

A CHINESE WEEKLY OF NEWS AND VIEWS

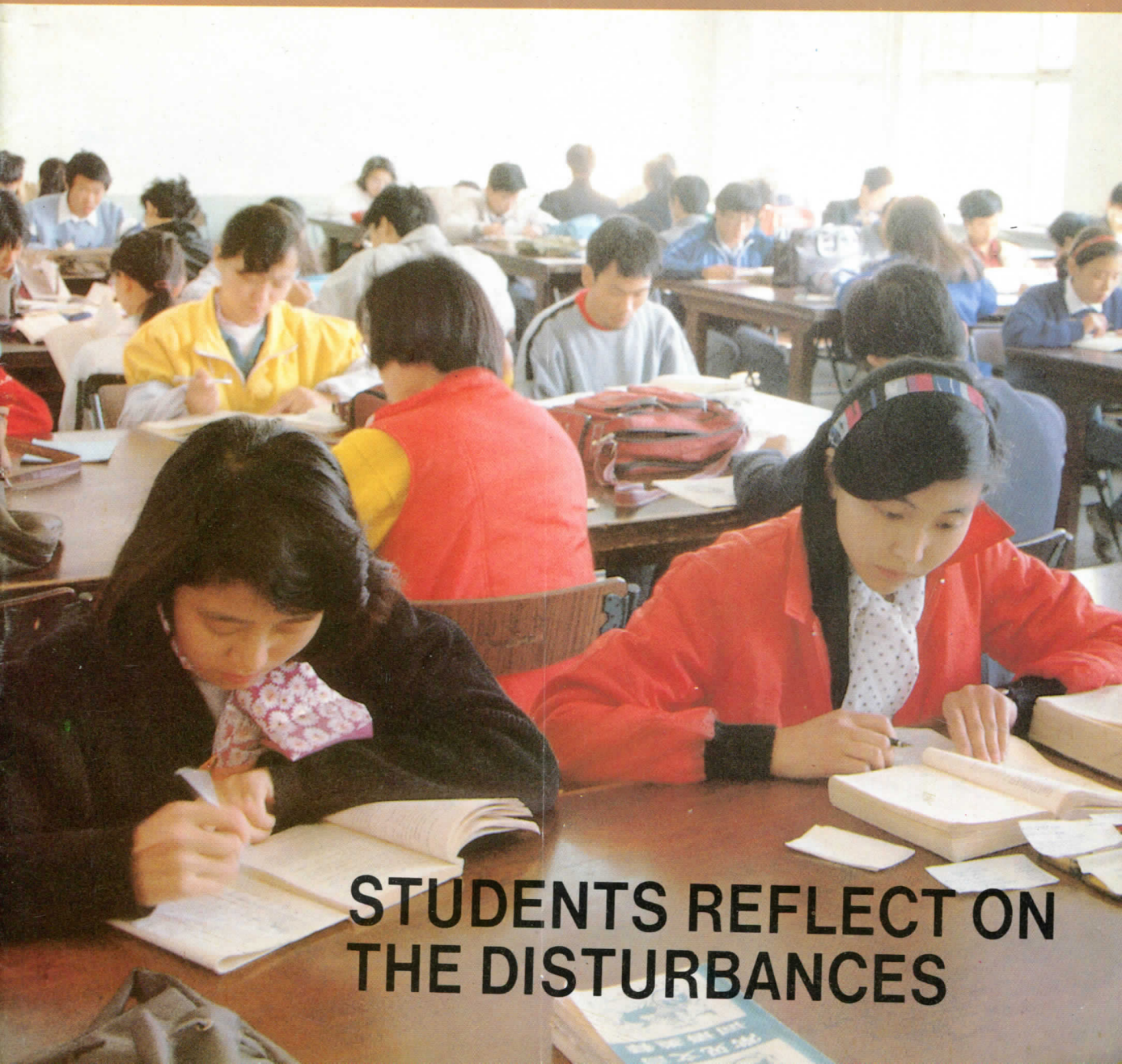
# Beijing Review

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## Crack Down on Official Profiteering



**STUDENTS REFLECT ON  
THE DISTURBANCES**





Farmers who have formed their own waist drum group on their way to town to take part in a contest.

*Photo by Yuan Xuejun*

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**COVER:** The library in Beijing University has a full house after the putting down of the disturbance.

by Xue Chao

## Tiananmen Martial Law Troops Replaced

□ Following an order by the Beijing municipal government and the martial law enforcement headquarters, the PLA martial law enforcement troops stationed in Tiananmen Square were replaced by the armed police on November 1. And the PLA soldiers withdrew from Beijing's major road junctions on October 30 (p. 4).

## Deng Meets With Nixon

□ China's senior leader Deng Xiaoping met with former US president Richard Nixon who was on his sixth visit to China. Deng said China hopes the two countries "will solve as soon as possible the problems in their relations and will create a sound basis on which to promote future ties. However, it is up to the United States to take the initiative" (p. 5).

## Clean Up Companies to Stop Official Profiteering

□ One campaign to clean up companies to overcome official profiteering was launched in 1985 but it was not successful. In the current clean-up, superfluous and poorly managed firms are either dissolved or merged, company officials asked to resign their positions, and a crack down on illegal activities carried out. The purpose of the campaign is to improve the management of existing companies and create a better environment for deepening reform and opening up (p. 14).

## The Campuses After the Disturbance

□ This past spring's disturbance in Beijing has disappeared, gone like a bad dream and students, returned from summer vacation, are now able to appreciate the value of a quiet and stable study environment. The lost time cannot be completely regained. However, many students reflect on the lessons to be learnt from the repercussions of the student movement (p. 19).

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

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## Demonstration Law Approved

China's first Law on Mass Rallies and Demonstrations has been adopted by the country's highest legislative body, the National People's Congress (NPC).

The law has five chapters and 36 articles dealing with applications for the holding of rallies, the procedures for conducting demonstrations and rallies and legal liabilities of demonstrators.

The law was adopted at the closing session of the 10th meeting of the 7th NPC Standing Committee in Beijing and went into effect October 31.

The new law is aimed at protecting citizens' legal rights to gather, parade and demonstrate, while safeguarding social stability and public order.

It spells out that citizens should observe the Constitution and the laws when exercising their right to gather, parade and demonstrate. They should neither go against the basic principles of the Constitution, nor infringe upon the interests of the state, society, collectives or the legal rights and freedom of other citizens.

According to the new law, demonstrations should be carried out peacefully and arms and explosives are strictly forbidden. Acts of violence or incitement to violence are also prohibited.

Written applications should be submitted to the local police bureau in accordance with the law five days before the demonstration date.

Departments responsible should inform the applicants in writing whether the demonstration is permitted two days prior to the date of the demonstration. In case permission is denied, reasons for such denial must be clearly given. Any delay in replying to applications will be regarded as permission.

Demonstrations will not be permitted if they go against the Constitution, infringe upon the country's reunification, sovereignty or territorial integrity, or incite national separatism.

In addition, demonstrations threatening public security or social order are also outlawed.

No government employees are allowed to organize or take part in any gathering, parade or demonstration if such action conflicts with their duties and obligations specified in relevant laws and regulations.

The police are empowered by law to take any necessary measure to disperse unlawful gatherings, parades and demonstrations.

The law is also applicable to foreigners in China who want to hold demonstrations. Moreover, without permission from the relevant departments, foreigners will not be allowed to join any demonstration, gathering or par-

ade organized by Chinese citizens.

During the meeting, members of the NPC Standing Committee made a decision to suspend Szeto Wah and C.M. Lee as members of the Hong Kong Basic Law Drafting Committee from Hong Kong, saying that they "would not be allowed to participate in the committee work unless they abandon their antagonistic stand against the Chinese government and their attempts to nullify the Sino-British Joint Declaration on the Question of Hong Kong."

Ji Pengfei, drafting committee chairman, told the meeting that the two indulged in many actions since June that did not conform with their status as committee members.

The meeting also approved the resignations of Louis Cha Leung Yung and Kwong Kong Kit, also members of the drafting committee from Hong Kong, who offered to quit in May. The NPC Standing Committee hoped they would continue to make contributions to the drafting work. □

## Martial Law Troops Replaced in Tiananmen Square

On November 1, Beijing's martial law troops at Tiananmen Square were replaced by armed police.

The Beijing municipal government and the martial law enforcement headquarters of the Chinese People's Liberation Army said in their order issued on October 30 that the measure was taken because the situation in the capital had become more stable and the social order of the city had been basically restored.

Under the order all martial law sentries posted along overpasses and at crossroads were withdrawn on October 30.

The order said that to maintain social order in the capital, some of the martial law troops stationed in Beijing proper and its outskirts would continue to perform their enforcement duties together with Beijing's public security men and armed police.

The order also required all citizens to follow the law and all regulations and to maintain normal working, teaching, scientific research and social routines.

An officer of the martial law enforcement troops said about 3 million Chinese and foreign tourists had visited Tiananmen Square since the quelling of the counter-revolutionary rebellion in June. □



Chinese senior leader Deng Xiaoping meets with former US President Richard Nixon in Beijing on October 31. CUI BAOLIN

## US Must Take Steps to Patch Up Sino-US Rift

**T**he United States should take the initiative to solve the problems that have cropped up in Sino-US relations in the past few months, thus reforging ties for the future.

China's senior leader Deng Xiaoping made the comment during a 95-minute meeting with former US President Richard Nixon, in the Great Hall of the People in Beijing on October 31.

At the beginning of the meeting, Nixon mentioned that he had visited China on several occasions and had been welcomed each time. This was Nixon's sixth visit to China.

"What you have done deserves welcoming," Deng told Nixon. He added that Nixon's trip to China in 1972 was "wise and brave" and that it had changed the long-standing estrangement between China and the United States.

Nixon said that over the past 17 years he has been a close observer of Sino-US relations. Currently, the bilateral relations are facing serious tests and states-

men from both countries should work out ways to restore and boost normal relations, he added.

Deng said this was also China's desire. In the past decade and more, he noted, China has not harmed the US in any way. "But, frankly speaking, the US was involved too deeply in the turmoil and counter-revolutionary rebellion which occurred in Beijing not long ago," Deng said. "China was the real victim and it is unjust to reprove China for it.

"We are all concerned about our own countries and we handle issues by taking the national interest as the highest criterion," Deng continued. "We can never forget state sovereignty and national honour, nor can we do away with national self-respect."

He described non-interference in each other's internal affairs as "very essential" for state-to-state relations.

"China will not allow any country to interfere in its internal affairs," Deng said.

On domestic issues, Deng told Nixon that stability is an over-

whelmingly important task in China. "Without a political situation marked by stability and unity, and without a stable social order we can accomplish nothing in a country with such a huge population and poor foundation," he added.

Chinese Communist Party General Secretary Jiang Zemin met Nixon the same day.

Jiang welcomed his guest and expressed the hope that Nixon would contribute further to the development of Sino-American relations.

"No matter whether we hold public office or not, we all work for the interests of our own countries," Jiang said. Although China and the US have different social systems and values, they have a common interest in safeguarding world peace and stability, and in developing economic and trade relations of equality and mutual benefit, he added. This was true 17 years ago and is still true today, Jiang said.

China "will unswervingly pursue a socialist road suiting Chi-

na's particular circumstances and with Chinese characteristics," the general secretary said. He reassured Nixon that the opened door of China will not be closed again. China will not isolate itself from international relations.

Jiang answered questions raised by Nixon on China's reform and open policy and other issues.

"We will not just pay lip service to upholding the reform and the open policy," Jiang told Nixon, "but we will also take down-to-earth steps, including the implementation of certain major projects and the improvement of relevant laws and regulations, to make them more effective."

When Chinese Premier Li Peng met with Nixon on October 30, Li briefed his guest on China's domestic situation and the country's policy for development.

He said China views its reform quite differently than some people in the West. China holds that the reform is designed to perfect the socialist system.

China, he said, will practise neither a complete planned economy nor a complete market economy. What China is doing is to combine planned economy with market adjustment.

In his toast at the welcoming banquet for Nixon, Li said Sino-US relations had obviously developed and the world situation had profoundly changed since Nixon's first visit 17 years ago. The old international political and economic order could no longer meet the changed circumstances. "History has challenged us with the task of establishing a new international political and economic order," Li added.

Li described the growth of Sino-US relations over the past 17 years as generally "satisfactory." Although there had been some twists and turns and prob-

lems, the two sides have come through difficult times by joint efforts, he added. This shows that common interests truly exist between the two countries and constitute the basic motivating force for the growth of bilateral relations.

"Meanwhile," said Li, "we never deny the big differences between the two countries in social systems and ideology."

Nixon said, "The challenges before the two countries are enormous, but the opportunities are also great, for together they can help to create an era of un-

precedented peace and prosperity for the two peoples."

Chinese President Yang Shangkun met with Nixon on November 1 and said that China's policy towards the United States remained unchanged. China's views on the general pattern of the world situation also remained unchanged, Yang said.

Nixon said, "It is destiny for two nations as great as ours to work together, both for ourselves and for the world."

The former US president, who arrived in Beijing on October 28, stayed in China for five days. □

## Communist Pioneer Commemorated

Party and state leaders Jiang Zemin, Yang Shangkun and Li Peng joined more than 1,000 people at a rally October 28 to commemorate the 100th birthday anniversary of Li Dazhao, one of the founders of the Communist Party of China.

Addressing the rally, Jiang Zemin, general secretary of the Chinese Communist Party's Central Committee, called Li Dazhao "a pioneer of the Chinese Communist movement,

a great Marxist, an outstanding proletarian revolutionary and a great patriot."

Li Dazhao took the lead in spreading Marxism in China after the success of the Russian Revolution in 1917, thus charting a new socialist road for China's development.

As one of the eminent leaders of the Chinese Communist Party in its early period, Li Dazhao occupies a noble historical position in terms of China's Com-

Viewers study a display of Li Dazhao's life story in the library of Beijing University.

TANG SHIZENG







The Central Committee of the Chinese Communist Party holds a rally on October 28 to commemorate the 100th birthday of Communist pioneer Li Dazhao.  
GUO ZHANYING

unist movement and the emancipation of the Chinese nation, Jiang said.

As a young man, Li Dazhao, born in October 1889, believed that every man was responsible for the fate of his country. Reading, he believed, would make a nation powerful and the people rich. Therefore, he kept up his schooling despite leading an impoverished life. He became a famous professor and leader of the Chinese Communist Party.

He wrote political essays, poems, teaching materials and other statements to propagate revolution. He led the May Fourth Movement in 1919. The late Chairman Mao Zedong said that Li Dazhao was his teacher and he became a Marxist with his help and influence.

In April 1927, Li Dazhao was arrested and tortured by the enemy, who shoved bamboo strips under his fingernails. But he chose to die rather than to sur-

render. He was hanged on October 29, 1927.

Jiang noted that Li's theoretical analysis, in which he effectively integrated Marxist tenets with the conditions of the Chinese Revolution, still enlightens the Chinese people today.

"Li's ideological and theoretical heritage is part of the valuable spiritual wealth of the Communist Party and the Chinese nation, and is of immediate significance in advancing the country's ongoing modernization drive," Jiang stated.

"In cherishing Li's memory at a time when external antagonistic forces are pursuing the strategy of 'peaceful evolution' and some people at home are advocating bourgeois liberalization, it is necessary to review the experience of Li Dazhao and other revolutionary forerunners in probing new roads towards a prosperous and strong China," Jiang said. "This will help us to

keep a sober mind about the law of China's social development and to build up confidence in socialism.

"It is also necessary to use Marxism to battle the erroneous tendency to oppose the basic theory of Marxism and blindly follow bourgeois ideologies of Western countries," he stressed. "We must develop Marxism in China through drawing on the experience of other countries and learning from their new scientific and technological findings."

Jiang called on all Party and government officials, particularly senior Party officials, to have a real mastery of Marxism and to concentrate on encouraging young Marxists.

"This is virtually an issue of strategic importance relating to whether China can uphold and develop socialism," Jiang said.

"The younger generation especially should learn from Li Da-

zhao and other revolutionary forerunners who had firm beliefs and noble morality. They should inherit and carry forward

the fine traditions of the Party while resisting the corrosive influence of the decadent feudal and bourgeois ideologies." □

## Statistics Show Economic Growth

**C**hina's gross national product for the first nine months of this year was estimated at 1,140.9 billion yuan, a five percent increase over the same period last year.

Zhang Zhongji, a State Statistics Bureau spokesman, also told a news conference October 20 that grain output for the year is expected to reach 400 million tons, a slight increase over last year. Because the areas sown with autumn crops have been expanded, output in most of the major grain producing areas is expected to increase despite losses due to natural disasters in northeast and north China.

By the end of September, the state had bought 4.95 million tons more grain than in the same period last year. The production of meat, vegetables, fruits and aquatic products also increased.

The national industrial output value reached 961.7 billion yuan by the end of September, an increase of 8.9 percent over the same period last year.

Of the total figure, state-owned enterprises contributed 599.5 billion yuan, a 5.2 percent increase; collectively-owned enterprises contributed 321.3 billion yuan, a 12.5 percent increase; and rural township enterprises contributed 144.1 billion yuan, a 17.4 percent increase.

The growth rate of the energy industry compared with that of industrial growth as a whole increased to a ratio of 0.78:1 from 0.25:1 for the same period last year.

Other important industries such as steel, nonferrous metals, chemical raw materials, fertiliz-

ers and textiles overcame losses at the beginning of the year to register increases ranging from 3 to 22 percent.

Zhang said the state has gained initial control over capital investment, inflation, consumption, and bank loans.

During the first nine months of this year, China's capital construction projects fell by two-thirds over the same period last year. The number of newly-started capital building and renovation projects was only about 10,000.

The retail price index grew 22 percent in the January-September period over the same period last year. But the fresh

price hikes made up only 7.6 percent of the national retail price index, contrasting sharply with that of the same period last year.

In view of the latest economic results, China has made some periodic achievements in its rectification efforts. The trend of development is on the whole rational, Zhang said.

However, he pointed out, China has to deal with the imbalance in supply and demand, a problem left over by the economic overheating of the past few years.

He said markets are weakening and the problem of large inventories of some goods is serious. Some industrial and commercial enterprises are having cash flow problems, and some enterprises have cut back production due to misgivings about the ongoing economic rectification and uncertainty over the policy of cleaning up the government. □

## Support Project for Poor Area Succeeds

**M**ore than 7 million people living in central Gansu Province and the adjoining Xihaigu area of the Ningxia Hui Autonomous Region in northwest China are leading better lives today.

Before 1982, 75 percent of the population in the biggest poverty-stricken area of China could not support themselves. They had difficulties finding enough to eat and wear.

Since 1983, the State Council has invested 200 million yuan each year in an agricultural development project there. The goal was to solve the food and clothing shortage within 10 years. After nearly seven years, the population considered poor has dropped to 15 percent. About 20 percent of the population are on the way to becoming better-

off.

According to statistics disclosed at a recent working conference in Ningxia, per capita grain has increased to 260 kilograms from 152.5 kilograms in 1982 in 20 poor counties in the central part of Gansu Province. The average annual net income per farmer has reached 380 yuan.

In the eight counties in the Xihaigu area annual per capita grain is 240 kilograms and the average annual income is 210 yuan.

Beginning in the 1970s, the state provided about 250 million kilograms of grains to the farmers every year at an annual cost of more than 100 million yuan.

Since the agricultural project was launched, however, production conditions have improved. New irrigation networks cover-



ing tens of thousands of hectares have been set up. A total of about 200,000 hectares of farmland now have irrigation systems.

In the past two years, the production of starch, flax, animal products, carpets, weaving and embroidery and mineral products have been developed. This year, 560,000 people were sent out to other provinces to work.

After continuous efforts during the past seven years, the environment has improved. Soil erosion has been controlled on farmland covering 13,960 square kilometres. The expansion of forests and grassland has prom-

oted animal husbandry. This year, animal husbandry is expected to bring in 200 million yuan.

At a forum attended by local government officials, Chen Junsheng, state councillor and head of the State Council Leading Team for the Economic Development Programme for Poor Areas, stressed the development of individual economy and private enterprises. People should not hesitate to carry out this policy. Neither they should be afraid to develop individual businesses if they are operated legitimately and taxes are being paid according to the law, Chen said. □

## Scientists Discuss 'Peking Man'

**M**ore than 100 scholars from 10 countries attended a six-day international conference in Beijing on paleoanthropology in commemoration of the 60th anniversary of the discovery of "Peking man."

At the opening session on October 19, Professor Wu Rukang, an anthropologist from the Chinese Academy of Sciences, reported on China's latest achievements in paleoanthropology.

Over the past 60 years, especially since the founding of the People's Republic of China, a large number of human fossils from different periods have been discovered in China. These fossils have formed a complete chain of human evolution, Wu said.

The discoveries have also greatly supported the theory of continuity of human evolution. At the same time they have provided important clues to the study of genetic exchange between early man in China and in neighbouring areas.

Chinese scientists have also discovered at least 150 significant cultural sites from the Old

Stone Age or Paleolithic Period in all parts of China except Shanghai and Tianjin.

The latest research shows that early man in China can be traced to 1 million years ago or possibly as early as 1.7 million years ago.

Over the past 100,000 years, some groups migrated to America, East Asia, Australia and some of the islands in Southeast Asia, Wu said.

Delegates attending the conference agreed that without the findings of Chinese paleoanthropology, answers to questions dealing with the evolution and migration of the ape man or the origins of the Mongoloids, Australians, Americans and so on, could not be found.

The first skull of Peking man was discovered by Chinese scientist Pei Wenzhong on December 2, 1929, in Zhoukoudian, a small village 50 kilometres southwest of Beijing. The discovery marked a milestone in paleoanthropology.

Recently a Chinese scientist calculated that Peking man was 578,000 years old.

Since the first skull fossil of Peking man was discovered,

scientists have argued about his age. Some believe he is about 460,000 to 230,000 years old and some say about 690,000 to 220,000 years old.

Professor Huang Peinian of the Chinese University of Science and Technology took five years to conclude that Peking man was 578,000 years old. The process involved the use of a nuclear reactor and measuring the accumulated radiation in fossils of animals' teeth from the period of the Peking man.

Huang also buried highly sensitive irradiation-measuring devices in places where ape fossils were discovered to determine the chronological irradiation rate of Peking man.

Of the six skulls excavated in Zhoukoudian, five, including the first one, were lost during World War II. The last one is kept in a safe at the Institute of Vertebrate and Paleoanthropology of the Chinese Academy of Sciences. □

## Beijing Steps Up AIDS Check

**T**he Beijing Health and Epidemic Prevention Department is to expand its AIDS monitoring system, checking all those infected with venereal diseases in the city.

The city will monitor all Chinese citizens who have daily contact with foreigners.

Up to now, Beijing has found 14 cases of AIDS in the city, including a Beijing citizen who had had homosexual contact with foreigners. The rest were all foreigners.

At the same time, the Beijing Public Health Bureau will cooperate with the Beijing Public Security Bureau and monitor sex criminals. If any AIDS-infected people are found, the two departments will immediately expand their monitoring scale. □

## Roadblocks to Middle East Peace Process

The Middle East peace process is like a car in stop-and-go traffic. And whenever the brakes are applied there is a general concern around the world.

by Li Sizhi

**W**hen visiting the United States in April, Israeli Prime Minister Yitzhak Shamir discussed a plan for elections in the occupied territories, a plan that was later adopted unanimously by the two parties within Israel's coalition government. Under Shamir's plan, there would be elections in the West Bank and Gaza Strip to choose Palestinian representatives to negotiate with Israel on an interim measure for autonomy. After five years, Israel and Palestine, along with neighbouring Egypt and Jordan, would consult to determine the final status of the occupied territories.

Just when the Palestine Liberation Organization (PLO) and Arab countries considered the possibility of accepting Shamir's plan, hardliners in Israel's Likud party put four conditions on the plan. The hardliners demanded the 19-month-old Palestinian uprising be halted, the exclusion of 140,000 Arabs living in East Jerusalem from participating in the elections, the refusal to withdraw Israeli troops from the occupied territories and to continue establishing Jewish settlements, and the refusal to recognize the PLO and the State of Palestine in the West Bank. Likud's action upset the rival Labour Party so much that it nearly led to the collapse of the coalition government. Under such disturbing circumstances, the PLO and Arab countries rejected Israel's election plan.

At the end of 1988, the PLO had made great concessions to-

wards Israel by recognizing it and establishing the State of Palestine to peacefully coexist with the State of Israel. This move has been widely supported by the international community. The Israeli plan for elections in the occupied territories was aimed at coping with increasingly heavy pressure from outside. While the United States started dialogue with the PLO, Israel persisted in a limited autonomous plan against the concept of the State of Palestine.

With only one country — the US — responding to Shamir's plan, the Middle East peace process came to a standstill.

To change the unfavourable situation, Egyptian President Hosni Mubarak raised a 10-point proposal in July and formally presented it to Israel in mid-September. This prompted much political activity in the Middle East for the final 20 days of September. PLO Chairman Yasser Arafat flew to Cairo three times; Swedish Foreign Minister Sten Andersson travelled to the Middle East; Israeli Minister of Defence Yitzhak Rabin journeyed to Egypt; Israeli Foreign Minister Moshe Arens and Minister of Finance Shimon Peres visited the US, followed by Mubarak and his Foreign Minister, Abd Al-Meguid. For a short time, there was a ray of hope at the end of the tunnel in the Middle East peace process.

According to the 10-point proposal, Israel must recognize the principle of "land for peace," stop building new Jewish settle-

ments in the occupied territories and allow Arab residents in East Jerusalem to take part in the elections, which should be put under international supervision. Israel should temporarily remove its troops from election areas during election time, the proposal said.

Mubarak wanted to help resolve the Arab-Israeli dispute by taking advantage of Egypt's special position — it has diplomatic relations with Israel and has just returned to the Arab League. The key to Mubarak's proposal was that Israel should accept the principle of "land for peace." Mubarak also suggested direct dialogue between Israel and Palestinians in Cairo to discuss the election issue on the basis of the 10-point proposal and Shamir's plan. Mubarak stressed that the Palestinian delegation should include Palestinians from outside the occupied territories and exiled people.

Many Middle East countries, especially the Arab moderates, welcomed the 10-point proposal. On September 17, Jordan Foreign Minister Marwan Al-Kasim said the proposal would be a test of Israel's determination and sincerity to settle the Arab-Israeli dispute.

At first the PLO reacted to Mubarak's proposal with caution because it did not include recognition of the PLO and the State of Palestine. But after reviewing the proposal several times, Arafat supported the proposal and the Israeli-Palestinian dialogue.

Appreciation for Egypt's peace

efforts poured in from Sweden, Italy, Spain, France and even the European Community. Rabin of Israel's Labour Party expressed his agreement with the proposal during his visit to Egypt. After talking with Mubarak, US President George Bush also favoured it and thought an Israeli-Palestinian dialogue necessary.

But just when matters seemed to have taken a favourable turn, the Israeli decision-making nucleus of cabinet, after nine hours of debate that stretched over two days, vetoed Peres' motion to accept the 10-point proposal.

It was a heavy blow to the Middle East peace process. The car had stopped again.

Shamir told his cabinet on October 6 that acceptance of Egypt's proposal would include the PLO in the Middle East peace process and would lead to the establishment of a Palestinian state. According to Shamir and the Likud bloc, accepting the "land for peace" proposal (Israel would withdraw from the Arab territories it occupied after the 1967 War in exchange for peace with the Palestinians) would amount to the recognition of a Palestinian state on Israeli-occupied territories. They also believed that agreement on an Israeli-Palestinian dialogue and Egypt's conditions on who could be in the Palestinian delegation would mean that several million Palestinian refugees in exile would have the right to return to Palestine. This, they said, would be equal to recognizing the PLO.

Although the Egyptian proposal was supported by the Labour Party in the Israeli coalition government, the Likud vetoed the proposal for Israeli-Palestinian dialogue. Despite repeated concessions from the PLO and the concerted efforts of the Arab countries to seek a solution to the conflict, the core of the question is with Israel, in particular with

Shamir and the unyielding Likud bloc.

The question now is what direction the Middle Eastern peace process will take. Some people hold that although the Israeli cabinet rejected Israeli-Palestinian dialogue, the momentum of shuttle diplomacy in the past few weeks, triggered by Egypt's 10-point proposals, is irresistible. As long as the US, which has influence on Israel, is active, the peace process in the troubled region will continue.

It is noticeable that Arens, also a member of the Likud, disclosed on October 6 that he had asked the "inner cabinet" to seek a compromise by accepting US Secretary of State James Baker's proposal that the United States, Egypt and Israel consult on the composition of the Palestinian delegation.

Arafat visited Egypt once again in early November to coordinate his position with Mubarak.

According to US officials, President Bush will dispatch State Department official Dennis Ross as his envoy to shuttle between Egypt and Israel in an attempt to seek a compromise on the Palestinian delegation's composition in order to keep the Israeli-Palestinian dialogue going.

But on the selection of the Palestinian delegation, intense bargaining is inevitable. Even if a delegation is formed, conflicts that are irreconcilable will still remain, and the dialogue will be prolonged. It is unrealistic to expect the Israeli-Arab conflict, which has survived many wars in the past 41 years, to be resolved in a short time. □

## China Sticks to 'One China' Policy

Xinhua News Agency Commentary (October 27)

**T**he Chinese Foreign Ministry recently announced that the Government of the People's Republic of China suspended diplomatic relations with Belize as of October 23. This step was taken because Belize had earlier established "diplomatic relations" with Taiwan. The Central American country's action contravened the principles enshrined in the joint communique on the establishment of diplomatic relations between Belize and China.

Chinese Premier Li Peng reiterated China's opposition to any attempt to create "one China, one Taiwan" or "two Chinas" at a meeting October 24 with the outgoing Philippine ambassador and six new ambassadors to China. It is known to the world that the stand of the Chinese

government on the issue of Taiwan is clear and unswerving. There is but one China and the Government of the People's Republic of China is the sole legitimate government representing all of China, and Taiwan is an inalienable part of Chinese territory. This is the premise for any country to establish and maintain diplomatic relations with China. China is a principled country and clearly persists in following its own principle in international activities. Today, it is only a pipe dream to expect for China to give in on allowing the creation of "two Chinas."

Recently, the Taiwan authorities have given no thought to the fundamental interests of China and a future of peaceful reunification of the motherland. They

are peddling "elastic diplomacy" and "dual recognition" in an attempt to create "two Chinas" or "one China, one Taiwan." According to various sources, Taiwan authorities have tried every possible means to establish or resume diplomatic relations with some countries and even dared to behave dishonourably. For example, Taiwan has secretly given many economic benefits to some countries. Its "political figures" slipped away from Taiwan to engage in activities in some countries by going through the back door and even concealed their true identities when attending meetings with foreign leaders by disguising themselves as foreign guests. With the aim of establishing or resuming diplomatic relations, Taiwan authorities have used their financial strength to buy friendship from countries with economic difficulties. This practice is held in contempt by the international community and deemed a "dollar policy" even by newspapers published in Taiwan. Some Taiwan authorities are not ashamed of their contemptible actions. On the contrary, they are pleased with their "diplomatic breakthroughs." However, any action which runs counter to the goal of peaceful reunification of the motherland and the fundamental interests of the Chinese people, including those living in Taiwan, is unpopular and opposed by farsighted Chinese at home and abroad. Even Taiwan newspapers recognized that such a "diplomatic tactic to preach about creating 'two Chinas'" will reduce Taiwanese awareness of the territorial integrity of China as a nation. If this continues for a long time, China and Taiwan will become two separate countries. Therefore, this so-called "pragmatic diplomacy" is dangerous. Public opinion shows that there are many people in Taiwan who hold the above views.

China as a big socialist country has always pursued an independent foreign policy of peace and hopes to develop friendly ties with all countries on the basis of the Five Principles of Peaceful Coexistence. The major role and influence played by China in world affairs cannot be denied. It is known to the world that China has all along supported and safeguarded the interests of the third world, and China's profound and friendly relations with those countries exert important influence on the international arena. A tiny number of countries think of their present situation and have acted on immediate interests. This is unwise and bound to be harmful to their fundamental interests. It is believed that these countries will take the world situation and their national interests into consideration, sever official and diplomatic relations with Taiwan and resume friendly relations with the People's Republic of China.

It is worthy of the Chinese people at home and abroad to note that for more than a year

Taiwan authorities have intensified their efforts to create "one China, one Taiwan" or "two Chinas." If such an action is allowed to develop, it will help those forces seeking Taiwan's independence and damage the great cause of peaceful reunification of the motherland. All the descendants of the Yan Di and Huang Di (the Yellow Emperor) at home and abroad have a responsibility to prevent Taiwan authorities from betraying the fundamental interests of China.

The "elastic diplomacy" pursued by Taiwan authorities has temporarily succeeded in a few individual countries, but it surely has no future and is doomed to fail. It is inevitable that Taiwan will return to the motherland and that the peaceful reunification of China will be realized, and this day will surely come. We advise that the Taiwan authorities, keeping peaceful reunification as the goal, not follow the road that creates "one China, one Taiwan" or "two Chinas." All patriotic Chinese people inside and outside China are watching Taiwan's actions. □

## A Challenge for Commonwealth

by Chen Tean

**T**he recent Commonwealth Summit in Kuala Lumpur produced a 29-page communique and was considered a success despite a bitter quarrel over whether to increase sanctions against South Africa.

While hailing improved East-West relations, the communique pointed out the need to help the financially strapped developing world and called for global efforts to overcome the international problems of drug trafficking, refugees, terrorism, regional disputes and environmental pollution.

The quarrel, which broke out and was popularly referred to in

the British press as "a storm in Kuala Lumpur," revolved around imposing more sanctions on South Africa for its apartheid policy.

Forty-eight out of the 49 Commonwealth nations favoured a tougher policy against South Africa with only Britain in opposition. A compromise declaration was eventually worked out that incorporated some of Britain's reservations. This declaration was signed by all 49 members including Britain. But just two hours later Britain turned around and issued its own declaration, saying it was impossible for it to explain its position in the



compromise declaration. Britain objected to a call for immediate tighter financial measures against South Africa and a six-month target date for Pretoria to reform or face new reprisals.

In the declaration signed by all Commonwealth members, the leaders called on relevant banks and financial institutions to impose tougher conditions on day-to-day trade financing with South Africa. They also asked all government agencies to refuse South Africa trade credit and insurance coverage. And they endorsed an Australian proposal for an eight-member independent agency to review and report on South Africa's international financial links.

The British press says the "storm in Kuala Lumpur" will be a test of Britain's policy towards South Africa and for the future of the Commonwealth.

Since the beginning of this century, South Africa, the last country in the world to practise a policy of apartheid, has issued 350 laws and decrees promoting segregation and discrimination. South Africa withdrew from the Commonwealth in 1961 when member nations adopted the principle of racial equality. Since then the Commonwealth nations have carried an anti-apartheid banner. Britain has condemned South Africa's apartheid policy but it has refused to impose overall sanctions. Instead, it has advocated a peaceful reform inside the South African government through dialogue.

Other members of the Commonwealth, however, hold quite different views. And the previous two Commonwealth Summits in 1985 and 1987 were dominated by debates about sanctions against South Africa. In 1986, the Commonwealth nations sent a commission to South Africa to size up the situation and apply "peaceful persuasion" to government leaders to change

their ways. The European Community also sent former British Foreign Secretary Sir Geoffrey Howe on a "peaceful mission" to South Africa. Neither delegation achieved success, with the first concluding that only economic sanctions could force the South African authorities to change their ways.

At the Kuala Lumpur Summit, British Prime Minister Margaret Thatcher pointed out that since the South African government has carried out some positive reforms, Commonwealth nations should encourage those reforms and post no further sanctions. More sanctions would only cause more poverty and tragedy for the South African people, she said.

The *Time* newspaper of London said the recent release of eight black leaders of the African National Congress by the South African government indicated a changing situation. But Sir Shridath Ramphal, former secretary-general of the Commonwealth, is suspicious of the intentions of South African President F.W. de Klerk, the paper said.

Britain's stand has been widely criticized and Thatcher is isolated from her Commonwealth counterparts. Robert Mugabe, president of Zimbabwe, criticized Thatcher's actions as despicable and unacceptable, and that Britain's stand is as good as supporting South Africa's racism. Canadian Prime Minister Brian Mulroney said South Africa welcomed Britain's favourable position. Even some British politicians have taken a critical attitude to the Thatcher government's South Africa policy, some sharply criticizing Britain's "Trojan Horse" role in the Malaysian capital.

However, Thatcher persists in her views. Asked at a press conference about her increasing isolation at recent Commonwealth

conference, she replied, "If it's one against 48, then I'm very sorry for the 48."

She also denied that Britain is facing unprecedented isolation. Compared with the Commonwealth Summit in Nassau in 1985, she said the Kuala Lumpur meeting was just a tempest in a teacup.

The unwillingness of Thatcher to impose over-all economic sanctions is because of South Africa's important strategic position, its traditional ties with Britain and Britain's great economic interests in that country. According to statistics, Britain is South Africa's second largest trading partner while South Africa is one of Britain's largest overseas investment countries. Britain's direct and indirect investments in South Africa reach US\$14 billion or more, accounting for 10 percent of its total overseas investment.

The conventional wisdom in London is that the Kuala Lumpur Summit increased the gap between Britain and other Commonwealth nations, thus threatening the unity of the Commonwealth. The Commonwealth only exists because of the ties between Britain and its former colonies. Since its founding more than 40 years ago, the Commonwealth has sought a stronger basis for its existence and most Commonwealth nations regard joint efforts in opposing racism as their current central task. But for Britain, although it regards the Commonwealth as one of the pillars of its tripartite diplomacy, the Commonwealth is not as important as Anglo-American relations or the European Community. Currently, there is no strong evidence that the Commonwealth will disintegrate over the recent controversy, but sharp differences on the South African problem are a challenge to the future of the Commonwealth. □

# China Cleans Up Companies To Stop Official Profiteering

by Our Staff Reporter Liu Jianjun

Since China introduced reform and the open policy in 1979, many companies have been set up as the commodity economy has developed rapidly throughout the country. The new businesses have helped stimulate production and circulation but their introduction was not without problems. Due to poor management, incomplete laws and the entrance into business activities by some Party and government organizations, the proliferation of companies got out of control. Speculation, bribery and other illegal activities, which disturbed the economic order, have aroused the public's indignation.

The Third Plenary Session of the 13th Party Central Committee decided to clean up and readjust the excessive number of companies in line with the principles for improving the economic environment and rectifying the economic order. Despite some reversals and setbacks, there was marked progress in the campaign.

## Craze for Companies

According to State Administration for Industry and Commerce statistics, the number of companies registered throughout the country, by the end of 1985, totalled 320,000. Readjustment later cut this number by 140,000, but did not fundamentally solve the problem of too many companies. By 1988, their number jumped to 400,000 (including branches), 63.6 percent of which were commercial companies employing some 40.88 million people. Private businesses, collective enterprises and state-owned fac-

ories were not the only units involved in the nationwide craze for business. Party and government organizations, public organizations and even the army, public security and judicial departments eagerly entered the distribution field of materials. Abusing their power and taking advantage of incomplete reform measures, many companies engaged in illegal management activities reaping huge profits by buying and reselling critically short raw materials and common, everyday commodities in high demand. Their activities increased the burden on both producers and consumers, disturbed the nation's economic order, drove up the price index and the rate of inflation, and disrupted the normal reform process. Since the clean-up began early this year, the following characteristics of the "company craze" have been uncovered:

**Party and Government Organizations Engaged in Business.** Statistics indicate the number of companies established by Party and government organizations at the central and local levels topped 60,000 by the end of 1988. They employed a total 47,956 cadres of the Party and government organizations above the county level in full- or part-time jobs. Of this total, cadres at the provincial and ministerial levels numbered 246, cadres at the government department level, 2,324, and cadres at the county level 8,193.

**Excessive Dealings in the Major Means of Production and of Consumer Goods in High Demand.** Companies engaged in the trade

of important means of production and consumer goods numbered about 187,500 by the end of 1988. One example is the Kanghua Development Corp. directly affiliated to the State Council, under which 200 branch companies were engaged in the supply and distribution of materials. In Jinan, capital of Shandong Province, more than 1,300 companies engaged in the trade of building materials. More than 110,000 companies founded nationwide in the latter half of 1986 were basically traders of important materials. Most of the production-, science- and technology-oriented companies also traded in materials and commodities.

**Interlocking Business and Government Management.** Foreign trade departments throughout China recently established nearly 1,000 new companies. Heilongjiang Province alone approved in the past year the founding of 136 foreign trade companies oriented towards the Soviet Union and Eastern Europe. As "one shop with two signboards," most of these companies held both administrative and management powers and in many places, the material supply departments were internally government institutions while externally business companies.

**Numerous Illegal Management Cases.** There are 23,367 companies whose registered capital does not agree with their available funds and another 35,575 were found to be involved in other types of illegal management activities. The majority of the existing companies have different de-

gresses of management problems, and a total 1.3 million cases of illegal dealings, including more than 1,000 of serious, have been detected so far.

### Official Profiteering

The glaring problems found in companies are blamed on both Party and government organizations' abuse of power by illegally reselling important materials and everyday consumer goods in great demand for profit. This is commonly known as "official profiteering." Initial investigation of a few companies run by Party and government organizations revealed that these companies had been engaged in the resale of motor vehicles, rolled steel, petroleum, colour TV sets and many other everyday consumer goods in short supply, and had illegally sold import and export licences and foreign exchange. Almost all of them were also found to have evaded taxes.

The International Economic Development Co. affiliated with the Hunan provincial government is one example. In less than a year's time, the company resold 560,000 pieces of imported plywood at marked-up prices, 98,000 imported compressors, 12,000 cu-

bic metres of timber and 2,000 tons of silicon manganese, generating thereby an illegal profit of 2.81 million yuan. Another example is the Materials Supply Cooperation Co. of the Changsha city government which netted 500,000 yuan by reselling motor vehicles, cement and rolled steel, likewise, at marked-up prices.

Taking advantage of its power to allocate timber, a lumber company under the Heilongjiang provincial government made an illegal profit of 4.15 million yuan by selling its state quota of 68 million cubic metres of timber and then reselling an additional 105,000 cubic metres.

The Petrochemical Fittings Co., run by the Petrochemical Department of the Jiangsu provincial government, also taking advantage of its power to allocate materials, resold at a jacked-up price, 7,000 tons of steel supplied to it according to the state plan. It netted 1.09 million yuan in profit and the price of per ton of steel then skyrocketed from the state-set price of 886 yuan to 5,570 yuan.

Still another example is the Light Industrial Corp. under the Ministry of the Light Industry which, abusing its administrative

power, conducted seven years of illegal business activities and netted more than 20 million yuan in profit even without obtaining a business licence.

Although the companies' products and location differ, the goal of all official profiteers is generally the same—to buy and resell goods in large quantities for huge profits by taking advantage of the scarcity of such commodities as colour TV sets, refrigerators, cotton cloth, paper and other everyday articles.

Some companies, especially those with foreign exchange and import and export powers and those in coastal provinces and cities, abused their power by reselling foreign exchange and import and export licences. By doing so, they turned their administrative power into a special commodity which could earn them enormous profit.

Other companies have even swindled customers with bogus contracts worth up to 100 million yuan. Still others, putting profit first, dealt in poor-quality, counterfeit merchandise, much to the detriment of consumer interest. The Hunan Medicinal Herbs Co., for instance, sold 1,173 tons of decomposed, useless root of herbaceous peony (*Paeonia lactiflora*) and netted a profit of 3.11 million yuan.

After earning such staggering profits, these companies then violated auditing requirements by retaining profits and evading taxes. The Shanghai branch of the Kanghua Development Corp. evaded 3.15 million yuan in taxes in just one transaction, and, in another case, Kanghua's Shenzhen branch failed to pay 4 million yuan in tax in one transaction. The illegal money was usually distributed to individuals or, in other ways, squandered.

According to the State Administration for Industry and Commerce, 52 percent of the 309 serious cases of illegal economic

Smokers of Chengdu, Sichuan Province, line up to buy low-priced cigarettes totalling 30,000 cartons confiscated by the city's tobacco bureau from a company speculating in cigarettes.

XIONG RUQING

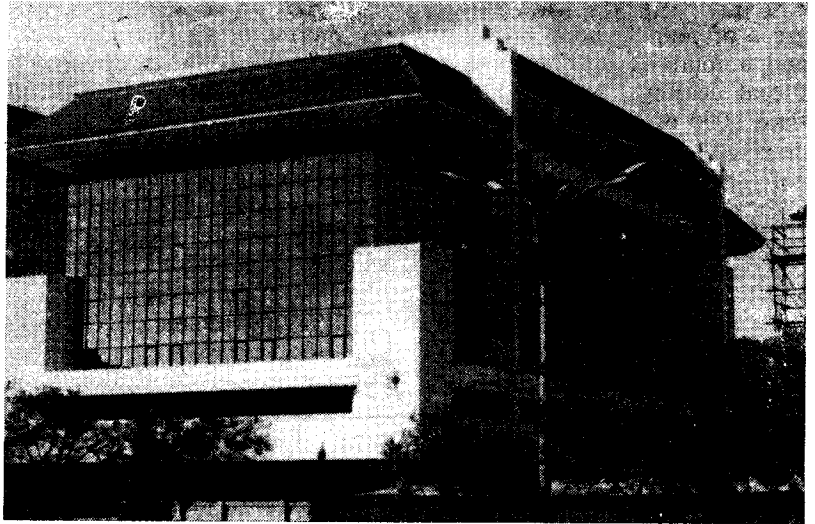


activities handled recently which involved state-owned enterprises and government organizations spread among 36 trades. These trades included material supply, light industry, foreign trade, commerce, metallurgy and tobacco. Material supply departments, though, were the biggest offenders; the reselling of the means of production, daily necessities and quotas for supply of goods made up more than 90 percent of all cases.

The proliferation of official profiteering and other serious illegal activities resulted, in getting the state's planned economy and market regulation out of control, seriously disrupting the normal factory production and people's livelihood. The ramifications are highlighted by the large number of cases of corruption, waste and abuse of power. For instance, between June and August this year, every staff member of the Shanxi Nonferrous Metal Industrial Co. gained 5,460 yuan from the company's resale activities, a sum equivalent to an ordinary Chinese worker's salary for four years. Another example is the Kanghua Huaihai Co. in Xuzhou, Jiangsu Province, which squandered 400,000 yuan on banquets and feasts in the first few months after its inauguration. These kinds of activities have seriously corrupted social values, tarnished the prestige of the Party and government and aroused strong public resentment, an important factor in the disturbances which occurred in many locations around China in spring this year.

## Two Rounds of Clean-Up

Given the public discontent with official profiteering, the Party Central Committee and the State Council, since 1985, have conducted two rounds of clean-up of profiteering activities in the large number of companies in the



The State Council recently confiscated this de luxe office building, which the China National Arts and Crafts Corp. under the Ministry of Light Industry had built with illegal earnings.  
TANG SHIZENG

distribution field.

In June 1985, the State Council issued a circular on cleaning up and rectifying companies which focused on problems found in Party and government organizations and on cadres engaged in business. Another goal of this campaign was the elimination of "briefcase" companies.

After more than a year's effort, 140,000 companies were dissolved. Although this first round of clean-up curbed the craze for companies, the hoped-for goals were not realized. The problem was that companies run by the State Council, the Party and government organizations at various levels were kept basically intact, those which were dissolved were in the main small companies, and most of the officials investigated and punished held positions lower than the county level. Major official profiteering cases and senior cadres engaged in business were left unscathed. As a result, the masses said the campaign "only beat the flies, not the tigers."

A more frenzied "company craze" followed when the endorsement by the State Council of the establishment of the China Kanghua Development Corp.

and several other big companies inspired localities to follow suit. Overnight, tens of thousands of government-run companies were set up, engaging in more illegal dealings than before.

After assessing the situation, the Party Central Committee and State Council decided in October 1988 to further clean up and rectify companies. Special departments were set up under the State Council and provincial and municipal governments. The State Auditing Administration was responsible for auditing companies affiliated with the State Council, and the State Administration for Industry and Commerce for investigating local companies. The three stages of clean-up and rectification, self-examination, spot-checking and the handling of cases discovered, targeted large financial companies and companies run by Party and government departments at various levels trading in materials and commodities.

This time, by the end of June 1989, the clean-up and rectification proved a success. Nationwide, 6,481 companies run by Party and government departments were dissolved or merged; 10,386 separated from their



founding Party and government departments; 1,063 amalgamated into the relevant trades; and another 3,044 run by public organizations were disbanded. In the process, a total of 42,925 Party and government cadres (including those in retirement) quit their company jobs; 25,884 illegal cases were exposed, and a total sum of 260 million yuan in fines confiscated. The investigation into the financial performance of more than 100 national companies uncovered 1.13 billion yuan of illegal gains and resulted in the successful prosecution of more than 300 Party and government officials for violation of state laws.

Despite such progress, however, the problem of bureaucratic profiteering was far from completely solved. More than 20,000 companies run by local Party and government departments had been put out of business, the giants run by the State Council all remained untouched. In particular, because the departments concerned had dragged their feet in handling the cases of Kanghua and four other big companies, localities had also moved slowly in cleaning up and rectifying their companies. This, plus the student unrest which followed, brought clean-up and rectification work to a standstill.

### Five Giants Audited

After the quelling of the turmoil, the Party Central Committee and State Council listed the work of clean-up and rectification at the top of seven matters to be dealt with in the near future and released, on August 15, the findings and audit results of the five largest companies in China.

From October 1988 to August 1989, the State Auditing Administration conducted an audit on the financial performance and probed possible illegal activities of the following companies: the

China Kanghua Development Corp., the China International Trust and Investment Corp. (CITIC), the Everbright Industrial Co., the China Incomic (Industry, Commerce and Economy) Development Corp. (CIDC), and the China Rural Trust and Investment Corp. (CRTIC).

Findings of the five companies' 79 branches (altogether they have 233 branches throughout the country) concluded that all had speculated in important production materials and foreign currencies and evaded payment of taxes. Some Kanghua branches, for example, had trafficked in automobiles, steel, crude oil and quota permits profiting to a tune of 3.31 million yuan; dealt in foreign currencies worth US\$5.5 million; and evaded 910,000 yuan of taxes. CITIC's 11 subsidiaries had speculated in production materials and hot-selling consumer goods for illegal earnings of 2.97 million yuan; trafficked in foreign currencies for US\$21.06 million; and evaded 560,000 yuan of taxes. Everbright had trafficked US\$47.25 million in foreign currencies and evaded 1.49 million yuan of taxes. CIDC had speculated in US\$5.82 million worth of foreign currencies.

CRTIC was found to have raised savings deposits and granted loans totalling 162 million yuan in violation of state law.

Punishments: Kanghua was fined 12.18 million yuan, CITIC 18.81 million yuan, Everbright 19.17 million yuan and CIDC 1.17 million yuan, of illegal dealings and tax evasion. CRTIC was ordered to return all the savings deposits it had raised and to call back all the loans it had granted in violation of state laws.

Kanghua, CIDC and all their subsidiaries were ordered to be dissolved.

Law-breakers would be sent to judicial organs for prosecution.

Liquidation committees have been set up for the companies.

In-house consolidation is being carried out in other companies by restructuring business and cutting off branch operations.

The clean-up and rectification of the five giants serves as a warning to companies nationwide.

### New Decisions, Progress

One day after releasing their verdicts on the five companies, the Party Central Committee and State Council decided on "further measures for cleaning up and rectifying companies" and launched the third round of national clean-up and rectification campaign.

The decision pointed out that the third round of clean-up and rectification was not only an economic problem but a political problem of national concern as well. Specific requirements were laid down in the decision: First, companies that were found incompatible with social needs, lacking proper operating conditions, in violation of state laws or duplicating establishments; and companies that were poorly operated and so deep in the red that assets did not cover liabilities were to be dissolved or emerged. In addition to financial companies, this was targeted particularly at superfluous and poorly managed companies run by Party and government departments at various levels which engaged in finance, wholesale commerce, foreign trade and supply of materials and goods. Second, illegal cases which involved county-level officials and higher and resulted in severe economic repercussions were to be probed and dealt with in a legal manner. Third, laws and rules were to be instituted or improved.

The decision was reinforced by the establishment of a 15-member group headed by Vice-Premier Tian Jiyun under the State Council along with sim-

ilar setups under provincial and municipal authorities. Since then much progress has been made in the clean-up and rectification. For example:

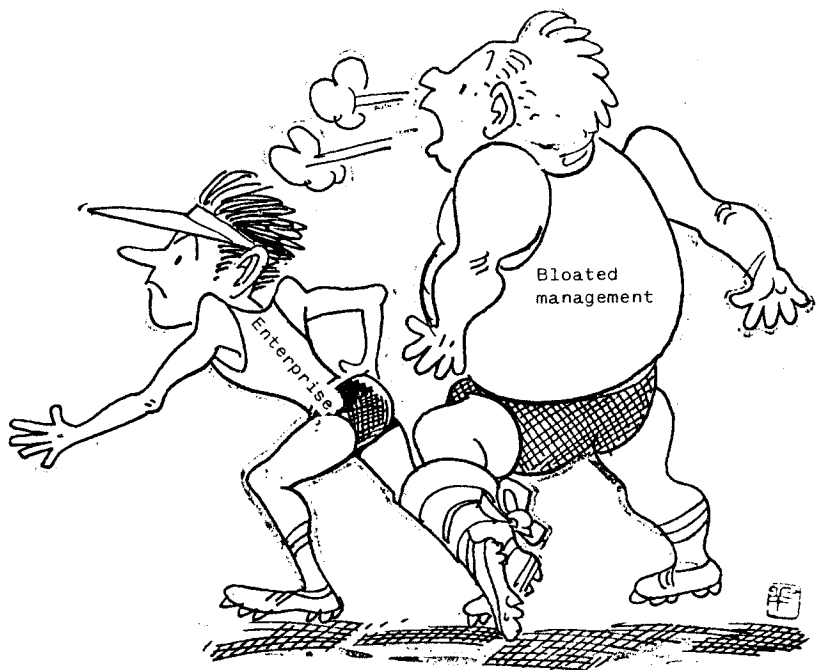
Spouses and children of Party Political Bureau members, Secretariat members and State Council officials have all quit their jobs in companies. Almost all high-ranking Party and government cadres, including provincial- and ministerial-level officials, have disassociated themselves from commercial companies.

Dozens or so big companies affiliated with the State Council are now under investigation and findings are expected to be soon released. Provinces, municipalities, ministries and commissions have begun dissolving or merging a group of companies that were found to have connections with officials. Shanghai, for example, cancelled two companies and merged two others run by the municipal government in September. In dealing with the case of the China National Arts and Crafts Corp. of the Ministry of Light Industry, the State Council confiscated the China Arts and Crafts Gallery which the corporation built with its illegal earnings and fined it 1 million yuan. Liaoning Province has begun to re-check all its companies founded after 1985.

A group of serious cases are now under the joint investigation by auditing, industrial, commercial, financial, tax and supervisory authorities and more than 1,000 Party and government officials have turned themselves in for bribery and embezzlement.

## Legality

The work to clean up and rectify companies, especially in the elimination of bureaucratic profiteering, has just begun. So far, only 47 percent of the nation's hundreds of thousands of companies have been singled out for



A mis-matched pair.

Cartoon by Wang Fuyang

investigation. So there is still a long way to go before all the companies are examined. Of concern now is the fact that while some companies are checked, new problems emerge in others. The recently discovered case of the Harbin International Trading Corp. trafficking in import licenses that earned it 1 million yuan illegally indicates that there is little basis for optimism even though some progress has been made in the clean-up and rectification campaign. Companies are still engaged in illegal dealings. Zheng Ning, director of the Financial Commission of the Beijing People's Congress Standing Committee, said that only 10 percent of the city's 6,000 companies had undergone review, and that the work of clean-up and rectification has not yet obtained the expected results.

Given this reality, she added, it is not enough to merely rely on a rush clean-up and rectification

campaign. The most important step is to close the loopholes in laws and regulations and make sure companies operate within the framework of state laws and regulations.

To enable companies to have laws to go by, the State Council is now working on China's first company law and the rules concerning company management. Fourteen departments in charge of foreign trade, commerce and supply of materials have been asked to draft laws and rules concerning financial performance, personnel, wages and bonuses, and fringe benefits.

Industrial, commercial, tax, auditing and supervisory authorities have decided to conduct an annual registration of companies so as to bring their operation under regular supervision.

Once put into effect, these new laws and rules will help eliminate confusion in companies and put the approval of the establishment

of companies, their management and examination under a standard and regular basis, so that the large-scale work of rectification as needed in the past when problems occurred can be avoided.

### Reform and Openness Unaffected

At the news conference held by the Standing Committee of the Political Bureau of the CPC Central Committee on September 26, Premier Li Peng said that "In cleaning up and rectifying companies, we are by no means denying their role in China's economic development, but, instead, intend to rectify superfluous and

poorly managed companies and ensure that existing companies are run well."

General Secretary Jiang Zemin said that "The purpose of our present clean-up is to create a better environment and condition for reform and openness." It is under this premise that the Chinese government will, on the one hand, clean up and rectify companies that are found to have seriously violated state laws in management, lack conditions necessary for operation or are poorly managed and, on the other hand, assist those companies promoting reform and playing a positive role in the development of the national economy.

The five big companies, al-

though guilty of illegal dealings, have contributed to "attracting foreign investment, technology and equipment and in promoting China's foreign trade and economic development."

The clean-up and rectification does not target Sino-foreign joint companies, Sino-foreign cooperative enterprises and wholly foreign-owned companies. Instead, the Chinese government encourages the establishment of such companies. Apart from the preferential terms heretofore offered, China will further improve the environment for foreign investment and perfect its laws and rules for the development of such companies. □

## Campuses After Disturbance

The disturbance in Beijing not long ago has disappeared like a nightmare. On the quiet university and college campuses, students resume normal study and actions. At the same time, they have begun to calmly think through the events of the turmoil. —Ed.

by Our Staff Reporters Huang Wei and Yao Jianguo

Of more than 70 institutions of higher learning, Beijing University, where the student movement in Beijing first began, was the last to resume classes in mid-October as 8,000 students returned.

Several months ago, big character posters (*dazibao*), attacking the Party and government, were put up here and there, and many people were frequently heard giving agitating speeches. Now time is spent on attending various lectures, bridge competitions, film parties and the TOEFL guidance class. The libraries, empty for several months, are now full houses, and students can be often seen studying beside *Weiming* Lake. According to the students affairs office, 90 percent of stu-

dents now attend class with the majority paying such close attention to the lecture that classes have an orderly appearance.

Students freshly returned from holidays feel the value of a quiet and stable study environment. Wang Zhimin, a graduate student at the second grade in the Journalist Department of People's University of China, said, "It's very pleasant to return to the classroom we haven't seen in about four months. Although the lost study time can't be completely regained, the lesson of the turmoil will be with us for our whole lives."

Almost all the students think about the lessons to be learnt from the student movement as they resume studies. Many students told reporters that owing

to the political disorder, they have become more mature than before. They think about hard questions: Why did the good will of the students become the opposite? How was the students' patriotic enthusiasm taken advantage by a handful of people? Why had so many people in Beijing taken part in the disorder?

### Democracy, Legislation and Chinese Conditions

For most students, the motion for taking part in the student movement was to promote the democratic progress in China. They didn't understand, however, just what democracy is and how best to promote it.

After the turmoil, many stu-

dents, though back to normal campus life, are overcome with regret because of their blind actions. They now have begun to consider the question how to promote the democratic procedure in China while the country has nearly 250 million illiterate and semi-illiterate people. Yuan Lin, a student of Beijing University of Science and Technology, said, "Now when we read the Constitution, we find how deplorable our acts were at that time. They ran counter to our professed desire for reinforcing legal system and promoting democracy." He then added, "The promotion of democracy in China should first deal with the specific conditions of the country."

The student movement didn't militate against the assignment of work to graduated students. At People's University of China, nearly 1,000 students have been assigned jobs. Jing Jianrui, a graduate majoring in research of Marxism-Leninism, frankly said, "I was not only an eyewitness of the political disorder but also a participant. Now, looking back, it is clear that when many young students and I went to the street asking for democracy, we were taking the exact measures required for its destruction. In China, socialist democracy is unified with legal system. Democracy does not mean the right to disturb social order and normal rule of universities, to infringe upon other's democratic rights, or to damage the stability and development of the society."

It should be noted that, since China introduced the policy of reform and opening to the outside world in 1979, democratic ideology has been reinforced among university students. However, because they know little about the Chinese conditions, some are so mesmerized by the



Students and teachers of the Information Science Department of the Library Science, Beijing University, study and discuss Jiang Zemin's National Day speech.  
XUE CHAO

prettified propaganda of the Western bourgeois democratic system that they blindly worship that system and want to introduce it to China. In the end, however, they were rebuffed.

After the turmoil, many students went out into society looking for answers to their questions. After returning to his hometown, a rural area in Sichuan Province, Li Zhongze, a student from the Chinese Literature Department of Beijing University, came to the conclusion that "China is a large backward agricultural country. This predetermines a long process before a prosperous economy and a democratic political system can be attained. It doesn't permit acting with undue haste because socialism and Chinese conditions don't allow transplanting the Western model." He was supported by his classmate, Liao Min, who said, "The students' vision is limited to the campus; they know little about the conditions of the country. In China, working people enjoy a vast right to be masters of the country; the ordinary workers and farmers can become deputies to the people's congresses and consult on affairs with the

leaders of the country. This situation is absolutely impossible in Western capitalist countries. We are used to empty talk on the campus about democratic enlightenment. As the student movement exemplified, with this attitude, we were bound to run up against the wall of China's reality."

Of nearly 40 students interviewed, almost all admitted they lacked a deep understanding of China's reality. Though their purpose was to promote democracy, their demands deviated from reality and thus didn't receive the support and understanding of most citizens. Instead, a handful of people took advantage of their good intentions and led them into contradictory actions.

## Self-Evaluation

The college and university students, now in a time of self-evaluation, will better understand society after they calmed down.

It's undeniable that the students have strong patriotic enthusiasm and fervent desire to participate in government and political affairs. But the discre-



pancy between their subjective desire and the self-qualification ensured that the results of their behaviour would go beyond their original purpose.

Yuan Lin, a student from Beijing University of Science and Technology, said, "Most of the college and university students have a strong patriotic feeling and are conscious of hardships. However, we often lack accurate self-evaluation and instead feel as if we are the favourites of fate and of the times. Particularly at the time when our country's reform was in some difficulties, we stood out as the 'redeemer,' thinking that only we could inspire people's wisdom and restore the country's prestige. Now we feel really naive. During the riots, the students used the slogan 'protecting the Constitution,' as a red herring, occupied Tiananmen Square and stayed there, affecting the official visit by the Soviet leader, Mikhail Gorbachev, which attracted the world's attention, and causing the changing of meeting sites and cancellation of some activities. Nobody remembered Article 54 of the Constitution: It is the duty of citizens to safeguard the security, honour and in-

terests of the motherland; they must not commit acts detrimental to the security, honour and interests of the motherland. Most of us could not correctly judge ourselves and our behavior was often motivated by emotions. Therefore, we were easily deceived in the complicated political struggle and did something harmful to the nation."

Tang Jun, a fifth-grade class student of the Chinese Language Department of Beijing University, also admitted that the college and university students, including himself, have a "special privilege" mentality. Tang said, "We did not stand with both feet on the ground but, instead, on the shoulders of our parents. We had our parents to support us but we dare not shoulder any social responsibility. We therefore easily criticize others at length. We initiated the student demonstration in a bid to criticize the faults of society and other people but in reality we only dodged our own faults."

Gao Xiaodong, from Tieling city, Liaoning Province, is a student from the Education Department at Beijing Normal University. The instigator of the

student demonstration, Wu'erkaixi, having now escaped abroad to organize activities, was once a student of the department. Gao, with a heavy heart, said, "At that time, we would not listen to anything. We were completely swallowed up by rumours and acted impetuously. This was used by a handful of people who controlled the student demonstration for their own purpose of overthrowing the government and the Chinese Communist Party. We were deceived because we are naive and because we lack political experience."

Not all students are capable of self-examination. Ren Yanshen, head of the working committee for higher education of the Beijing Municipal Party Committee, estimated that, at present, about 80 percent of all college and university students have calmed down, begun to ponder problems which gave rise to the disturbance, to look at the demonstration from a practical viewpoint and to gradually realize their own weak points of past actions. There are still however some active participants of the student demonstration and rebellion who are unable to calm down and reconsider their actions. Still others have lost their interest in participating in politics and care about it no more.

## Weak Links in Education

Ren Yanshen said that blame can be put not only on the students for the demonstration but also on the department responsible for the university work. He thinks it should also carry out some self-examination. The involvement of so many students in the demonstration shows that the political understanding of the students and the participation in the government and political affairs are out of step with

The "triangle area," full of chaotic "big-character posters" during the disturbance, is now back to normal.

XU CHAO



the political environment and not up to the complicated political struggle they face. At the same time, it exposes the weak areas in our educational work regarding students.

It's evident that in recent years, China has made much headway in its reform of the educational system but at the same time ignored the political and ideological education of students.

Wang Ping, head of the Trade Department of People's University of China, spoke out on this, saying, "Lack of ideological foundation is one of the roots of the student demonstration." Since 1985, two subjects, History of International Communist Movement and Party History of the Chinese Communist Party, were cancelled and no other subjects on moral character and national conditions were offered.

The ignorance of political and ideological education among students can be seen not only in classes, but also in many aspects of the work of the Party, the Communist Youth League and the student union. How to strengthen the work of political and ideological education and make up for the weak areas in

Students of Beijing Normal University have an English class.

XU XIANGJUN



Students of the Biology Department of Beijing Normal University conduct an animal physiology experiment.  
XU XIANGJUN

college and university education deserves the deep concern of the responsible departments at all levels of colleges and universities and of the teachers.

Ren claims young students, first of all, should consistently be reminded of the necessity of sticking to the leadership of the Communist Party, the socialist road and anti-bourgeois liberalization. This can not only be used as a kind of political slogan, but as the guiding ideology and conducting regulation, carried through in all aspects of reality.

Second, the legal education for students should be streng-

thened. And they should firmly cultivate belief in the Constitution and its inviolability that everyone is equal before law and that college and university students are not special citizens.

Jia Guan, professor of the Social Science Department of Qinghua University, pointed out that the young students should receive instruction on adhering to the socialist road for a long time in the future. The main subjects are concerned with China's history and conditions. Young students should learn about its 40 years of history and be shown the great achievements of our socialist cause since the founding of New China and the great headway made since the adoption of the reform and opening policy.

There is a Chinese saying "It is not too late to mend the fold even after some of the sheep have been lost." The student demonstration turned into disturbance and rebellion. It was a serious lesson but the students will surely correct some mistakes and errors of their own accord and become more mature after self-evaluation. And the work of education will be greatly improved. □



# Beijing Suburban Agriculture on Road to Modernization

by Yan Zhenguo and Su Huizhi

Lying on the northern fringe of the North China Plain, Beijing's suburban area covers 16 million square km of land and has a population of 3.9 million. With fertile soil, abundant water resources and a temperate climate, the suburban area is endowed with favourable conditions for farming, forestry, livestock breeding, sideline occupations and fishery.

For much of the past, however, this land of "treasure" did not even provide the local people with enough food and clothing, to say nothing of prosperity. Although great changes took place in the district in the years following liberation in 1949, it still failed to extricate itself from a traditional farming pattern which promised, at best, bare self-sufficiency.

The Third Plenary Session of the 11th Party Central Committee held in December 1978

marked a hopeful turning point for the comprehensive development of China's agriculture. From then on, Beijing's suburban district took gigantic strides in the transformation of traditional farming into modern agriculture.

## Mechanization

In the early days of liberation, only the Shuangqiao Farm in the suburban district had three tractors taken over from foreigners. In the more than 20 years which followed, although more and more farm machines were put to use, the pace of mechanization remained slow. By 1978, the whole suburban district had only 174 combines, or less than one to every 20,000 *mu* (15 *mu*=1 hectare) of wheat. The farmers had no alternative but to till the land year round with their faces to the soil and their backs to the

sky.

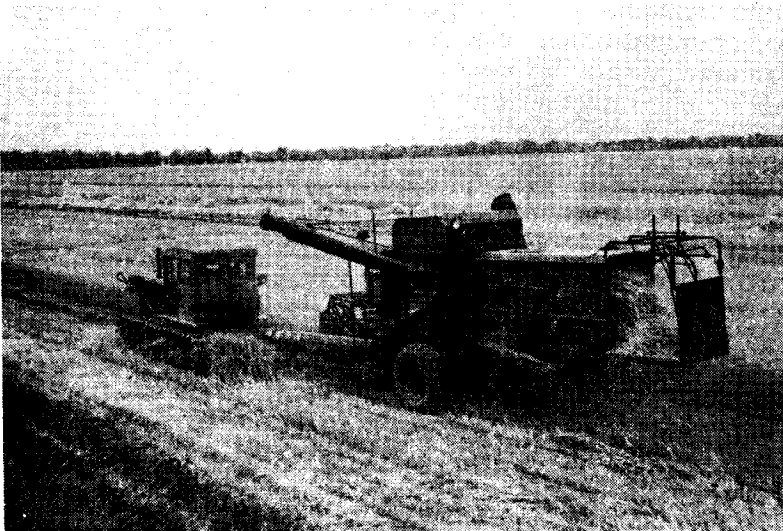
Tremendous changes have taken place in the last decade. The suburban district now has a total of 3.991 million kw of farm machinery, including 12,591 large and medium-sized tractors, 45,000 small tractors, 2,759 large combines, 16,253 motor vehicles for farm use, and 19,000 farm tools. Today, every 10,000 *mu* of cultivated land is equipped with 8,900 kw of farm machines and 36 motor vehicles. The production of maize, an important crop in the district, is essentially mechanized except when harvesting.

The successful introduction of farm mechanization has freed many farmers from the necessity of tilling their land and allowed them to enter secondary and tertiary industries. Today, 53 percent of former farmers work in local enterprises which, last year, yielded more than 9 billion yuan in output value.

## Scientific Farming

While we can say that the practice of replacing manual labour and draught animals with machinery marked the rise of modern agriculture in Beijing's suburban area, it is also evident that the wide application of advanced science and technology and the replacement of empirical farming with scientific methods in turn raised the level of mechanization.

In a Fangshan County village, scientific farming and management increased the per-*mu* grain



Mechanization of wheat harvesting.

output of collective land to 1 ton. Soon afterwards, in the early 1980s, there was an attempt to distribute the land to the farmers, but the majority refused to take it fearing they could not as easily turn out grain at the same rate. They understood traditional farming methods were no longer sufficient and that they would have to rely on science.

Yanqing County, not long ago "a piece of barren land in suburban Beijing," has consistently reported good harvests in recent years. Last year, the per-*mu* output of one 500-*mu* high-yielding maize piece of land reached 925 kg while the per-*mu* output of a 100,000-*mu* piece of land hit 600 kg. Such high yield is due to the wide application of model cultivation techniques, including the use of premium seeds and optimum management, manuring and irrigation methods recommended by experts. An old farmer said it neatly, "If it were not for science, I could never have turned out such a large harvest."

With the widening use of up-to-date farming techniques in suburban Beijing, the local people's traditional ideas are under constant review. For instance, local farmers no longer believe in the practice that "more fertilizer is better." In many counties and townships farmers are beginning to apply fertilizer on the basis of soil tests. In Shuangqiao Farm, for example, fertilizer is applied after testing the crop leaves and stalks.

To spread the use of advanced techniques, local governments have set up 22 expert advisory groups, specializing in such fields as wheat, maize and rice cultivation, crop protection, soil and fertilizer application and farm machinery, and are relying on them to make general policy decisions and exercise local guidance. In the last few



Hongxing Chicken Farm is the first, large-scale mechanized farm in Beijing.

years, the suburban area introduced five new strains of wheat and three types of maize, popularized the planting of multiple crops, increased the multiple crop index, and began such techniques as the application of fertilizer according to needed preparation, covering seedlings with plastic sheeting, weeding with herbicides, sowing proper amounts of seed, spray and drip irrigation and simplified cultivation methods. In addition, the local governments have helped many county agronomic departments purchase computers and laboratory equipment to promote the application of modern technology in agriculture.

### 'Umbrella' Management

The wide use of farm machinery and advanced techniques has, in turn, prompted Beijing's suburban area to undertake an "umbrella" management system.

With the introduction of the contract responsibility system throughout rural China, land was also distributed to each farmer household in suburban Beijing. Soon afterwards, however, with the further develop-

ment of productive forces, this pattern was itself broken, and scattered management began to shift to a more organized management system. The trend first appeared in economically developed Shunyi County.

This more concentrated farm management in the county falls mainly into the three following categories: The establishment of collective farms in economically developed villages where labour had already been assigned to specialized lines of production. In this category, a double-layer contract system with remuneration tied to output was introduced between the farms and villages, as well as between the farmers and the farms. In moderately developed villages where there was also a system of work assignments, specialized grain production teams were organized. The teams, responsible to the villages, in turn sub-contract the land to farmer households for a fixed output. On the average, each farm and specialized team have 500 *mu* of cultivated land and 20 to 30 labourers. In villages with an undeveloped collective economy, management



based on specialized households has been introduced. No matter, though, which of the above forms of management is used, cultivation of the land is linked and joint use of machines and irrigation practised. This has taken good advantage of the best of both the collective and the farm household by mobilizing their initiatives.

These forms of management are so suited to developing productive forces in Beijing's suburban area that they have been put to immediate and wide use. Up to now, co-ordinated management has been successfully introduced on 2.75 million *mu* of cultivated land, or 65 percent of the suburban area's total land planted with grain. Statistics from 635 farms using these methods show that last year their average per-*mu* output was 21.8 percent higher than the suburban area's average figure, and each farmer produced, on the average, 9,637 kg of grain, a rate two times higher than the area's per-person output.

Following the introduction of co-ordinated management, specialized teams for seed production, machinery operation, crop protection, transport, processing and other service trades ap-

peared. Today, farmers in suburban Beijing are no longer the self-sufficient peasants of former days, but are "specialized farm workers" making up different links in modern farm production.

### Animal & Fish Breeding

A decade ago, Beijing's breeding of livestock was quite backward. The raising of chickens and pigs was scattered about in each household and done primarily by old women. A hen could barely lay 100 eggs per year, and one needed more than a year's time to raise a fully grown pig.

After several years of effort, however, the suburban area's animal breeding industry has taken initial shape. Family breeding of hens has been replaced by collective, factory breeding. Today, the suburban area has bred two improved types of hens and established a complete chicken production system, from chicken farms, feed factories and disease prevention stations to the manufacture of equipment necessary for chicken raising. And, now that the industry is able to service chicken raising from start to fin-

ish, a number of large and medium-sized mechanized chicken farms have emerged. The number of modern chicken farms with more than 50,000 egg-laying hens has reached 92, with the largest producing 5 million kg of fresh eggs per year. In addition, many farm households, taking advantage of modern chicken raising equipment, have increased their number of chickens from less than a dozen to tens of thousands. All this has dramatically boosted the district's total egg volume. Today, suburban Beijing's fresh egg output each month is equivalent to the area's annual output before 1978.

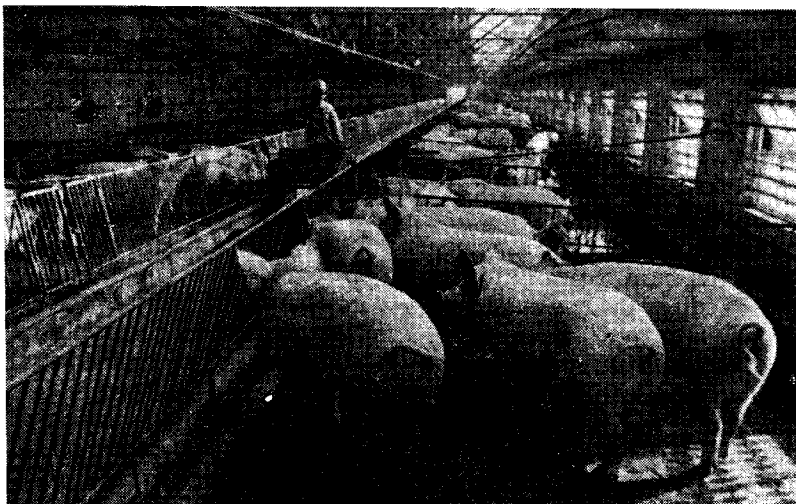
The breeding of meat chickens, live pigs, milk cow and beef cattle has been equally prosperous. A breeding system for lean-pork pigs has been established with the former method of scattered pig breeding being gradually replaced by specialized households and collective pig farms. At present, there are 1,260 modern pig farms in suburban Beijing, each with the capacity to raise more than 100 sows and to contribute more than 1,500 commercial pigs annually. Using traditional pig raising methods, one piglet could not reach 50 kg in a year, but with scientific methods, a weight of 100 kg can be reached in only six months.

The suburban area is also successfully using modern fish breeding techniques. While, in the past, each *mu* of water surface area of pits and ponds produced only 500 kg of fish, raising fish in cases topped with netting has increased the per-*mu* output to 70,000-80,000 kg.

Although modern farming is only beginning in suburban Beijing, a big leap forward for agriculture in the area, and indeed all China, is predicted. □

Wantou Pig Farm in Haidian District, Beijing.

Photos by ZHENG SHUFU



## FACTS &amp; FIGURES

# China's Capital Goods Market

**T**he former system of planned distribution of the means of production was transformed into the present market-based system in 1979. This change developed in the following ways:

**Gradual decrease in the variety and proportion of materials distributed by the state under the mandatory planning system.** The variety of materials distributed under the state's monopoly had been reduced from 256 in 1979 to 27 in 1988, and the number of products under the state's mandatory planning from 316 to 45. In addition, the proportion of important means of production under the state's monopoly distribution also dropped annually. For instance, the proportion of steel allotted directly by the state was reduced from 77 percent in 1979 to 46.8 percent in 1988; timber from 85 percent to 25.9 percent; coal from 58.9 percent to 43.5 percent; and cement from 35.7 percent to 13.6 percent. The decrease of materials allotted directly by the state and correspondingly increased sales by enterprises was the starting point for establishing the market for the means of production.

**The break-up of the closed circulation of the means of production.** The obvious problem of the planned management system for the means of production is that the mono-channel distribution by government departments of most means of production needed by the majority of enterprises resulted in repeated transportation and severely affected the promotion of efficient use of materials. Since 1979, this system has gradually broken down to give way to horizontal economic contacts between areas, between areas and departments, and be-

tween areas and enterprises, and channels for purchase and sale have been added. In 1988, the volume of various means of production purchased by materials and goods departments nationwide reached 221.1 billion yuan, of which 71.5 percent or 158.1 billion yuan worth of goods and materials were organized outside the planned distribution system. This represented a four times increase over that of 1980. These departments sold 239.7 billion yuan worth of goods and materials, 5.3 times that of 1980. Furthermore, the scope of horizontal economic contacts and co-operation between areas in exchange of goods and materials has expanded steadily. In 1988, Liaoning Province established economic relations and goods and materials exchange links with the nation's 30 provinces, municipalities and autonomous regions. And, every year in the past two years, it purchased from other provinces (the volume of materials sent in under the state planning is not included) 700,000 tons of coal, 40,000 tons of coke, and 200,000 cubic metres of timber and shipped out more than 40 billion yuan worth of goods and materials to other areas.

**The initial formation of markets for various means of production.** To date, the market pattern involving various economic sectors, various circulation channels and diversified management forms has been basically formed in the field of the means of production, and a distribution network centring around central cities has been established at the same time. By the end of 1988, the materials distribution system nationwide was composed of 39,-

800 marketing outlets, up 44.7 percent from 12,300 at the end of 1981. In addition, there were 400 trading centres of different sizes for the means of production above prefecture and cities and 182 steel markets in 151 big and medium-sized cities. The number of specialized markets for goods and materials also increased. This goods and materials distribution system, complete with trading centres and specialized markets has functioned as a comprehensive service centre and an information centre. As part of China's goods and materials market, this distribution system has played a positive role in developing resources and invigorating circulation.

## Problems

**Contradiction between supply and demand.** Over the past two years, the contradiction between supply and demand for the means of production has been continuously growing due to the overheated economy. One example is nonferrous metal. According to tentative calculations, the demand for five nonferrous metals such as copper, aluminium, lead, zinc and tin in 1989 reached over 2.3 million tons nationwide. Both newly added and imported resources of the state, however, can supply only 1.8 million tons, a shortfall of 500,000 tons, or 20 percent of the total demanded.

**Disorder of the market.** This was caused by defects in the macro-control mechanism and the means of production market. Examples are as follows:

- The obvious phenomenon of profiteering and excessive operative units. In the last two years

some fly-by-night companies have speculated in the means of production and commodities in short supply and some goods and material departments have sold planned goods and materials at much high market prices. Last year, cases of speculating in steel and autos made up 19 of the 31 cases discovered in the national investigation into speculations of important means of production. The Capital Construction Section of the Commercial Bureau of Sichuan Province cashed in more than 3 million yuan on trafficking in steel and cement the state allocated to it under planning.

■ **Price hikes.** Statistics from the Ministry of Materials and Equipment show that the total price index of 15 kinds of means of production in 1988 increased an average 21.5 percent over 1987. prices. It is the second highest rise since 1985. The price of cold-rolled steel plates, for example, rose from 2,400 yuan per

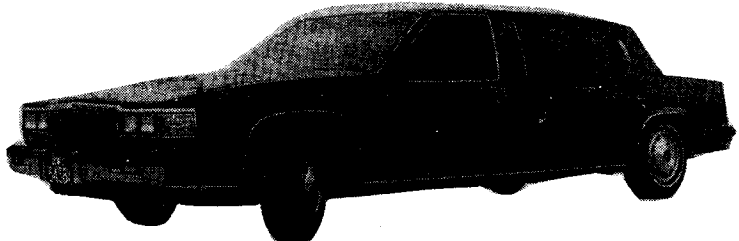
ton at the beginning of last year to 4,600 yuan at the year-end, up 91.7 percent; pig iron from 499 yuan to 750 yuan, up 50 percent; cement from 146 yuan to 193 yuan, up 32.2 percent; soda ash from 730 yuan to 1,190 yuan, up 63 percent; and coal from 78 yuan to 146 yuan, up 87 percent. Market prices for the means of production have steadily risen in 1989.

■ **Contracted supply of goods and materials under the state monopoly affected.** In recent years, because of the introduction of the double-track pricing system (the comparatively low state price and high market price for the same product), an increasing number of contracts on supply of goods and materials under the state unified planning has not been honoured, putting many enterprises dependant on the state for supply of raw materials in a plight. In 1988 alone, contracts on 17 out of 18 kinds of goods and materials weren't ful-

filled. In the first quarter of this year, contracts for coal, aluminium, sulphuric acid, nitric acid and caustic soda were only 90 percent honoured, while contracts for other 13 kinds were only 70 to 80 percent honoured.

■ **An unduly big proportion of domestically most needed means of production exported.** Because of relatively low prices of some primary products on the domestic market and their relatively high prices on the international market, a large amount was exported, deteriorating the contradiction between supply and demand on the domestic market. Customs statistics show that in 1988 the export volume of 20 out of 25 kinds of important means of production exceeded the amounts allowed by the state for export. The export of such materials as copper and its products, aluminium and its products, pig iron, scrap steel, ferrosilicon and ferrochrome were the most seriously out of control. These problems require urgent solutions as reforms continue to unfold. □

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## Ten Major Ecological Problems

JINGJI CANKAO  
(Economic Reference)

China faces ten big ecological problems, according to a report entitled *Ecological Deficit: the Biggest Crisis the Nation Faces in the Near Future* which was delivered to the State Science and Technology Commission by the Ecological Environment Research Centre of the Chinese Academy of Sciences. The problems are as follows:

—The inappropriate development and use of the mountainous areas (which make up 65 percent of the country's total land area) and the poorly grassed and ecologically unsuitable areas (which account for 9.7 percent of such areas in China). This leads to large-scale soil erosion and worsened ecological imbalance.

—Frequent natural disasters.

—Overfelling of trees which results in the shrinking of forest area.

—Long-time over-grazing and blind reclamation, which lead to the degeneration of 20 million *mu* of grasslands annually. Up to now, degenerated areas have reached 1.3 billion *mu* altogether, accounting for 33 percent of useful pasture.

—Serious desert encroachment. The desert areas in the north has reached 1.49 million square kilometres, or 15.5 percent of China's territory.

—Serious shortage of water resources due to over-exploitation, astonishing wastage and man-made pollution.

—Unequal distribution of natural resources. China now faces the predicament of over-population.

—Serious air pollution. The problem of acid rain is growing. That the cities are besieged by garbage has become an acute environmental problem.

—The spreading of agricultural and forest pollution. Now 40

percent of village and township enterprises have become the biggest sources of pollution.

—Tremendous economic losses incurred by the damage to the ecological environment. Severe environmental accidents directly threatening the lives and property of the people occur frequently.

The report points out that the reasons why China's ecological situation has worsened include population growth and faults in development strategy.

(July 18, 1989)

## Serious Grasslands Degeneration

KEJI RIBAO  
(Science and Technology Daily)

China's grassland areas total 400 million hectares, including 260 million hectares actually in use. Because of irrational use and inadequate capital investment, they are suffering from degeneration. Thus far, the degenerated areas together with those that have become desert have already reached 80 million hectares.

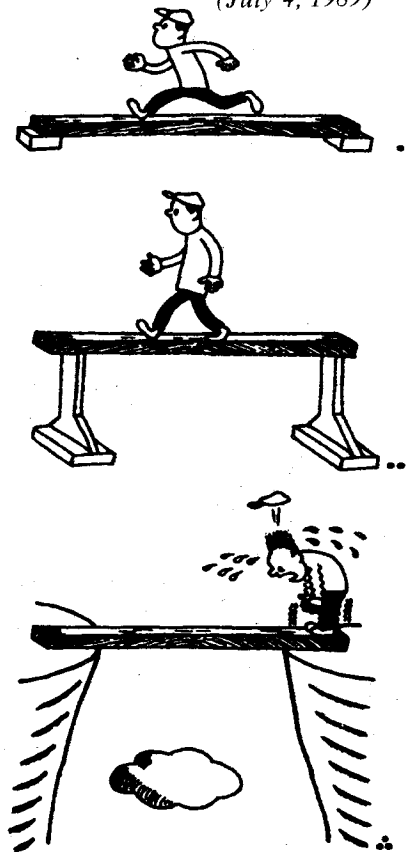
The serious degeneration of grasslands finds expression in the low quality and quantity of grass and decreased output. In 1988, mutton and beef output accounted for only 7 percent of the country's total meat production. The output from pasture is much less than from agriculture. In China, 100 hectares of pasture produce about 360 kg of meat, 400 kg of milk and 45 kg of wool. This is only one twenty-seventh and one eighty-twoth of production under similar climatic conditions in the United States and New Zealand respectively. The total output value of grasslands in Xinjiang and Inner Mongolia is less than one-twentieth that of the United States.

The principal reasons for grassland degeneration are insuffi-

cient capital investment in the land, the backwardness of prairie science, over-grazing, unreasonable development and misuse of land. The climate also has small effect. Since 1949, the total investment on grassland development has been 4.6 billion yuan or 0.45 yuan per hectare annually. In the early 1950s, the grasslands in China fed 50 million cows and sheep. Now, however, they feed 150 million. While lush grasslands have degenerated, harmful weeds have a tendency to run wild in some areas.

Specialists consider that degeneration of the vast grasslands will not only affect animal husbandry, but will also become a big problem in the environment and upset the ecological balance. They propose that the state adopt a policy fostering grassland development and animal husbandry work to change the common idea that only agriculture can provide a living and alleviate the contradiction between farming and animal husbandry.

(July 4, 1989)



DAI YAOKU

## Foreign Investment Up

**A**lthough some politicians in the West have encouraged economic pressure on China, the business community has paid little heed to it because foreign investment is up 29 percent in the first nine months of this year. The attitude seems to be that business opportunities must be seized or lost forever.

A senior Chinese foreign trade official has expressed his confidence in the steady development of the nation's foreign trade.

Shen Jueren, vice-minister of the Foreign Economic Relations and Trade (MOFERT), said, "Though foreign sanctions would affect China's economy, they will also bring losses to the countries that start them."

Shen said in a recent interview with *China Daily* that "economic exchanges among countries should be conducive to friendly co-operation among them."

In an earlier statement to the UN Conference of Trade and Development, the vice-minister had stressed that the economic systems of different countries should be decided by their own

people in accordance with their specific national conditions and development needs.

"It is a violation of the norms of international relations for any country to attempt to impose a certain economic system or development model on others," he said.

Shen said except for a few countries which have witnessed relatively good economic development, most of the developing countries are suffering from stagnation and many have economic difficulties.

He said that since the beginning of the 80s, the external economic environment for developing countries has deteriorated, with escalation of trade protectionism, the falling prices for primary products, heavy debt burdens, and drastic aggravation caused by reversed financial flows.

"It is a common task for the international community to encourage international co-operation to speed the economic growth of the many developing countries, so as to achieve a

stable development of the world economy as a whole in the coming decade," he said.

Shen said China would continue to make efforts to develop economic and trade relations with all other countries and carry out all forms of economic and technical co-operation on the basis of equality and mutual benefit and for common development.

According to MOFERT's figures, China exported goods worth US\$31.25 billion in the first nine months of this year, 4.1 percent more than in the same period last year. Imports were a modest US\$26.65 billion, making the total trade volume US\$57.9 billion.

The customs figures, which usually differ from those of MOFERT, put the total trade volume at US\$78 billion, including US\$36 billion of export and US\$42 billion of import in the first nine months.

The MOFERT officials say that Inner Mongolia, Fujian, Hainan, Sichuan, Yunnan, Qinghai, Xinjiang and some coastal cities has increased their exports this year.

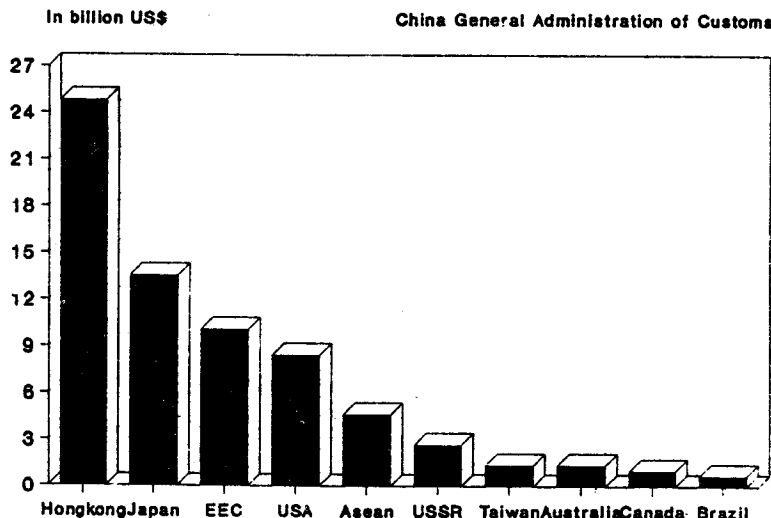
During the January-September period, China approved 4,281 new foreign-funded firms, 16 percent more than in the same period last year. The actual investment in these new firms hit US\$2 billion, 29 percent over the same period last year.

At present, there is a total of 20,278 foreign-funded firms in China with a pledged investment of US\$32.1 billion and actual investment of US\$14.1 billion.

Shen disclosed that a number of big foreign companies are in the process of negotiating setting up joint ventures in China.

"We will continue to improve the investment environment and are always ready to welcome foreign investors to China to set up joint ventures, co-operative or wholly-foreign-owned enterprises

### China's trade volume with 10 leading partners between January and September





and promote an export-oriented economy," Shen said. □

## A US Enterprise In Chongqing

**E**arly in October, the United States New World Co. invested US\$600,000 in Chongqing, Sichuan Province to set up the Chongqing New Hepar Biotechnology Development Co. Ltd., the first United States enterprise in Chongqing.

New Hepar uses capital and technology from the United States and Sweden to develop a rich supply of pig resources in Sichuan Province. The company first extracts crude heparin sodium from pig viscera and then produces semi-finished low-molecule heparin sodium for the US Hepar and Swedish Kabi to process the third generation of heparin sodium.

Kabi has produced heparin sodium for 50 years. The product, used to cure cardiovascular diseases, enjoys a ready market in the world.

In addition, the company will co-operate with some meat processing factories and biochemical factories in Chongqing to intensively process pig by-products. The company's foreign exchange earnings in the first year are expected to exceed its initial investment.

by Chen Zonglie

## Tourist Meeting In Shenzhen

**C**hina's four largest travel services, the China International Travel Service Head Office, the China Travel Service Head Office, the China Youth Travel Service and the China Travel Service (Hong Kong) will hold the 1989 China Shenzhen Tourist Symposium on November 22-24 in Shenzhen.

The China National Tourism Administration (CNTA) and south China's Guangdong Province attach great importance to the symposium. The symposium's honorary advisers are Liu Yi, CNTA director, Liao Hui, director of the Office of Overseas Chinese Affairs under the State Council, Han Kehua, president of the China Tourism Association and Ye Xuanping, governor of Guangdong Province.

At the symposium, China's rich tourism resources and its newly opened tourist packages and projects will be introduced to overseas travel services.

Since August, China's tourist industry has picked up steadily. The number of transit travellers and visitors to Shenzhen in September, for example, exceeded last year's level.

by Han Baocheng

## A Worldwide Symposium

**T**he Worldwide Symposium on the International Patent System in the 21st Century was held on November 1-2, 1989, in Beijing. The symposium was organized jointly by the World Intellectual Property Organization (WIPO) and the Patent Office of the People's Republic of China (CPO). It was expected to deal with the following three topics: the internationalization of the patent system, the computerization of the patent system and the patent documentation, search and examination.

Dr Arpad Boggsch, WIPO director general, attended the symposium, along with some government officials and eminent specialists from France, the Soviet Union, the Federal Republic of Germany, Japan and China who were all expected to deliver speeches on various topics. □

## More Patent Applications by Foreign Businessmen

**I**n the first eight months of this year, the Patent Office of China (CPO) accepted 3,473 foreign applications, up slightly over the same period last year.

Since the Chinese patents law went into effect on April 1, 1985, the CPO has accepted more than 4,000 foreign applications yearly. To date, a total of 23,106 applications have been received, including 6,616 from the United States, 6,179 from Japan, 2,141 from the Federal Republic of Germany, 1,129 from France, 1,060 from Britain, 323 from Canada and 65 from Spain. Among these, most are for inventions, mainly for items of a service nature.

With the implementation of the policy of reform and opening up and improvement in the investment climate in recent years, some 62 countries and regions have applied for patent in China. The United States, Britain and France have had an increase in applications for patent in China.

Recently, the State Council assigned four companies, including the Chinese Patent Agency (H.K.) Ltd., the NTD Patent Agency Ltd., the Patent Agency of the China Council for the Promotion of International Trade and the Shanghai Patent Agency, as the agencies to handle applications for patent of foreign businessmen in China or Chinese abroad.

In order to encourage foreigners to apply for patent in China, the Chinese government has recently started revising the Chinese patent law so as to strengthen protection of the patent right. Meanwhile, the regulations concerning patent agency are under revision and examination.

by Huang Wei

## Investment Turns Profit

**T**he United States' Lynch Communication Inc. has recovered its entire US\$200,000 investment put into the southwest city of Kunming in Yunnan Province. By the end of 1988, Lynch had gained US\$385,000 in "technical deduction" and dividend that were twice its initial investment.

In October 1985, Lynch joined with Yunnan's Telecommunications Equipment Factory to start the joint venture of Yun Lin Communications System Co. Ltd.

The Chinese side put in 75 percent of Yun Lin's total investment of US\$800,000 while the remaining 25 percent was invested by Lynch.

Although the joint venture's 10-year contract stipulated that no dividend could be drawn during the first two years, Lynch could take 5 percent from the joint venture's net sales income as a "technical deduction" over the first five years of operation.

The company's major product is B441 eight-channel subscriber carrier telephone system. It also assembles transformers with basic parts supplied by Lynch. Yun Lin's end product has to meet an all-round quality check based upon rigid US standards.

Through mastering the technology and production process China has been able to bridge a huge gap it had faced in producing B441 telephone system.

For three years the B441 system has been well received in 75 big and medium-sized cities in 28 provinces and autonomous regions throughout the country.

By last March Yun Lin had already turned out 1,740 sets of B441 systems and 1,200 circuits and processed many transformers for the United States.

Since it started in March 1986 the joint venture has gained a reputation for high efficiency. It netted a profit of 735,000 yuan on an annual output value of 2.93 million yuan in 1986, a profit of 3.3 million yuan on an output value of

10.02 million yuan in 1987, and a profit of 3.85 million yuan on an output value of 12.86 million yuan in 1988. By March this year, Yun Lin had already made profits nearly three times as much as its initial investment.

Yun Lin's efficiency has boosted Lynch's confidence. The president of Alcatel Communications System Corp., Lynch's mother company, said that the joint venture's high efficiency would build up bilateral understanding and make the co-operation even more promising.

Yun Lin is now planning to further expand its production of B441 systems and develop such new products as digital communications facilities and loop extending devices.

In addition, Yun Lin is now turning its coveting eyes to overseas markets. It plans to establish an agency in Hong Kong so as to make it easier to do market research and product promotion, conduct compensatory trade or process supplied materials for foreign clients according to their designs or samples.

by Li Rongxia

## Sino-British Co-operation in Shipbuilding

**A**t the annual meeting of East Asia branch of the Lloyd's Register of Shipping held in Beijing in mid-October, Lloyd's chairman said that China is a newly developed shipbuilding country and that Lloyd's Register of Shipping is willing to expand its co-operation with the country.

At the meeting, productive negotiations on expanding co-operation were held with Chinese clients—the China Shipbuilding Industry Corp., the China Oceangoing Shipping Co., the China National Foreign Trade Transportation Corp. and China's Register of

Shipping.

China's shipbuilding industry is a strong competitor in the world shipbuilding club, said the chairman, and China is expected to play an increasing important role in the economic growth and prosperity of the Pacific area. He said Lloyd's Register of Shipping will contribute its technology to the development of the area through co-operation with China.

In the past decade, Lloyd's Register of Shipping has closely worked with China's shipbuilding industry. To date, Lloyd's has supervised the manufacture of 45 ships in China's 11 shipyards. In addition, another 40, including oil, bulk cargo, break-bulk, container and refrigeration ships, are under construction. □

## Co-operation With Philips

**T**he China Institute of Broadcasting Science and Philips Components conducted a successful experiment on the WST-based Chinese character system early in October.

The system is a means of information transmission through TV broadcasting channels. Co-operative research and development on a system of this kind began early in 1988. The successful experiment will make it possible for China to deliver news and economic, weather, sports, transport and communication and education information by the use of existing TV frequencies.

An official of Philips Components China Co. said the project is one of the largest technological co-operative ventures with China, and its success heralds further co-operation between the two sides.

According to Ma Changhua, director of the institute, the system will play an important role in realizing China's modernization programme and, they are seeking international co-operation to develop new products for the world market.

by Li Ming

## Bolshoi Captivates Dance Lovers

As one of the foreign art troupes invited to the recent Second China Art Festival, the Bolshoi Ballet Troupe from the Soviet Union received high praise from enthusiastic Chinese audiences. The troupe presented 14 performances in Beijing, Nanjing, Shanghai and Hangzhou.

The Bolshoi Ballet Troupe first visited China in 1959 and Chinese audiences still cherish the memory of the brilliant performance of the legendary Soviet ballet star Galena Ulanova. This time, the troupe's second China tour was one of the news-making events of the Second China Art Festival.

The Bolshoi presented two programmes—the dynamic *Spartacus*, a three-scene ballet choreographed by Grigorovich, and *Swan Lake, Act II*, and divertissements from *Sleeping Beauty*, *The Fairy Fish* and the *Fisherman* and *The Nut Cracker*. The divertissements are cameos taken from larger, full-length ballets. But the tour de force of the programmes was the ballet *Spartacus*.

"Spartacus is one of the greatest accomplishments of the Soviet ballet," dance critics said. "What impresses people most is the perfect combination of symphony orchestra with the drama and the combination of highly disciplined classic ballet skill with the portrayal of characters."

It is the story of a Thracian slave who led a revolt against his cruel Roman captors. The ballet made its premiere in 1968. The music was composed by Khatchaturian, the composer who typifies the heart and soul of Russia with quick changes of mood and tempo in the music. Visiting conductor, Zhuraigis, with the help

of the Central Philharmonic Society of China and the Shanghai Philharmonic Society, did a brilliant job of timing every note of the complicated scores with every step of the dancers.

The ballet consists of four principal roles—Spartacus and his lover Fregia, leader of the Roman aristocratic army Kras, and the prostitute Igena. The characters represent two sharp contrasting spirits and personalities—justice and benevolence representing the spirit of the rebelling slaves, and extravagance and vice representing the nature of the Roman nobles.

On opening night in Beijing, the four main roles were danced by Irek Muhamedov (Spartacus); Natalia Ahrepova (Fregia); Alexander Vetrov (Kras) and Maria Bulova (Igena).

Muhamedov interpreted Spartacus to perfection, his performance not only showing a strong sense of history but also a strong artistic appeal. His brilliant execution of the grand jete brought spontaneous rounds of applause.

The entire ballet revolves around the two contrasting spirits. Muhamedov's passionate and robust dancing clearly reveals the character of the hero Spartacus. In contrast, the dancing of Kras is characterized by cold, rigid movements and hysterical twitching. The pas de deux danced by both couples symbolize their relationships. The dance of Spartacus and Fregia is one of compelling beauty, very striking, and portrays the ideal of love. The pas de deux performed by Kras and Igena is provocative, filled with desire, scheming and the pursuit of power.

Natalia Ahrepova brought a haunting sadness to her role,

dancing with grace, lightness and control. Alexander Vetrov coped with his physically demanding role with expertise and strong technique. His performance shows his great artistic potential. Maria Bulova danced the role of the scheming Igena for the first time, a role with many difficult solo steps which she executed with grace and confidence.

Presenting a strong stage effect were the corps de ballet with 100 dancers once again showing the contrasting spirits. Dancing by the rebelling slaves was marked by many high floating leaps while dances of the Roman centurion showed an air of arrogance with rigid and straight steps.

The second programme—*Swan Lake, Act II*, and divertissements—showed the Russian classic ballet at its best.

Expressing his thanks to the Chinese people, the general manager of the Bolshoi Ballet Troupe said, "We are very glad to see that new developments have been made in the relations between China and the Soviet Union in ballet art. We are willing to create better conditions for further co-operation and exchanges."

In the past, ballet legend Galena Ulanova came to China many times to help train Chinese ballet stars. Many dancers in the Bolshoi Ballet Troupe mentioned Chinese ballerinas Wan Shan and Li Yan who won awards at the Sixth International Ballet Competition Moscow held in June.

China, they said, has made remarkable progress in the art of ballet in a very short period of time.

by Feng Jing



The Beijing Lido Holiday Inn held its second Temple Fair on October 14, attracting many Beijingers and foreign visitors.  
LI ZHENG

## Innovation in Chinese Opera

Chinese opera companies are trying to breathe new life into their venerable art form in order to attract a new generation of aficionados.

The efforts of several different schools of opera were on display during the Second China Art Festival (Sept. 15-Oct. 5), their innovations varying in scope and success.

For example, the China Beijing Opera Theatre Third Troupe presented *Lady Gan Tang*, a historical play adapted from 2,000-year-old material but with a modern theme.

Set during the Spring and Autumn Period (770-476 BC), it concerns the tragic fate of the title character. Lady Gan Tang is a high-ranking official's wife who, though pregnant, is forced to give up her husband and marry the general of an enemy state in order to protect her homeland.

In the course of the plot, Lady Gan Tang's original husband mistakes his own son for the son of the general and kills him. When he learns the truth he is so overcome with remorse that he kills

himself. And although Lady Gan Tang's mission is ultimately successful and she is permitted to return home, she too commits suicide in despair over the destruction of her family.

The opera clearly focuses on the fate of a woman in feudal society. Lady Gan Tang is forced to take responsibility for the security of her people, enduring prejudice and contempt from traditionalists to do so. She sacrifices her personal happiness but receives neither understanding nor sympathy.

The use of historical themes to comment on the weaknesses in traditional Chinese culture was a common feature of the operas presented at the festival. In the process, producers have modernized the opera form itself in order to attract a contemporary audience. Indeed, this approach can make the impact of opera greater than that of modern drama.

Among the other kinds of opera presented during the Second China Art Festival were *Kunju* opera from Shanghai, Sichuan opera, Henan opera, Hebei *Bangzi*

opera, *Yangju* opera from Yangzhou in Jiangsu Province and *Quju*, a local opera from Beijing.

*Cao Chao and Yang Xiu*, presented by the Shanghai Beijing Opera Troupe, tells the story of Cao Chao, a famous politician of the Three Kingdoms (220-280). Cao Chao recruits but eventually kills a worthy scholar named Yang Xiu. The opera thus comments on the relationship between a politician and an intellectual. The emotional impact of this production of *Cao Chao and Yang Xiu* was by no means inferior to modern drama. In addition, the opera's staging, sets and acting used many modern techniques to good effect.

The *Yangju* opera *A Specialized Household Appeals for Help* tells a modern story. The plot concerns a rather sly and slippery farmer who demands compensation from the government for suffering endured during the "cultural revolution." But when he sees with his own eyes the corruption in the Party, he appeals for help for the public. The librettist reveals the changes in the farmer's psyche during the course of the plot in a thought-provoking



A scene from *A Specialized Household Appeals for Help*.  
XIAO YINZHANG

way.

To introduce new subjects into opera is relatively easy but to tinker with the nature of opera itself is more difficult. This is because opera has formed its own unique stage vocabulary over a long history that has shaped the audience's expectations.

The Beijing opera *Red Water Chestnut* is an updated rendering of an ancient opera based on a love story about a girl who picks water chestnuts and the son of a distinguished family who is in distress. The librettist has made major changes in the rhyme scheme, however, and the whole opera is novel. Opera fans were of the opinion that it went too far, reducing the charm of Beijing opera. Clearly, this is an approach that needs more work.

The Shanghai Kunju Opera Troupe presented *The Hall of Longevity*, which won high praise. This opera is based on a widely known Tang Dynasty (618-907)

story about the tragic love between Emperor Tang Ming Huang and Imperial Concubine Yang. The emperor and concubine are so in love with each other that he ignores state affairs, causing a military rebellion. At last, the emperor has to let the soldiers hang his beloved concubine in order to appease their anger. He himself then drops into an endless loneliness.

This opera has been in the repertoire since it was created 300 years ago by the playwright Hong Sheng. The current director's staging managed to display the innermost sentiments and feelings of the characters.

For instance, when Imperial Concubine Yang received her death sentence, a long, deathly white strand of damask silk floated down to the stage, prompting a prolonged sigh from the audience. This device was actually a development of the techniques of traditional Chinese opera to express

distance and time through simple stage movements.

This production of *The Hall of Longevity* preserved the style of the original but delved deeper into the text in a way that greatly moved the audience. Here, innovation was carried out internally and quietly.

Chinese opera has found itself in a strange situation in recent years. While it is welcomed and held in high esteem abroad, at home it is losing popularity. This is mainly because China's young people have many other kinds of entertainment available to them.

So it is imperative to reform and revive the old art in order for it to survive. Opera programmes presented at the Second China Art Festival displayed the attempts made so far, some of them successful and some needing further improvement.

by Lou Linwei

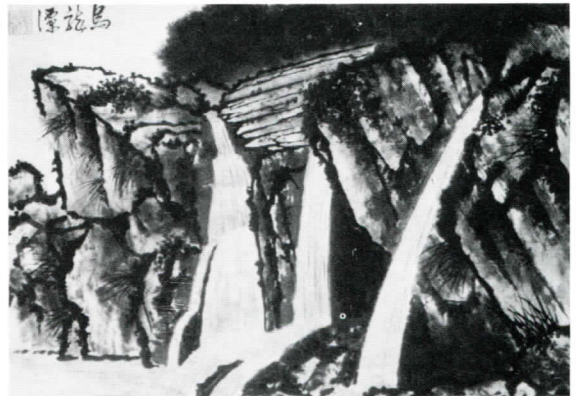




Mount Kunlun.

## Chinese Paintings by Liu Xiping

Liu Xiping was born in Wuxi, Jiangsu Province, in 1951. An interpreter with the Wuxi Branch of the China International Travel Service, he is also a self-taught painter and is particularly skilled in painting Chinese landscapes.



Waterfalls in the Wulong Mountains.

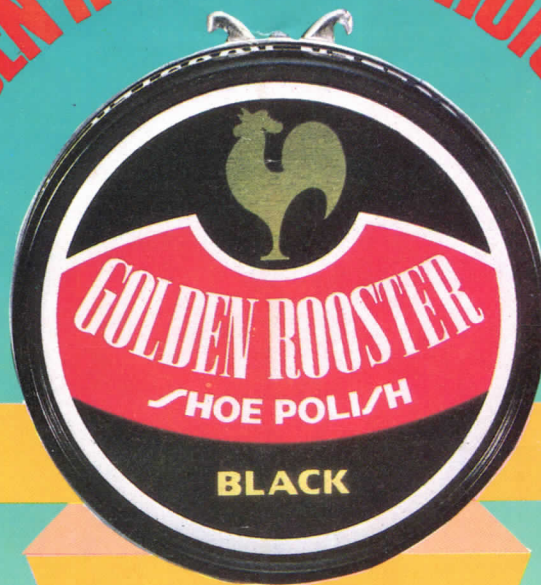
Sunlight Over the Mountains.



ART PAGE



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