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CPC Determined to End Corruption



**TAXATION: A STRONGER
ECONOMIC HANDLE**



Foreign tourists at Tiananmen Square.

Photo by Shi Xinde

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COVER: Tax collectors check up on a pedlar's trade.

by XU CHAO

The Road to Strength and Prosperity

□ China has stressed the spirit of self-reliance in the face of "sanctions" imposed by some Western countries. This evokes the question whether or not China will revert to a closed-door policy. The answer is "no" because the policy of reform and opening to the outside world has proved in practice an effective means to achieve strength and prosperity. China, therefore, will continue steadfastly to implement this policy (p.4).

CPC Vows to End Corruption

□ The Political Bureau of the CPC Central Committee approves at a plenary meeting seven measures to fight corruption—a problem that has aroused nationwide concern (p.5).

Reinforcing Taxation's Role as an Economic Lever

□ China is now adopting a range of measures to strengthen the new tax system established five years ago. Taxes have not only become the main source of state revenue (over 90 percent), but also have exerted a regulatory role in curbing inflation and maintaining a reasonable distribution and re-distribution of the national income (p.16).

Meditation After the Disturbance

□ After the quelling of the counter-revolutionary rebellion in Beijing, the Chinese people, with all the truth coming out and eyes washed clean by blood, have begun to draw a lesson from their bitter experience. One of the important questions they ask is "why the situation runs counter to the wishes of the students" (p.23).

Juvenile Delinquency

□ Apart from making use of its own effective system to prevent teenagers from committing crimes, China will continue its study of successful experiences in coping with juvenile delinquency in other countries. This could help bring juveniles a more meaningful life in the future (p.20).

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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The Road to Strength and Prosperity

by Dai Yannian

Will China suspend the reform and opening up programme which it has carried out over the past decade? This is a question of concern to the world following the quelling of the counter-revolutionary rebellion in Beijing. On different occasions Chinese leaders have reaffirmed that the policy of reform and opening up will remain unchanged. The communique of the recent Fourth Plenary Session of the 13th CPC Central Committee says, "The four cardinal principles,* as the foundation of the country, must be adhered to unswervingly and consistently and the policy of reform and opening to the outside world, as the road to lead the country to strength and prosperity, must be implemented steadfastly. The country must not return to the old, closed-door path."

If China wants to eliminate poverty and backwardness and build a powerful, prosperous, modern socialist country, it must overcome the defects of the original system which hindered the development of productive forces, and at the same time absorb advanced foreign science, technology and managerial expertise, and attract foreign capital. The rapid development and phenomenal achievements scored since 1979 as a result of reform and opening to the outside world have been universally acknowledged. China has fulfilled the task of doubling the 1980 gross national product (GNP) two years ahead of schedule, a task originally set for 1990. There has been marked improvement in the living standards of both urban and rural people. Many Chinese are keenly aware of this improvement as televisions, washing machines and refrigerators have become part of their family property. If China wants to double its GNP again and bring a comfortable life to its people in general by the end of this century, and reach the living standards of moderately developed countries by the middle of the next century, it must continue implementing its reform and opening up policy. It is impossible to return to the old path.

The problem at present is not that China will halt the progress of its reform and opening up, but that some Western countries are creating difficulties in the implementation of this policy. Quelling the counter-revolutionary revolt which was aimed at subverting the People's Republic was a necessary action which the Chinese government was compelled to take, and was a matter completely within the exercise of China's sovereignty. Similar resolute action would be taken by any sovereign state to deal with such an unusual event when it endangered the government's existence. Some Western countries censured China and imposed "sanctions." The Chinese government has firmly stated that it will never barter away principles or submit to any foreign pressure.

Foreign "sanctions" are a temporary unfavourable factor, but will not have much adverse effect on China. People have noticed that the attitudes of Western countries are different and some do not favour "sanctions."

* Upholding the socialist road, the people's democratic dictatorship, the leadership of the Communist Party and Marxism-Leninism and Mao Zedong Thought.

Take the United States for example. The attitudes of the US government and Congress are different, as are the attitudes of the government and those outside government. Many people in economic and business circles oppose the use of "sanctions." When the riot broke out, some foreign entrepreneurs stayed in China and worked alongside Chinese workers and staff helping each other. Some others left temporarily but very soon returned after the rebellion was put down. Still some others increased the number of their co-operative projects. Most socialist countries, China's neighbouring Asian countries and other third world countries have expressed their support for, or understanding of, China's quelling of the rebellion, maintaining or expanding their economic and technological co-operation with China.

There is a Chinese saying, "When it is dark in the east, it is light in the west," and this is how things stand. Well, when you impose "sanctions," others do not do so; when you refuse to come, others arrive; those blustering about "sanctions" will end up with egg on their faces.

At present, China's political situation is stable, social order has returned to normal, its economy is developing, the investment climate is improving, and foreign businessmen stand to gain. China believes that more foreign businessmen and entrepreneurs will come. As another Chinese saying goes, "When there are parasol trees in one's courtyard, one need not worry that a phoenix won't fly in."

An important reason why the "sanctions" of certain Western countries are futile is that the Chinese people have the spirit of self-reliance and the ability to cope. Didn't China produce its own atom bomb, hydrogen bomb, man-made earth satellites and rockets under international "blockades" and "embargoes" in the past? No one will believe that the world situation today will slip back to what it was in the old days.

When self-reliance is mentioned, some foreigners regard it as synonymous with the closed-door policy. In fact, self-reliance and opening up are not mutually exclusive, but complementary. China needs to display the spirit of self-reliance and open its door wide to the outside world. China will try to do as much as it can itself, and at the same time absorb advanced foreign things, and conduct co-operation with foreign countries on the basis of equality and mutual benefit. Just imagine what the situation would be if the Chinese people did not uphold the spirit of self-reliance but depended instead on foreigners for everything. One may ask: Is there any other country in the world which can feed the 1.1 billion Chinese people? Much less bring them a better life. When the Chinese people give their wisdom and intelligence full play and absorb advanced world science and technology, they will become strong and prosperous and make contributions to the world and all mankind. This is a very good thing.

In short, China firmly believes that reform and opening to the outside world are the road to lead the country to strength and prosperity and so it will steadfastly follow this road. □

CPC Vows to End Corruption

The Communist Party of China (CPC) is determined to fight corruption and requires its members to keep honest, hardworking and conduct themselves with integrity, according to a plenary meeting of the Political Bureau of the CPC Central Committee which ended in Beijing on June 28.

According to the news release delivered from the two-day meeting, the CPC Central Committee and the State Council have decided to accomplish seven tasks of great concern to the people in the near future. When the tasks involve requirements on leading officials, they shall be imposed first on the leaders of the Party Central Committee and the State Council.

The seven tasks are:

- Further clean up and rectify companies with a focus on closing the excessive commercial, foreign trade, materials supply and financial firms. Two firms under the State Council — the Kanghua Development Corporation and the China Industry and Commerce Economic Development Corporation — will be abolished, and the China Rural Trust and Investment Corporation be merged into the National Agricultural Investment Corporation. Reports on the auditing of these corporations and the China International Trust and Investment Corporation and the Everbright Industrial Corporation will be published as soon as possible.

- Resolutely stop children of senior officials from engaging in commercial activities. The children and spouses of members of the Political Bureau and Secretariat of the CPC Central Committee and Executive Meeting of the State Council shall not be

allowed to engage in commercial business or assume posts in trading companies, and those who are holding such posts must give them up before September 1, 1989. Leading officials are also forbidden from abusing their power to provide conveniences for their relatives and friends in commercial activities.

- Cancel the "special supply" of a small amount of foodstuffs to leading officials, who shall have the same ration and pay at the same price as ordinary citizens in getting foodstuff supplies.

- Allot cars strictly in line with relevant stipulations and stop the import of sedans (excluding those covered by signed agreements and approved contracts). Members of the Political Bureau and Secretariat of the CPC Central Committee and leaders of the State Council will all use Chinese cars.

- Strictly forbid entertaining guests and gift giving with public funds. Members of the Political Bureau and Secretariat of the CPC Central Committee and the State Council shall not entertain domestic guests at public expense. When going to subordinate units, they shall dine strictly in accordance with the relevant regulations and shall not accept gifts from subordinates.

- Strictly limit leading officials' visits to foreign countries. Officials at the provincial and ministerial levels or above are allowed to visit other countries on business relevant to their positions only, none shall accept visit invitations from foreign businessmen or Chinese-funded firms based abroad.

- Severely punish corruption, bribe-taking and profiteering and adhere to the principle of

"all are equal before the law."

The meeting decided that some of the above-mentioned tasks will be implemented right away and some will take effect after detailed regulations are promulgated.

The news release from the plenary meeting says that the situation throughout the country has been further stabilized since the Fourth Plenum of the 13th CPC Central Committee, and the four major tasks — thoroughly quelling the counter-revolutionary rebellion, straightening out the economic order, strengthening ideological and political work and enhancing Party building — put forward by the plenum are being carried out.

Meanwhile, the Central Discipline Inspection Commission of the CPC has recently stated that it will severely punish violations of Party discipline and resolutely combat corruption by all Party members, including senior Party officials in accordance with the principle that "all are equal before Party discipline."

"The violations of Party discipline by a small number of Party members are still very serious. Those by Party officials in particular have aroused indignation among the masses," a commission official said.

The central commission called on local commissions to severely punish corruption and lose no time to investigate all cases revealed by the public, particularly those committed by Party officials.

"Any Party member, no matter how high his position, will be severely dealt with in line with Party discipline if he has been found in violation of it," the commission stressed. □

Policy on Sending Students Abroad Unchanged

China will continue to send students and researchers abroad since it is an important part of the country's reform and open door policy, a spokesman for the State Education Commission declared July 26.

However, there will be some adjustments made in China's policy of sending students abroad so as to better meet the state's needs, the spokesman said.

He said that China will send 3,000 students abroad this year as scheduled. Now most of them have finished their training in foreign languages and are well-prepared for going abroad.

The work to select students and researchers to study abroad next year is underway, he added.

The spokesman pointed out that it is only rumour that China will no longer send students abroad and call back home all the students studying abroad.

He said that what should be noted was that the governments and educational departments of some countries had unilaterally suspended the educational exchanges with China and encouraged Chinese students there not to return home.

The spokesman said such actions are short-sighted and unwise and will no doubt affect the further bilateral educational exchanges and impair the friendly relations between China and these countries.

The spokesman said that the Chinese government will adopt a lenient attitude towards the Chinese students who had attended rallies and made speeches against the Chinese government due to their ignorance of the real situation in China and misleading coverage by the Western media.

The Chinese government will

not punish those students when they return home in the future, he said.

"Of course," the spokesman added, "we hope that those students should sum up their experience and draw lessons from what they have done. They should deepen their understanding and won't do anything again that is harmful to their motherland and the image of Chinese students studying abroad."

Referring to the allegations that some of Chinese embassies and consulates have videotaped the students attending rallies and blacklisted them for later reprisals, the spokesman said these were lies made by some people with ulterior motives.

He said these people tried to create confusion and sow discord between Chinese students studying abroad and the embassies and consulates for their own purposes.

He also said that it cannot be ruled out that some Chinese students have made such allegations in order to extend their stays abroad or even to win political asylum.

He pointed out that their deeds were not only harmful to China but also bad for themselves. They will lose confidence of China's honest foreign friends and also of the majority of Chinese students abroad, he said.

The spokesman said, "We have also noticed that some Chinese students abroad feel some hesitation in returning home to work because they don't know what really happened here. We understand them and are confident that they will eventually come back to devote their talents to their motherland when their doubts are cleared up in later days."

He said that as for those who cannot return home as scheduled for various reasons they will be treated properly as long as they make formal applications for extending their stay to departments concerned.

As for Western countries that have offered to extend visas to Chinese students studying there, relax rules on work permits for them and even to provide them "emergency aid" out of fear that they will be persecuted when they return home, the spokesman said that the actions are very unfriendly and will harm China's relations with these countries and eventually ruin the long-run interests of these Chinese students.

The spokesman reiterated that the Chinese embassies and consulates abroad have continued to fund these Chinese students on government's scholarships, have never stopped offering money to these students and have continued to process applications to extend their stays abroad in order to guarantee that they complete their studies without any problems.

Referring to proposed legislation in the US Congress that would remove legal restrictions on Chinese students studying in the United States who hold J-1 visas and usually must go back to China to work for two years before applying for reentry into the United States, the spokesman described this as interference in the Chinese internal affairs and fomenting discord between the Chinese students abroad and the Chinese government. It is totally unacceptable to the Chinese government and the Chinese people, he said.

The spokesman said that the regulation that requires exchange students and scholars to return home to work when they finish their study abroad has been one basic point in the Sino-US educational exchange agree-

ments on governmental level since 1979. The Chinese government hopes that Americans take Sino-US interests and bilateral educational exchanges into full consideration and do not do anything harmful to the existing Sino-US educational exchange agreements, he said.

In referring to the recent implementation of the "new exit card" system, the spokesman said the system that was proposed last year is a means to strengthen the

administration of Chinese citizens going abroad.

Under the new system Chinese citizens holding exit permits before June 20, 1989 must obtain new permits from the relevant authorities.

The spokesman said the "new exit card" system will not hinder those Chinese students who want to return to China on home leaves or those who return to the homeland to attend conferences from returning to their studies abroad. □

country.

Trade unions should be a bridge connecting the Party, government and the masses of workers, and should work independently according to their own characteristics under the leadership of the Party, they said.

They added that these organizations should also participate in government and political affairs and reflect the mood, views and demands of the workers. Also emphasized was the role of the working class in building a socialist democracy.

They urged that regulations be worked out to enable trade unions to perform in line with the existing legislation.

Ni made a keynote speech at the third enlarged Presidium session the day before.

Ni said that trade unions in China are committed to the leadership of the Party and will never be allowed to play an opposition party role in the country's political system.

"We will take a clear-cut stand in firmly fighting all attempts to shake off the Communist Party leadership and to turn the trade union into a political opposition," Ni said.

Ni said that to rely on the working class means also to rely on the intellectuals which are no doubt a part of it. As the most educated they constitute an important part of the working class and are expected to take up not only the arduous task of achieving the four modernizations but should also promote the whole class with knowledge. It is natural that their work and creativity should be fully respected.

Over the past few years, however, some people attempted to reduce the important role of the working class, Ni said. It has even been disputed that the working class should be seen as the main force. The large and medium-sized enterprises which are the mainstay of the country's

Leading Role of Working Class Reaffirmed

The Communist Party of China (CPC) must rely on the working class wholeheartedly, said Jiang Zemin, general secretary of the Party's Central Committee at a meeting with trade union leaders attending the Third Enlarged Presidium Meeting of the 11th All-China Federation of Trade Unions on July 26 in Beijing.

Jiang said that China's Constitution clearly stipulates that the country is a socialist country of the people's democratic dictatorship under the leadership of the working class and established on the basis of a worker-peasant alliance.

Intellectuals are, of course, a part of the working class, Jiang noted while stressing the importance of bringing the key role of the industrial workers into full play.

The ending of the turmoil and the quelling of the anti-government rebellion in Beijing has once again proved that the working class can be fully counted on, he said.

Jiang said that the CPC is the vanguard of the working class and that the trade unions are a mass organization of the workers. Therefore trade unions must conduct activities under the lead-

ership of the CPC and also work independently according to the trade unions' constitution.

The trade unions should become a communist university for the masses of workers to conduct ideological education to strive for the promotion of socialist and patriotic education and to take arduous efforts to prevent and combat the influence of bourgeois liberalization, Jiang continued.

He hoped the unions would continue to implement the policies adopted by the Party since the Party's Third Plenum of the 11th CPC Central Committee in 1978 and to work according to the requests of the current session of the trade unions.

Presided over by Ni Zhifu, president of the All-China Federation of Trade Unions, the meeting was also attended by Wan Li, Qiaoshi, Yao Yilin, Song Ping, Li Ruihuan, Ding Guangen and Wen Jiabao.

Leaders of trade unions from Beijing, Tianjin, Shanghai and Shaanxi also spoke during the discussions.

They said facts have proved that the working class is the main force in construction and reform as well as the key one in preserving the stability and unity of the

industry and the industrial workers who have created the bulk of social wealth have felt slighted and this has caused frustration and resentment, Ni said.

The reform and modernization drive in China depends on the working class. Without their initiative, creativity and sense of responsibility there would be nothing, Ni said. □

Forums on Fighting Liberalization

After having quelled the June 4 counter-revolutionary rebellion in Beijing, the long-standing debate on whether there is a problem of bourgeois liberalization in China was finally concluded by the irrefutable blood-stained facts that it does exist, said many scholars, writers and professors at two recent forums in Beijing sponsored by the Propaganda Department of the Chinese Communist Party Central Committee on how to fight bourgeois liberalization in the theoretical, literary and art fields.

During the April-June turmoil a few people revealed through their deeds and words that they were more than just influenced by the tendencies of bourgeois liberalization since they stubbornly persisted in hatching political plots, said one participant.

"In preparations for toppling a state power, people usually have to create the basis for it in public opinion. They earnestly advocated liberalization that in the end aimed at overthrowing the People's Republic," said Meng Weizhai.

The debate which has been going on during the past decade is in essence a struggle between those who stick to promoting the four cardinal principles and those who oppose them while advocating bourgeois liberalization.

"Unfortunately, we failed to stick to the four cardinal principles in all our work at all times while those advocaung liberalization spared no efforts to oppose them," said Liu Baiyu, a noted army writer.

Some of them even seized and controlled many of the positions in the publication field. Liu named the biweekly *New Observer* as the most aggressive in instigating the public during those turbulent days.

Wang Renzhi, head of the Propaganda Department said at one of the forums that bourgeois liberalization is a political concept aimed at negating the leadership of the Communist Party and the socialist system. He said that an arduous protracted battle against it would remain and that it should be extended to all ideological and theoretical fields.

During the forums, many participants brought forth facts to elaborate on how hideously the bourgeois liberalization fallacy had poisoned people's mind and endangered the security of the socialist state.

Those liberalization advocates had attempted to create a theory of "Western centralization" in the country, noted Luo Guojie, vice president of the Chinese People's University. They preached that China should not only introduce advanced technology from Western countries, but also accept their political systems, ideas of morality, virtue and values.

They promoted bourgeois individualism and advocated an "all for money" ideology. Moreover, they even claimed that selfishness is a human trait. They said: "The cadres lure the masses with money, the masses work for the money, everything runs on money and without it nothing can be done."

If we are not going to eradicate

this sort of ideas, it would be impossible for us to eliminate corruption in society and to create an environment for honest government, said Luo.

In the theoretical studies over the past few years, there had been tendencies towards economism and pragmatism and some theorists had, to some extent, forgotten that the fundamental purpose of the Communist Party was to practise socialism and communism, said Li Pengcheng, from the Philosophy Institute of the Chinese Academy of Social Sciences.

The advocators of bourgeois liberalization claimed a multipartism in politics, private ownership in economy, Westernization in culture and non-Marxism in ideology, said Zhang Qihua, from *Qiu Shi* (Seeking Truth) magazine.

Many artists side-stepped Marxist literary theory and Mao Zedong's literary thought, which they regarded as false, conservative and dogmatic, said Dong Xuewen, associate professor of Beijing University.

Lou Yulie, professor of Beijing University, said one of the problems that should be solved in cultural circles is how to carry forward traditional Chinese culture in a critical way. The other is over the character of China.

Many articles negating traditional culture were carried in the Chinese press over the past few years. Those who appreciated traditional culture were regarded as conservative and backward, said Lou.

Some people advocated a so-called "new enlightenment" in China. According to Lou, enlightenment was directed against feudalism in the May 4th Movement of 1919. Seventy years later, some characteristics of feudalism still survive in the country's political, economic and cultural fields. But China has set up a new political, economic and cultural system. Feudal aspects

do not occupy the main positions in this society, Lou said.

Those who attempted to start a new enlightenment ignored the character of China and deliberately exaggerated the feudal traits, Lou added.

Most participants believed that Zhao Ziyang, the former Party's general secretary, is responsible for all these consequences as he took a passive attitude towards the four cardinal principles and turned a deaf ear to the fanfare of all these fallacies.

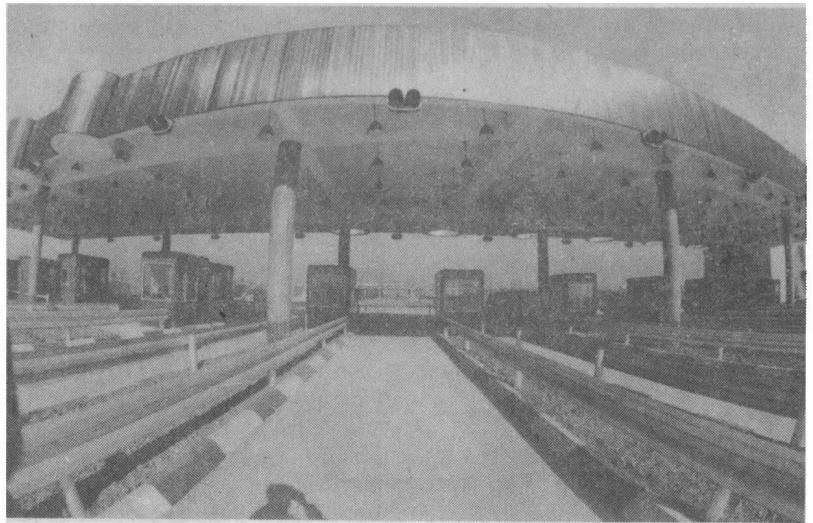
Renmin Ribao (People's Daily) carried a signed article on July 19 criticizing *The River Dies Young*, a six-part TV serial that touched off a vehement debate after being shown twice nationwide last year. The film was criticized, among other things, for its pronouncement that the civilization of the Yellow River, or that Chinese civilization had declined and died.

The article said that the film's premise is actually a total repudiation of the great Chinese nationality and her long cultural tradition and is actually singing a funeral dirge for the whole Chinese nation.

The article said that the film in fact satirized and negated the Yellow River, the Great Wall and other symbols of the Chinese nation, slinging severe insults on the one billion Chinese people and millions of overseas Chinese.

According to the editor's note, this article, written in October 1988 failed to be published at that time just because Zhao Ziyang ordered that it be spiked. Instead, at that time, the editor's note said, he presented copies of the film to foreign guests and praised it as worth seeing.

From Zhao's attitude, one can readily find his understanding of the Party's policy towards literature and art and his political inclination is totally different from that of the Party's Central Committee, the editor's note said. □



Recently opened, the toll-paying Shenyang-Dalian expressway, built with a 2-billion-yuan investment, will help calm many traffic headaches. ZHENG YONGJI

Modernizing China's Highway Network

In a vital endeavour to build up and sustain the development of its national economy, China is pushing ahead in an ambitious programme to build more top-grade highways.

As the first step, China plans to build over 20 high-grade highways, totalling 27,000 kilometres, by the year 1995. By that date top-grade roads are expected to link up the nation's major cities and industrial centres with coastal ports, a spokesman for the Ministry of Communications announced on July 17.

Among the projects are seven freeways that account for 791 kilometres. These new highways will run between Guangzhou-Shenzhen-Zhuhai, Guangzhou-Foshan, Xian-Lintong, Shenyang-Dalian, Beijing-Tianjin-Tanggu and in Shanghai between Xinzhuang-Songjiang, as well as the Guangzhou round-the-city expressway, the spokesman said.

The massive construction plans follow an urgent call made recently by Chinese leader Deng Xiaoping to overhaul the coun-

try's strained and backward transportation facilities.

Minister of Communications Qian Yongchang said that the programme is intended to ease traffic congestion, a common scene on Chinese highways, promote economic development and gear up for China's rapidly growing foreign trade.

Chinese roads, most of which are of a low grade, have highly mixed methods of transportation, which include pedestrians, bicycles, tractors, buses and trucks that frequently reduce the passing capacity of Chinese highways.

"To change this situation, building high-grade highways, expressways in particular, has become a must," Qian said.

A survey conducted by the Communications Ministry showed that for every hundred kilometres of expressway built, the death toll from traffic accidents fell by 164.

According to Qian, the state will allocate special funds for the construction of major expressways and highways. Local gov-

ernments are also being encouraged to pool funds to build more high-grade roads.

To brace the construction projects, the ministry is considering obtaining more loans from the World Bank and the Japanese Overseas Co-operation Fund and issuing special bonds.

Three World Bank loans are

being used to build these highways and China is expecting more money from Japan to beef up the modernization programme.

Over the past 10 years China has built, almost from scratch, a total of 1,673 kilometres of top-grade highways and 147 kilometres of freeways, says the Communications Ministry. □

News in Brief

Foreign Trade Gains

China has achieved momentous growth in its foreign trade sector, with imports and exports rising 3.8 percent to hit US\$37.22 billion and with a favourable trade balance of US\$2.29 billion in the first half of this year.

A spokesman for the Ministry of Foreign Economic Relations and Trade said on July 26 that China has

kept its debts within its payment service. He added that China's average annual payment rate was less than 10 percent of its foreign exchange earnings between 1979 and 1988 and the country is having no problem paying its debts.

China Denies Spying in Bonn

The Chinese Embassy in Bonn has denied media stories that it placed Chinese students in the Federal Re-

public of Germany under surveillance.

The embassy said in its statement on July 24 that the Chinese government and the Chinese embassy in the FRG have never organized or engaged in activities aimed at supervising or menacing Chinese students in the country, such as spying on them, or having them photographed or videotaped.

The statement came in response to the fabrication in the country's press that 50 spies have been dispatched to FRG from China to observe the activities of the students and to send back to China photographs and videotapes that showed students marching in protest against the suppression in Beijing. These stories are totally groundless and they are malicious slanders against the Chinese government and the embassy, the statement said. □

Scientific Research Awarded

China's national committee in charge of evaluating scientific research projects for awards announced 508 winners on July 27.

Three special-class awards, 35 first class awards and 154 second class awards were presented.

The winners were selected from tens of thousands of high-level and highly profitable scientific achievements made over the past two years. □

Doctors Work for Disabled

Ten doctors from China, Japan, Holland, Indonesia, Israel and the United States gathered in Beijing late July to make month-long charity diagnoses. All funds raised by their services will go to handicapped Chinese. Here, Zhang Chunyuan (fourth from right), a famous Chinese expert of acupuncture and moxibustion, treats a paralysed patient along with a group of foreign doctors.

CHEN ZONGLIE



Inflation Bites Into Wages

Though the average Chinese worker earned more this year than last year, his or her gains were eaten up by inflation. In the first half of this year, the average salary for Chinese workers increased 18.8 percent over the same period in 1988, an equivalent to a pay for an extra month. But in the same period the retail prices rose 25.5 percent.

The latest statistical figures from the State Statistics Bureau showed that their real income went down because of price rises.

The total of wages earned by Chinese workers reached 116.51 billion yuan in the first six months of this year, a 22.1 percent increase over the same period of 1988. □

Latin America Explores New Economic Paths

by Wang Hexin

The economies of Latin American countries entered a period of rapid development following World War II. After 30-40 years of construction, significant changes have taken place in their economies. The main manifestations are as follows.

(1) Development has been at a quick pace and economic strength has increased significantly. Many countries have reached or approached the level of medium-sized developed countries.

(2) The proportion of agriculture in national economies has fallen while that of industry has increased. Countries like Mexico and Brazil, where industry has ascended to a leading position in the national economy, have been listed by the United Nations as newly industrialized countries.

(3) The proportion of heavy industry in the industrial sector has increased.

(4) Exports of finished goods in foreign trade has increased. Before the 1960s, primary products were the major exports.

(5) Self-reliance has been strengthened. As early as the 1960s, many Latin American countries were self-sufficient in basic consumer goods. By the mid-1970s, they had already a surplus of the ordinary means of production.

Problems

Since the 1980s Latin American economies have worsened sharply and have suffered negative growth for years in succession. Even when developed Western countries had passed through their economic crises, no economic improvement was seen in La-

tin America. Apart from the influence of the international economic environment, the deficiencies in the economic structure itself of the Latin American countries as well as errors in their development strategies and policies have been the main factors causing the sharp ups and downs in their economic development for decades.

The first error is that the extent of construction exceeded the countries' economic strength owing to their one-sided emphasis on high speed and heavy investments. After World War II, the policy of deficit budgets and credit inflation was popularly followed owing to the eagerness of Latin American countries to modernize their national economies. As development plans were ambitious and the investments needed were not within the reach of the state's economic strength, there was a serious shortage of development funds.

In the 1970s, petroleum dollars flooded the international money market and international commercial banks' interest rates were low. Latin American countries took the opportunity and borrowed large amounts of foreign money to make up for their financial deficits. Stimulated by foreign funds, the economic growth rate of many countries reached an historical peak.

At the same time, foreign debts ballooned, rising from US\$25 billion in 1971 to US\$401.4 billion in 1988, one half of the region's gross national products and three times the total value of exports. Many countries did not have the strength to bear the heavy debts. At the beginning of the 1980s,

following Mexico's declaration of its failure to pay its debts, Brazil, Argentina and some other Latin American countries were also faced with the crisis of being unable to pay their debts.

The outflow of money sharpened the internal shortage of funds. Debts became an important factor that restrained Latin America's economic development in the 1980s. It could be said that the sagging economy of the region in the 1980s was actually a result of the countries' one-sided drive for high speed and heavy investments in the 1960s-70s.

A second mistake is that the development of agriculture was ignored and national economies suffered an imbalance in the relative proportions of the various sectors. Industrialization was aimed at transforming the unitary economic structure inherited from colonial times. For years, however, many countries incorrectly made industry, especially manufacturing the decisive sector. Thus the coordinated development of the remaining economic sectors was ignored, especially not enough attention being given to the development of agriculture. At the same time as developing new industries, many of the countries did not pay enough attention to energy and raw materials as well as basic industries.

A third mistake is that total social demand exceeded total supply, and it was difficult to get inflation under control. In the 1980s, except for some individual years, the growth rate of consumer prices exceeded three digits, and in some countries even reached five digits. Such super inflation was rare in the world. The

fundamental causes were: total social demand exceeded total supply; investments increased too quickly; too much paper money was printed, supply could not catch up with it, and as a result the gap between supply and demand grew bigger and market prices became unstable.

Latin America is an area of typical premature consumption in the world. While national incomes per capita were still quite low, the region tried to imitate the consumption mode of developed countries. As a result, consumption growth exceeded capital accumulation, demand exceeded supply, and prices finally soared.

To reduce financial expenditure would be an important measure to curb inflation. However, in order to stabilize the political situation, many countries practised indexation of wages and prices. From an individual's point of view, indexation was reasonable to guarantee people's livelihood under inflation. From the point of view of the whole of society, indexation made prices rise owing to the increase in production costs, which in turn increased owing to the growth of prices, finally resulting in severe inflation.

Finally, polarization and pauperization sharpened daily. After World War II, Latin America enjoyed comparatively speedy economic growth. However, the expected goals were not achieved in terms of social efficiency. Wealth became more and more concentrated with the growth of production. Inequality in distribution and sharp contrasts between wealth and poverty were common phenomena in economic development. At present, 130 million people (one-third of the region's total population) are living in poverty and the unemployed and the semi-employed account for more than 30 percent of the working population.

In the 1980s, an economic crisis broke out, and the Latin Amer-

ican people's living standards fell sharply. Pauperization became much more serious owing to the austerity measures (such as reducing expenditure and freezing wages) pursued by the governments. Urban disturbances, terrorist activities, drug smuggling and crimes have been common occurrences. All these problems have something to do with pauperization. The public's demand for democratization and its opposition to rising prices and expectations of a better life have combined to exert a great influence on the stability of the political situation in some countries.

Adjustments

Widespread economic adjustments have been made by Latin American countries in order to get out of their economic predicament and adapt themselves to the international economic environment. The emergency adjustments in the first half of the 1980s were mainly an adoption of austerity measures to surmount the then economic difficulties; structural adjustments in the latter half of the 1980s were aimed at seeking long-term and stable development and exploring new roads to develop national economies.

First, import substitution has been integrated with export-orientation to supplement each other. For decades, most Latin American countries pursued import substitution as their development strategy. Generally speaking, economies developed quickly in the initial stage of import substitution. In the course of practising it, Latin American countries adopted protectionist measures in different forms owing to the weak competitiveness of their products. Proper protectionist measures assist the development of national industry and commerce in the economic take-off period. However, excessive protectionism fails to reduce the costs of products, im-

prove the quality of products and raise productivity. With competition sharpening daily in international markets, the export products of Latin American countries were inferior both in terms of costs and quality and thus less competitive.

By the 1980s the countries came to realize the defects of import substitution and shifted their attention to export-oriented economies and tried to open up markets abroad. For example, Brazil put forward a policy that focused on making full use of external markets and accelerating the expansion of exports. It cancelled the protectionist measures for its domestic industries.

The series of changes in the economic policies of Latin American countries marked a significant turning point in their economic development strategies. However, they still disagree over the reduction of tariffs and the cancelling of import restrictions. They reason that when protectionism by developed countries is in vogue, one-sided openness is wrong; too many imports will lead to the closing of national enterprises, an increasing number of unemployed, and possible social unrest. These worries are not unjustifiable. How to make import substitution and export orientation supplement each other effectively is a significant topic which is now being examined.

Second, efforts have been made to further reform economic structures and diversify economies. In the 1980s, with trade protectionism popular, the obvious reduction in demand for raw materials and the slump in prices for primary products in world markets due to slow growth in the world economy and the rapid development of science and technology, dealt a heavy blow to the exports of these countries.

To change their unitary economic structures and strengthen their flexibility in world markets, the Latin American countries at-

tempted to solve the following three problems: diversify their economies, strengthen the production of the means of production to meet domestic demand and promote the export of unconventional products to increase foreign exchange revenue.

Specifically, in order to maintain a co-ordinated development between all sectors of the national economy, priority was given to the development of agriculture at the same time as developing manufacturing industry and increasing the production of the means of production and intermediate products. In foreign trade, great efforts were made to expand the export of unconventional products and to lessen the unfavourable factors in the international economic environment and strengthen economic flexibility.

Chile was one of those that enjoyed comparatively stable economic growth in the 1980s. The most important contributing factor was the diversification of exports. Proceeding from its specific situation, Chile directed its major investments towards those fields that possessed favourable conditions to expand exports. All regions, too, were encouraged to engage in export-oriented industries to earn foreign exchange. Although the practice of economic diversification cannot be expected to achieve spectacular results in a short period, the economic adjustments made by Latin American countries in the 1980s were in the right direction.

Third, economic openness has been expanded while a policy of both restraining and utilizing foreign investment has been followed. Foreign investment played a significant role in Latin America's economic activities. The policies of the countries towards it have gone through stages of being free and open to strict restraints and back again to positive utilization. Many countries, after independence, pursued a policy of nationalizing natural resources and

adopted stern measures to restrain foreign investment. Articles on the control of foreign investment, adopted by the Andes Treaty Organization in the 1970s, stipulated strict measures to restrain profit transfer and re-investment and the proportion and duration of foreign investment in joint ventures.

In spite of this, openness to foreign investment has never changed. It was only that the countries replaced free openness with limited openness. Their practice has shown that foreign investment can greatly promote the alleviation of an internal shortage of funds, the introduction of advanced technologies, the establishment of new industries and the development of backward areas. In their economic adjustments in the 1980s, they adopted a flexible open policy towards foreign investment and loosened their restrictions over foreign enterprises. For example, foreign investment, especially co-management between foreign and domestic capital was encouraged and joint ventures were exempted from profit and company taxes for several years; foreign investors were allowed to transfer part or all of their profits back to their own countries.

At the same time as making positive use of foreign investment, Latin American countries strengthened their control over foreign enterprises in order to protect their sovereignty as well as to prevent damage to the national economy and the people's livelihood. For example, foreign investors were prevented from investing in those sectors that were dominant in the national economy, and from investing in those industries that mainly produced products oriented towards home sales and could be run by national capital. With the strengthening of industrialization, they also made stipulations on technological requirements. They kept on summing up their experience in util-

izing foreign investment so as to make it better serve the development of the national economy.

Fourth, the state's intervention in economic activities has been lessened and control over the macro-economy has been strengthened. The economic development mode of Latin American countries was characteristic of state capitalism, that is, the state pursued overall intervention in economic activities through making and implementing economic development plans and through other administrative and economic means. All state-run enterprises faced the problems of bad management, low efficiency and serious losses. Especially in the 1980s, owing to tight finance and a shortage of foreign exchange, many countries were forced to follow austerity measures and restrict imports. As a result, many enterprises were forced to cease operations because of lack of parts and raw materials. And state-run enterprises became a still heavier burden on state finances.

Since the mid-1970s, on the precondition of not abandoning the policy of state intervention in economic development, some Latin American countries have attached much importance to bringing free competition and market mechanisms into full play. One of the most important measures was the privatization of state-run enterprises. By the 1980s, the privatization wave had swept through most of the countries. Privatization has raised labour productivity and lessened the state's financial burden.

However, there were differing views about the advantages and disadvantages of privatization in both political and economic circles. Up to now, Latin American countries have not given up the state's overall control of the national economy. The governments' timely adjustment of exchange rates and control over the supply of money and the circulation of credit have to some extent

prevented inflation from affecting economic growth and the people's livelihood.

Fifth, active economic co-operation has been launched to promote regional integration. In most of the countries, conflicts between the scope of production, the level of socialization and the narrowness of the domestic market sharpened daily. In the situation where the world economy tends to be more and more international, the scope of enterprises grows with the progress of science and technology and the increase of capital accumulation. It is impossible for any country to cut itself off from the rest of the world and develop in isolation. Latin American countries have realized that problems will not be solved completely if the internal economy is adjusted only in conventional ways and that their

economic crises in the 1980s were not merely the problem of one particular country. Further, that it is not within the ability of one country to overcome economic difficulties on its own.

To realize regional integration is thus seen as an effective way to overcome crises by the Latin American countries when they are exploring new roads to develop their economies. Their regional integration is aimed at mutual supplement, co-operation and common development through establishing regional economic groups.

In the 1980s all Latin American countries suffered from a heavy foreign debt. Many meetings were held and the Cartagena Group was set up to discuss solutions to the problem and co-ordinate the stand of all countries in negotiations with creditor

countries. Brazil, Argentina and Uruguay formed a common market in an attempt to seek a new form of co-operation for the realization of Latin American integration. The agreement to strive for peace, development and democracy made by heads of eight of the countries in October 1987, when they met in Acapulco, Mexico, showed that integration has entered a new historical era.

However, some problems remain. There is a sharp imbalance in the economic development of Latin American countries. Profits are not shared equally. Their demands are also different from each other. They are now seeking solutions through bilateral or multilateral consultations. To achieve integration has become one important part of their new economic development strategies. □

Visiting Indian Prime Minister Rajiv Gandhi holds a joint press conference with his Pakistani counterpart Benazir Bhutto on July 17.



Visit Promotes Bilateral Relations

Indian Prime Minister Rajiv Gandhi's one-day visit to Pakistan on July 16 is viewed as a good opportunity to improve bilateral relations.

by Ren Yujun

Rajiv Gandhi, pursuing a step-by-step rapprochement with his country's traditional foe Pakistan, became the first Indian prime minister to pay a purely bilateral visit to the neighbouring country for nearly three decades. Although no substantive achievements resulted, both sides pledged in their joint communique to strive for an overall solution to the disputed Siachen Glacier which separates the nations on the precondition that troops be withdrawn to avoid a military conflict.

The summit between Rajiv Gandhi and his Pakistani counterpart Benazir Bhutto is another significant one between the two main powers in South Asia. The two leaders, who are both of a new generation, have not only expressed their goodwill but have also taken concrete actions to

improve bilateral relations since their first meeting at the fourth summit of South Asian nations.

Following the agreements signed by the prime ministers on avoiding double taxation in mutual trade, on strengthening cultural links and on not attacking each other's nuclear installations, meetings between their foreign and internal affairs and defence officials at the level of secretaries were held, and progress has been made on the Siachen Glacier problem which it can be hoped will lead to an overall solution.

The two countries have also begun co-operation in combating drug smuggling and terrorist activities. And there has been improved co-operation and communication in industry, agriculture, science and technology and especially in trade.

Rajiv Gandhi will face a general election this year. The National Congress Party's policy towards Pakistan will become the focus of disputes. India has a large number of Muslims whose votes are important to Rajiv Gandhi, and what attitude they adopt will depend on Rajiv Gan-

dhi's policy towards Pakistan. This year, conflict between India and its neighbours — Nepal in the north and Sri Lanka in the south — have done damage to the international and domestic image of the Indian government. Both Nepal and Sri Lanka are members of the South Asian Association for Regional Cooperation (SAARC) and have good relations with Pakistan. Benazir Bhutto, who is the present president of SAARC, can play a role in mediation. Rajiv Gandhi was wise to have a purely bilateral meeting between the leaders of the two South Asian powers.

Since she came to power, Benazir Bhutto has seen India-Pakistan relations as an important part of her foreign policy. Positive actions have been taken by the Bhutto administration to improve relations with India. It is believed that there will be other important meetings between Bhutto and Gandhi this year. Bhutto will possibly pay an official visit to India next month. The non-alliance summit in September, the meeting of Commonwealth countries in October as

well as the fifth SAARC summit due to be held at the end of this year will offer the two leaders opportunities for further discussions.

Moreover, Benazir Bhutto, as the present executive president of SAARC, will pay visits to the other six South Asian countries in the near future as part of the preparations for the coming summit.

Of course, there are sharp territorial, racial and religious conflicts between India and Pakistan due to historical factors. The two countries also disagree over Kashmir, regional prohibition of nuclear proliferation, armaments and Afghanistan. However, to improve India-Pakistan relations accords with the trends of the time and with the fundamental interests of the peoples of both countries and of other South Asian countries. It will also help develop the economies of these two densely-populated countries. People expect substantive improvements to be made in India-Pakistan relations during the terms of office of Rajiv Gandhi and Benazir Bhutto. □

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China's Foreign Relations: A Chronicle (December 1988-May 1989)

Strengthening Taxation's Role as an Economic Lever

by Our Staff Reporter Han Guojian

China is now adopting a series of measures to strengthen the tax system it first established five years ago. These aim not only at consolidating taxation's position as the main source of state revenue, but also at developing its regulatory role in the battle against inflation and the maintenance of a reasonable distribution of wealth.

Around New Year's Day 1989, the State Council issued three decisions and circulars concerning the need to introduce order into the country's taxation system. These called for all tax work to be brought into the legal orbit. They reiterated the points that:

- tax powers must be concentrated in the hands of the central government

- no locality or department can unilaterally grant tax reductions or tax exemptions

- vertical management should be introduced within tax departments

- tax departments should coordinate with procuratorial, public security and judicial departments to enforce tax laws, eliminate tax evasion and crack down on those who violently resist tax payments.

The circulars also called on tax collectors to resist corruption by always acting according to the law and being honest in performing their official duties.

At a national conference of tax bureau directors held in February, these measures were passed on to grass-roots authorities. They are now being put into practice.

With the current slow-down in

price and wage reforms, taxation is likely to become the most important economic lever regulating the distribution and redistribution of national income. China's current tax system was established shortly after the Third Plenary Session of the 11th Party Central Committee in December 1978. Since then, the system has gradually been improved—it is now the source of more than 90 percent of state revenue—but its role as a regulatory economic lever remains weak. It is believed that giving tax workers greater legal backing will strengthen the ability of the government to guide the economy, and so help in removing the twin evils of inflation and unfair income distribution.

The New Tax System

Before 1978, the entire Chinese economy was publicly owned and managed. All enterprises turned the greater part of their profits over to the state treasury, and then were taxed on the share that remained. The country's revenues and expenditures were thus totally controlled by the central government, resulting in the system known as "everyone eating from the same big pot." Taxation's role as an economic lever was non-existent.

However, with the implementation of the reform and open policy in 1979, an entirely new range of economic entities have emerged: individually owned enterprises, private businesses, foreign-invested firms, joint ventures, etc. Each of these has its

own respective economic advantages, and even state-owned enterprises, independently managed and with sole responsibility for their own profits and losses, have become socialist commodity producers. These changes have made it impossible for the egalitarian "big pot" distribution system to continue.

From 1979 to 1982, China experimented with the system of replacing the collection of profits with taxation in 456 state-owned enterprises across the country. All after-tax profits were retained by these enterprises. The experiment proved successful, and in 1984 it was put into practice throughout China.

The major features of the new tax system are:

- The reorganization of the old industrial and commercial taxes into product tax, value-added tax, business tax and salt tax, each with its own readjusted tax rate.

- The levying of resource tax on crude oil, natural gas and coal extraction.

- The establishment of a new tax for city maintenance and construction and the revival of taxes for real estate, land use, motor vehicles and ships (all being local taxes).

- The levying of income and regulatory tax on profit-making state enterprises.

- The establishment of 15 new taxes covering construction, special oil burning, wages in state-owned enterprises, bonuses, personal income, stamp duty, banquets, special consumption, special agricultural and forestry

products, animal transactions and slaughtering, fair trade and the income of individually owned industrial and commercial household businesses, private enterprises and collective enterprises.

Combined, these 26 tax items constitute a tax system dominated by turnover tax and income tax, but co-ordinated by the other tax items.

To these can be added the tax laws China has promulgated since 1980 to attract foreign investment: the income tax laws for Sino-foreign joint ventures, foreign-owned enterprises and personal income, plus the series of provisions giving preferential treatment to foreign investors in the four special economic zones and 14 open coastal cities.

Since 1981, China has also signed agreements to avoid double taxation with 22 countries including the United States, Britain, Japan, France and West Germany.

International Comparisons

There is much talk at present about China's "heavy tax burden" and many tax categories. But how does China compare with other countries?

By 1988, China had a total of 29 tax items. In the United States the dozen or so federal taxes combined with state taxes leave most states with several dozen categories. Some states, however, have more than 80 taxes. In Japan, there are more than 50 tax items, in Hungary, more than 60, in Mexico, around 30, while India has 25. Considering that only the central authorities in China have the right to set new taxes, it cannot be said that China has too many tax items.

As regards the question of tax burden, the standard international yardstick for judging this is tax revenue expressed as a percentage of GNP. In 1985, this



Qu Lijun, a staff member of Beijing's Xicheng District tax sub-bureau, explains the tax law to a citizen.

figure exceeded 30 percent in all the developed countries; it was 38.1 percent in Britain, 37.7 percent in West Germany, 50.5 percent in Sweden and 45.6 percent in France. In the developing countries, the share generally stood above 20 percent; for example, 24.1 percent in Egypt and 21.3 percent in Brazil. In Eastern Europe, the figure usually stands at more than 65 percent.

In China, however, total taxation in 1987 amounted to 19.5 percent of GNP or 23.3 percent of national income. If it is borne in mind that the nominal tax rate is usually higher than the actual tax rate, still less can it be said that China's tax burden is heavy. This can be seen by examining income tax. The law stipulates that state-owned enterprises should pay a standard 55 percent tax rate, and as some enterprises still also have to pay regulatory tax, it appears they certainly are taxed hard. However, once tax deductible items such as loan repayments are taken into consideration, the rate works out at around 40 percent. In collective enterprises it is usually less—around 35 percent—and township enterprises only hand over around 26 percent.

Initial Results

With the establishment of the new tax system, taxation has become the main source of state revenue. In 1978, the state collected 46.2 billion yuan in taxes, some 46 percent of state revenue; by 1988 the figure was 237.58 billion yuan—more than 90 percent of revenue.

But this is by no means the only positive change taxation has brought about. With fiscal relations between the state and enterprises fixed through tax law, enterprises now have a major incentive to boost production and income. As long as stable growth continues, both parties will benefit. This establishment of a form of competition has been one of the major reasons for industrial output expanding by an average annual rate of 11 percent during the last decade.

Taxation has also proved a useful economic lever for readjusting China's overall product mix and industrial structure. Granting low-tax or tax-free status to key industries, new products and technologies, has already produced quick results. For example, China's aerospace industry had long been depen-

dent on imports for supplies of brake blocks used in large passenger jets. Because of this, it was decided in 1986 to grant the Beijing Friction Materials Factory one year's tax exemption so it could upgrade its equipment. Since then, its brake blocks have saved the state US\$2.79 million annually in foreign exchange, while the extra money it has earned has enabled the factory to hand over 1 million yuan in taxes each year.

The levying of taxes on bonuses, banquets, personal income and special consumption has played a positive role in cutting back demand on China's overheated markets in the last few years.

The introduction of preferential tax measures for foreign investors has caused a rapid growth in the absorption of foreign capital. By the end of 1988, 15,900 foreign-invested enterprises had gone into operation, bringing with them a total investment of US\$47.34 billion.

China's tax system still needs supplementing, revising and various other improvements. To guide changes, the Chinese government will work from the principle of a fair tax burden so as to promote competition and nation-

al industrial policy, and all tax rates and categories, whether set by central or local government, will only be adjusted within reasonable limits. However, the most urgent task at the moment is strengthening the work of tax collection and further organizing the overall taxation system.

Tax Evasion

The outstanding problem facing China's tax workers at the moment is widespread tax evasion—often going as far as violent resistance to tax collection. According to a survey conducted by the State Tax Bureau, more than 80 percent of all individually owned industrial and commercial households are guilty of tax evasion. Last year, taxes worth 7 billion yuan were collected from such businesses; it is estimated that the same amount was not paid.

In May 1988, 69 household businesses were fined for tax evasion by Beijing's Xicheng District Tax Sub-Bureau. Two months later, an investigation revealed that all 69 were still practicing tax evasion. One owner, named Wang, said: "If you can find any of the money I haven't paid in tax, you can take it. If

you can't, the money is mine. No matter how much you fine me, I will still be able to make far more."

Until recently, China had had no system of personal income tax. Because of this, there is little idea that paying taxes is a normal phenomenon. One Beijing film actress, famous both in China and overseas, was recently fined more than 10,000 yuan for tax evasion. Earlier this year, a tax department discovered she had evaded paying tax on another 300,000 yuan. When she was asked to pay her arrears, she grumbled, "The state has gone mad with poverty; now it goes to the length of asking us for money."

State-owned enterprises and institutions have a better record on paying their tax bills, but it is still estimated that around 50 percent of payments are evaded. This is partly due to ignorance of taxation laws on the part of many bookkeepers and accountants. Qu Lijun, a tax collector at the Beijing Tax Bureau, said, "I've collected taxes for three years, and most of my time has been spent explaining tax laws to work units."

It is a common occurrence for local leaders to overuse their powers to grant tax exemptions. In order to attract foreign capital, some regions compete with each other over who can offer the greatest number of preferential measures to overseas investors. Some have even gone as far as to suggest the idea of "Special Tax-Free Zones."

The State Tax Bureau has estimated that the amount of tax evaded since 1985 almost equals China's financial deficit. Payments, however, are creeping up: whereas previous national taxation and financial examination campaigns have brought in tax arrears of around 4 billion yuan, last year's realized 7.4 billion yuan.

A foreigner forks out to a Beijing tax sub-bureau.



At the moment, tax departments only have powers to examine accounts and fine those they discover to have evaded tax. In many cases, it is impossible for inspectors to prove evasion. And sometimes the personal safety of tax collectors cannot be guaranteed. In 1987, 2,493 incidents of violent resistance to tax collection were recorded across the country. A total of 1,830 collectors were beaten, leaving seven dead and 263 wounded. Only 1,381 of the cases were dealt with legally. The number of attacks rose in 1988.

Because of the traditional view that only individuals and not institutions can be criminally liable, in only a few instances have those who run businesses guilty of tax evasion been punished.

Tax departments are hampered by a lack of staff. Presently, China has 500,000 tax collectors, aided by 100,000 assistants recruited from the ranks of the retired. These are responsible for the country's 30 million tax-paying households and 100,000 markets—an average of 80 households each, although in some areas collectors have to deal with up to 300.

But it is not just a lack of numbers that hinders collection—tax collectors lack powers to seize goods, property and funds, to freeze bank accounts, to examine post and telecommunication transactions or to examine shipments of goods at airports and transport departments. Although various other departments are duty-bound to provide assistance to tax collectors, they are usually slow to react to requests for information. Thus, even if some key evidence is disclosed, it is often too late and the tax evader has long since escaped.

Legal Controls

China's State Council has paid much attention to the issue of tax



Tax collectors from Xicheng District check through some account books.

Photos by HAN GUOJIAN

evasion and violent resistance to tax payments. Recently it drew up a series of guidelines governing the relation between taxation and the law. These granted tax departments the power to independently execute laws where necessary and called on other departments to redouble their support.

Since 1987, procuratorates have been sending procurators to grass-root tax bureaus to help uncover and convict major tax evaders. The law stipulates that even if a tax collector loses a lawsuit, he or she still enjoys the right of legal protection.

Other steps taken to strengthen tax collection include the establishment of special organizations charged with improving control over taxation within local public security bureaus, and a growth in the active support railway, communications and postal and banking departments are offering tax departments. Judicial departments have also stated that they will severely punish all those who violently resist paying their taxes.

It is intended that the mass media will launch a publicity campaign aimed at increasing popular knowledge of tax laws. It

will stress the moral imperative of paying taxes on time, and reinforce the point that tax evasion is not only wrong but also illegal.

It is also hoped that strengthening the organization of tax departments and generally promoting clean government will not only help eliminate the problem of tax evasion but will also lead to the impartial enforcement of the law and better results in the ongoing campaign against corruption, bribery, blackmail and racketeering.

In the second half of last year, tax bureaus in Jilin and Yunnan provinces, supported by their local public security departments, opened public order substations staffed by police officers to help overcome the problem of resistance to tax collection. Already fruitful results have been achieved.

Since the beginning of 1988, tax bureaus in several provinces, autonomous regions and municipalities, including Beijing and Jilin, have experimented with separating tax inspection from tax collection. This measure is expected to be of great help in the implementation and enforcement of China's tax laws. □

IMPLEMENTATION OF UN BEIJING RULES

Juvenile Delinquency

by Guo Jie & Our Staff Reporter Yang Xiaobing

Juvenile delinquency in China is a new social problem which first began to attract notice in the 1970s and has now aroused the attention of the people's governments at all levels, departments concerned, and all quarters of society. The seriousness of the problem has spurred many people to come up with solutions and, to that end, many units around China have formed joint scientific teams with institutions of higher learning and specialized institutes have been established to conduct research. During recent years, the central and local governments accumulated useful materials for such work and, thus, laid a solid foundation for realistic studies of this important subject.

China believes that it has an effective system to prevent juveniles from committing crimes, the comprehensive nature of

which emphasizes all aspects of law enforcement as well as various methods designed to strengthen juvenile ideals, morality, discipline and obedience to the law. Under this all Party and government departments, judicial departments, trade unions and the youth league, women's federation and other mass organizations, educational and cultural departments, public undertakings and enterprises, as well as urban neighbourhood committees and rural grassroots, are encouraged to participate and cooperate closely. The Communist Party and government, in particular, place heavy emphasis on mass recreations and sports activities to benefit the physical and mental health of teenagers in their spare time after classes. They urge news media, publishing houses, film and television circles to provide teenagers with

more and better cultural products. As part of this comprehensive system, the state also strictly prohibits obscene products and goods and severely punishes those who engage in such criminal activities.

One measure adopted by China to prevent juvenile delinquency is to popularize legal knowledge to help teenagers better know both their social responsibilities and their rights within the law. The NPC Standing Committee decided at a session in 1985 to spend five years popularizing general legal information among all the masses, with an emphasis on young people, by using the school as the main place for dissemination. Legal education has been since carried on from cities to the countryside and from government offices, public undertakings and enterprises to schools. The general legal knowledge disseminated includes the Constitution, criminal law and law governing criminal procedures, civil law and the general principles of the civil law, law governing civil procedures, marriage law, law of inheritance, economic contract law, military service law and the rules and regulations on public security administration and punishment. The methods used in popularizing the law include legal lectures, evening schools, legal knowledge competitions and simulated courts. In some places, significant typical cases have been selected for broader dissemination among the masses through newspapers, periodicals, broadcasting, television, films,

Policeman Yang Youwen of the Beijing Municipal Public Security Bureau often gives talks on the law at Chongwen District No.2 Primary School. YUAN RUXUN

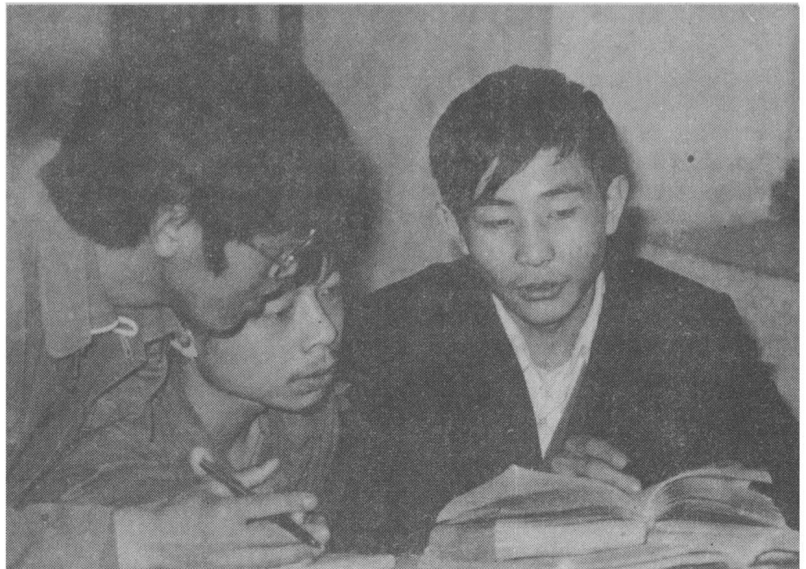


street posters, etc., while public security organizations such as legal agencies and law departments are encouraged to hold photo exhibitions about criminals, their stolen goods and bribes, in order to raise teenagers' awareness.

Although all the measures have proved effective to prevent juveniles from committing a crime, help those who had slight brushes with the law and save them from that first false step, it is the reliance on mass strength and the concerted efforts of various social quarters that can have the greatest impact. Through use of such resources, we can best help those with bad behaviour, those who, though not having yet committed a crime, have a tendency to do so and, perhaps, someone who had been recently released from a prison sentence or reform-through-labour programme. This is neither an administrative punishment nor a criminal sanction, for it is not by laws and administrative power that the best results are achieved, but, rather, it is education, persuasion and the role of examples. From these, ties of mutual trust and respect are formed between the helper and the helped and between the educator and the educated.

The Implementation of the UN Beijing Rules.

A proper and effective solution to this problem is an historic mission entrusted to us by human history and, so, taking the question of prevention of juvenile delinquency and the treatment of offenders as its major concern, the United Nations has for years carried out a great amount of work in this field and played an important role in drawing the attention of governments to the issue. The United Nations Standard Minimum Rules for the Administra-



Hu Chuanwen (right), who had taken a wrong step in life but turned over a new leaf after a period of through-labour re-education, is now enrolled at the Guizhou Engineering Institute.

ZHOU HAO RONG

tion of Juvenile Justice, adopted on December 10, 1985, is a case in point. Being the first international instrument of a guiding nature concerning the question of juvenile delinquency, the document reflects the demand of most countries in the world, developing countries in particular, and with its extensive applicability and influence, has produced positive results throughout the international community.

The UN Standard Minimum Rules for the Administration of Juvenile Justice was named Beijing Rules, because it was first affirmed at a regional international seminar held in Beijing in 1984.

To date, the efforts made by China to prevent juveniles from violating the law and committing crimes are in keeping with the stipulations contained in Beijing Rules. These stipulations state:

"Member states shall endeavour to develop conditions that will ensure for the juvenile a meaningful life in the community, which, during that period of life when she or he is most susceptible to deviant behaviour, will foster a process of personal development and education that

is as free from crime and delinquency as possible."

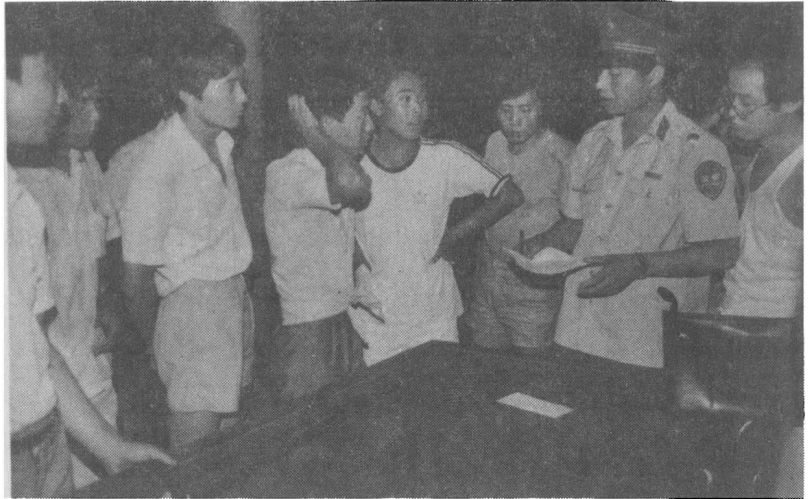
On the occasion of the third anniversary of the passing of the document by the UN, Jin Jian, vice-minister of Justice, talked about the ways China has carried out the Beijing Rules. Mr. Jin stated that, proceeding from the state of development and progress of the society as a whole, the Chinese government has, for the past several years, attached great importance to the implementation of the Beijing Rules in China. In both the legislation and performance of justice, the implementation of the Beijing Rules has been unswervingly integrated with the enforcement of Chinese laws and policies, a practice that has produced tangible results in preventing juvenile delinquency, solving the many knotty problems in a fair and rational manner and securing the legitimate rights and interests of the juvenile.

For example, China's criminal statute contains lenient criteria pertaining to the age of criminal responsibility, special rules for the trying of cases which involve juvenile defendants. Specifically, any person who has reached the

age of 16 shall bear criminal responsibility for his offence; any person who is 14 and older but under 16 of age shall be held criminally liable if he commits a serious offence; and, any person who is 14 and older but under 18 shall be given a lighter or mitigated penalty. Additionally, in light of the Beijing Rules and the experience of other countries, China has since 1987 been working on the formulation of special laws and regulations on juvenile protection, promulgating in succession the Shanghai Regulations on Juvenile Protection and the Fujian Provincial Regulations on the Protection of the Under-Aged. Similar regulations are being made in many other provinces and cities, an extensive effort to draft a new national law, the Law of the People's Republic of China on the Protection of the Under-Aged is also under way. Once adopted, this law will play an important role in promoting the healthy growth of China's 300 million young people.

In regard to the administration of juvenile justice, China has set up juvenile collegiate benches in more than 100 people's courts and similar preparations are under way in many other courts. This constitutes a major reform in China's judicial system. Last May, the Supreme People's Court convened a National Conference for Exchanging Experience in the Trying of Criminal Cases of the Under-Aged, at which extensive discussions were held on the importance of setting up juvenile collegiate benches throughout China, on related judicial principles and procedures and on how to form a judicial system for teenagers with distinctive Chinese characteristics. The convention of the meeting marked that China's juvenile legal system entered a new stage.

In educating and reforming juvenile delinquents, China not



Cui Li (second from right), a policeman from the Yuetan sub-station in Beijing's Xicheng District, criticizes young people who have been gambling at billiards.

ZHANG XU

only has complied with the fundamental spirit of Beijing Rules, but gone further to create new ones. Its principle on juvenile delinquents is that education and reform come first, labour comes second. "Educate, persuade and help" is the underlying philosophy. Reformatories in China are, thus, a special kind of school which retains juvenile offenders under the age of 16 and re-educates them through a joint system of "education and labour." In reformatories, the young not only receive moral, cultural and technical education, but also learn skills through labour. The reformatories pay full attention to the individual characteristics of the juvenile delinquents: Central to the strict, but civilized, and scientifically administered system is the reformatories' humane treatment of their charges, assuring them of an adequate living standard, labour protection and medical care. Those juvenile offenders who have performed well are allowed admittance into formal schools on probation; older offenders who have had good performance in the reformatories are allowed factory jobs on a trial basis. In addition, all schools, units and

communities in which the released young people study, work or live are asked to give them continuing education, thus creating conditions favourable for them to turn over a new leaf.

Although publicity of these Beijing Rules has been carried out in magazines, such as the *Juvenile Delinquency Studies*, and helped to attract the attention of concerned authorities active in their implementation, there is still much to be done.

China is still in its developing stage and there is great need, inversely proportionate to the extent of its underdevelopment, to increase its efforts. In the past, because China did not make a thorough study of the problem, it was unable to subtly analyze the concrete relationship between various social problems and juvenile delinquency. A major example is the long and arduous task still to be completed by China in its study of tendency prediction and strategic control of juvenile delinquency. China will continue its study of the successful experiences of other countries in dealing with this problem and, at events such as The United Nations International Symposium on Treatment and

Public Participation in Prevention of Juvenile Delinquency held in Beijing last October, will pursue discussion about the latest methods used to prevent juvenile delinquency. China will

continue to expand her judicial ties with other countries so as to better understand their experiences and policies in dealing with juvenile delinquency in the hope that their strong points

might offset some of her own weaknesses and that she will, in turn, be able to contribute significantly to the solution of this global problem. □

Meditation After the Disturbance

—Why the Situation Runs Counter to the Wishes of the Students?

by Zheng Yanshi

From the first appearance of campus upheaval to turmoil, up to the time of the putting-down of the counter-revolutionary rebellion in Beijing, the Chinese people underwent one unsettled day after another. It was not until the early morning of June 9 when the martial law enforcement troops held a solemn flag-raising ceremony at Tiananmen Square restoring it to its original appearance and when the people of the whole country saw from their telecreens that the energetic Deng Xiaoping, chairman of the Central Military Commission, met with major commanders from the martial law enforcement troops in the capital, that people who had been filled with anxiety for over a month began to calm down and fully realize that our People's Republic had undergone another struggle of two futures and two fates and the Chinese Communist Party had once again led the people in winning another historic victory in safeguarding the proletarian political power. Now that all the truth has come out and blood has washed people's eyes clean, every one has begun to draw a lesson from their bitter experiences, as an increasing mass of the people and students have commenced a sober-minded meditation. The first question that comes up to mind is: Why the situation de-

veloped in opposition to the good intentions of the young students? And why a student movement which started with the slogan "promote democracy and oppose corruption" developed into an appalling counter-revolutionary revolt?

It can be definitely said that the incident was independent of man's will; it was the outcome of the macro-international climate and China's own micro-climate, with complicated forces at work. They included not only various political forces at home and abroad but also some conspiratorial reactionaries who manoeuvred frequently both on the public stage and behind the scenes. Even within the ranks of the students, the situation was quite complex. The few ring-leaders of illegal organizations were schemers and organizers of turmoil and a counter-revolutionary rebellion, and at the same time, a few students split off from the majority of the students in the course of events, shifting to an erroneous political stand and finally joining the counter-revolutionary rebellion. But the majority of young students, including those who lost their perspective for a period of time saying harsh words and behaving irrationally, had good intentions and had become involved in this complicated struggle without knowing the real si-

tuation.

From the very beginning, when the first group of students started their demonstration on the streets in mid-April this year, their activities had always been instigated and used by a small handful of people who hid behind the scene to plot and incite turmoil. The Party and the government repeatedly told the young students that there was a small handful of people who harboured evil political intentions with the goal of negating the leadership of the Communist Party and the socialist system; they wanted to throw our society into disorder using students as their means to reach a goal they could not achieve under normal, stable conditions. Unfortunately, the young students, ruled by a kind of naive political enthusiasm, refused to listen to the government's advice and did not believe whatever the government was saying. It was not until the time when the small group of people publicly shouted counter-revolutionary slogans like "take up weapons, overthrow the government!" and "kill the 47 million Communists!" and when the officers and soldiers of the People's Liberation Army, the armed police and public security personnel shed blood or died in defence of the People's Republic that the students began to wake up to their mistakes. Realizing

that certain evil-doers had taken advantage of their patriotics, they felt guilty, extremely regretful, of their role in this great tragedy.

As a matter of fact, as early as the end of 1988 and the beginning of 1989 a small group of people began their conspiracy in the universities and colleges, trying to stir up campus upheaval and provoke incidents by using such opportunities as the commemoration of the 70th anniversary of the May 4th Movement, the 40th anniversary of the establishment of the People's Republic and the 200th anniversary of the great French revolution. On April 15 Comrade Hu Yaobang passed away, and this small handful of people, resolving to make a go of it, thought it a good opportunity to seize power in the disturbance. Their basic tactic from the very beginning was to push young students to the forefront and to use them as their tool in creating disturbance. Our proletarian revolutionaries of the older generation, with their rich experiences of political struggle and keen insight, pointed out sharply the nature of the turmoil incited by the tiny minority. After April 26, when *Renmin Ribao* (People's Daily) issued an editorial, these people made an abrupt and drastic change in their tactics, raising such slogans as "support the Chinese Communist Party!", "support socialism!" and "punish official profiteering and eliminate corruption!", which are policies put forward by our Party and government long before. They hid their real purpose for a time so as to deceive the masses and try to win people's support by hook or by crook. After May 4, when they saw the situation was turning in their favour, they revealed their true features again and shouted slogans demanding that the leaders of the Party and the government step down. After May 19, when Comrades Li Peng

and Yang Shangkun made important speeches, this small handful of people turned their attention to the army trying to deceive the broad masses of young students by continuously creating rumours designed to worsen the situation. We can see that whenever the government adopted measures to ease up on the student agitation, and the broad masses of the students began to calm down, they tried to work out new methods to agitate the students. With such methods they now incited demonstrations, strikes, class boycott, hunger strike and petition, and incited the students to block army vehicles. They even went so far as to keep the young students on hunger strike as hostage to force the Party and government to accept the political conditions they raised. Even after the State Council issued the order to enforce martial law in parts of Beijing, they still used mean tricks to threaten students, shouting wantonly such slogans as "stick to the very end!" and "form a united front at the square to oppose the government." They even raised a hue and cry: "We'll not stop unless blood is shed!" The development of the situation showed clearly that the student agitation was not a so-called spontaneous "movement" but a conspiracy, planned and organized by the tiny minority. For the majority of students, whose original intention was not to incite the turmoil, whose original intention was a wish that China realizes modernization in the quickest possible way, there was no support for the many extreme remarks and deeds. The small handful of evil-doers took advantage of this. At the beginning they did not show their reactionary political programmes but made use of the current social trend of thought, injected their real purpose into the agitated feelings of the young students

and made the majority of the students plunge themselves into their activities without letting them know their evil motives. When the enthusiasm of the many people of goodwill was drowned by the evil waves raised by the tiny minority, the people of goodwill could neither keep their goodwill nor withdraw themselves from the turmoil. As a result the students could only be led around by the nose, deviating more and more from their original intentions until finally they themselves lost their reason, swayed by personal feelings, and tried to cover their mistakes with erroneous behaviour. Although the Party and the government gave them an out time and again, they did not turn back, and although the concerned authorities reached one agreement after another it was in vain. Regardless of the severe consequences that might occur, they ignored the general situation of instability in society and vied with the Party, the government and the masses of the people to see who would win. This could not but help make people think that the so-called "deep-rooted bad habits" which the students bitterly hated found the truest expression in themselves.

The reason why the students landed in such a predicament is extremely complicated. But one key point is that the conception of class struggle has completely vanished from the minds of the broad masses of students, including many honest people, in recent years. They have lost their vigilance after the shift of the key point of the Party's work, forgetting that class struggle still exists within certain scope and will possibly become acute under certain conditions. They even find the conception of political struggle jarring to the ear. So, both emotionally and mentally they refused to admit the hard fact that the student agitation

was turned into a cat's-paw. This is a profound lesson. When we view the process of development of the rebellion, we see the small handful of evil-doers performed differently: some prominent figures who stubbornly clung to bourgeois liberalization hid behind the scene to do their scheming and instigation while some dregs of society, ruffians and hooligans publicly did sabotage such as beating, smashing, looting and burning by making use of the student agitation. It should be pointed out that the majority of the students were vigilant against brazen sabotage, but they failed to detect hostile elements hidden behind the scene. Starting in 1979 Comrade Deng Xiaoping has constantly told the people that they must understand that under the new historical conditions there exists class struggle in a special form and attention must be paid to the study of the new features of class struggle. The recent counter-revolutionary rebellion has fully proved this. In fact, since the Third Plenary Session of the 11th Party Central Committee there has always existed the struggle to uphold the four cardinal principles and oppose bourgeois liberalization. Those who stubbornly cling to the stand of bourgeois liberalization and hate the socialist system have never abandoned their scheme and vainly attempt to overthrow the Communist Party and the People's Republic and establish a bourgeois republic. Had the young students a clear mind in regard to this vital question, they would not have failed for so long to become aware of the fact that a tiny minority of hostile elements deceived and took advantage of them. Therefore, the students who really cherish patriotic enthusiasm must draw a lesson from this question of principle.

Young students described their unrest as "a democratic move-

ment." Their deeds, however, violated the socialist democratic system and their measures were illegal. The outcome was bound to violate the normal social order and to cause turmoil. This is just what a handful of plotters, lurking in the shadows for a chance to seize power, expected.

Now looking back on the whole matter people can see better. While calling for "defense of the dignity of the institution" some students ignored laws by doing "the four freedoms" (speaking out freely, airing views freely, holding great debates and writing big-character posters), demonstrating and making and spreading far-fetched stories. While condemning illegal activities, they staged illegal demonstrations and violated the local rules. While demanding a dialogue on an equal and democratic basis, they imposed their will on the government by listing the specific people who had to come to the dialogues and the certain topics which had to be discussed. While claiming their unrest "democratic" and their wish to solve problems through democratic procedure, they tried to coerce the government by staging a hunger strike. They didn't even care that their actions sabotaged the Sino-Soviet summit meeting which the entire world was watching. While maintaining their concern with the state and people's fate and petitioning for the people, they denied the call from the whole nation to stop their hunger strike and demonstration. Instead they went ahead, taking the traffic control away from the police, setting up roadblocks, stopping vehicles and interrogating people at will. They even tried to contact students in other cities, inciting them to join Beijing students and advocating general strikes.... During the whole month they demonstrated, put up big-character posters, distributed leaflets, con-

tacted students in other cities, delivered speeches, sat in and conducted a hunger strike. They even went so far as to stop military vehicles. Their deeds violated the normal social order and reduced Beijing into disorder similar to that of the beginning of the "cultural revolution." Probably even worse! The situation became so bad that, without use of the state forces and resolute measures, the social order might not have been retrievable.

Most young students didn't want such a situation either. They hated to do anything that made their friends sad and their enemy happy. As educated and well-cultured students, they never expected that, in the end, they would get mixed up with unreformed ex-convicts and hooligans sabotaging public order. Why did they end up like this? Their deeds, which violated the democratic and legal system, are an important part of the reason. The handful of plotters clearly knew that, when the authority of a government and laws weaken, and when the state and Party leaders' reputation are sullied, they could, on various pretexts, carry out their schemes, inciting people who were kept in the dark to sabotage the governmental and the Party's work, trampling institutional stipulations and spreading rumours. Those hooligans also knew that only when the social orders were sabotaged and the law-enforcement institution weakened could they proceed with their crimes and release their hatred on the socialist system. They saw that, for quite some time, students had become "privileged citizens," so, on the pretext of protecting students, they created the so-called "dare-to-die corps," "flying tiger team," or simply claimed they were students while publicly committing crimes. Unfortunately, a handful of plotters and a large number of hooligans had found something

in common with students and joined together, making a more complicated situation. Students, though, still cherished the positive deals they had had at the early stage. Even in such a complicated situation, when they completely lost their reason and paid no attention to the laws, a contradiction in their psychology and behaviour could still be seen: When the army was entering the city to enforce the martial law, students prompted people to stop the army and military vehicles; but when soldiers were tortured by hooligans, students stood out trying to protect them. Those young students came to know the harm caused by the fire which they had started and of which they lost control.

Those college students are around 20 years of age. As they didn't experience the "cultural revolution," they never knew that social turmoil could bring catastrophe to the state and to the people. During the "cultural revolution," Red Guards courageously went out into the streets to do "the four freedoms," get nationwide contacts and abuse others. Their deeds almost drew our nation into a civil war. As a result, the economy almost collapsed and they themselves became an "encumbered generation." In this turmoil, Beijing suffered a heavy loss in the economy—more than 1,000 million yuan.

History has proved that, no matter how kind the original wish may be, if the owner adopts counter democratic and illegal measure, the outcome will be disastrous to the society. In such a big state as China, the traditional psychology of "relation goes before laws" still exists and the ignorance of our laws is often seen. In the last sixty plus days people, either out of care or sympathy for the hunger-striking students, showed their support in many ways. One serious outcome of

their deed was a popular tolerance of illegality, taking the abnormal as normal, the illegal as "justice." How damaging that ignorance will be to our country with such a large population.

Young students must learn from this lesson of blood that in order to promote democracy they should never resort to any counter democratic measures, and that, in order to strengthen a legal system, they should never use any illegal means. Otherwise, not only will problems remain unsolved but great unrest will be felt in society.

The reason that a handful of plotters had fooled so many students for such a long time is that, in addition to the above, the students have had some widespread defects.

Firstly, they have little knowledge about how to build a democratic, political system at the elementary stage of socialism, and where to start with. As their knowledge about China is limited to books, their plan for a democratic political system for present-day China is not practical. They do not understand that the elementary stage of socialism can only accommodate a low degree of democracy and that we have a long way to go before we have a highly developed democratic system. They do not understand either, that on the road to socialist modernization, democracy cannot be done overnight. To copy a set of ready and perfect democratic system in a morning, to "graft one twig on another" or to "try to help the shoots grow by pulling them upward", are just wishful thinking. They harm the process of building a democratic system and the enforcement of law. And, because the students' recognition of China deviates from the reality, they have either consciously or unconsciously mistaken their subjective desire for reality, and demanded to fulfill a historical

task overnight. This "infantile disorder" was widely seen in this student unrest.

Secondly, since the opening to the outside world, students have been exposed to a great deal of Western ideas and culture, which they have taken without discrimination. The overflow of bourgeois liberal ideas have aggravated their blind worship of the bourgeois democratic systems. For instance, the system of multi-party rule by election advocated as the "democratic window" by bourgeois scholars, and the so-called "best ruling form" by the division of three powers have both been idealized by some students. They saw some mistakes in the Party and government work, corruption among some Party members and cadres and under-developed democracy and legal system. The contradiction of ideal and reality confused and even disoriented some students. Under such circumstances, the political work in schools weakened, unable to firmly plant the basic principle "only socialism can save China" in the minds of the students. The anti-bourgeois-liberalization struggle was not carried out thoroughly. Some students turned to the Western democratic system for spiritual comfort, as evidenced by the erection of the statue of democracy in Tiananmen Square.

Thirdly, social and family environment as well as public opinion, for a time, conspired and made young students feel swelled. They preferred to consider themselves in the right rather than in the wrong. Of course the young students' enthusiasm of "taking the affairs of the country as their own responsibilities" is precious, and their confidence should be encouraged by the whole society. However, excessive praise, little guidance and the lack of sincere criticism of their defects made them feel big.

They regarded themselves as "born national elite," "pride of the heaven" and "favourite of the society." A handful of plotters with ulterior motives took advantage of this defect, "killing" them with excessive praise in order to achieve their own covert ends. In this case, some students lost their head, unable to tell the true from the false; some of them, though realizing that they were wrong, couldn't bear to lose face; others still refused to retrieve their senses even though the counter-revolutionary rebellion has become a hard fact.

The above-mentioned weakness on students' part makes a good lesson for those engaged in school education. Schools, while drawing a picture of modernized China through text books, must teach them, on the basis of the reality, how to achieve this goal

step by step through hard work.

Of course, the causes of a social turmoil is both historical and social and demands a careful study. From a sociological point of view, a relatively poor country concentrating on the development of its economy may encounter two problems: One is that some people's consumption exceeds the society's capacity; the other is that a sense of democracy exceeds the period of time. Failing to solve these two problems may lead to a social turmoil. As a more-educated group, the young students' dissatisfaction comes not only from the lack of material necessities but more from their desire to take part in political affairs. When they see corruption in society, they demand to put an immediate stop to it by pushing reform and democracy forward. Their enthusiasm can give an important impetus to the building of a

political democratic system if it is directed in a correct way; however, if we steer it incorrectly or act with undue haste, it can become an element of social disorder. Therefore, the Party and the government should create more democratic mechanisms as soon as possible, and make sure that the broad masses, especially the students, may express themselves with initiative, reason and in proper ways.

Finally, we must understand that only reflection can prevent national disasters. The Chinese Communist Party, the government, all the Party members, the broad masses and the students are doing so, and, with a unified belief and common interests, will turn into a reality our goal of everlasting peace and prosperity in our country.

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'Democracy Must Fit China's Reality'

RENMIN RIBAO
(People's Daily)

Although many college students have chanted slogans espousing democracy in recent years, few can say clearly what kind of democracy they want.

Blind worship leads to blind action. A tiny number of conspirators took advantage of the situation to launch political turmoil that later turned into a counter-revolutionary rebellion.

Democracy is not abstract. There has never been a classless democracy.

Democracy in capitalist societies has always been restricted by capital or property and the exercise of democratic rights is not allowed to encroach on the capitalist system.

Socialist democracy, on the other hand, aims to make the people their own masters.

Though we have a long way to go to perfect our democratic system, the Chinese people already enjoy extensive democracy and freedom which nobody can deny.

The Communist Party of China (CPC) has always regarded people's democracy as its objective. One of its founding premises in 1921 was building a country that practised people's democratic dictatorship.

New China

Since the founding of New China, the Party has done a great deal towards setting up a socialist democratic system and has gradually legalized the system. The democratic rights of the people are steadily expanding.

Enforcing the Party's leadership conforms with the improve-

ment of socialist democracy.

It is under the Party's leadership and with the concerted efforts of the entire nation that China will create a kind of democracy, more extensive and realistic than that in developed countries.

If we pursued democracy leading to bourgeois liberalization, our country would become chaotic and the people would lose the democratic rights they have attained.

Meanwhile, democracy cannot be separated from the socialist legal system. Otherwise, democracy will develop into ultra-democracy and anarchism, which is an objective reality independent of man's will.

China's Constitution and other laws and regulations place limits on people's democratic rights and provide obligations and procedures for the exercise of such rights. All these guarantee democracy in China.

In exercising such rights, no citizen is allowed to harm the interests of the state, society and

collective and legitimate rights and interests of other citizens.

During the turmoil in Beijing, some students and people working in other fields ignored the Constitution and state laws and did whatever they wanted. This brought great suffering to the people.

In addition, some students and other people who lack an understanding of the real situation in China intended to introduce general elections and parliamentarism of the West into China and expected to build a political system with a high degree of democracy in China overnight.

These are only unrealistic notions.

The socialist system was built on the foundation of a semi-feudal and semi-colonial society. China's economy and culture are still rather backward. Many people are feudal-minded and have no consciousness of democracy.

All of these points indicate that building a socialist democracy in China should proceed in an orderly and step-by-step way.

(July 19, 1987)

Aping West Ways Resulted in Turmoil

ZHONGGUO RIBAO
(China Daily)

Beijing Youth News published an analysis by the Theoretical Study Group under Communist Youth League Beijing Committee. Excerpts follow.

Against the coming waves of bourgeois liberalization, students were at a loss where to steer their boat. Since 1979, students have been greatly intrigued by an assortment of theoretical debates. Social problems like corruption, economic slowdown, unfair dis-

tribution, loose morales and education crisis led them to acknowledge the paleness of "traditional teachings."

After 1985, student confidence in the reforms began to waver. During student unrest that year, students spoke out on their discontent with the government's unscientific decision-making process, economic crimes and corruption inside the Party and government. They also compared the social system in China with that in Western countries.

Stimulated by debates on political reform and academic semi-

nars comparing Chinese and Western cultures, they voiced ambiguous demands for "political democratization" and advocated "freedom of press" in the Western style. In demonstrations at the end of 1986, some students even resorted to "wholesale Westernization" to reform Chinese culture.

In the recent turmoil, some students pinned hopes on a "multi-party system" and private ownership. This change in political focus has best shown their deviation from the four cardinal principles of adhering to socialism, Party leadership, proletarian dictatorship and Marxism-Leninism and Mao Zedong Thought.

The introduction of Western ideas into China has notably imbued Chinese university students with individualism. On the one hand, students have grown increasingly conscious of their independent value; on the other hand, they find it baffling to be adapted to the demands of society.

Negativism

Over the past ten years, intellectuals have constantly looked back at the "cultural revolution" and, in the process, have negated "leftist" ideology and slogans. When this tendency became uncontrolled, it led to nihilistic views of Chinese culture.

The unchecked negativism cultivated among students a strong antagonism towards political teachings by the Party. The students opposed Chinese culture and favoured Western culture. They dismissed Party leadership as corrupt and pointed to socialism as an impediment to productive forces. With this unscientific and biased way of analyzing society, discontent became rife and had to find an extreme outlet eventually at Tiananmen Square.

At the same time, feudal heri-

tage has kept a tight clutch on the students. Some upheld that "The movement itself is all, its objective is unknown." Others pressured state leaders to grant their political demands by the very feudal way of supplicating themselves. They threatened other students who wanted to continue classes and sought foreign interference in China's internal affairs. They unveiled an ugly portrait of their inner mind in their pursuit of "modern democracy."

Practical problems also provoked anger among students. Concerned with their future after graduation, students expressed their frustration over the deteriorated living conditions of intellectuals. Corruption in job assignment and inflation harmed their personal interest. They ultimately sought to express their pent-up resentment in demonstrations.

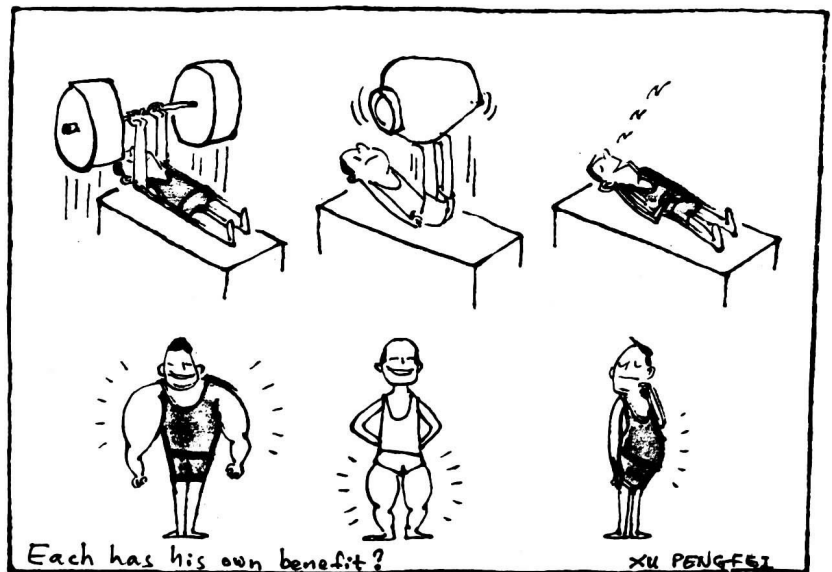
Instead of making an objective analysis of the social and historical causes that led to corruption

inside the Party and government and that upset reforms, students resorted to radical slogans like "Down with so-and-so." Their demonstrations, made without registering first with local authorities only showed their defiance of the government and rule by law.

While the devaluation of knowledge is tempting students on to the road to commerce and going abroad, some teachers and academic researchers try hard to get their "liberal" ideas across to the students. Seminars became their forum to Westernize innocent students. At the same time, the Party's ideological work was losing ground.

International infiltration is another aspect of ideological corruption of China's young. By means of mass media, exchange of students and business practices, Western countries have tried to instill Western thoughts in the minds of people. This should not be underestimated.

(July 22, 1989)



China Reiterates Loan Policy

Shen Jueren, vice-minister at Foreign Economic Relations and Trade, restated China's policies on its use and expansion of foreign loans while meeting with diplomatic envoys to Beijing, representatives of foreign chambers of commerce, businessmen and exhibition groups on July 19, at the First Beijing International Fair. The following is a summation of his statement:

The total sum of foreign loans, said the vice-minister, will be kept to proper scale. Loans will not be allowed to exceed China's financial strength so as to avoid the contradiction between supply and demand. Moreover, foreign loans must be in line with China's industrial structure. The Chinese government prefers loans with long or middle maturities and low or middle interest rates while using commercial funds with prudence.

Foreign loans should be used for production and construction. At present, such loans are chiefly used in energy, communications, telecommunications and the raw material sectors. The next priority for such loans is in the modernization of the machinery and electronics industries as well as in the purchase of those items that can help China earn more foreign exchange or produce import-substitutes.

Items using foreign loans should be proven capable of generating funds to pay back the debts or having the capacity of overall solvency. They should be proven capable of making foreign exchange at a pace higher than they pay back the capital with interest.

Shen said that since 1979 the total foreign loans used by China has been US\$33.1 billion, and direct foreign investment US\$12.1 billion. From January to June, there have been 3,090 foreign-invested items checked and approved by China, up 44.7 percent over the same period last year. The total negotiated foreign investment of US\$6.438 billion registers an rise of 19.8 percent from the first half last year. Of the figure, US\$4.5 billion, an increase

of 14.6 percent from the same period last year, has been processed into the nation.

Shen added that China's door to the world would not be shut, and that trend towards using foreign investment would continue. Because China has always kept its total debt amount below 15 percent of the same year's total foreign exchange earnings, China is capable of paying back foreign debts.

In order to protect foreign investors' interests, China has made more than 400 laws and regulations concerning foreign economic involvement and signed agreements on protection of foreign investments with 22 countries and regions and agreements on avoiding double taxation with 24 countries and regions. Other related laws, such as the protection of intellectual property rights, are in the making.

by Li Ning

China Seeks More World Bank Loans

China is stepping up work on its US\$500 million in projects funded by the World Bank and is trying to get another US\$500 million in loans and credits from the bank later this year or early next year.

China National Machinery Import and Export Corp. is accepting bids for the Daxinganling forest fire rehabilitation project to prepare for official contract tendering August 7 and 8.

The US\$56.9-million project, financed by the World Bank, will buy logging and transport equipment, fire prevention vehicles and forestry equipment, said Chen Youfa, deputy general manager of the corporation's international tendering division.

So far, 50 companies have bought bidding documents, including 38 foreign firms, Chen said. The foreign firms are mainly from Sweden, Japan, the United States, Canada, France, Austria, Finland and Hong

Kong, including such famous companies as Ford of the US and Japan's Mitsubishi.

This will be China's second bidding involving World Bank loans since the turmoil that started in April, Chen said.

The first one was held in Xian on June 30 for a US\$50-million highway project. Chen's division is now studying the bids to choose the winners. The results will be announced in two months, he said.

The 67-kilometre Sanyuan-Tongchuan Highway is located in the middle of Shaanxi Province. It is a northward extension of the new Xian-Tongchuan Highway.

When completed, it will be the major road connecting the central Shaanxi plain, a grain and cotton producing area, and Tongchuan, a major mining and industrial centre producing coal, cement and building materials.

Ten firms bid for the project, including three Sino-foreign joint bidders involving companies from Japan, Italy and Yugoslavia, Chen said.

Chen's corporation is also planning to apply for more World Bank loans to build a 100-kilometre expressway between Xian and Baoji, a city in western Shaanxi Province, he said.

The construction of the first phase of another of the corporation's projects, the US\$50-million expressway between Nanchang and Jiujiang, Jiangxi Province, will start on August 1, he said.

The successful bidder of the 112-kilometre expressway is a united tender from a Chinese company and a Yugoslavian firm.

Chen said the expressway will help ease traffic jams in Jiangxi. The average driving speed there is only 40 kilometres per hour.

Including the above three projects, Chen's corporation has so far conducted the bidding for 10 industrial, agricultural, transportation and fishery projects with a total of about US\$50 million. Half of the money was used to buy machinery from domestic and foreign bidders.

He said the corporation is preparing to talk with the World Bank about another US\$50 million loan

later this year or early next year. The money would be used in another nine projects in agriculture, transportation and construction. Again, half the loans would be used to buy equipment.

Since 1982, China has borrowed about US\$7.1 billion from the World Bank, Chen said, adding that the country will need an annual sum of about US\$2 billion from the bank in the future. □

Barter Trade Protocols Signed

The 1989 trade protocols for barter trade and payments between China and other countries, including the Soviet Union, Romania, Yugoslavia, Czechoslovakia, Poland, the Democratic Republic of Germany, Hungary, Bulgaria, Albania, Korea, Mongolia and Laos, have been signed respectively.

According to these protocols, China's 1989 total trade with these countries is valued at 11.2 billion Swiss francs, up 10 percent over 1988. Of this, China's imports will be 5.8 billion Swiss francs in value and exports 5.4 billion.

In 1989, the mix of China's export and import products is basically the same as the previous year. Mechanical and electric products to be imported from the Soviet Union will account for 52 percent of the total, raw materials for 48 percent. The raw materials and primary products to be exported to the Soviet Union will account for 52 percent, textiles and light industrial products for 48 percent. Of the goods imported from the Eastern European countries, mechanical products will account for 65 percent, while raw materials and primary products for 35 percent. Among the exported commodities to the east Europe, textiles and light industrial products will assume 40 percent, while raw materials and primary products 60 percent. China sells, among others, crude oil, soya bean, corn, products and machines to Eastern Europe and buys from it, rolled steel, fertilizers, timbers, various types of vehicles and mechanical products.

At present, the trade between China on the one side and the Soviet Union and the Eastern Europe on the other are carried principally on account. With the deepening of economic reforms in each country and the development of economic trade, this method is becoming increasingly incommensurate. Some east European countries have proposed carrying on economic trade by spot exchange.

by Li Ming

Co-operation With Czechoslovakia

Some 17 Czechoslovak companies participated in the first Beijing International Fair which closed a short time ago and had wide-ranging discussions with their Chinese counterparts in the fields of machine building, automobile, electricity, light industry and metallurgy. The signing of several agreements between the two countries showed that economic exchanges and trade between the two sides have been strengthening steadily since they concluded a long-term agreement on economic co-operation and trade last year.

According to Iiri Chlapic, commercial counsellor of Czechoslovakia in China, economic exchanges and trade between the two sides have continued to expand along with an increasing number of co-operative projects in the last few years.

For example, the Motokov Foreign Trade Corp. of Czechoslovakia which attended the fair will export to China 2,200 Tatra-815 heavy-duty trucks along with several hundred sets of engines and components needed to assemble the vehicles. It will, at the same time, import from China 40,000 sets of auto parts and tyres. At present, co-operation between the Czechoslovak company and its Chinese partners are tending towards machinery, motorcycle and bicycle items, for some of which letters of intent have already been signed.

The Czechoslovak Pragoinvet Co. has already exported 1,055 sets of

diesel-electric generators and more than 500 marine diesel engines to China. The company is now negotiating with China on co-operative production of diesel engines, building materials, and tamcars. Another company, the Czechoslovak Technoexport is supplying equipment material to the Lanzhou Pressure Gasworks currently under construction.

Iiri Chlapic said that his country had increased import of colour TV sets from China in recent years, with the 1988 import value reaching 17.8 million Swiss francs and the closing value of this year reported to be 21.3 million.

Co-operation between the two countries in building and installing products for a third country has developed smoothly. For instance, they teamed up and succeeded in putting up an oil refinery in Iraq. In the future, the two countries plan to jointly contract the building of heating and power stations in other countries.

Apart from the above-mentioned areas of co-operation, the two sides also discussed the possibility of co-operation in the fields of electricity, telecommunications, light industry, chemical industry and medical apparatus.

The Czechoslovak counsellor expressed optimism about future trade between the two countries. He said that the various co-operative projects between them were only the beginning, and that there is potential for much more. In the future, he added Czechoslovakia will continue to expand the export of machinery and electric products in exchange for an increased import of Chinese light industrial products, agricultural and sideline products. The country will also strengthen the exchanges and co-operation in the field of high technology. Meanwhile, it plans to establish joint ventures with China to produce for export.

According to the agreements signed by the two countries' governments for the 1986-90 period, their trade value will reach 5 billion Swiss francs by 1990, an increase of 72 percent over the previous five years.

by Liu Jianjun

Taihu Stone Best for Classic Chinese Gardens

The Chinese have a long tradition of loving beautiful landscapes filled with mountains and water. There are countless poems and paintings eulogizing mountains, rivers and lakes.

The main feature of the Chinese garden is also the natural style of mountain-and-water which is closely related with literature and painting. At almost every scenic spot, such as Lushan Mountain in Jiangxi Province, Mount Tai in Shandong Province, the graceful West Lake in Zhejiang Province and Lijiang River in the Guangxi Zhuang Autonomous Region, there are famous gardens.

Also, at places where there are no natural hills, rivers or lakes, people dig out ponds in the ground and pile up rocks to make artificial scenes imitating natural views. Most of the gardens in Suzhou City of Jiangsu Province are man-made. Most of the rocks used in these gardens were collected from the area around the Taihu Lake and the islands in the lake. In fact the stones of this area have become an important element in classical Chinese gardens.

The stone is a kind of limestone found in many places both south and north of the Changjiang River. But the stone in the Taihu Lake area is the best kind for classical Chinese gardens because of its shapes and colours. It is called "Taihu Lake Stone" (Taihushi).

The natural look of the stone is formed by the long-time corrosion of water.

People of ancient times had four words to measure the beauty of the stone. They are *Shou* (slim), *Lou* (leaking), *Zhou* (fold) and *Tou* (penetrating).

Shou refers to the overall shape of the stone which should be slim and graceful. *Lou* refers to the many holes and nests in the stone. *Zhou* indicates the clear folds and beautiful veins in the stone. *Tou* means that the holes in the stone should be linked up.

In classical Chinese gardens, such kind of beautifully corroded stones are placed at a corner, in front of a wall or by a winding path, sometimes accompanied by plants like bamboo or Japanese banana. Some of the most famous stones are called *Feng* (peak), such as Guanyun Feng (Cloud-

capped Peak) in Suzhou's Linger-ing Garden, Yulinglong (the Exquisite Jade) in Shanghai's Yuyuan Garden, Ruiyun Feng (Peak of Auspicious Clouds) in the courtyard garden of Suzhou's No.10 Middle School and Zhouyun Feng (Peak of Rolling Clouds) in Hangzhou of Zhejiang Province.

The use of Taihu Lake stones in gardens can be traced back to the Tang Dynasty (618-907), in the late Song Dynasty (960-1279), Emperor Huizong, an outstanding painter, calligrapher and gardener, ordered a large imperial garden to be built named Gen Yue in his capital Bianliang (today's Kaifeng in Henan Province). He used a great deal of Taihu Lake stones in the garden and after that the stones became more popular in Chinese gardens and the first choice of Chinese gardeners, especially during the Ming and Qing dynasties (1368-1911).

Now in all the classical gardens in Suzhou built during the Ming and Qing dynasties, Taihu lake stones are those most widely used.

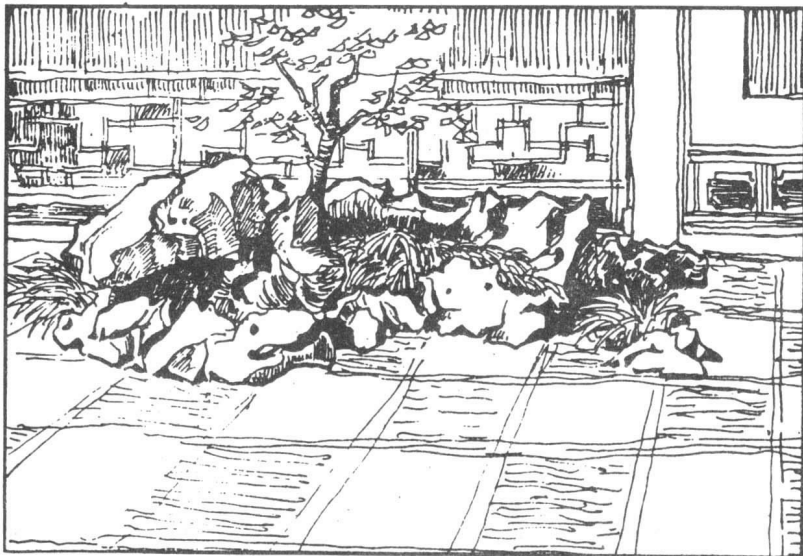
Taihu Lake stone is also popular in the imperial gardens in north China.

The using of the stone has two main functions. The first is in construction. They are usually used to block soil and protect slopes. The stones used in these places do not have to be beautifully shaped and their size can also vary. But they should be placed and piled irregularly with twists and turns and rises and falls.

The stones are also placed at the edges of flower beds, narrow paths with flowers on both sides and on lawns.

The second function of the stone is to create scenes in gardens. That means the stone becomes the focus of such scenes.

There are various ways of using



The natural style flower bed in classical Chinese gardens surrounded by Taihu Lake stones.

the stones to create scenes which are great treasures of China's classical garden art.

A main feature in gardens made of Taihu Lake stones is rockery hills. Hills made of Taihu Lake stones are richer in shape than other kinds of stones.

The sizes of the hills should be in accord with the sizes of the garden and other elements around them such as buildings and lakes or ponds.

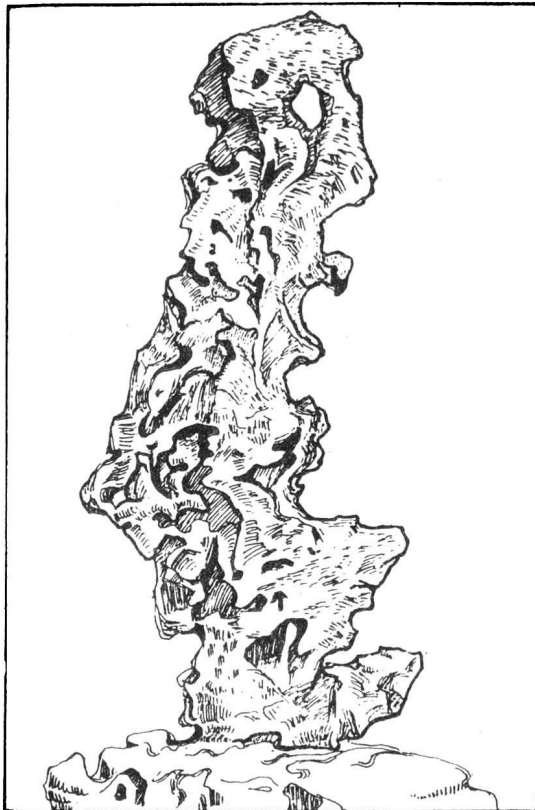
The design of the hills is often based upon the shapes of famous mountains or figures in religious paintings.

The hills are usually complemented by water scenes, including lakes, ponds, waterfalls and streams. Such an arrangement is in accord with a principle of both Chinese garden design and painting which says, "Hills become alive with water while water flows according to the run of the hills."

On tops of hills and mountains are steep peaks. When making peaks with Taihu Lake stones, the shape of the stone is most important. It takes great care to choose the stones. The places in a garden suitable for such peaks include slopes (made of earth) and hilltops, in courtyards, in entrance halls, at corners of walls, beside paths, in front of windows, beside roofed corridors and in lakes or ponds.

The peak can be made of a single piece or a group of Taihu Lake stones.

Some peaks look like the figures of lions, clouds or persons according to the individual's imagination. And so they have been named after what they look like. Such as the "Lion Grove" (Shizilin) in Suzhou and the "Stone Beauty" in Jichang



Guanyun Feng (Cloud-capped Peak) in Suzhou's Lingering Garden.



A cave in a rockery hill which is built with Taihu Lake stones. Sketches by Huang Maoru

Garden in Wuxi.

While making hills, the natural curving shapes of the stones can be used to make caves. A small cave is like a stone room which can be used as a shelter from rain and bring cool shade in summer.

A deep and winding cave may bring changes of brightness and darkness to the garden and arouse people's curiosity.

The stone also can be used to build walls which look just like cliffs. This is also a clever method of dividing the different scenic sections of the garden. The garden designers use the walls to block the visitors' views purposely and form a route to arouse people's interests.

On both sides of a narrow and twisting path or stream through two rockery hills, the stone cliffs can be set up to form a passageway like a valley or gorge. The holes in the stones can be filled with soil and plants grown in them.

The stones are also used in Chinese gardens as steps, as pillar bases for buildings surrounded by water or piers of small bridges.

But no matter in which way the Taihu Lake stones are used in the garden, the gardener has to make a careful study of the stones beforehand, including their shapes, colours, sizes, folds and veins, to choose the most suitable stone and put it in the best place at the best angle.

The beautifully shaped Taihu Lake stones and the art of putting them together shows the classical Chinese garden at its most charming.

by Huang Maoru

Chinese Cultural Centre in US

In China the crane is a symbol of longevity.

In Louisville, Kentucky, however, the crane is a symbol of China. More precisely, the symbol is Crane House, a Chinese cultural centre based in the city.

The organization conducts cooking and language classes and even has a "language corner" for people to practise their Chinese in the same tradition of Chinese who have corners in their parks for English-learners.

This year Crane House has sponsored a Chinese film festival in addition to its regular lunch-hour lectures and has frequently held discussion groups on poetry, art, philosophy, and books relating to China.

Many more cultural programmes are planned for the second half of the year.

They will include a symposium in the near future on opportunities with the Chinese to advise Kentucky businesses and industries on how they can increase their commercial success in China, Taiwan and Hong Kong.

Nor all of the activities are based in Kentucky. This month, ten American teachers are to arrive in Quanzhou, Fujian Province for the second Sino-American Fortnight Education Course.

The Americans will help Chinese teachers of English improve their proficiency in conversational English.

Both groups will broaden their knowledge and awareness of each other's culture.

A similar project was held last year and it was so successful that both the Fujian Educational Department and Crane House decided to continue it this year.

According to Helen Lew Lang, the president and founder of Crane House said the organization aims to promote Chinese cul-

ture and cuisine within the community through educational and awareness activities. There is a growing interest in Chinese culture among Louisville residents, she said. This stems from an increasing number of people who have travelled to China, the presence of international students at local universities, and increased business activity.

The organization hopes to expand its educational programmes, particularly among young students who can enrich

their lives through an appreciation of Chinese culture, which is so different from their own, Lang said.

Crane House is working jointly with the International Centre of the University of Louisville and has received generous support grants from the First Bank of Louisville and Arthur Young and Company.

As a non-profit corporation, Crane House is governed by a volunteer board of directors composed of a cross-section of Louisville education and business, including representatives of the Chinese-American community. □

Asian Games on Schedule

The Asian Games (AG) will take place as scheduled in 1990 despite delays caused by Beijing's recent turmoil, announced Zhang Baifa, deputy director of the AG organizing committee.

The recent turmoil had caused some inconveniences, he said. Building material couldn't be delivered because of traffic jams and workers were unable to get to work punctually. The more than 30,000 construction workers will battle to make up for lost time in the remaining 400 plus days.

Chen Xitong, Beijing mayor and chairman of the Asian Games organizing committee said that as Beijing is returning to normal, construction is proceeding as required.

Chen said that thanks to the all-out effort and support of both domestic and foreign personnel, the 11th Asian Games will be the most successful ever. Most of the 27 gymnasiums, he said, are already completed. A few attachments such as television relay and news centres that need to be finished are under heated construction and so is the power and

water supply network.

Chen announced that the organizing committee has raised 368 million yuan and another 232 million yuan is still needed. To cover the expenditure, the central government has decided to allocate 348 million yuan from existing budgets and has also approved the issuance of 400 million yuan worth of lottery-bond tickets by the organizing committee. The lottery-bond tickets alone are expected to bring in 120 million yuan in profit.

Meanwhile, the 1,478 participating athletes have stepped up their training. Yuan Weimin, vice-minister of the State Physical Culture and Sports Commission, said a reserve team will be selected after September and the China Athletes' Delegation will be officially organized by the end of this year. He announced that all the Chinese gold medalists at the previous Seoul Asian Games will participate in the competition in Beijing.

The gala sports gathering in 1990 is expected to draw an estimated 20,000 spectators, 3,000 of whom will be journalists. □



On a Mountain Town.

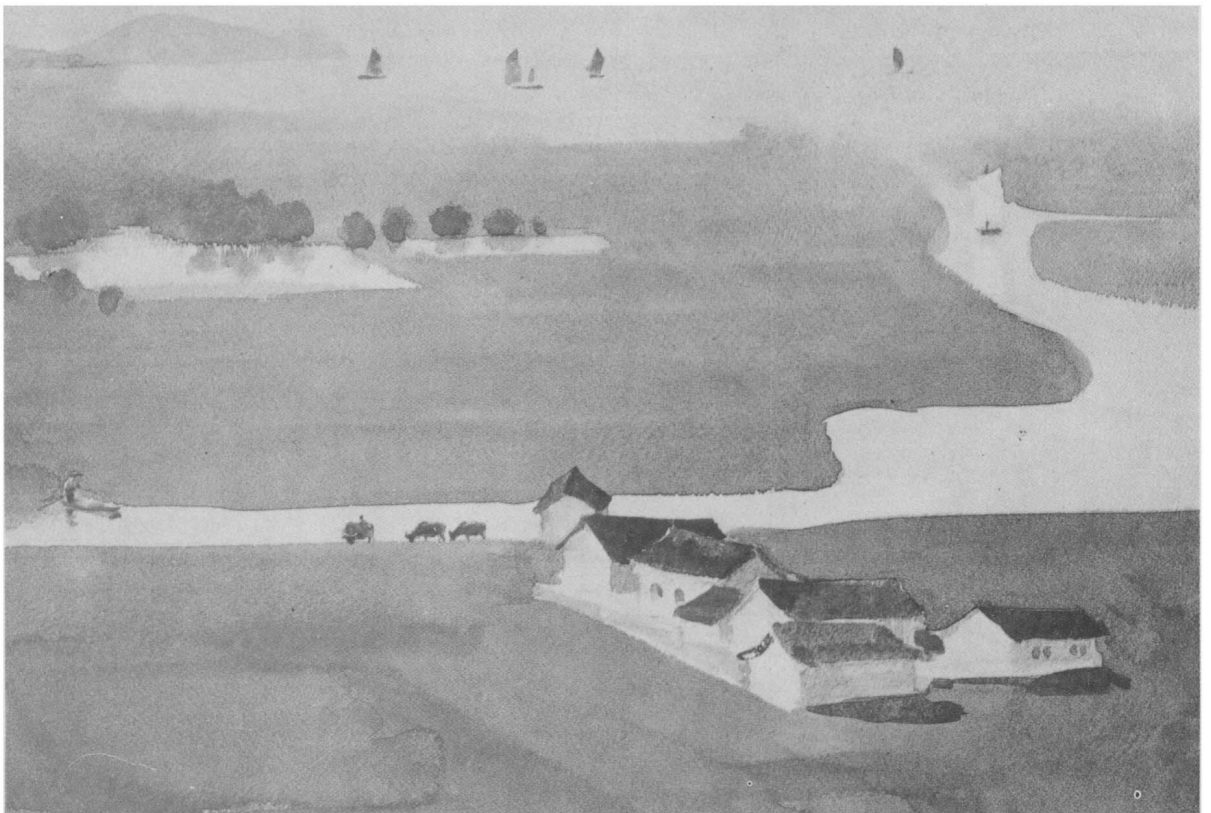


Paddy Fields in a Mountainous Area.

ART PAGE

Watercolour Paintings by Gu Yuan

Born in Zhongshan County, Guangdong Province, in 1919, Gu Yuan is a well-known woodcut artist and vice-chairman of the China Artists' Association. These watercolour paintings show his unique clear, bright and free style.



Waterside Village.

Chinese Trumpet Creeper: Trueran Gauze



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