips at public expense—

all to a very serious extent. In the past, we lacked understanding of these problems and paid little attention to them; in particular, we did not fully implement the role of finance in regulating and supervising the macroeconomy. We should carefully sum up our experience and improve our work.

## II. The Draft State Budget for 1989

In accordance with the tasks set forth by the Party Central Committee with emphasis on improving the economic environment and rectifying the economic order this year and next, the major principles governing the draft state budget for 1989 are to pursue a financial policy of retrenchment, curb demand for funds, reduce expenditures and control deficits while concentrating an appropriate amount of funds and increasing revenues. Implementation of the retrenchment policy constitutes an important part of the effort to improve the economic environment and rectify the economic order and, in essence, it involves a restructuring of financial distribution. In the process of readjustment, distinctions must be made between what to take on and what to give up, ensuring the construction of certain projects and restricting that of others. All sectors should practise austerity.

According to the draft state budget for 1989, which I am submitting for examination and approval, total state revenues will be 285.68 billion yuan, an increase of 10.4 percent over the estimated figure for last year, and total expenditures 293.08 billion yuan, an increase of 9.8 percent. This leaves a deficit of 7.4 billion yuan, 649 million yuan less than the projected deficit last year.\*

Total estimated revenues in the state budget include domestic receipts of 269.18 billion yuan and foreign loans of 16.5 billion yuan. For domestic receipts the breakdown of major items is as follows: tax receipts, 255.714 billion yuan; receipts from enterprises, 4.004 billion yuan; funds collected for construction of key energy and transport projects, 20.5 billion yuan; receipts from special projects, 5.28 billion yuan; receipts from the state budget regulating fund, 12 billion yuan; receipts in the form of domestic debt, 11.1 billion yuan; and income from other sources, 12.73 billion yuan. Subsidies for enterprise losses are estimated at 52.148 billion yuan, which represents a debit in the budget and has already been

\*Some comrades suggest that domestic and foreign debt should be regarded as deficits. If calculated in terms of comparable factors, the national financial deficit for 1989 should be 35 billion yuan, an increase of 850 million yuan over last year's deficit of 34.15 billion yuan, calculated in the same terms.

deducted from the projected domestic receipts.

Total estimated expenditures in the 1989 budget include 276.58 billion yuan covered by domestic funds and 16.5 billion yuan by foreign loans. The breakdown of major items of expenditure is as follows: capital construction, 62.792 billion yuan; tapping the potential of existing enterprises, financing their technological transformation and subsidizing trial manufacture of new products, 12.583 billion yuan; aid to rural production and other operating expenses for agriculture, 17.396 billion yuan; urban construction and maintenance, 10.3 billion yuan; operating expenses for culture, education, science and public health, 51.388 billion yuan; national defence, 24.55 billion yuan; administrative expenses, 22.664 billion yuan; subsidies to compensate for price rises, 40.969 billion yuan; servicing domestic debt, 2.548 billion yuan; servicing foreign loans, 7.02 billion yuan; increase of expenditure for salary and wage readjustments in administrative organs and institutions, 3.5 billion yuan. In addition, allocations for the general reserve fund total 2.5 billion yuan, of which 1 billion is at the disposal of the central authorities and 1.5 billion is available to local authorities.

In accordance with suggestions made by a large number of deputies to the National People's Congress, the State Council has decided, as of 1989, to make some necessary improvements in the drawing up of the state budget; accordingly, central and local budgets will be worked out in addition to the state budget. Once approved, the draft state budget and the draft central budget, which I am now submitting for examination, will be implemented, whereas the people's governments at various levels will work out their specific local budgets in accordance with the revenue and expenditure indexes defined by the State Council before submitting them to their corresponding people's congresses for examination and approval.

The central budget for 1989 projects total revenues of 166.775 billion yuan and total expenditures of 174.175 billion yuan, leaving a deficit of 7.4 billion yuan.

Total revenues in the central budget include 122.254 billion yuan received directly by the central authorities and 44.521 billion yuan handed over to the central authorities by the localities. For the former, the breakdown of major items is as follows: tax receipts, 73.659 billion yuan; receipts from enterprises, 2.774 billion yuan; funds collected for construction of key energy and transport projects, 16.783 billion yuan; receipts from special projects, 5.28 billion yuan; receipts derived from the state budget regulating fund, 7.8 billion yuan; receipts in the form of domestic

debt, 11.1 billion yuan; foreign loans, 16.5 billion yuan. Subsidies for anticipated enterprise losses are estimated at 19.992 billion yuan, which represents a debit in the budget and has already been deducted from projected receipts.

Total expenditures in the central budget divide into those by the central authorities themselves, amounting to 118.07 billion yuan, and subsidies to localities, 56.105 billion yuan. The breakdown of major items of the central authorities' expenditures is as follows: capital construction, 49.162 billion yuan; exploiting the potential of existing enterprises, financing their technological transformation and subsidizing trial manufacture of new products, 5.077 billion yuan; geological prospecting, 3.39 billion yuan; aid to rural production and other operating expenses for agriculture, 2.035 billion yuan; operating expenses for culture, education, science and public health, 6.607 billion yuan; national defence, 24.33 billion yuan; administrative expenses, 2.17 billion yuan; servicing the domestic debt, 2.548 billion yuan; servicing foreign loans, 7.02 billion yuan; subsidies to compensate for price rises, 5.507 billion yuan; salary and wage increases in administrative organs and institutions, 1.096 billion yuan; central reserve fund, 1 billion yuan.

The revenue and expenditure indexes defined by the State Council in 1989 for local budgets show a balance between revenue and expenditure, both being 219.531 billion yuan. Total local revenues include 163.426 billion yuan obtained by the local governments themselves and 56.105 billion yuan in subsidies from the central authorities. Total local expenditures include 175.01 billion yuan by the local authorities themselves and 44.521 billion yuan handed over to the central authorities. This is a general picture of the country's accounts. When it comes to specific localities, some may have surpluses, while others may have deficits and many difficulties. Therefore, the State Council requires that people's governments at various local levels carefully work out and check their budgets according to the revenue and expenditure indexes defined by the state and adopt effective measures to increase revenue and control expenditure, doing their best to balance revenue and expenditure through their own efforts and refraining from making deficit budgets.

The draft state budget has been worked out in accordance with the requirements of the 1989 plan for national economic and social development, taking into account the possibilities of reduced income and increased expenditures raised by price and wage reforms and readjustment of bank interest rates, and also the possible volume of increased income and reduced expenditures

realized through the adoption of financial policy measures. Here, I should like to explain the following points in particular:

1) Concentration of appropriate funds. In the past few years extrabudgetary funds have grown rapidly, reaching an estimated 227 billion yuan in 1988, five times the 1979 figure of 45.3 billion yuan, while budgetary funds have increased at a slower pace, failing to meet the needs of reform and construction. In order to change the present situation, in which financial funds are widely scattered, gradually raise the proportion of revenue in the national income, and enhance the role of finance in macroeconomic regulation and control, the State Council has decided that, beginning in 1989, a state budget regulating fund be raised by collecting 10 percent of various items of extrabudgetary funds from all state-owned enterprises and institutions, government organs, mass organizations, military units and local governments, and of the after-tax profits of urban and rural collective enterprises, private enterprises and individual industrial and commercial undertakings. It is estimated that approximately 12 billion yuan will be collected this year. In addition, to regulate production and consumption and open up new sources of revenue, the State Council has decided that a special consumption tax be introduced this year on colour television sets and cars, that the scope of taxes levied on special agroforestry products be enlarged and the tax rates raised appropriately, that the rate of tax on self-raised capital construction investment funds be readjusted appropriately and collection methods be improved, and that the import duty as well as the product tax and value-added tax on imports levied by customs in its capacity as agent be collected according to actual exchange rates. All these measures and others designed to increase revenue should bring in an additional 13.1 billion yuan.

2) More investment in agriculture. Agricultural production can greatly promote and restrict the development of the national economy and provides the foundation for increasing the supply of essential products, curbing inflation and stabilizing the economy. The state has increased investment in agriculture to ensure a fairly big rise in this year's agricultural production, especially in the production of grain, cotton and oil-yielding crops. The 1989 state budget has allotted 17.396 billion yuan for aid to rural production and other operating expenses for agriculture, an increase of 1.886 billion yuan over the previous year's expected figure, or up 12.2 percent. In addition, central and local financial departments will provide 2.9 billion yuan in aid to farmers in poor regions, 300 million yuan more than last year. The State

Council has also decided that this year the prices of grain and oil-yielding crops purchased under contract and the purchase price of cotton be raised appropriately, and that the grain subject to negotiated purchase within the state plan be purchased at market prices. Representing an increase in subsidies of nearly 9 billion yuan, it will raise the peasants' income accordingly.

3) More funds for intellectual development. In the past few years operating expenses for culture, education, science and public health have grown rapidly. From 1979 to 1988 they increased at an annual rate of 15.6 percent, with educational operating expenses rising by 15.3 percent, far surpassing the increase rate of regular revenues in the same period. The 1989 state budget provides 51.388 billion yuan for operating expenses in these areas, an increase of 3.481 billion yuan over the previous year's expected figure, or up 7.3 percent, and budgeted operating expenses for education account for 29.864 billion yuan, an increase of 2.738 billion yuan over the previous year's expected figure, or a 10.1 percent increase. In addition, funds earmarked for educational expenses and capital construction covered by other items of expenditure in the state budget amount to 6.536 billion yuan, an increase of 1.3 billion yuan over last year; salary and wage increases and other subsidies for education will come to 1 billion yuan. All this constitutes a total increase of 5 billion yuan. Under conditions of strained finances and retrenched expenditures in all sectors, the state could do no better in its investment in intellectual development. At the same time, we hope that governments at various levels and all departments will endeavour to increase funds for education through raising revenues, reducing expenditures and tapping potentialities.

4) Adjustment of interest rates and inflation-proof savings deposits. To stabilize finance, boost urban and rural savings accounts, keep a tight grasp on various kinds of loans and cut back the amount of currency in circulation, the State Council decided that, beginning in September last year, interest rates for both savings and loans be increased by 1 percentage point and the value of fixed deposits of three years or more be inflation-proof. As of February 1 this year, interest rates on fixed deposits for urban and rural residents and for enterprises and institutions increased an average of 3.06 percentage points; rates on loans of various categories increased 2.34 percentage points. In order to effect these measures, the government has to pay a heavy price. It is estimated that readjustment of interest rates and introduction of inflationproof savings deposits will cost the government approximately 9 billion

yuan in domestic revenue. This has been taken into account in the state budget.

5) Wage raises for workers and office staff. To provide incentive to workers and office staff, remedy difficulties in daily life caused by price rises, and narrow certain notably irrational wage gaps, the State Council has decided to raise the wages of workers and staff members of administrative organs and other institutions and increase subsistence allowances for retirees of these establishments and state enterprises at an appropriate moment this year. It is also prepared to straighten out certain extremely unreasonable problems in wages. Meanwhile, it has decided to introduce the practice of linking total payroll to economic performance in all state enterprises, thus raising the wages of workers and staff through improvement in economic performance. These measures will involve the amount of about 5.5 billion yuan of the state finances, of which 2 billion yuan represents reduced revenue under relevant items; the remaining 3.5 billion yuan has been listed in the state budget as a separate item and will be entered under relevant subheadings after specific measures have been adopted for execution.

6) Strict control over state expenditures. In recent years expenditures have risen at such a rapid rate that they have gone beyond the endurance of the state. Therefore, our financial work this year should focus on holding back demand for funds and curbing expenditures. The State Council has decided that the increased state revenue in 1989 be mainly used as funds necessary for ensuring reform of the price and wage systems and for the expenses in agriculture, education, science and national defence. Expenditures for other items will remain basically the same as last year. Funds for investment in capital construction using locally raised reserves and for tapping the potential of existing enterprises and financing their technological transformation and certain special-purpose expenditures of the central financial departments have been cut back

#### Fellow Deputies

The draft state budget for 1989 was drawn up after repeated calculations and consideration, with a very tight amount of revenue and expenditure, falling far short of the demands of various sectors. Despite our efforts, there remain unavoidable deficits. This year will see a striking gap between supply and demand in state funds, so both the central and local financial authorities are confronted with huge difficulties. Thus, in executing the state budget, all localities and departments will have to do their utmost to increase revenue and curb expenditure, trying to keep the deficits within the amount set by the state budget,



or better still, to reduce them.

### **III. Unify Understanding, Consider the Interests of the Whole, and Strive to Fulfil the Tasks Set by the State Budget for 1989**

To ensure successful execution of the state budget for 1989, all localities and departments should unify their understanding, consider the interests of the whole, integrate rectification of the economic order, improvement of the economic environment and reform with the campaign to increase production, practise economy, raise revenues and reduce expenditures, and do solid work in all fields in the spirit of hard struggle and building the country thriftily.

1. They should continue the campaign to increase production, practise economy, raise revenues and reduce expenditures in order to ensure a steady growth of revenue. This campaign is the key to revenue increase. Industrial growth will be slowed to cool down the overheated economy. This may incur some loss in revenue. Therefore, increase in revenues this year will depend largely on improved economic performance and new sources of finance. All localities and departments should make every effort to produce more energy and raw and semifinished materials in short supply, manufactured goods of daily use, quick-selling textile and other light industrial products, goods much in demand and useful for withdrawing currency from circulation, and products for export to earn foreign exchange. All enterprises must upgrade the quality of their products, reduce power and material consumption, cut back expenses and tap their own potentialities. This year the state hopes that state industrial enterprises will cut consumption of raw and semifinished materials and energy by 1 percent and management and overhead costs by 10 percent, that enterprises running at a loss retrieve 25 percent of their losses and profit-making enterprises that yet lose money on some of their products make up 25 percent of their losses on such products, and that subsidies for the losses of grain and food processing enterprises be restricted to the quotas set by the state after verification. All localities and departments must see that these quotas are fulfilled at each level, down to the enterprises, and strictly check up on their implementation. Enterprises that fail to attain these quotas will retain lower after-tax profits, and their bonus funds will be reduced accordingly.

2. They should open up sources of revenue, concentrate funds, and seek revenue from every

possible source. The chief measures the State Council will take this year for raising revenues are the levying of new taxes and the concentration of extrabudgetary funds. These measures have already been included in the state budget and involve a fairly large amount of money; therefore, we must see that each and every one of them is carried out and our goal is accomplished. As these measures will inevitably affect the interests of all quarters, it is necessary to correctly handle the relationship between the state, the collective and the individual and between the part and the whole by adhering to the principle of subordinating the interests of the part to those of the whole. To ensure implementation of these measures, the State Council has worked out concrete methods that will be published for enforcement in future. All localities and departments should explain them clearly to the grassroots and should improve leadership and organize people to do a better job of taxation and control, so as to ensure accomplishment of the tasks for raising revenues. It is essential to deal with matters of taxation in accordance with the law. Authority for tax reduction or remission rests mainly with the Central Government and should not be decentralized. No localities or departments may overstep the authority provided by the Tax Law and reduce or remit taxes. All units and individuals without exception must register and declare for taxation, subject themselves to taxation inspection and pay their taxes in time and in full in compliance with the stipulations of the Tax Law. Tax evasion and refusal to pay taxes shall be firmly investigated and punished and cases constituting crimes will be brought to justice. Departments of finance and taxation at all levels should tighten taxation and monetary control, do a good job in collecting revenue, and enforce rigorous rules and regulations for reporting and delivering their receipts to the state treasury. Any revenue that should be turned over to the state must be in full without delay, and no localities or departments shall be allowed to withhold or misappropriate it.

3. We shall control expenditures and reduce institutional purchases. In order to mitigate the contradiction between total demand and total supply, we must give top priority to checking the demand for funds and reducing expenditures. We should not only reduce the total demand for funds, but readjust the structure of expenditures, guaranteeing the construction of projects within the plan and restricting those outside the plan. All localities and departments must tighten control over expenditures fixed in the state budget, cutting them back if possible, but never exceeding

them. Investment in capital construction and funds for tapping the potential of existing enterprises and financing their technological transformation drawn from standby funds raised by the localities themselves will be reduced by 2 billion yuan respectively this year on the basis of the estimated figures for last year and will be allotted to all localities, which should control the use of such funds strictly within the limits of the reduced quotas and not exceed them. Institutional purchases will be cut back by 20 percent on the basis of the reduced figure of last year, and effective measures should be taken to ensure the reduction. Unauthorized establishment of offices and expansion of staff are prohibited. In accordance with the requirements of the State Council, we shall make a careful check of projects for office buildings, auditoriums and hotels, stopping or suspending those that should be and making sure that no new projects are started. We must reduce meetings to a minimum, put an end to profligacy, as manifested in giving banquets or gifts, organizing sightseeing at public expense and other misuses of public funds, and check the unhealthy practice of indiscriminate issuing of bonuses and subsidies in cash or in kind.

4. We shall deepen reform of the systems of finance and taxation and perfect the system of contracted managerial responsibility in enterprises and introduce different forms of contracted financial responsibility in the localities. This year we shall further deepen the reform in enterprises. We shall improve the system of contracted managerial responsibility and institute on a trial basis the system of all-partner mortgage contracts for risks. Enterprises that fail to fulfil the tasks under contract must make up for the losses out of their own funds; it will not do for them just to be responsible for profits. At the same time we shall try out, in some selected regions and enterprises, the method of separating taxes from profits in state enterprises, that is, readjusting the rate of income tax and substituting repayment of loans after taxation for repayment of loans before taxation, and contract for after-tax profits. The state will continue the practice of contracted financial responsibility of different forms with the localities. Expenditures incurred this year by reform of the price and wage systems and by the readjustment of bank interest rates will be defrayed by the central and local authorities according to the current financial regulations: as for the enterpris-

es concerned, they will have to manage by improving their managerial responsibility system, tapping their potentialities and improving their economic performance, because no figures in the contract will be readjusted.

5. We must enforce execution of the budget and financial discipline. Once the state, the central and the local budgets are approved by the people's congresses at different levels, they must be executed, binding on all sectors concerned. No department or person in leading position is entitled to approve at will any applications for more funds or expenditures, or arbitrarily start new projects or introduce new measures. It is necessary to rectify the scope of financial income and outlay and that of costs and expenses, and to check and correct, without fail, unjustified additions to production costs, unauthorized increase of the proportion of special funds to the whole and indiscriminate issuing of bonuses and subsidies in cash or in kind. No locality, department or unit should impose quotas of funds or materials on enterprises. It is necessary to readjust financial subsidies, and in granting different kinds of price subsidies and subsidies for policy-related losses, it is necessary to apply a rigorous management system that combines fixed amounts of subsidies with control over the total amount. At an appropriate time in the second half of this year we shall organize another general review of taxation, finance and prices. We shall analyse our experience, integrate the general review with improvement of the economic environment and rectification of the economic order, improve rules and regulations for managerial work and exercise rigorous supervision over finances. All state organs and their personnel should be honest in performing their official duties, comply with the law and observe discipline, and wage a resolute struggle against corruption of all descriptions.

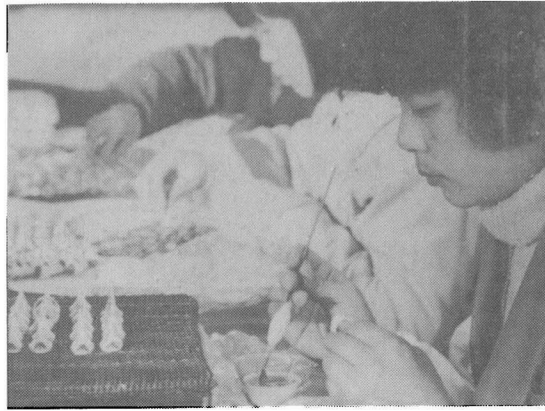
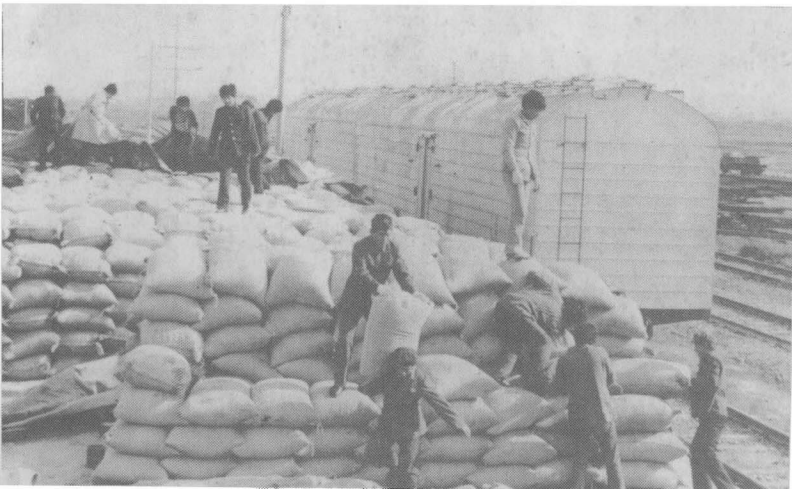
Fellow Deputies,

There are many difficulties in state finance, and we are faced with tremendous tasks in this field, but we should not lose sight of the favourable factors. For instance, we have gained experience in ten years of reform and opening to the outside world and laid the material foundation in our past economic development. We are convinced that, under the leadership of the Chinese Communist Party and with the concerted efforts of the people of all our nationalities, we shall fulfil the tasks set by the 1989 state budget and advance China's reform and construction. □

tion is grim, but it cannot be called "a crisis." The difficulties we have encountered involve how to further develop agriculture and push it to a new height. Problems which should be urgently solved include:

First, the price of grain is too low and farmers' enthusiasm for grain production is sagging. There is a wide gap between the price of grain purchases by contract order and marketable grain; the price of grain is lower than that of cash crops; and the price scissors between industrial and agricultural products has been widening in recent years. Meanwhile, the enormous rise in the price of agricultural means of production, the high cost of growing grain and low efficiency are also reasons for the farmers' sagging enthusiasm for grain production. The state has decided that starting in April this year, the price of grain and oil purchased by contract order and the purchasing price of cotton would be raised, and at the same time, the ratio between the grain sold under contract to the state and chemical fertilizers supplied at

A grain harvest in Xinjiang in 1988. Wheat is being shipped out to other provinces at the Fukang Railway Station.



Gem ornaments produced at the Jinlong Filigree Handicraft Workshop, a village-run enterprise in Wuqing County, Tianjin, sell well in many countries and regions in Europe, North America and Asia.

BEI LIANSUO

state-set prices would be increased.

**Second, insufficient input of funds.** In recent years, the state budgeted investment in capital construction of agriculture, agricultural operation expenses, agricultural loans and investment in agriculture by local authorities have been dropping year by year. Farmers' input in grain production is also dwindling. This descending trend has started to be reversed this year. The state has opened up new fund channels to support agriculture. Agricultural loans, budgeted investment in agricultural capital construction

and local government investment in agriculture have increased.

**Q: Under the circumstances in which population is rapidly growing and the cultivated area is decreasing, agriculture can only take the road of raising yields per unit area. Could you please tell me if this road is feasible? What is the crux of the matter?**

**A:** The population growth and the reduction of the cultivated area have indeed exerted a great impact on agriculture. In 1988, 15 million babies were born and by April this year, China's population surpassed 1.1 billion. The government has attached great importance to this. Between 1978 and 1987, the area under cultivation dropped by 3.5 million hectares, equivalent to the cultivated area of Hubei Province. In recent years, the tendency to occupy cultivated land has taken a turn for the better, but the situation in which individuals take over arable land still exists.

The development of the national economy requires further progress in agriculture, and as living standards of the people improve, their demand for agricultural products increases. Apart from taking effective measures to control population growth and prevent reduction of the cultivated area, the state should revamp the existing cultivated area, raise the yield per unit area and develop and utilize agricultural resources. This is entirely possible as there is a great potential for the development of agriculture. Reasons are as follows:

1. Two-thirds of China's cultivated area consist of medium- and low-yielding land. Experience has proved that so long as the land is developed by combining engineering with biological



At the "Scientific and Technical Fair" in Ruijin County, Jiangxi Province, a technical worker teaches farmers how to raise black mushrooms. LIU JIWU

measures, each hectare can produce an additional 750 to 1,125 kilograms of grain on the average.

2. Over 20 million hectares of winter paddy field in south China have not been fully utilized and the growing of winter wheat, rape, broad beans and vegetables can greatly improve the output and output value of the yield per unit area.

3. Over 13.3 million hectares of wasteland and 13 million hectares of shoals and beaches can be exploited; they have great potentialities to be brought into full play.

In 1988, the state started to develop the Sanjiang Plain, the Songliao Plain, the Huanghe, Huai and Haihe River Plains as well as develop sugar and cotton centres in the Guangxi Zhuang Autonomous Region, Yunnan and the Xinjiang Uygur Autonomous Region, and initial achievements have been scored. The exploitation of agriculture will be continued in the southern parts of Hunan and Jiangxi and on the Jiangnan Plain.

**Q: What measures will the government take to increase agricultural input and check the reduction in**

#### **cultivated area?**

**A:** For the past decade, we have stressed policies and science in developing agricultural production. The national rural work conference held last year explicitly put forward the demand for input, and it has been regarded as an important factor in working out the plan for the development of the national economy. To ensure the increase of agricultural input, we are ready to set up a new mechanism through

**A ship carrying 42,000 tons of US wheat docks at Shanghai. China imports over 10 million tons of grain annually to meet the needs of the expanding population.**



various channels and gradually ensure a stable and reliable source of funds.

The rural collectives and farmers are the mainstay of agricultural input. The state will, through such economic means as price, finance, and credit, work out effective policies to attract more funds from the collectives and farmers for agriculture. The state and local governments will gradually increase their input into agriculture in the future. Beginning from this year, while curtailing the scale of overall capital construction, investment in agriculture should not be reduced, but, on the contrary, should be strengthened. The government has decided to gradually establish agricultural development funds by tapping multifarious channels. Newly opened fund channels include:

- Starting from this year, the tax collection proportion of funds for energy and communications projects of the state will be raised and 1 percent of the funds shall be used for agricultural development;

- The newly-added part of taxes from township enterprises (including product tax, business tax, value added tax and indus-

trial and commercial income tax) will be used for agriculture, particularly for grain production;

- All the taxes for occupation of cultivated land shall be used for agricultural development. Beginning from 1989, the central authorities will see to it that at least 1 billion yuan will be allocated for agricultural development each year;

- Most of the agricultural, forestry and special product tax shall be used for agricultural input;

- The added part of the tax from privately operated industrial and commercial concerns and private enterprises in the rural areas shall be mainly used for agricultural input;

- More foreign capital shall be utilized and top priority will be given to agriculture and industrial projects geared to agriculture.

It is estimated that after these measures are implemented, agricultural development funds amounting to 3 billion yuan will be raised. At the same time, banks will grant 17.2 billion yuan more loans, and budgeted investment in capital construction will go up by 200 million yuan.

To effectively bring the shrinking of cultivated areas under control and guarantee land resources, the following measures have been taken by the government:

—A State Land Administration has been set up. It will be responsible for formulating land management policies and state regulations, and for supervising and implementing them; for working out a nationwide land-utilization plan to ensure the rational use of cultivated land, and to prevent indiscriminate occupation, use and ploughing of the land;

—A Land Law has been promulgated so as to legally guarantee the rational use of land resources and control the reduc-

tion of the cultivated area;

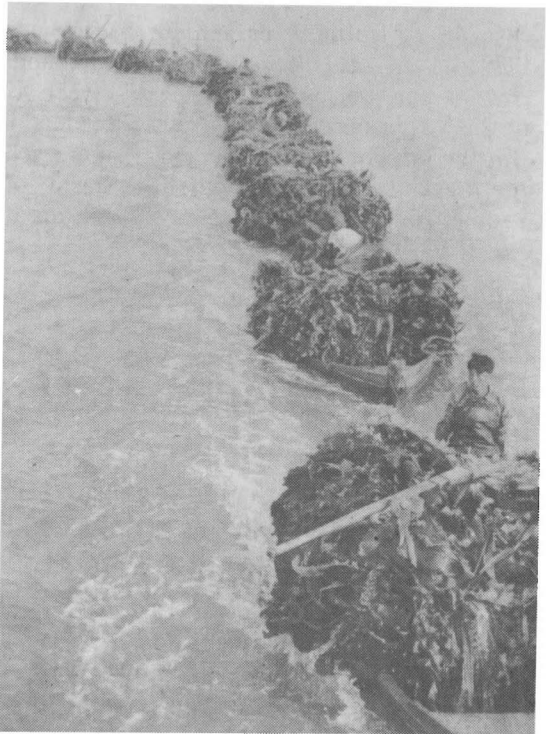
—Control reduction of the cultivated area and improve the quality of areas under cultivation by using economic levers. The state has decided to collect taxes for the occupation of cultivated area since 1987. Strict examination and approval shall be conducted of those who want to occupy cultivated land and taxes for occupation of the land shall be collected. The tax payment for the occupation of land shall be used for the exploitation of new cultivated area and for the re-vamping of the existing cultivated land.

Through the adoption of the above-mentioned measures in the past two years, the situation of indiscriminate occupation and use of cultivated land has eased to some extent. The reduction of cultivated land has dropped from 400,000 to 200,000 hectares annually.

**Q: Some foreigners say that China's household contract responsibility system has come to an end. Will a co-operative system of large-scale operation develop?**

**A:** The system of contracted household responsibility related to output is in accord with the development of the agricultural productive forces in most parts of the country and has immense vitality. We shall stabilize and further perfect it. It will be the main goal in rural reform for a fairly long period of time in the years to come in China.

The implementation of appropriate large-scale operation helps improve the land and labour productivity and can basically



Barges loaded with kelp, Changdao County, Shandong Province.  
TAO JUNFENG

solve the problem of comparatively low economic returns for growing grain. As to the vast rural areas in China, it is not feasible to carry out large-scale operations. The proper large-scale operation can be gradually carried out in the economically developed coastal areas, on the outskirts of large cities and in the surrounding areas of industrial and mining districts where surplus manpower can be fully employed and a considerable amount of funds can be used from industry to finance agriculture. In addition, it is necessary to respect the wishes of the farmers and no compulsory or administrative orders should be given. Currently, proper large-scale operation has been implemented in breeding and cultivation work. Its successful experience and the excellent foundation it has laid is now being popularized in many localities. We promote and support it.

**Q: Could you please make a fore-**

### cast of agricultural output for 1989?

A: It is hard to make a forecast of this year's agricultural output. But the present situation is good for agricultural development. People from various circles have

attached importance to agriculture and various localities have effectively strengthened their leadership over agriculture and increased input. Farmers' enthusiasm for growing grain is picking up and the area under grain

cultivation has increased as compared with last year. Summer grain is doing well. If no big natural calamities strike, there is great hope for fulfilling this year's agricultural production plan. □

## FORUM

# Agriculture at the Crossroads

Wang Haidong is a young research fellow at the State Planning Commission's Investment Research Institute. In this article, he argues that Chinese agriculture has stood still for the last four years because of an all-round deterioration in farming conditions. On the one hand, the contract responsibility system has exhausted the potential of traditional farming methods, on the other, the necessary conditions for modern agriculture have yet to be established. Wang believes land must be commercialized and placed in the hands of farmers who have the ability to undertake long-term investment. Thus the benefits of economies of scale can be reaped and the way paved for modern agriculture—Ed.

Over the last five years, China's agriculture has stagnated. In 1984, grain output hit 407.37 million tons—an all-time high—but since then it has dropped off. It fell back to 379.11 million tons in 1985, 391.51 million tons in 1986, 404.73 million tons in 1987, and dropped below 395 million tons last year.

### Roots of the Problem

The origins of China's current agricultural difficulties can be traced back to before 1984. In 1979, the area sown with major crops was 148.48 million hectares. This had dropped to 144.22 million hectares by 1984—a fall of 4.26 million hectares in just five years. Over the same period, the tractor-ploughed area fell—from 42.219 million hectares to 34.922 million hectares—and so did the irrigated area—from 45.003 million hectares to 44.453 million hectares.

Despite these drops, between

1980 and 1984 grain output grew by an annual average of 6.2 percent, largely because there were few natural disasters and agricultural productivity grew fast. In 1980, grain yield per-unit area was 183 kg; by 1984 it was 241 kg—an overall increase of 31.7 percent, and an average annual increase of 7.1 percent.

Since 1984, China has experienced an increase in natural disasters. The table below shows the increased area they affected:

	Disaster Affected (mn ha)	Seriously Affected (mn ha)
1985	12.48	7.45
1986	15.25	8.4
1987	10.2	5.13

Productivity also came to a virtual standstill, with grain yield per-unit area at 232 kg in 1985, 235 kg in 1986 and 242 kg in 1987. The areas ploughed by tractor and irrigated have never reached the levels of 1979.

In 1987, for example, the sown area was 144.96 million hectares (3.52 million hectares less than in 1979), 38.393 million hectares were tractor-ploughed (3.826 million hectares less than in 1979), and 44.403 million hectares were irrigated (600,000 hectares less than in 1979). But it is the reduction in total cultivated area that has been most drastic, falling 960,000 hectares between 1985 and 1987 alone:

	Cultivated Area (mn ha)
1985	96.85
1986	96.23
1987	95.89

Following the introduction of the contract responsibility system, investment in agriculture from collectively-owned rural units has constantly decreased. Increased productivity has principally been generated by "predatory operation,"—above all the lavish use of chemical fertil-

izer.

In 1987, China worked its way through 19.993 million tons of chemical fertilizers—84 percent more than in 1979. By 1984, China's use of fertilizer—an average of 120.6 kg per hectare—was greater than such major grain exporters as the United States, Canada and Australia.

In the long-run, predatory farming will destroy the material foundations for the sustained growth of agricultural productivity. For China, with its dual burdens of a huge population and limited arable land, increasing productivity has always been the main way to up agricultural production. When productivity growth levels off, so does output.

Combined with the fact that a significant area of cultivated land has simply been abandoned, these are the major reasons for China's agricultural stagnation.

## Causes

But if these are the reasons, what is the cause? Fundamentally, it is China's land management system. This system has suited the development of traditional agriculture, where small areas of land call for intense labour input. But it is not adaptable to the needs of modern agriculture and fund-intensive farming.

In order to harvest the benefits of large-scale agricultural investment, land must also be farmed on a large-scale. To expand land scale, land must be transformed into a commodity and concentrated in the hands of farmers who have the ability to make large-scale investment.

Currently, land in rural areas is collectively owned. This system not only restricts rights of use to individual farmers, but also prohibits the commercialization of land. Before the introduction of the contract responsibility system, the contradiction between non-commercial land and the demands of modern agriculture were not too pronounced as the potential of traditional agriculture had not been fully tapped.

The principal contradiction at that time lay between the nature of collective operation and traditional agriculture. And this problem was largely overcome with the contract responsibility system which allowed individual farmers to sell their own surplus crops once they had delivered a set quota to the state.

Now, however, China has exploited the potential of the contract responsibility system, and discovered its limits. If agricultural productivity is to be further improved, then increased la-

bour input must be replaced with increased input of funds, and traditional agriculture transformed into modern agriculture. This objective demand is contradicted by the existence of non-commercial land.

Subcontracting land has been one attempt at overcoming this problem. But this practice cannot truly achieve the desired result: as land is subcontracted without compensation, many farmers who lack the ability to manage their land would prefer to take it out of cultivation than let others use it. If there was compensation for subcontracted land, many farmers who are short of land would still prefer to reduce their operations than rent extra land.

It has been suggested that agricultural development could be accelerated by raising the purchasing price of agricultural products. This is also only a partial solution—purchasing prices for agricultural and sideline products have in fact increased more than any other goods: from 1978-87, they rose by 98.8 percent.

Since 1984, raising the purchasing price has had little effect on stimulating agricultural production. Whereas the 4 percent increase in purchasing price in 1984 was coupled with a 5.2 percent increase in the grain harvest, the 12 percent rise in price of 1987 only produced a 3.4 percent growth in output.

With non-commercial land management, rising purchasing prices contributes to the deterioration of farmland, because while farmers increase their income they don't reinvest it in agriculture. Instead they put their money into non-agricultural projects, increasing the drain on agricultural labour power and reducing the amount of land under cultivation.

At the same time, raising purchasing prices invariably affects

A nearly dried-up reservoir in Jiangsu Province in summer 1988.

GAO MEIJI



prices in general. If the state wants to maintain food prices at the same level, it then has to increase subsidies, which in turn increases the state's financial burden and makes the government's task of balancing income and expenditure even tougher.

## Land Commercialization

China is now in the midst of a transition from traditional to modern agriculture. The potential of traditional agriculture has been fully tapped through the contract responsibility system—it cannot develop further. But the production conditions for modern agriculture have not been fully formed. Old practices designed to kindle farmers' enthusiasm no longer work, and in some instances have become a hindrance to the further development of agriculture.

In 1979, the task before China was to accelerate agricultural output by releasing the potential of traditional agriculture. The task now is to expedite the development of modern agriculture. This calls for institutional change: only when land is commercialized will China be capable of establishing a system of modern agriculture.

Drawing on the experiences of other countries, there are two possible ways of realizing land commercialization. Either individuals can be allowed to buy and sell land, or land should be nationalized and then rights

of use sold to individuals. In the light of China's current conditions, both of these methods have their drawbacks.

For example, how should land be redistributed—according to who occupied it before collectivization? According to the current land contract system? Neither of these methods is scientific. If the land was nationalized, then what would happen to the plots farmers have always managed personally, such as the land their houses stand on, or where they grow their own vegetables? To nationalize all land would meet strong opposition from many farmers.

To overcome such problems, it is necessary to adopt a system which combines nationalization with private ownership—a form

of "double-track land system." Once it has been established which plots should rightly be privately owned by individuals, the rest should be nationalized. Nationalized land would then be disposed of in two ways: public land use rights should be vested with villagers' committees, while land used for agricultural production would have its use rights sold to farmers.

Land should be transferred to farmers in two ways. Farmers should be allowed to buy use rights at a discounted rate for land they farm under the contract responsibility system. All land then remaining should be auctioned off to the highest bidder.

In summer 1988, the flooded area in Hunan Province totalled 11 million "mu." Picture shows soldiers and civilians building an embankment to contain the flood.

WANG PING



To facilitate the selling of use rights, the following special measures should be introduced:

- All farmers short of financial resources should be allowed to pay by instalments.
- Mechanisms should be introduced to ensure all land will only be used for agricultural production.
- To encourage long-term investment, use rights should be held for at least 20 years.
- Use rights should be freely tradeable, with the state exercising supervision over their buying and selling.
- State-owned land management bureaux should be set up to manage all state-owned land in rural areas. □



# What We Know of Wei Jingsheng

Every time China's so-called "human rights problem" is mentioned, some people in the West refer to the case of Wei Jingsheng. Imprisoned ten years ago, they sometimes call him a "political" or "ideological" prisoner. Some people have even said he has died in prison. But what is the truth—why was he imprisoned, and how is he now? Fang Xing of the Hong Kong-based *Ta Kung Pao* newspaper talks to Tang Zhanyun, vice-president of the Beijing Municipal Higher People's Court, and one of the judges at Wei Jingsheng's trial—Ed.

by Fang Xing

Ten years have now passed since Wei Jingsheng was sentenced to 15 years in jail. One of the judges at his trial was Tang Zhanyun, now vice-president of the Beijing Municipal Higher People's Court, so whom better to talk to on the legal background of the case.

## Wei's Crimes

At the time of his trial, said Tang, Wei was a worker in the Beijing Parks Service Administrative Bureau. In February 1979, four days after Chinese frontier troops launched a self-defence counter-attack against Vietnamese invaders, Wei passed information to a foreigner including the names of the Chinese commanders, troop strengths, how the operations were progressing and casualties.

Tang said Wei's case was well evidenced. He showed me some handwritten notes (see picture) showing Chinese troop dispositions which Wei had passed to a foreigner, and a transcript of a conversation between Wei and the foreigner:

*Wei*, "I am mainly talking about the situation at the front."

*Foreigner*, "You can get the commanders' names, can't you?"

*Wei*, "I've already put them

down on the paper. There're two more to add."

*Foreigner*, "Deng (Xiaoping) held a meeting on February 9, didn't he?"

*Wei*, "The meeting will last quite long, until the 12th or 13th."

*Foreigner*, "What about the strength of the troops? 120,000? That's more than enough."

*Wei*, "Far more than that. There's another 200,000 reinforcements coming from the Guangzhou Military Area Command, the Chengdu Military Area Command, the Beijing Military Area Command, the Shenyang Military Area Command, and the Lanzhou Military Area Command. For the present, (the Chinese) air force is no match at all...."

....

*Wei*, "Take notes yourself. Return them to me after you've read them and destroy them immediately."

*Foreigner*, "My memory is quite good."

On October 16, 1979, Wei's trial began at the Beijing Municipal Intermediate People's Court. As well as the passing of military information, Wei was also charged with publishing ten articles under the pen names "Jinsheng," "Jingsheng," "the ed-

itorial department" and "the commentator" in four issues of a magazine called "Exploration" between December 1978 and March 1979. He was the chief editor of the magazine, which was distributed in Tianjin, Beijing and other areas.

In his articles Wei attacked the political system of the People's Republic of China as a "feudal monarchy in the garb of socialism." He instigated the masses "to focus their hatred on the heinous social system that has caused so much suffering for the people," demanding they "seize back power from these bureaucrats."

After the court prosecutor read the indictment, the court's chief judge interrogated Wei and produced and read the evidence. Two witnesses also appeared in the court. The chief judge then asked Wei, "The charges against you in the indictment and the statements of the witnesses, are they all facts?" "Yes," he said, "they are all facts."

## Proper Penalty

Tang said that by leaking Chinese military secrets to foreigners, Wei had violated Article 6 of the Provisions of the People's Republic of China Concern-

ing the Suppression of Counter-Revolutionaries. He had thus committed the crime of counter-revolution.

In abetting the masses to overthrow the state power of the people's democratic dictatorship and the socialist system, Wei had violated Article 10 of the Provisions, and thus committed the crime of counter-revolutionary propaganda and agitation.

Article 6 stipulates that those who steal state secrets and leak them to internal and external enemies shall be sentenced either to death or life imprisonment, and those who commit lesser crimes in this respect shall be sentenced to no less than five years. Article 10 of the Provisions stipulates that those who carry on counter-revolutionary propaganda and agitation shall be sentenced to at least one year in jail, and that serious offenders shall be sentenced to death or life imprisonment.

According to Article 2, Section 1 of Article 6, Sections 2 and 3 of Article 10, and Articles 16 and 17 of the Provisions, the Beijing Municipal Intermediate People's Court sentenced Wei to 15 years' imprisonment and deprived him of his political rights for another three years. The judgment, Tang said, was correct according to the sentencing standards.

Tang said that after judgment was passed on Wei on October 19, he declared his intention not to appeal. However, two days later, Wei's sister made an appeal (the law states that no appeal can be lodged without the agreement of the accused), Wei changed his mind and said he would prepare a petition.

On October 28, the Beijing Municipal Intermediate People's Court transferred Wei's petition to the Beijing Municipal Higher People's Court. On October 31, Wei decided to invite a lawyer from the Beijing Lawyers' Association to defend him. The Bei-

Handwritten notes in Chinese ink on a light-colored background. The text is written in a cursive style. It appears to be a list of military units and their locations, along with some dates and instructions. The text is somewhat blurry but legible.

Part of Wei Jingsheng's handwritten notes showing Chinese troop dispositions which he passed to a foreigner four days after the Sino-Vietnamese war broke out in February 1979.

jing Municipal Higher People's Court then conducted a second hearing of Wei's case.

The collegial panel at the appeal examined all the proceedings of Wei's initial trial and then tried the case again at a public hearing on November 6, 1979. In court, Wei admitted all the charges listed at his first trial, but he declared that the information he had given to the foreigner was "not secret" and that call on the masses to overthrow the people's democratic dictatorship lay within the boundaries of "freedom of speech."

The prosecutor refuted Wei's defence, saying that the information Wei leaked to the foreigner had been verified by authoritative Chinese military departments as "military secrets of great importance" and that freedom of speech could only be exercised within legal limits. He added that Chinese law gave no freedom of speech to those who abetted the masses to overthrow the current state and system. Wei's defence held no water at all.

After further investigation and careful deliberation, the chief justice forwarded the case to the adjudication committee for deliberation. The final judgment ruled that Wei's appeal petition was groundless and should be rejected and that the original judgment still stood.

## Not a Political Prisoner

Some people claim that Wei is a "political" or "ideological" prisoner. According to Tang this is not true. Neither the Provisions Concerning the Suppression of Counter-Revolutionaries under which Wei was tried nor the Criminal Law of the People's Republic of China which became effective in 1980 mention political or ideological crimes. And the state's laws protect every citizen's right to freedom of speech. The holding of different ideologies and political views is not regarded as a crime.

Tang said that during the "cultural revolution" some people were labelled as ideological criminals by Lin Biao and the gang of four. But these people were rehabilitated after Lin Biao and the gang of four were toppled, revealing how China strongly opposes imprisoning people on ideological grounds. Wei was charged with counter-revolutionary crimes, Tang said, simply because of his activities aimed at overthrowing China's state power and his violations of the law.

Some people have said that the Provisions Concerning the Suppression of Counter-Revolutionaries refer only to those leaking information to enemies. They have asked how Wei could be found guilty simply for leaking secrets to a foreigner.

Tang said that although this was true, Wei's motive was to jeopardize the country and conduct counter-revolutionary activities.

Tang pointed out that Article 16 of the Provisions Concerning the Suppression of Counter-Revolutionaries states: "All other kinds of offenders with counter-revolutionary aims shall be given a punishment in accordance with these provisions when their crimes do not fall within these provisions." Or in other words, if someone has counter-revolutionary aims, they can be punished regardless of whom they leak secrets to.

It has also been asked why Wei's case was tried on the basis of the Provisions Concerning the Suppression of Counter-Revolutionaries rather than with the Criminal Law. The reason for this, said Tang, was that when Wei committed his crimes between the end of 1978 and the spring of 1979, although the Criminal Law had been promulgated, it had not yet taken effect. He added that even if Wei had been tried under the Criminal Law, he would still have been found guilty of counter-revolutionary crimes.

### Wei's Present Condition

There has been much discussion about Wei's physical condition. Some people have said Wei has suffered various mental disorders. Others have even claimed he had died. But how in fact is he? A Ministry of Justice official responsible for reform-through-labour work has reported that after being imprisoned in Beijing from 1979 to 1984, Wei was transferred to a prison in China's northwest.

When he first arrived in the northwest, Wei became a little ill because he was not used to the local climate on the plateau. But, the official added, the prison authorities treated him well, and

apart from suffering accidental gingivitis, Wei was physically better than he had been before he was imprisoned.

The principle China has always adhered to in reform through labour is "reform first, labour second," said the official, and Wei has been treated in accordance with this principle.

While in prison, attempts have been made to patiently re-educate and reform Wei. All allegations of ill-treatment were absurd, said the official. He pointed out that the Criminal Law states emphatically that any judicial personnel who violate the laws and regulations regarding prison management or who subject prisoners to corporal punishment or abuse should be legally punished. The official said China's judicial personnel steadfastly adhered to all laws and regulations.

Wei now has not only a cell bedroom, which in winter is well heated with a coal stove, but also an activity room. The prison has a well-equipped hospital and a reading room filled with books about politics, economics, arts, literature, law, science and technology. Prisoners can read whatever they like. Wei likes to read novels.

Wei's younger sister visits him every year, the official said. Every time she travels to the prison, the department concerned provides her with all possible conveniences including food and boarding. Wei often writes to his relatives, and they often write to him.

### Amnesty?

China's 1954 Constitution included stipulations concerning two kinds of amnesties for prisoners—grand amnesties and special amnesties. While this Constitution remained in effect, no grand amnesties were in fact granted. Special amnesties, how-

ever, have been handed out from time to time. In 1956, for example, the Standing Committee of the National People's Congress decided to amnesty Japanese war criminals, and on seven occasions between 1959 and 1975 special amnesties were granted to KMT prisoners of war, people who worked for the puppet Manchu state, counter-revolutionaries and various other criminals who had mended their ways after receiving reform through labour.

The 1975, 1978 and current Constitutions were all drawn up to include stipulations concerning special amnesties. But none of them mentions grand amnesties—to demand a grand amnesty for criminals like Wei is meaningless.

According to the Constitution, whether Wei should be granted special amnesty or not can only be decided by the Standing Committee of the National People's Congress. But special amnesties are usually only granted to criminals who have successfully reformed themselves after a period of reform through labour.

The Ministry of Justice official, however, said that Wei has always refused to perform reform through labour, and, indeed, has never shown any intention of mending his ways since he was imprisoned.

As a gardener, Wei should have had no access to military secrets—so how did he get access to the ones he leaked to the foreigner, which were verified by the military as "military secrets of great importance"? Who was his source? Wei has refused to utter a single word leading to the answer of these questions. This is enough to indicate that Wei has no intention of mending his ways and turning over a new leaf, even though he has been imprisoned for a decade.

□

## A Village by the Lhasa River (VI)

In the sixth of our reports from Xiangga, Zhang Wei and Yang Xiaobing look at education. Over the last 30 years, basic schooling facilities have been established in the village, but teaching resources, particularly qualified teachers, remain in short supply.

by Our Staff Reporters Zhang Wei and Yang Xiaobing

**A**s we approached Xiangga one morning, we saw a young girl walking the five kilometres along the highway to Caigongtang Township. We recognized her as Yangjin, the 12-year-old daughter of Zaxi, headmaster of the township's central primary school. In her schoolbag she carried several books and some *zanba* (roasted *qingke* barley flour) her mother had made for her lunch. "Although we're now on our winter holiday, I'm going to school to fetch my new books—next term I'm going to be a fifth-grader," she said.

Xiangga now has some 80 school-age children. Half of them are fourth and fifth graders studying at the township's central primary school, and the other half are first to third graders studying at the village-run school. Zaxi, Yangjin's father, said all higher grade students had to study at the central primary school because of the area's shortage of teachers. According to local regulations, only people with technical secondary school education or higher are qualified to teach students of fourth-grade and above. In the whole township of more than 20,000 people there are only ten such teachers.

All of Xiangga's school-age children now study in school. Like all Tibetans, they enjoy the free education which has been provided in the region since

1959. Zaxi, now 37, was among the first group from Xiangga to benefit from this policy. He is one of the best educated people in the village.

In his study, which also serves as his bedroom, he told us of his past: "My parents used to be serfs at a nearby manor. In the entire history of my family, right down to my father, no one had ever learnt to read a single word. They led a miserable life.

"One day, the manorial lord ordered my maternal uncle to take a letter to another manorial lord. When he arrived, the manorial lord read the letter and said, 'Don't go. Your owner has sold you to me.' The letter my uncle had carried was nothing other than his personal indenture. But he couldn't read a word of it.

"When I was young, my job was to gather firewood for the manor. I often heard my owner's children reading in their room. But whenever I went near to try to listen, the butler of my owner would chase me away: 'You want to read? Get out of here!'

"In 1960, the second year after democratic reform began in Tibet, an old teacher in his fifties came to our village. He had been sent by the new government. In one dilapidated house he collected several chairs. Then he went from one door to the next, saying he would teach children from poor families for nothing. That

night my mother sewed me a schoolbag, and the next morning she sent me off to his school.

"For two years, he taught us how to read and write. Then a woman teacher arrived to teach us arithmetic. Slowly the number of the pupils increased. But most of them studied for no more than three years before they returned to work in the fields. I was lucky. At the third grade, I was selected to study at the Tibet Cadre Training School in Lhasa, now Tibet University.

"There we got free food, free boarding and free tuition. The school gave each of us a quilt, an overcoat, a pair of boots, study materials and even some pocket money. We studied Tibetan, Chinese, fine arts, music, mathematics and physics. Altogether there were more than 500 students, all from serf or slave families. We got along very well with each other, and for the first time enjoyed being the masters of our own destiny.

"We knew from the bottom of our hearts it was the Communist Party of China which had lifted us from a sea of bitterness. What frustrated us was the 'cultural revolution.' It interrupted my studies at the end of my first year. I became a red guard and, together with my schoolmates, went to Beijing to be reviewed by Mao Zedong. In 1967, the school was thrown into chaos. No cultural classes were available. So I

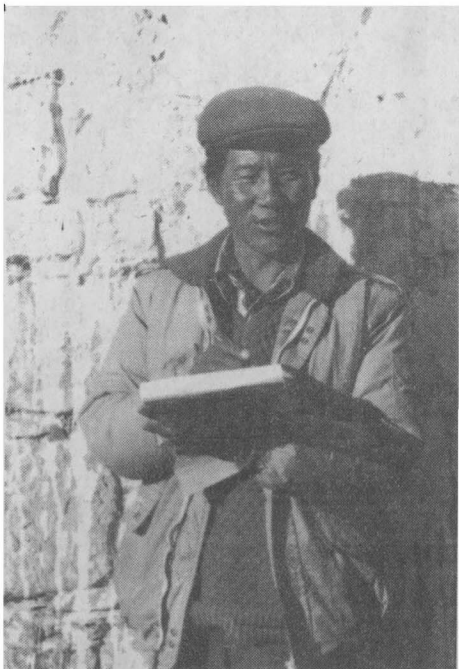
went back home and taught in my village, supposedly having finished my studies in Lhasa. In fact, I'm only a junior middle school graduate. I know I'm far from being a qualified teacher...."

Zaxi speaks fluent Tibetan and understands Chinese. "Do you know Margaret Thatcher?" we asked him. "Thatcher?" he shook his head. "What about Ronald Reagan?" we asked again. "Reagan?" he answered. "He's the president of the United States, isn't he? He used to be a movie star, didn't he?" We laughed. He flushed and said, "Our area is closed to the outside. Anyway, I'm not a qualified headmaster. The new generation now in the making has a much more promising future ahead of it." Ten years ago, Zaxi added, Xiangga had only one junior college graduate. It now has five college students and a dozen or so middle school students. They represent Xiangga's hope.

When Zaxi was a pupil in Xiangga's first village school,

Zaxi, headmaster of Caigongtang Township's central primary school.

ZHANG WEI



there were no textbooks at all. Indeed, there were none in the 1970s when Zaxi started work as a primary school teacher. The only teaching materials available were the red-covered *Quotations From Chairman Mao Zedong* and some simple arithmetic formulas. It was difficult to guarantee the quality of teaching. But since the early 1980s, Tibet has begun to use unified teaching materials prepared by the region's educational department. These include a full set of textbooks covering nature, history, music, language and arithmetic, all written in Tibetan. "The level of education here is much lower than other parts of the country," Zaxi said. "Our main task is to popularize primary school education."

To improve education is a hard nut for Xiangga to crack. As the village primary school is staffed by its own graduates, standards can hardly rise fast. "We need teachers with special training," Zaxi said. "The whole of Tibet is looking for teachers."

Last year, Xiangga reached an agreement with a construction team who came to build a bridge across the Lhasa River. The team took on the responsibility of constructing a school and inviting teachers from Lhasa to teach the children of both its employees and the village.

In the past, most Tibetan children quit school after five years to go and work in the fields. Only a handful stayed on for further study at middle schools. "Tibet is especially short of teachers in the natural sciences, like mathematics, physics and chemistry," Zaxi said. "If a subject is taught in Chinese at the junior middle schools, most Tibetan students don't perform well

because of the language barrier. Finding it hard to keep up, many of them drop out."

In order to train students and improve Tibetan education, Zaxi continued, the central government decided in 1984 to open Tibetan schools and classes in 17 cities, including Beijing, Shanghai and Tianjin. On passing the entrance exams, the best Tibetan primary school graduates could go and continue their studies in these inland middle schools. They would study both Tibetan and Chinese, and after three years they would go to study in secondary vocational schools or colleges.

At present, there are 6,000 Tibetan students studying outside Tibet. When they graduate, they will return to work in industry, agriculture, science, technology, culture, tourism and foreign trade. Already this policy has been highly praised by Tibetans. Xiangga now has six students studying at middle schools in Beijing and Chongqing. In the village, almost all the parents encourage their children to study hard, regarding it a great honour if it is their child who is selected to study in another part of China. One woman said, "In the past, children always had to go back to the fields, regardless of whether we were educated or not. Now there's another possibility. Those who study hard may be rewarded with a job in the city. My eldest daughter is now in Chongqing. Next year, I hope my second daughter will pass the entrance exam for a Tibetan class in Beijing."

Every year, Tibet now sends 1,500 to 2,000 students to these special schools and classes. By the end of the century, some 10,000 technical secondary school graduates and 1,500 college graduates will have returned to Tibet. "Once Tibet's cultural backwardness is shaken off," Zaxi said, "there will certainly be a great change in the village of Xiangga." □

# The Social Character of Modern Chinese

XUE XI  
(Study Magazine)

The traditional personality of the Chinese people has been moulded by over two thousand years of feudalism and oriental culture while their political character has been modelled through decades of ideological education. But these traditional personality and political character are losing their lustre under the impact of the commodity economy. Great changes are taking place in the social character of modern Chinese. The four features of this are:

**Making money.** In the past, Chinese people used to looked down upon engaging in business, but now they regard entry into this area as an honour. Having a fortune symbolizes one's social success. Running a company, transporting goods and doing business have become fashionable. Whether making money or not is a standard for people to choose their jobs. A humorous sample which mirrors this change lies in the fact that some people have changed the five nouns that describe the basic occupation of society: workers, farmers, soldiers, students and businessmen (*gong, nong, bing, xue, shang*) into "Workers, farmers, soldiers and students learning to do business."

**Consumption.** At present, there is an average 37 colour TV sets to every one hundred urban families. This means a greater possession of TV sets in China than that in families of Japan and the Soviet Union where the per-capita annual income is more than US\$ 1,000. In China, houses are allotted to people by their work units. Most urban dwellers

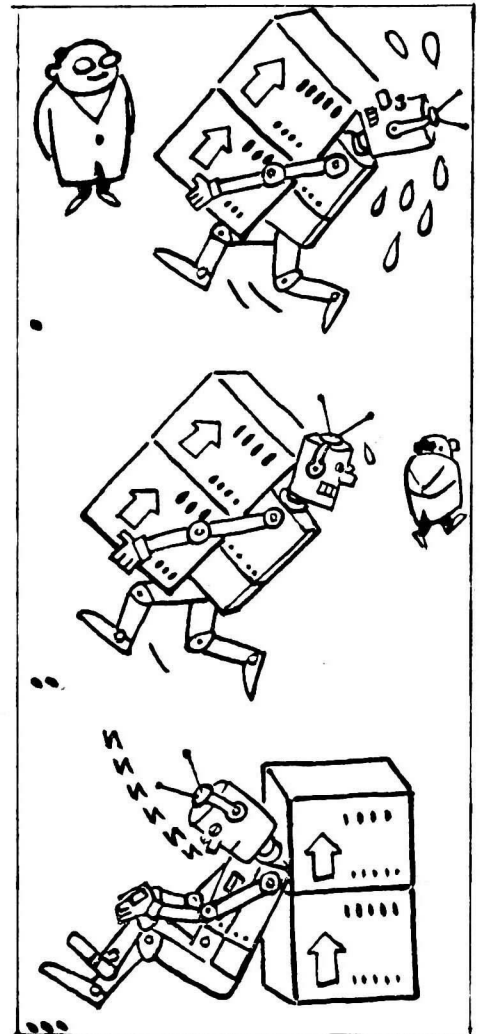
needn't worry about their medical treatment or retirement. Since investment is subject to many restrictions, consumption is considered to be the only way to spend their cash income—buying foreign brand household electrical appliances, enjoying luxurious consumer goods, pursuing the lifestyle of developed countries and making investment for their younger generation—these epitomize the prevailing psyche among Chinese people.

**Competition.** Equality between noble and base and between rich and poor has been the traditional ideal of the Chinese. Seeking equality in social status has been a goal of socialist society for decades. The ten years' reform has led to difference in the distribution of benefits. Equalitarianism has evolved into "competition." Anyone can be drawn into competition for whatever things—income, consumption, entertainment, going abroad, promotion and reward. This mentality can easily trigger a large-scale consumption campaign. A new tide of fashionable commodities has developed wave upon wave. The competition between individuals can evolve into a competition between enterprises, work units, and local governments in relevance to investment, bonus, and the scale and speed of capital construction, but few of them concern themselves with work efficiency and quality.

**Striving.** Now reform has

offered people an opportunity to show their own abilities. They demand that their interest be met; they determine to accomplish something in their career through reform. They would rather throw away the "iron bowl" and abandon comfortable life than to have their abilities restrained. This feature of striving to improve is a fine quality descriptive of the social character of the Chinese.

(No. 1, 1989)



The clever worker.  
by Liu Kegin

## Tianjin Gets New Show Hall

**C**hina's first large-scale comprehensive commercial exhibition centre, complete with hotel, apartments and offices, opened last month in Tianjin.

The Tianjin World Economy Trade and Exhibition Centre is backed and managed by three local enterprises, the Federal Republic of Germany's Glahe International Group and Japan's Nikko Building Co. Ltd. They have invested US\$28 million in the centre, split 65 percent from the Chinese side, 25 percent from the Germans and 10 percent from the Japanese. The five partners have signed a 20-year co-operation agreement.

The centre has a total floor area of 36,000 square metres, including an 8,000 square metre exhibition hall, a three star hotel with 105 standard suites and 165 apartments, and 1,200 square metres of office space.

General Manager Liu Zonghan said one of the centre's major aims was helping local companies establish import-export links through international exhibitions.

At present, Tianjin is the centre of China's textile, chemical, machinery and electrical industries. But many of its 1,500 large and medium-sized enterprises are hampered by obsolete equipment and old technology. In the last few years, the city has spent more than US\$1 billion of foreign exchange annually buying technology, equipment and production materials from overseas.

Already several transnational corporations have begun to establish themselves in Tianjin. Five companies, including IBM, have sent representatives to the newly built centre to negotiate leases on

flats and office space. Liu said long-term lessees qualified for discounts of up to 70 percent.

by Yue Haitao



Tianjin's mayor, Li Ruihuan, meets a representative from West Germany's Glahe International Group in Tianjin's new trade centre. YUE HAIYAO

## World Bank High-Tech Deal

**A**Sino-Swiss spectrometer has beaten 21 competitors to secure a US\$4 million World Bank contract.

The Bruker-China-Wuhan AC-80 spectrometer is manufactured by the Wuhan Physical Institute of the Chinese Academy of Sciences. These kind of nuclear magnetic resonance spectrometers are used in basic research to study the molecular structure of materials.

With the World Bank deal secured, it is now expected to find other buyers on the international market. At present, as one of 23 research tools listed in China's priority development programme, the AC-80 spectrometer earns China US\$100 million annually.

The Wuhan Physical Institute has

worked with spectrometers for more than 20 years. In 1986, it bought the technology to produce AC-80 spectrometers from Switzerland's Bruker Co.

In 1987, Swiss and Chinese experts verified that the spectrometers produced at the institute were up to international standards. Their high quality and excellent after-sale service has made them popular with customers.

To further develop spectrometer production, the Chinese Academy of Sciences has decided to establish its own company—the Spectrometer Company of the Chinese Academy of Sciences—to combine research and development with production, management and marketing.

by Wei Liming

## Tianjin's 1989 Trade Fairs

### The Second Int'l glass Technology Exhibition

May, at the Tianjin world Economy and Trade Exhibition Centre (TWTC). Held by the Tianjin Advanced Technology Import and Export Corp.

### China Power '89

September 4-9, at the TWTC. Held by the Coastal Investment and Consultant Co. Ltd. (H.K.).

### The Third Int'l Medical and Health Equipment Exhibition

September 4-10, at the TWTC. Held by the Tianjin Industrial Technology Development and Service Centre.

### HEA '89 Int'l Household Elec-Appliance Fair

October 9-14, at the TWTC. Held by the China Council for the Promotion of International Trade (CCPIT), Tianjin Branch.

### INDUTECH Italy '89

October 10-20, at the TWTC. Held by the Tianjin Industrial Technology and Development Service Centre.

### Int'l Gas and LPG Technology Exhibition (G and LPG)

Oct. 16-20, at the TWTC. Held by the Look Ease Enterprises Ltd. (H.K.); CCPIT Tianjin Branch.

### Tianjin Int'l Trade Fair '89 (ITF '89)

Oct. 21-31, at the TWTC. Held by the Glahe International Group (F.R. Germany). □

# Soviet 'Garages' Staged in Beijing

Recently, the Beijing People's Art Theatre staged the modern Soviet comedy *The Garages* written by leading Soviet playwrights Eldar Ryazanov and Emil Brazinsky in the early 1980s.

The play troupe thought it appropriate to invite a Soviet Television Delegation, touring China at that time, to the inaugural performance.

Egorov, head of the delegation and president of the Soviet Broadcasting and Television Training School, said, "When we were told several months ago that the Beijing People's Art Theatre was going to stage the Russian play, we were very excited. We never fancied seeing it in China. From the reaction of the audience we know it is also very successful here."

Jihonrov, member of the delegation and well-known Soviet film actor, was very surprised when he was told that it had been the play's opening night in China.

"I thought it had been staged more than ten times from the skilful performance of the actors and the warm reaction of the audience," said Jihonrov.

Apart from expressing his high praise for the superb workmanship of its directors and players, Jihonrov also expressed his appreciation for the translation of the play: "The Chinese audience also burst into hearty laughters in the same places where Soviet audience laughed. Obviously there is no language barrier."

The play concerns staff mem-

bers of a Soviet animal research institute who have set up a construction committee to build private garages. The plot thickens after they learn that four of the planned garages lie in the path of a new highway and will have to be eliminated. As a result, four people have to be selected to do without garages.

Who will be the unlucky four?



Contrasting the attitudes of those called to a meeting to decide, the play vividly reveals the complicated and subtle social relations and the good and evil side of human nature.

"The play is biting, but with good intentions," Ryazanov said. "It makes fun of the negative phenomena in society that constantly irritate us."

"I hope people can appreciate their own failings through it and strive to purify themselves."

Although the scene of the play, from start to the end, is in a meeting hall, the play brings off a dramatic climax and is also packed with other interesting surprises.

The multi-protagonist play, has a cast of nearly 20 people on the stage from beginning to the end, include a domineering vice-

chairwoman of a construction committee, an upright assistant researcher, a professor of the research institute, his daughter, his mistress and a motor repairman.

The magic is that the characters all develop along with the plot allowing the audience to keep track of everyone.

Most actors and actresses in it are middle-aged or young artists at the Beijing People's Art Theatre. Through their outstanding acting technique, their ability to capture their roles, the whole play works, and presents the style and spirit of the original Soviet work.

There is still room for improvement though, such as a better grasp of the humorous roles in the play.

The play's translator, Li Junxue, is a consul at the Chinese Translators' Association and has long devoted himself to the study and translation of Russian works.

His translated works include *The Dawns Are Quiet Here*, *The Last Visitor*, *Regret*, *Railway Station for Two* and other novels, plays and film scripts.

Several years ago, he saw the performance of *The Garages* in the Soviet Union and discussed it with one of its playwrights Ryazanov.

"This play, while inheriting the Russian dramatic tradition, has a strong modern colour," he said, "It conveys a subtle but deep message to the society through those happenings of everyday routine. To introduce such a play to China is a very significant work. It is beneficial



both to dramatists and their audiences."

"I was greatly moved after reading the play. The play's characters and story line are extremely familiar to me," said Xia Chun, who co-directs the play with Gu Wei.

"The play tells us that excessive pursuit of material things can twist the human soul. Underneath the irony and satire of Ryzanov and Brazinsky lies

the writers' urgent call for the restoration of conscience and morality in human nature. On this point, the play is enlightening to all people," says Xia.

Xia, now vice-president of the Beijing People's Art Theatre, has directed more than 30 foreign and Chinese plays such as *Thunderstorm*, *Sunrise*, *Beijing People* and Moliere's *L'Avare*

*The Garages'* other director is

Gu Wei who has directed *Parisians*, a play he also wrote as well as Beijing's recent sensational play *The Top Restaurant*.

The Beijing People's Art Theatre is China's most prestigious theatre. Since it was founded in 1952, it has staged numerous Russian plays such as *Whose Crime It Is*, *Three Sisters*, and *The Man With a Gun*.

by Feng Jing

## Yunnan Unearthed Bronze Age Relics

Chinese archaeologists are now puzzling over several stone casting moulds found on an excavation site in the southwestern province of Yunnan.

At first experts suspected the moulds were introduced from the Huanghe (Yellow) River Valley, previously thought to be China's "cradle of civilization" in north China.

These moulds are believed to be master pieces by craftsmen of the ancient Dian State of the Bronze Age.

The excavation team sent from

the Yunnan Archaeological Institute and Kunming's Cultural Relic's Committee began work on a tomb they found after farmers found traces of a mould near the site in Songming County.

Since then they have uncovered 162 of the 1,000 ancient graves that go back three millennium spread over a 2,000 square meter hillside burial ground.

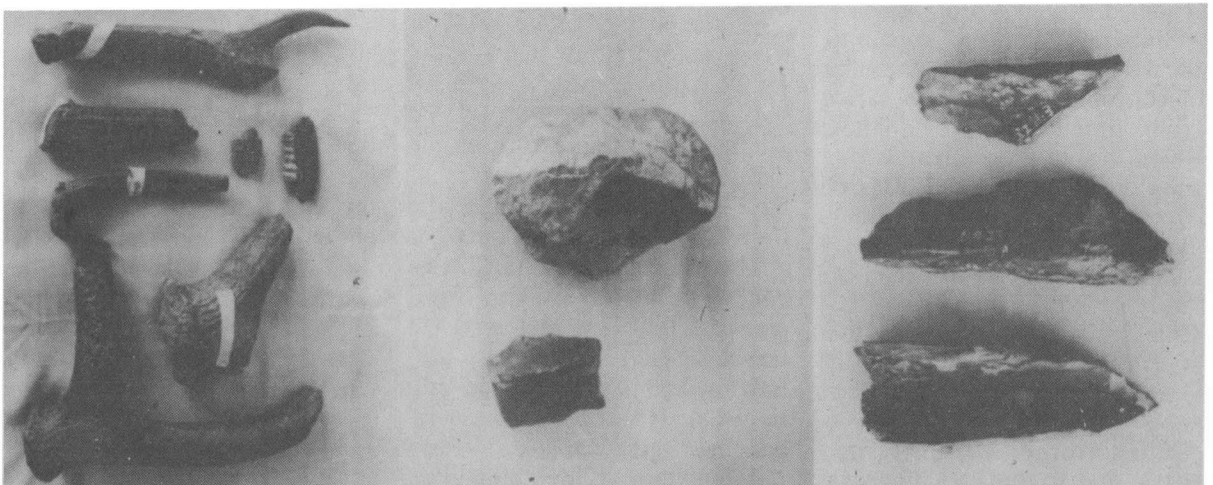
Besides finding bronzeware, jade ware, decorations, weapons, work tools, archaeologists also ran across some items they say they simply don't know how to classify. The over 400 artifacts

unearthed are identified as cultural relics of the tribes inhabited in the Dianchi Lake areas 2,000 to 3,000 years ago.

The excavation team also uncovered over 100 pottery spinning wheels that indicate there was a thriving spinning and weaving industry that pre-dates the Han Dynasty (206BC-220AD) in the Dianchi Lake area.

The claw sickles and other farming tools unearthed adds new evidence of the extent to which the age of cultivation had reached the area, say the researchers. □

Million year old mammal fossils and Old Stone Age relics were discovered in Yunnan Province.



## 'World on Sea'—Special Zone Tourist Centre

If you can't afford to take a South China Sea's cruise, then there's the "World on Sea." Although it doesn't go anywhere—it's almost as good.

The "World" which is China's only 14,000-ton luxury liner for tourists is permanently berthed in Shekou Bay, Shenzhen, in south China.

In 1962 President Charles de Gaulle christened the French liner *Ancervilla*. This 14,000-ton, nine-deck-liner, all 168 metres of it—travelled most ports of the world. In 1973, *Ancervilla* came into the possession of China and was renamed the *Minghua* (Bright China).

Over the last 20 years, she had been sailing between 100 countries, a diplomat under the five-star flag, attracting many heads of state upon her deck.

It all seemed over when the vessel was tied up in Shenzhen just off the South China Sea in 1984. Her sea history ended, she was destined to become a tourist centre run by Guangdong's Shekou Bureau of Commerce. China's leader Deng Xiaoping renamed it the "World on Sea."

Since the "World's" reopening, the vessel has hosted a number of conventions that have varied from the 1988 Sino-Japanese *weiqi* (Go) chess competitions to the Hong Kong Tourist Research Meeting, to the first Chinese Comparative Literature Society Meeting and it has held China's first City Flower Exhibition. The Chinese Folk Customs and Lifestyle Exhibition on the "World" showed the different cultures, the art and commodities of people in northwest, southwest, northeast and southeast China, was

admired by China lovers.

"This beautiful boat, besides providing entertainment, offers a cultural window on China,"

said a tourist from Canada.

The "World" has attracted tens of thousands of tourists. It has 240 guest rooms, a cinema, a dance hall, and guests can take a pint in the English-style pub, dine in a Chinese restaurant, or swim in the pool, and enjoy all the other frills of an international liner, all without getting seasick.

by Zhang Wei & Yang Xiaobing

## Kaifeng Street Opens in Song Style

This will be a main street with a difference. Kaifeng, in Henan Province, has redone its main street in the architecture and decor of the years 960-1127, when it reigned as capital of the Northern Song Dynasty.

After completion this September you will be able to stroll down "Song Dynasty Street" that has Song-style buildings lining either side of its quarter-mile-length.

You might feel you've entered a time warp as you approach "Fan Lou" building, the street's greatest boast.

Fan Lou Restaurant, rebuilt

according to historical records, is said to be the rendezvous of a Song Dynasty emperor and his favoured prostitute.

Besides being able to buy local traditional souvenirs here, tourists will be able to taste some typical Song-era dishes.

During recent years, Kaifeng's efforts to preserve the site is part of a drive by the six ancient capitals of China to preserve and rebuild their historical places of interest and beauty.

The other ancient capitals are Beijing, Xian, Nanjing, Hangzhou and Luoyang.

by Han Baocheng

## Good News for 'Tourism News'

China's booming tourist trade is being crowned by the birth of *China Tourism News*, a fortnightly that hit the stands April 25, after a seven-issue trial run.

The *News* is targeting at the many vast business areas that have developed alongside the flourishing tourist industry.

The four-colour quarto-size paper will cater to overseas travel services, tour contractors, local travel services and hotels, businessmen and expatriates stationed in China, as well as embassy personnel.

Along with giving pointers on

how to better exploit the nation's scenic spots and travel facilities, *China Tourism News* will aim to give readers prompt tourist information.

Tips on how to tie transportation, shopping, food and weather into tourism can be picked up in this publication that will come out on the 10th and 25th of each month.

Those with a stake in developing tourism will get updates on what's happening in sports and cultural events, along with numerous contacts through the paper's advertisements.

by Han Baocheng



Goddess of River Luo From an Ancient Myth.

## Chinese Paintings by Liu Zhaotong

Liu Zhaotong was born in Zouping County, Shandong Province in 1934. He now is an art editor at the Science Publishing House.

He develops his talents on woodcuts and Chinese paintings. Here are some of his paintings of figures in fine brush work.

**ART PAGE**



Qu Yuan, a Patriotic Poet (c. 340-278 BC).



A Beautiful Woman.

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