

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

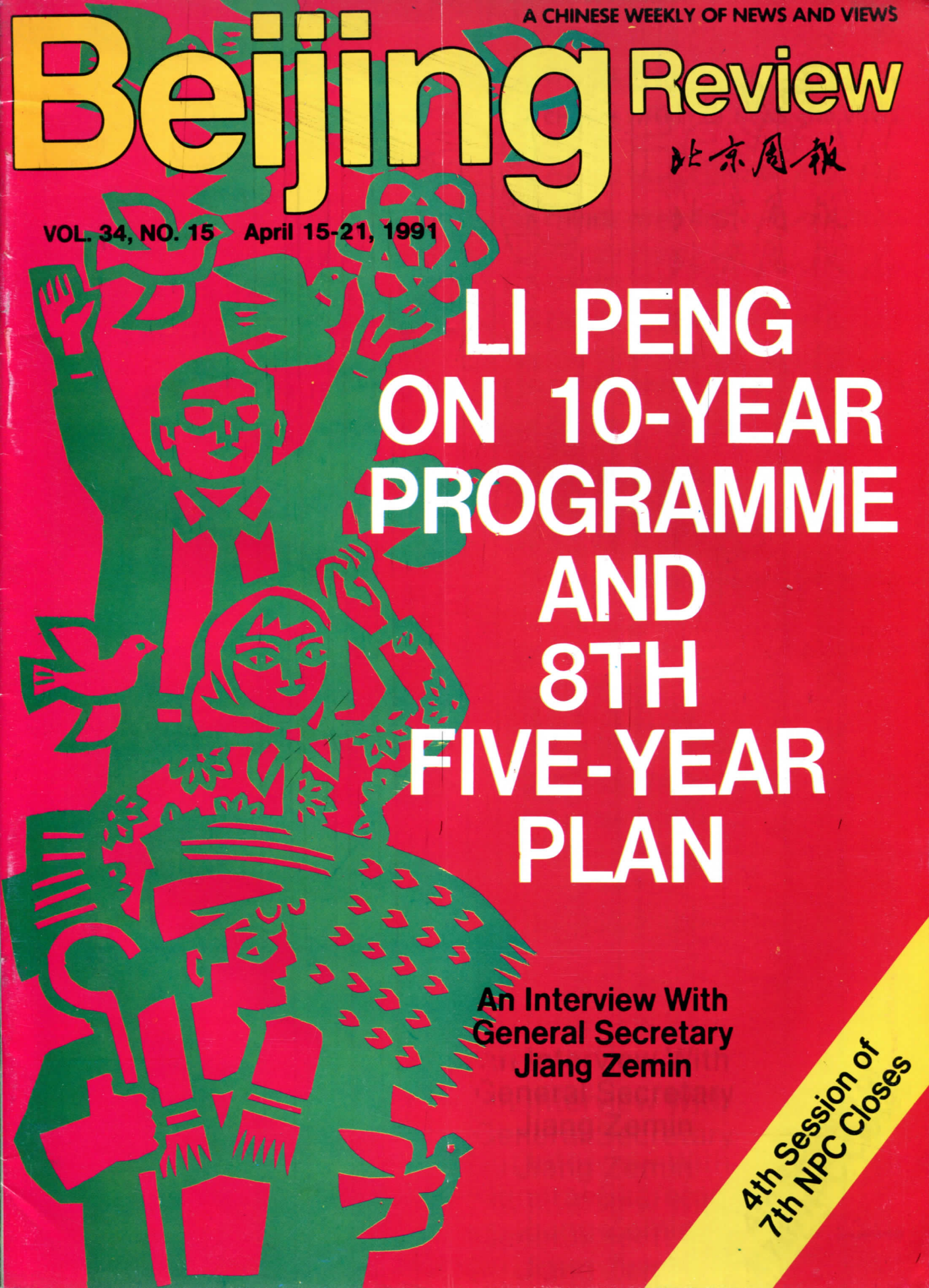
北京周报

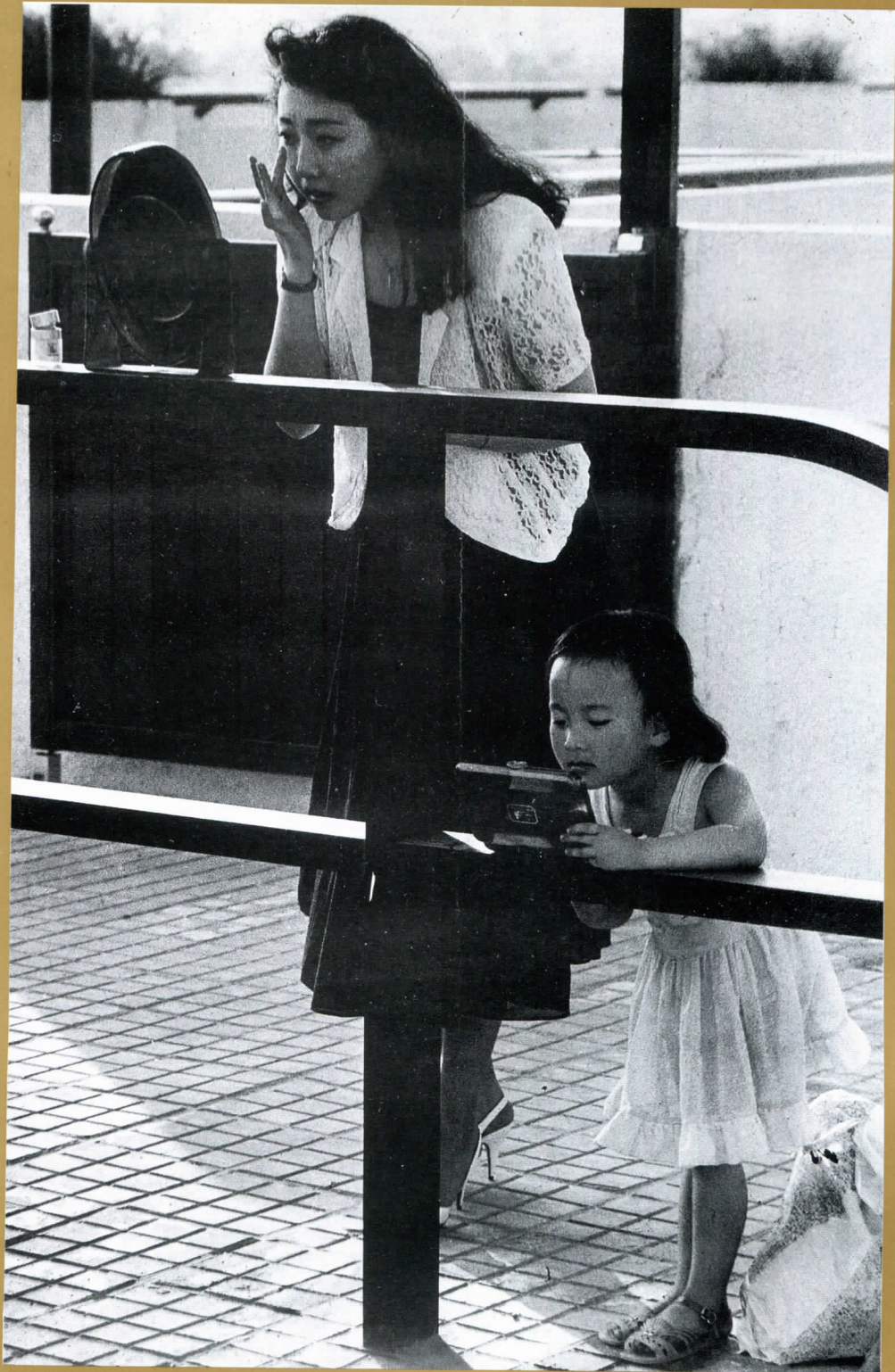
VOL. 34, NO. 15 April 15-21, 1991

LI PENG ON 10-YEAR PROGRAMME AND 8TH FIVE-YEAR PLAN

An Interview With
General Secretary
Jiang Zemin

4th Session of
7th NPC Closes





Adding a bit of make-up.

Photo by Wang Wenyang

HIGHLIGHTS OF THE WEEK

Report on the Ten-Year Programme and the Eighth Five-Year Plan

□ Chinese Premier Li Peng delivered the Report on the Outline of the Ten-Year Programme and of the Eighth Five-Year Plan for National Economic and Social Development at the Fourth Session of the Seventh National People's Congress on March 25. Full text of the report (document).

Party Chief Interviewed on World Situation

□ In a recent interview with Kato Miichiro, chairman of the board of directors of a Japanese newspaper, *Chunichi Shim-bun*, General Secretary Jiang Zemin of the Central Committee of the Chinese Communist Party gave his views on the international situation. Topics included China's relations with the Soviet Union, the United States, Japan and China's Eighth Five-Year Plan and Ten-Year Programme for social and economic development (p. 9).

Zou Jiahua, Zhu Rongji Appointed Vice-Premiers

□ The 4th Session of the 7th National People's Congress, held March 25-April 9 in Beijing, appointed Zou Jiahua and Zhu Rongji vice-premiers and Qian Qichen state councillor on April 8 (p. 4).

China's Socio-Economic Achievements in the 1980s

□ According to statistics from the State Statistical Bureau, China has made much economic and social progress in the past decade as evidenced by the fulfilment of its first-step strategic goal of modernization, by the increase in its overall national strength and the balanced development of various trades and professions. All the achievements are expressed in detailed figures (p. 14).

Gorbachev's Visit to Cement Moscow-Tokyo Ties

□ As both the Soviet Union and Japan have softened their stance on the four northern islands, a long-standing sensitive issue in bilateral relations, Soviet-Japanese relations are likely to enter a new phase of development beginning with Soviet President Mikhail Gorbachev's visit to Tokyo (p. 11).

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COVER: Papercut.
Made by Teng Yingnan

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Published every Monday by BEIJING REVIEW
24 Baiwanzhuang Road, Beijing 100037
The People's Republic of China
Distributed by **China International Book Trading Corporation** (GUOJI SHUDIAN)
P.O. Box 399, Beijing, China

Subscription rates (1 year):
Australia.....A.\$33.60
New Zealand.....NZ.\$45.00
UK.....18.00
USA.....US\$33.80
Canada.....Can.\$33.80



Vice-Premier Zou Jiahua. Vice-Premier Zhu Rongji. State Councillor and Foreign Minister Qian Qichen.

XUE CHAO

New Faces in China's Top Echelon

Zou Jiahua, minister of the State Planning Commission, and Zhu Rongji, mayor of Shanghai, were appointed vice-premiers of the State Council by the 4th Session of the 7th National People's Congress (NPC) on April 8.

The NPC also appointed 63-year-old Foreign Minister Qian Qichen state councillor.

The three appointments, based on Premier Li Peng's nominations, were confirmed a day before the curtain dropped on the NPC's annual session, held March 25-April 9.

The session also elected Zhou Nan, head of the Xinhua News Agency Hong Kong branch, to the Standing Committee of the 7th NPC.

Zou, 64, was at the same time removed from his

post as state councillor but will remain chief of the State Planning Commission. It is believed that 62-year-old Zhu will soon be relieved of his commission in Shanghai, the country's number one metropolis, and devote himself

entirely to the central government's work. Qian, now one of the nine state councillors, will remain the foreign minister.

None of the four were passed unanimously. Of 2,673 deputies attending the April 8 meeting, Zou,

Zhou Nan, newly-elected member of the Standing Committee of the NPC, meets the press.

XUE CHAO



for example, won 2,582 votes while Zhu got 2,547.

The appointments did not surprise the press and the public. Many reporters at home and abroad had seen straws on the wall before the curtain rose. The Shanghai mayor tried many times to shun the publicity showered on him, and he succeeded by paying a pre-arranged official visit to Europe just before his nomination was confirmed. Zhu left Beijing midway through the ses-



Ye Xuanping, new vice-chairman of the CPPCC.

XUE CHAO



An NPC deputy pressing the button to cast her vote.

XUE CHAO

sion early this month and wouldn't come back until mid-April, according to one of his assistants.

Qian Qichen and Zhou Nan are regarded as representatives of New China's third-generation diplomats, noted for their diplomatic acumen and solid professional knowledge. The first generation of diplomats were led by the late Premier Zhou Enlai and the late Marshal Chen Yi. And the second group included former foreign

minister Ji Pengfei and his successor, the late Qiao Guanhua.

The concluding meeting of the congress on April 9 passed two laws — the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises and the Civil Procedure Law of the People's Republic of China. The meeting also endorsed, among other documents, the Report on the Outline of the 10-Year Programme

and of the Eighth Five-Year Plan for National Economic and Social Development, China's blueprint for the last decade of this century.

On April 4, the 13-day annual session of the 7th National Committee of the Chinese People's Political Consultative Conference (CPPCC) adjourned in Beijing, offering some 1,659 proposals for the government to consider over the coming months.

During the closing ceremony, the CPPCC, China's largest advisory body to the government, elected Ye Xuanping, current governor of Guangdong Province, to the post of the CPPCC's vice-chairmanship, and voted 10 new members onto the CPPCC's Standing Committee.

Ye, 67, an engineer and a son of the late Marshal Ye Jianying, said of his new job, "CPPCC work is new to me and I have to learn a lot. I know how important it is and will do my best."

by Staff Reporter Li Hai-bo

China to Enact Its Copyright Law

China will enter the International Copyright Protection Conventions after the country's own copyright law becomes effective in June this year.

"We are making preparations to join the international copyright protection system," said Gao Hanling, deputy director of the National Copyright Administration, April 2.

"The key to protecting the copyrights of foreign owners in China lies with the establishment of our own effective legal system," he stressed.

China's first copyright law becomes effective as of June 1, 1991. The Copyright Administration and experts from other government departments are actively preparing regulations to administer the new law.

These regulations will be implemented with the approval of the State Council.

Earlier this year, the Copyright Administration and the National Copyright Society jointly launched a quarterly magazine entitled *Copyright*, to promote research and education in this field.

The administration will announce observation of Copyright Law Publicity Week prior to its effectiveness.

Every year since 1979, China has sent representatives to receive copyright protection training from international organizations or agencies in foreign countries, according to Gao.

China had drawn heavily from an international pool of similar laws in drafting its own copyright law in conformity with international trends, Gao said.

As a result, he said, the law will not only satisfy China's needs, but also help establish China's place in the international copyright protection community.

Software Copyright. China's first piece of legislation concerning software protection will soon be issued, according to the Ministry of Machine-Building and Electronics Industry on April 1.

China has paid more attention to protecting software copyrights in recent years, and has already issued several laws and regulations in the field, including the technology contract law, patent law and trademark law.

The draft of the software copyright law was drawn up in 1988 and was amended several times to reflect the opinions of experts from a number of countries, including the United States and Japan.

Middle-level courts have set up law offices dealing with encroachment on software copy-

rights and dealt with more than 100 cases so far.

For example, the local court in Shenzhen, a city in South China, had fined a Shenzhen company US\$70,000 and forced it to pay the American 3M Company US\$50,000 in compensation for using its software illegally.

The draft had been drawn up within the framework of the Law of Work Rights of the People's Republic of China, which is also to be issued soon.

According to the ministry, China will step up the development of its software industry and strengthen its management during the Eighth Five-Year Plan period (1991-1995).

Meanwhile, the country will set up a system of software registration, arbitration and law enforcement so as to create a better environment for the development of the country's software industry. ■

Rioter Trials 'Basically Completed'

China has "basically completed" the adjudication of the criminals involved in the 1989 anti-government riots, according to Duanmu Zheng, vice-president of China's Supreme People's Court.

Duanmu, who is also deputy to the National People's Congress and standing committee member of the Central Committee of the China Democratic League, made the remark at a news briefing in Beijing on April 2.

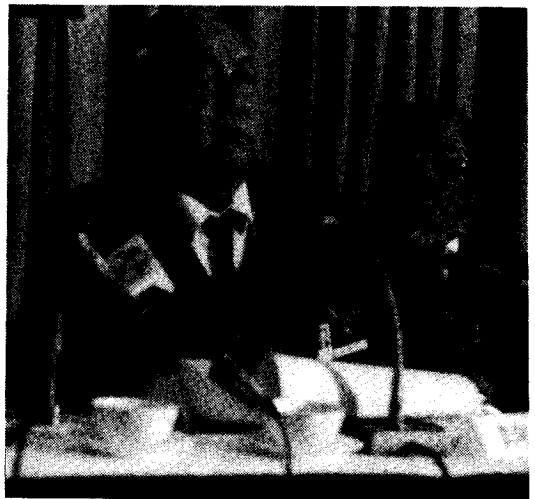
Reporters learned from him that public security organs detained some criminals during the riots and that most of them have been released in succession after a ser-

ies of court processes.

A major portion of the criminals handled by the courts, he said, were serious offenders guilty of beating, smashing, looting, burning and killing. There were 490 such cases, involving 715

Duanmu Zheng at the news briefing.

SHAO
ZHENTANG



people.

In addition, 72 people were involved in plots to subvert the government.

The judge noted that adjudication is performed on the basis of facts and the law. "There is no double standard in punishing students and intellectuals involved in the riots," he added.

"Considering the specific conditions, special historical background and complicated situation they were facing, we tried our best to give lenient treatment

to the young students who ran afoul of law," he said.

"But it is not our policy of giving leniency only to the students while getting tough with the intellectuals," he noted, saying that some intellectuals who committed crimes in the riots have also received lenient treatment.

He cited Liu Xiaobo, former lecturer with Beijing Normal University, as an example. He told the reporters that Liu persuaded the students in Tianan-

men Square to lay down the arms they had captured on the morning of June 4, 1989. As a result, a bloodbath was avoided. The court took into consideration Liu's act and decided to give him lenient treatment by exempting him from criminal punishment.

It is still possible for all those sentenced for involvement in the anti-government riots to receive further lenient treatment, depending on their performance while serving their terms in prison, the vice-president said. ■

Li Meets Soviet Foreign Minister

China's top Party leader Jiang Zemin's forthcoming May visit to the Soviet Union will be of great significance, said Premier Li Peng while meeting with Soviet Foreign Minister Alexander Bessmertnykh in Beijing April 1.

Li told his guest that the Chinese Communist Party and government attach great importance to Jiang's return visit marking Soviet leader Mikhail Gorbachev's tour of China two years ago.

Bessmertnykh, who was on a two-day working visit to Beijing, said that the Soviet side is looking forward to Jiang's visit, which, according to him, the Soviets see as one of this year's most important events in the country's foreign affairs.

Bessmertnykh's visit to China was his first since becoming the Soviet foreign minister in January.

Reaffirming the principle that the affairs of a country should be decided by its own people, Li told Bessmertnykh that the Chinese are concerned about the situation in the Soviet Union

while also hoping that it will enjoy political stability, national unity and economic development.

"The Soviet Union is rich in resources and its comprehensive national strength is still very strong," Li said. "The difficulties now faced by your country are only temporary."

He said that he believed that the Soviet Union will continue to play its key role in the world as soon as the current difficulties are overcome.

At the meeting, Bessmertnykh relayed Soviet President Gorbachev's verbal message to the Chinese leader about his wish to see further development of bilateral relations between the two countries.

The Soviet foreign minister

Chinese Premier Li Peng meets Soviet Foreign Minister A. Bessmertnykh on April 1 in Beijing.

WANG CHUANGUO



also expressed gratitude for the commodity loan which China recently promised to extend.

Li said that the commodity loan is but a gesture of the Chinese people's traditional friendship toward the Russian people. He recalled that the Soviet Union provided China with

economic assistance in the early 1950s.

The premier said that there is great potential in economic co-operation between the two nations. Judging from the resources and economic structure of the two countries, they can, through economic co-operation, help each other in development. ■

Chinese Leaders Meet Douglas Hurd

Sino-British co-operation should be strengthened to ensure a smooth transfer of power in Hong Kong to China in 1997.

This was expressed by top Chinese leaders and visiting British Foreign Secretary Douglas Hurd during their meetings in Beijing April 5. In their meetings, they also discussed the bilateral relations between the two countries, especially their co-operation during the years running up to the transfer of the sovereignty of the Hong Kong region to China.

In his meeting with Hurd, General Secretary Jiang Zemin noted that China and Britain "are in the same boat" with regard to ensuring prosperity and stability in Hong Kong during the transi-

tional period.

"We should work together in order to overcome the difficulties in the journey, and with such an attitude there is no difficulty that cannot be solved," he said.

Hurd agreed with Jiang's remark and vowed to strengthen the co-operation between the two countries.

On bilateral relations, Jiang said, "We should let bygones be bygones and look ahead into the future."

Hurd said the shadows once cast over bilateral relations have disappeared. Now, he said, the two countries should concentrate on developing relations.

Premier Li Peng told his British guest that there is no conflict of interest between China and Britain and other Western Euro-

pean countries. Therefore, he said, the development of the bilateral relationship will be conducive not only to the interests of both sides, but also to world peace and development.

Upon Hurd's request, Li briefed him on China's Eighth Five-Year Plan (1991-95) and 10-Year Programme (1991-2000), saying that there is great potential in Sino-British economic co-operation.

Hurd said British entrepreneurs are keenly interested in investing in China and enjoy government encouragement in this regard, because it is not only beneficial to China's modernization but is also a profitable opportunity for British entrepreneurs.

China's top legislator Wan Li expressed the same wish for more exchanges between the parliaments, governments and personnel of the two countries.

Speaking of the purpose of his five-day official visit at an April 6 press conference before leaving Beijing for a tour of Shandong and Guangdong, Hurd said, "We saw the need to consult closely with China about the international situation and the need to move forward over the future of Hong Kong."

On the Hong Kong issue, Hurd said that both sides "clearly stand by the Joint Declaration," signed by the Chinese and British governments in 1984.

Although no "full agreement" or "breakthrough" has been made, he said, the two sides have "cleared away some serious misunderstandings." In that sense, there was progress, he said, adding that he would like that progress "to be complete."

Hurd also voiced his conviction that China has no desire to use the new airport project or any other projects to seek "control" and "veto" over the decision-making of the Hong Kong government during the transitional period. ■

Foreign Minister Qian Qichen holds talks with his British counterpart in Beijing on April 4.

LI XUEREN



Party Chief on International Situation

Jiang Zemin, general secretary of the Central Committee of the Chinese Communist Party, was interviewed March 29 by Kato Miichiro, chairman of the board of directors of "Chunichi Shimbun," a Japanese newspaper, and answered his questions on international and domestic issues.—Ed.

International Situation

Kato: Since you assumed office as the General Secretary of the Communist Party of China, the world has witnessed drastic disturbances as manifested by confusion in Eastern Europe, the Soviet Union and in particular, the Gulf war. How does China analyze and assess the current turbulent international situation and what are the future prospects? I would like to hear your personal views.

Jiang: The current international situation is indeed complicated and volatile. When US-Soviet relations began to ease and drastic changes took place in Europe a year ago, some people predicted that tranquility would henceforth prevail in the world. The reality, however, proves the inaccuracy of such a prediction. The Gulf war is a case in point. At present, the world confronts numerous problems. Some regional conflicts persist, and the possibility of the outbreak of unexpected events still exists.

However, the world needs peace and mankind needs the opportunity to develop. This is the general trend of the times. There is no doubt that realization of world peace and development depends on the concerted efforts of the whole world. I believe that as long as we maintain this conviction, we shall be able to move the

world forward along the path of peace and development.

Sino-Soviet Relations

Kato: It is reported that you will visit the Soviet Union in May. What is the date? How is China going to develop its relations with the Soviet Union? How are some of the pending issues going to be solved between China and the Soviet Union?

Jiang: I will visit the Soviet Union in mid-May as a return visit to President Mikhail Gorbachev's visit to China in May 1989. The specific date is to be formally announced after mutual consultation.

Sino-Soviet relations in the past 40 years may be described in one sentence: They have followed a tortuous path. What happened are bygones. Since President Gorbachev's visit to China in May 1989, a new type of relationship exists between the two countries; namely, bilateral relations based on the Five Principles of Peaceful Co-existence. During the past two years, our bilateral relations have made sound progress in all fields. Of course, this does not mean that there are no problems between us. For example, the Sino-Soviet boundary question has not yet been completely resolved. The Soviet Union is the largest neighbour of China with a boundary

line as long as 7,300 km. We are convinced that as long as China and the Soviet Union abide by the Five Principles of Peaceful co-existence, especially the principle of non-interference in each other's internal affairs, we will surely be able to further improve our renewed relations. A good-neighbourly relationship between China and the Soviet Union conforms with the fundamental interests of the two peoples and is also conducive to peace and stability in Asia and in the world at large.

Sino-US Relations

Kato: How does China evaluate the current Sino-US relations? How is China going to promote its relations with the United States?

Jiang: Sino-US relations have also experienced ups and downs. President Richard Nixon's visit to China in 1972 opened up the relations between China and the United States. The two countries established diplomatic relations in 1979. During the ensuing decade, bilateral relations were on the whole good and developed normally. This, however, does not mean that the two sides have no differences. I believe that it is normal for countries, particularly countries with different social systems, to have varied and different views.

After the "June 4" incident, Sino-US relations were not as good as during the previous decade. We have made great efforts to restore and improve our relations with the United States. However, it requires the efforts of both sides rather than just one side to achieve this goal. We hold that there exists no conflict of fundamental interests between China and the United States and believe that the development of our relations would be of mutual benefit. Men of vision in the United States share my view. In my opinion, as long as both China and the United States act in accordance with the Five Principles of Peaceful Co-existence and the three joint communiques, Sino-US relations have a bright future.

The Situation in Northeast Asia

Kato: Recently, there have been some changes in the situation in East Asia, such as the establishment of diplomatic relations between the Soviet Union and the Republic of Korea, the development of relations between China and the Republic of Korea, the opening of talks between Japan and the Democratic People's Republic of Korea (DPRK) on the resumption of diplomatic relations, and changes in Japan-Soviet relations. How do you see the prospects of the East Asian regional co-operation? What are your views on a new order in East Asia?

Jiang: We have followed closely the situation in Northeast Asia and are very pleased at some positive changes which have taken place recently in the regional situation. China's relations with Japan have by and large returned to normal. China's friendly relations and co-operation with the DPRK have continued to expand, and China and the south side of Korea have ex-

changed non-governmental trade representative offices. Japan-DPRK relations are improving as the two sides hold talks on establishing diplomatic relations. The Prime Ministers of North and South of Korea have already held three meetings. These changes ease tensions and create stability in Northeast Asia, a situation which will hopefully continue to develop. We will take a positive approach and continue to develop friendly relations and co-operation with DPRK. We hope to see progress in Japan-DPRK talks. Above all, China and Japan should further their relations and work together for the promotion of peace and development in this region.

Sino-Japanese Relations

Kato: Next year will mark 20 years of normalization of Japanese-Chinese relations. How do you recall and appraise the past 20 years? Will you visit Japan soon? What are your views towards the Emperor's visit to China?

Jiang: Next year will be the 20th anniversary of the normalization of Sino-Japanese relations. The past 20 years have witnessed great progress in Sino-Japanese relations, both official and non-governmental, on the basis of the Sino-Japanese Joint Statement and Treaty of Peace and Friendship. The two countries have made very positive achievements particularly in economic co-operation in the past 11 years since China adopted the policy of reform and opening to the outside world.

After the "June 4" incident of 1989, Sino-Japanese relations were adversely affected for some time. However, they have by and large returned to normal.

I have visited Japan twice. I would be glad to pay yet another visit there in future if there is an appropriate opportunity.

China welcomes an opportunity to play host to His Majesty the Emperor of Japan.

Japanese-Soviet Relations

Kato: Soviet President Mikhail Gorbachev is scheduled to visit Japan in April. During this visit attention will focus on the northern territories. Can you tell us something about China's position on Japanese-Soviet relations in general and the issue of northern territories in particular?

Jiang: At his press conference on March 27, Foreign Minister Qian Qichen already answered this question. I do not have anything more to add. We hope that Japan and the Soviet Union can find an appropriate solution to this question through negotiations.

China's Ten-Year Programme and Eighth Five-Year Plan

Kato: It has been 41 years since the liberation of China. As we have observed, China has maintained stability thanks to reform and the open policy. Now, the Chinese National People's Congress is deliberating the development programme of the coming decade. What political and economic results are to be expected from this NPC session? What basic ideas do you have on the further strengthening of the central leadership?

Jiang: The Fourth Session of the Seventh National People's Congress is under way. The Seventh Plenary Session of the 13th Communist Party Central Committee, held at the end of last year, put forward its suggestions in principle on the Ten-Year Programme and Eighth Five-Year Plan. The State Council, after several months of work, has produced two drafts on the programme and plan, which have

been submitted to the NPC session for deliberation. Over the past few days, the NPC deputies have had very lively discussions on the drafts. I sincerely hope that with the consideration and ratification by the National People's Congress, which is the supreme power organ, the programme and plan will become the will of the people and that in the coming decade we can make even greater progress in our country's construction.

We shall continue to implement the policy of reform and opening to the outside world. To ensure a sustained, stable and coordinated development of the entire economy, higher efficiency and adjustment to the industrial structure are required. This task is undoubtedly quite arduous. To accomplish it smoothly, there is need to reinforce the leadership of the State Council. This question is already placed

on the agenda of the current NPC session.

Appraisal of China's Great Personalities

Kato: There have been many great statesmen in the history of your country. Contemporary ones are Mao Zedong, Zhou Enlai and the present leader Deng Xiaoping. Which one would you like to take as a role model?

Jiang: This year marks the 70th anniversary of the founding of the Communist Party of China. Many outstanding leaders have come to the fore in the course of 70 years of struggle. Mao Zedong, Zhou Enlai, Liu Shaoqi, Zhu De as well as Deng Xiaoping belong to the first generation of leaders. After the Third Plenary Session of the Party's Eleventh Central Committee Deng Xiaoping became the core of our second generation of collective

leadership. Each of these leaders has his own characteristics. I must learn from the strong points of all of them.

These leaders also have common characteristics — first and foremost, their firm conviction in Marxism-Leninism, their rich experience gained in the long years of practice, and their ability to rally the whole Party and the whole people to fight for a common cause.

* * *

While shaking hands with Kato to bid farewell at the end of the interview, Jiang congratulated him on good health and said, "You are nine years older than I. I have words of advice at parting: China and Japan are close neighbours. We of the older generation should educate our young people that China and Japan must live in amity from generation to generation." ■

Japanese-Soviet Relations at Crossroads

by Lin Xiaoguang

Recently, exchange of high-level visits between Japan and the Soviet Union has increased. Last November, Anatoly Lukyanov, chairman of the Supreme Soviet, attended the enthronement ceremony of Japan's new emperor. In January this year, Japanese Foreign Minister Taro Nakayama paid a visit to the Soviet Union. On March 25, Ichiro Ozawa, secretary-general of Japan's ruling Liberal Democratic Party (LDP), tripped to Moscow, and on March 29, Soviet Foreign Minister Alexander Bessmertnykh visited Japan. Both visits were made to pave the way for

Soviet President Mikhail Gorbachev's April 14-19 visit to Japan, a historic event in bilateral relations.

Delicate Changes

The four northern islands — Habomai, Shikotan, Kunashiri and Etorofu — were occupied by the Soviets at the end of World War II. For years the Japanese have been demanding their return. On public occasions now, both Japan and the Soviet Union still cling to their principled positions. Privately, however, delicate changes have taken place in both

sides' position on the issue.

The Soviet Union has advanced various formulas for the solution of the problem through academic symposiums. Gorbachev has suggested that the sovereignty of the islands be set aside for the moment. Recently, the Soviet side proposed that two of the four islands — Habomai and Shikotan — be returned to the Japanese first, a plan unveiled first in a Soviet-Japanese joint declaration in 1956 and discussed many times later by Soviet scholars. This time, it came from Sergei Akhromeyev, presidential adviser and former chief of general staff of

the Soviet Armed Forces. It seems that the Soviets want to make a compromise by renouncing the two islands, which occupy only 7 percent of the total area, in exchange for a breakthrough in Soviet-Japanese relations and the ensuing Japanese economic aid. According to Japanese newspapers, the Soviets have informally notified the Japanese that after the signing of a peace treaty, the two islands can be returned.

Japan, on its part, shifted from stressing the inseparability of politics from economics to a willingness to develop bilateral relations. Starting from late 1990, Japan has offered a series of aid to the Soviets, including 2 billion Japanese yen for victims of the Chernobyl nuclear accident, and 14 billion yen for emergency food and drug aid. Co-operative projects under negotiation involve 450 billion yen for a natural gas development programme in Yakut, 350 billion yen for an oil drilling programme in Sakhalin, and 100 billion yen for developing forest resources in Siberia. The Japanese government has decided to provide US\$100 million as an official loan to the Soviet Union and allowed five non-governmental banks to provide another US\$400 million in loans to the Soviets.

In his talks with Gorbachev, Ichiro Ozawa indicated that Japan wants the Soviet Union to return Hanomai and Shikotan and recognize Japan's "potential sovereignty" over the other two; the "administrative power" can be returned later. Upon the Soviet recognition of Japan's sovereignty over the islands, Tokyo will provide economic assistance to the Soviet Union. A Japanese report says Japan has mapped out an aid package that includes 20 programmes totalling 1.2 trillion yen. The report also says that if the territorial dispute is settled, the government and the ruling LDP will provide US\$28 billion in economic assistance to the So-

viet Union. This amount surpasses the US\$17.6 billion aid provided to the Soviet Union by Germany. Although Moscow has denied having made the "buying back the territories" proposal, the report cannot be totally groundless. At least it suggests that Japan is changing its policy towards the Soviet Union by softening its tough position of a "packaged return of the four islands."

Reasons

Economically, the Soviet Union, being troubled by an unstable domestic situation, economic recession, and serious shortages of daily necessities, is in dire need of Japanese aid. In an interview with the Japanese newspaper *Yomiuri Shimbun*, Soviet Prime Minister Valentin Pavlov proposed that Japan provide an emergency aid to alleviate the Soviet Union's foreign exchange shortage because foreign debts are falling due.

To vitalize its economy, the Soviet Union has to develop its rich resources in its Far Eastern area. The United States became one of the world powers only after it developed resources in the Midwest. According to a 1987 comprehensive development programme for the Far East region, 232 billion roubles are required for the project, and the Soviet Union, obviously, cannot go ahead by itself. Japanese capital and technology are needed, making it imperative to improve relations with Tokyo.

The Asian-Pacific region has seen dynamic economic development in recent years. The Soviet Union hopes for participation in the regional economic co-operation because three quarters of its territory is situated in Asia. This, too, makes it necessary for Moscow to improve relations with Japan, a "locomotive of the Asian economy."

Politically, in the wake of German reunification, the convening of the Conference on Security

and Co-operation in Europe and the signing of an agreement on conventional disarmament, the Soviet Union believes its European diplomacy has been accomplished and it is time to shift the focus to the Asian-Pacific region. The Soviet Union has normalized relations with China and established diplomatic relations with South Korea. Therefore, the current need for improved Soviet-Japanese ties is more prominent.

Furthermore, most anti-Soviet military treaties signed by the United States with allies during the cold-war period involved the Asian-Pacific region. They, especially the Japanese-US security treaty, greatly restricted Soviet diplomatic strategy in this region and in the whole world. In the past the Soviet Union's cold-war policy adversely promoted the unity of the other side and caused isolation. Now, influenced by the diplomatic "new thinking" in the Asian-Pacific region, the Soviet Union no longer perceives the Japanese-US security treaty a threat or obstacle to the development of bilateral relations with Japan. The Soviet Union suggests a conference of foreign ministers of Asian-Pacific countries in 1993 to discuss establishment of a structure similar to the Conference on Security and Co-operation in Europe. It also agreed to discuss what Japan calls the "Soviet military threat." Thus, improving relations with Japan is not only a bilateral question but also an important step towards the Soviet Union's development of diplomatic relations in the Asian-Pacific region, rebuilding its global strategy and contending with the United States.

Japan, however, pays more attention to its long-term strategy on political, diplomatic and economic development. Wishing to play a role as a political power in international affairs, Japan needs a stable environment. The tense Japanese-Soviet relationship is undoubtedly an unstable factor in

Northeast Asia and has become a trouble spot to Japan. In addition, Japan has not signed a peace treaty with the Soviet Union since World War II; technically there is still a state of war between the two countries. And within the UN Charter remains the clause about defeated nations, restricting Japan from playing the role of a major world power. Also, in order to become a permanent member of the UN Security Council, Japan must improve its relations with the Soviet Union to win support from Moscow.

In the past, Japan pursued a diplomatic strategy of relying on the United States, uniting with China and restricting the Soviet Union, but detente of US-Soviet relations and the improvement of Sino-Soviet relations have made the strategy out of date. Japan must draft its new diplomatic strategy through improving its relations with the Soviet Union. Meanwhile, with the reduction of US military strength in the Asian-Pacific region, Japan will rely on itself to guarantee national security, thus making it unwise to have a powerful enemy in the north. In 1990, Japan cut the words of "Soviet threat" out of some diplomatic and defence documents.

Furthermore, Japan regards the current Soviet foreign policy directed by Gorbachev's "new thinking" as a favourable condition to improve Japanese-Soviet relations. Should Gorbachev leave office, the Soviet foreign policy would unavoidably become inflexible and there would be an uncertain prospect on the northern islands. Therefore, Japan hopes to support Gorbachev by showing diplomatic flexibility and providing emergency assistance in order not to lose the opportunity to improve bilateral relations.

Japan's past diplomatic tactic attempting to force the Soviet Union to make concessions on territorial questions with econo-

mic assistance produced no results. Rather, it reduced Tokyo's diplomatic choices and drove bilateral relations into deadlock. Other countries entered Soviet market before Japan—Germany provided US\$17.6 billion, the United States invested US\$3.8 billion and South Korea provided US\$2.5 billion. Japan suddenly found that its economic card had lightened, that without its participation the Soviet Union can also gain the capital and technology to develop economically. At present there are only 33 Japanese-Soviet joint ventures among more than 1,400 joint ventures in the Soviet Union. The danger of losing the Soviet market prompts Japan to consider the bilateral relations and territorial question more practically and flexibly.

Difficulties

Before the Japanese-Soviet relations can fundamentally improve, a series of questions needs to be resolved, including the signing of a peace treaty, disarmament in Far East, economic cooperation, personnel exchange and so on. But the focus remains on the territorial question. Of course, the territorial question will not be settled through Gorbachev's visit alone. In fact, many factors still restrict its settlement.

On the Soviet side, the border issue is one of the most sensitive questions, and any change will probably lead to a chain reaction along its border established after World War II. To give the four islands up means the loss of a natural defence to its nuclear-submarine base in Ochotsk Sea and to its Pacific Fleet passage. Domestic ethnic questions and the current political situation also make it unlikely that Gorbachev will make any major concessions. Soviet Defence Minister Dmitry Yazov once indicated that it is not time to re-establish borders, reflecting the attitude of the mil-

itary towards the territorial question.

On the Japanese side, politicians of the LDP are enthusiastic about improving bilateral relations, but officials of Foreign Ministry respond coldly. Co-ordination of both parties is needed. Moreover, the Japanese people have launched campaigns demanding the return of the northern islands. It will be difficult for them to accept not regaining all four islands through a package plan. In addition, Japanese banking and enterprise circles are not optimistic over prospects of Japanese-Soviet relations.

Some experts observe that the Soviet Union will not make major concessions on territorial questions because of domestic political instability and ethnic problems. And Japan will not change stand. Others, however, say that the Soviet Union will take a flexible attitude on concrete issues due to its economic troubles.

In general, at present it is the domestic factors of Japan and the Soviet Union themselves, not international ones, that restrict the development of Japanese-Soviet relations and the settlement of the territorial dispute. But because the two sides have tended to soften their stands on the territorial issue, it is possible for them to make an arrangement acceptable to both sides during Gorbachev's visit. Relatively, it is more possible for them to reach agreement on a peace treaty, disarmament in Far East and economic cooperation. The key will be what concessions can be made by the Soviet Union and what response will be made by Japan. The Soviet concessions, on the one hand, should satisfy the Japanese side, and on the other hand, will not affect its domestic situation and diplomatic strategy. In brief, Gorbachev's visit will start a new process rather than a complete settlement of the northern islands problem. ■

China's Economic and Social Progress Of the 1980s

China achieved unprecedented economic and social progress and smoothly fulfilled its first-step strategic objective for modernization during the last decade, according to State Statistical Bureau

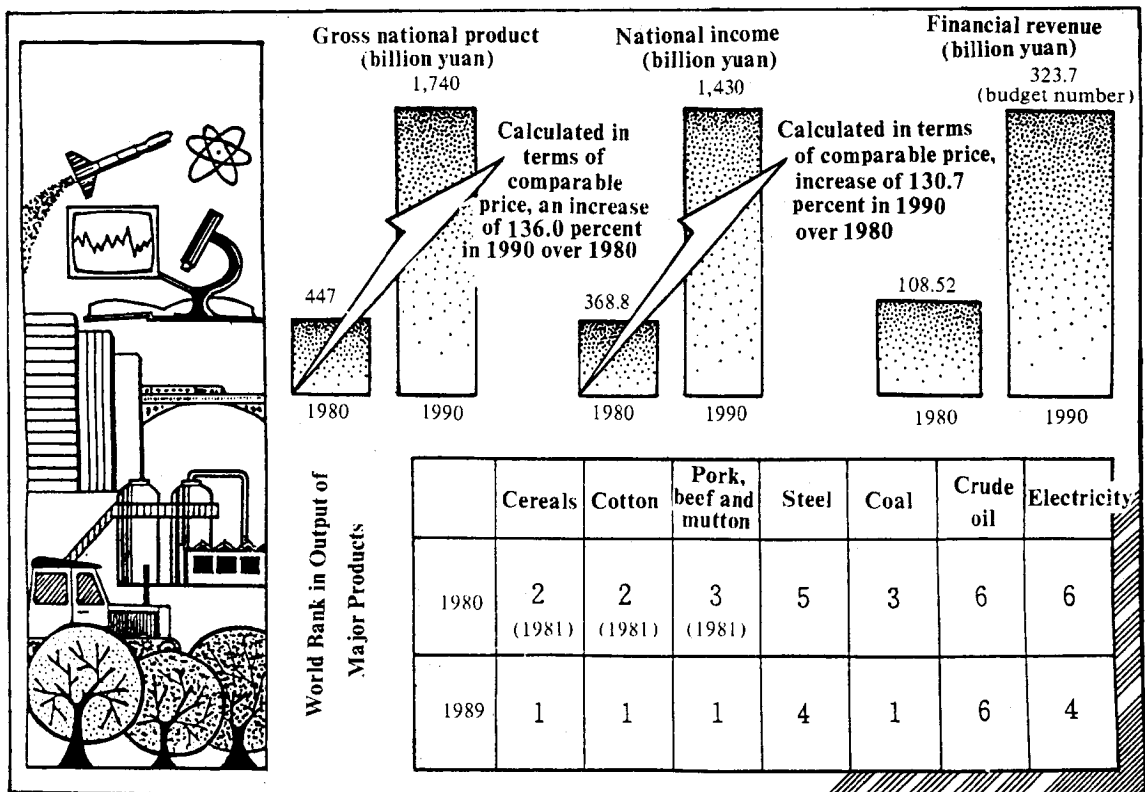
data. During this period, the world registered an average rate of economic growth of 3-4 percent. In Asia, the "four small dragons" (Singapore, South Korea, Taiwan and Hong Kong) underwent an economic boom

with a growth rate of 6-8 percent. The average annual growth rate of China during the decade, however, was 9 percent. **Comprehensive National Strength Increased.** During the past decade, China jumped

Economic and Social Development in the 1980s

(State Statistical Bureau)

Chart 1:



Report on the Outline of the Ten-Year Programme and of the Eighth Five-Year Plan for National Economic and Social Development

*(Delivered at the Fourth Session of the Seventh National People's Congress
On March 25, 1991)*

Li Peng

Premier of the State Council

Fellow Deputies,

On behalf of the State Council, I now submit a report on the Outline of the Ten-Year Programme and of the Eighth Five-Year Plan together with the Draft Outline for your examination and approval, and also for suggestions and comments from the members of the National Committee of the Chinese People's Political Consultative Conference and other observers.



Premier Li Peng.

I. The Basis for the Ten-Year Programme and the Eighth Five-Year Plan

The 1980s, the decade which followed the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party (December 1978), saw the people of all our nationalities, under the leadership of the Party, make great strides in their efforts to build socialism with Chinese characteristics. Over these ten years, by maintaining economic development as the central task, adhering to the Four Cardinal Principles and continuing the reform and the opening of China to the outside world, we attained new heights in our modernization drive. We fulfilled the Sixth and Seventh Five-Year Plans and achieved the first-step strategic objective of doubling the 1980 gross national product ahead of schedule, thus laying a solid foundation for national economic and social development in the 1990s.

—**All sectors of the rural economy have grown.** The 1990 total agricultural output value grew 84.6 percent over the 1980 figure, with an average annual growth of

6.3 percent. During the past decade the total grain output first topped 350 and then 400 million metric tons, reaching over 435 million tons in 1990. The output of cotton, oil-yielding crops, meat, aquatic products, fruit and other farm and sideline products also increased by a wide margin. All this has provided the materials to guarantee that people can get adequate food and clothing. There was a marked growth in agriculture, forestry, animal husbandry, side-

line occupations and fishery, and the structure of the rural economy was noticeably improved. The proportion of non-agricultural undertakings in the total rural output value rose from 31.1 percent in 1980 to 54.6 percent in 1990. Village and township enterprises thrived, employing over 90 million rural workers, thereby helping to expand the commodity economy. A path consistent with China's actual conditions was thus mapped out for the gradual modernization of agriculture.

—**Industrial production increased rapidly.** In 1990 the total industrial output value increased by 230 percent over that in 1980, rising at an average annual rate of 12.6 percent during the decade. The output of major industrial products grew substantially. Between 1980 and 1990, the output of coal rose from 620 million to 1,080 million tons, that of crude oil from 106 million to 138 million tons, electricity from 300.6 billion to 618 billion kwh, steel from 37.12 million to 66.04 million tons and cement from 80 million to 203 million tons. Consumer goods were updated and upgraded more quickly, there was an increase in product variety and

design, and supplies were ample, in contrast to previous years when there was a limited variety and short supply of such goods. Industrial technology was improved and our capacity for conducting research in science and technology increased markedly, so that some Chinese products and industries were ranked among the most advanced in the world.

—**Capital construction and updating of technology were carried out at a faster pace.** Over the past 10 years China's total investment in fixed assets amounted to 2,770 billion *yuan*, a figure greater than that of the previous 30 years totalled. Of this, 1,080 billion *yuan* went to public sector capital construction projects, including more than 1,000 large and medium-sized projects that were completed and put into operation in such areas as energy, raw and semi-finished materials, transport and post and telecommunications. Five hundred forty-seven billion *yuan* was invested in updating technology, with 409,000 projects completed. A great number of key projects in basic industries and infrastructure development were completed and put into operation, which helped strengthen the weak links in the national economy, facilitated readjustment of the industrial structure and product mix, brought about significant successes in urban and rural construction and added strength to the sustained development of the national economy.

—**There was a sharp increase in economic and technological exchange with other countries.** In 1990 the total volume of foreign trade reached US\$ 115.4 billion, compared with \$38.1 billion in 1980, representing an increase of over 200 percent. The volume of exports increased from \$18.1 billion to \$62.1 billion, up about 240 percent. There was a great change in the export mix, with the proportion of manufactured goods increasing from 49.7 percent in 1980 to 74.5 percent in 1990. Since we began the reform and opening to the rest of the world in 1979, \$18.98 billion worth of direct foreign investment has actually been absorbed and invested to create more than 20,000 enterprises. In addition, we took on \$45.82 billion worth of foreign loans to make up for our shortage of construction funds, financing the construction of 550 projects, including civilian airports, railways, highways, ports and docks, oil fields, electricity power stations, chemical plants and so on. A large amount of advanced technology was introduced from abroad, which helped to improve China's production techniques. Contracting of projects, provision of labour services abroad, and international tourism increased considerably.

—**Science and technology, education and culture, and other social undertakings flourished.** Over the past ten years we achieved significant results in more than 110,000 science and technology research projects, including nearly 10,000 inventions which won state awards, and the results in some areas approached or attained advanced world standards. Over 50,000 inventions were granted patent rights, broadening the use of a great number of major innovations in science and technology, which served to improve the techniques used in traditional industries and their economic performance. Large-scale research projects including the

electron-positron collider, heavy-ion accelerator and synchronous radiation laboratory were completed and put on line. Development of the Galaxy supercomputer met with success, and the submarine-based missiles, the Long March 2E heavy thrust cluster carrier rocket and the Asiasat I telecommunications satellite were successfully launched. All this signals a breakthrough in China's high energy physics, computer technology, carrier rocket technology, satellite telecommunications technology, and other areas. Much headway was made in research in many areas of the social sciences. By 1990 primary education had been made universal in over 76 percent of the counties across the country and junior middle school education was universal in most cities. Secondary vocational and technical education, adult education and technical training developed rapidly. Institutions of higher education appeared in new forms, offering a comprehensive list of courses at different levels. Over the past ten years regular universities and colleges have educated more than 4.35 million undergraduates and about 200,000 postgraduates, and institutions of higher education for adults trained 370,000 students, providing a large number of people for modernization. Progress was also registered in the fields of culture, art, the press and publishing, broadcasting, film, television, sports, public health, family planning, environmental protection and so forth, promoting the building of a socialist society which is advanced materially as well as culturally and ideologically.

—**People's living standards improved markedly.** People in most parts of the country now have adequate food and clothing and are moving towards a relatively comfortable life; people in a few areas are already leading such a life. The living standards of people in certain parts of the country who still do not have enough food and clothing have also improved to some extent. This is an historic achievement. In 1990 the average per capita cost of living for urban residents reached 1,387 *yuan*, an increase of 68.1 percent over 1980 after allowing for price rises. The per capita net income of farmers was 630 *yuan*, representing an increase of 123.9 percent after allowing for price rises. Between 1980 and 1990 the average per capita living space of urban residents increased from 3.9 sq m to 7.1 sq m and that of rural residents from 9.4 sq m to 17.8 sq m. The number of urban and rural households that owned durable consumer goods such as television sets, refrigerators and washing machines increased noticeably. At the end of 1980 the average per capita bank savings for both urban and rural residents was only 40 *yuan*, but it reached 615 *yuan* at the end of 1990, indicating greater improvement in the people's living standards than in any other previous decade.

—**National economic strength grew enormously.** Over the past ten years the gross national product (GNP) grew at an average annual rate of 9 percent, reaching 1,740 billion *yuan* in 1990, compared to 447 billion *yuan* in 1980, representing an increase of 136 percent at constant prices. National income increased from 368.8 billion *yuan* to 1,430 billion *yuan*, or 131 percent at constant prices, for an average annual rate of 8.7 percent. Manufacturers provided a much wider variety of



Jiang Zemin and Li Peng confer.

products and their capacity to exploit natural resources increased tremendously. The output of some major industrial and agricultural products reached advanced world levels. Steel and chemical fibre moved from 5th to 4th place in the world, nonferrous metals from 7th to 4th, electricity from 6th to 4th, coal and cement from 3rd to 1st and ethylene from 15th to 8th, while the outputs of grain, cotton, meat and cloth were already the highest. Because of China's large population, the average per capita output of products is still relatively low, but the increase in economic strength of the country as a whole is truly remarkable.

Among our country's social and economic activities during the 1980s, economic restructuring and the open policy attracted the most attention, signaled the most profound changes, and provided the basic motivation for the magnificent achievements mentioned above. Success in rural reform, mainly involving the household contract responsibility system with remuneration linked to output, facilitated development of agricultural production, the national economy as a whole and reform in other fields. In the cities, we focused on invigorating the enterprises, while also carrying out reform in such areas as planning, finance, taxation, banking, supply of materials, commerce, foreign trade, pricing, and labour and wages. Along with economic restructuring, which changed the economic structure considerably, we reformed the management system for science, technology and education, as well as the political structure. The single-sector system of public ownership was gradually replaced by a system containing diverse economic sectors with public ownership as the main body. The single-mode system of wealth distribution was systematically replaced by a system which is mainly "to each according to his work," supplemented by other modes. The excessively centralized system of a planned economy was gradually replaced by a system that combines a planned economy with market regulation. Economic restructuring has stimulated people in all walks of life, promoting development of the productive forces. The open policy helped China's economy stride onto the world arena. We

established the Shenzhen, Zhuhai, Shantou, Xiamen and Hainan special economic zones, opened 14 coastal cities including Dalian, Tianjin, Shanghai and Guangzhou, set up 13 economic and technology development areas, and opened economic regions such as the Yangtze River Delta, the Pearl River Delta, the Triangle Area in Southern Fujian Province, and the Shandong and Liaodong peninsulas. In 1990 the Central Committee decided to develop and open the New Pudong District in Shanghai. Efforts to open to countries bordering on China are under way. Our open policy has put vitality into China's economy.

Our achievements in the 1980s were great, but that is no reason for us to become complacent. In the course of this profound, historic reform and opening to the outside world, it has taken us a long time to understand the objective laws, and accumulate practical experience, so some shortcomings and mistakes in our work were unavoidable. Chief among these are as follows. For a long time we overlooked ideological and political education and promoted material progress to the neglect of cultural and ideological progress. Our attempts to obtain quick results in economic development and reform led to overheated economic growth and inflation. Some sectors of the economy were so decentralized that the state's ability to exercise macro-control was weakened. However, since the Fourth Plenary Session of the Thirteenth Party Central Committee held in June 1989, we have been analysing our experience, persisting in what is right, making improvements where necessary and correcting our mistakes under the leadership of the Party Central Committee with Comrade Jiang Zemin at its core. As a result, there has been a turn for the better in the ideological and political spheres and notable success has been achieved in our efforts to rectify the economic order and improve the economic environment. Inflation has been brought under control, the index of commodity prices has dropped sharply, there have been good harvests in agriculture for two consecutive years, the growth rate of industrial production has by and large returned to normal, exports have continued to increase, and the economic order has shown some improvement. While improving the economic environment and rectifying the economic order, reform and opening to the outside world did not come to a standstill; on the contrary, they continued to deepen, creating favourable conditions for their further progress.

The national economy maintained an appropriate rate of growth under difficult conditions. In 1990 the GNP increased by five percent over 1989, total agricultural output value by 6.9 percent and that of industry by 7.6 percent. These were hard-won achievements, which were made possible by the people of the country after they had surmounted all difficulties through concerted ef-

forts. At the same time, we are soberly aware of the numerous contradictions and problems remaining in our society and the economy. There are still many products and manufactured goods which are overstocked and circulation in the economy is not smooth. We have yet to fundamentally improve our poor economic performance and rationalize the industrial structure.

The state is experiencing financial difficulties, with a conspicuous imbalance between revenue and expenditure. Many aspects of the economic structure remain to be rectified, and there are still some factors that could lead to instability in spite of the fact that we have achieved political stability and unity. We must take these problems seriously and try our best to solve them, not lowering our guard for a minute.

In conducting reform, opening to the outside world and carrying out modernization during the 1980s, we gained a wealth of experience. To put it in a nutshell, we should integrate the universal truth of Marxism with China's actual conditions, following the path we have blazed in building socialism with Chinese characteristics. During the 1980s we experienced tremendous success and during the last two years we have continued to make progress, even in the face of foreign pressure and domestic problems, enabling socialist China to stand rock solid in the East. The fundamental reason for this is that we have been following the road of building socialism with Chinese characteristics. Facts have once again convincingly proved the creativeness of Marxism and the vitality of socialism. It is most likely that we shall encounter various difficulties along the way ahead, but we confidently expect that China will succeed in its drive for socialist modernization as long as we firmly follow this correct road.

II. Major Objectives and Basic Guiding Principles

The three-step strategic plan for our socialist modernization drive correctly reflects the objective process for achieving modernization in China, a country which is underdeveloped economically and culturally. The fact that China has basically solved the problem of inadequate food and clothing shows that it has gone through an important period of development in socialist modernization. In the next ten years we shall complete the second-step strategic objective by going still further in economic and social development. This will be a still more important period in our modernization programme.

In line with the spirit of the CPC Central Committee's Proposal for Formulating the Ten-Year Programme and the Eighth Five-Year Plan for National Economic and Social Development, the Draft Outline provides the basic requirements for reaching the second-step strategic objective. Chief among them are:

—To quadruple 1980's GNP in terms of constant prices by the end of this century by greatly improving economic performance and optimizing the economic structure.

—To raise the living standards of the people from simply having enough food and clothing to leading

a relatively comfortable life.

—To develop education, promote progress in science and technology, improve economic management, readjust the economic structure and give priority to key construction projects, in order to lay a material and technological foundation for sustained economic and social development into the next century.

—To establish the initial phase of an economic structure and operating mechanism that is appropriate for developing a planned socialist commodity economy based on public ownership and that combines a planned economy with market regulation.

—To raise socialist culture and ideology to a new high and further improve socialist democracy and the legal system.

These requirements reflect the future course in China's economic and social development and summarize the aspirations and ambitions of the people of all our nationalities to reinvigorate China and make it a powerful country where people can enjoy a prosperous life.

The requirements for this boil down to two points: First, they emphasize the need for economic development to remain as the central task with economic growth as the foundation for improving people's living standards and promoting social progress. While presenting clear-cut requirements for the rate and amount of economic growth, they put more stress on the quality of growth and improvement in the quality of the economy as a whole. Second, they emphasize the need to continue deepening reform of the economic structure and opening to the outside world, to promote socialist cultural and ideological progress and strengthen socialist democracy and the legal system. In addition to an economic structure these requirements provide political, ideological and other types of guarantee for attaining the second-step strategic objective and maintaining sustained development into the next century.

As is set out in the Draft Outline, the GNP should increase at an average annual rate of about six percent in the next decade. This figure is optimistic and there is some leeway. Although the growth rate is a little lower than that of the last decade, the scale of the economy is much larger than it was in the last decade, so an increase of one percentage point will translate into a much bigger absolute volume. If the economy does grow at this rate, we shall be able to quadruple 1980's GNP by the end of this century. If we can continue to expand our economy on the basis of the rapid economic growth of the 1980s and maintain an annual rate of six percent in the 1990s, by 2000 our economic and social development will have assuredly entered a new stage. Although the per capita GNP will still be comparatively low, the Chinese as a whole will be able to lead a relatively comfortable life, owing to our rationalization of the system of distribution, prevention of the polarization of society and perseverance in achieving common prosperity. It has taken us 40 years since the founding of New China to basically solve the problem of inadequate food and clothing. Now it will take the coming ten years to achieve a relatively comfortable life for the citizenry. This is unquestionably a magnificent and huge historic mission.

Because China is economically underdeveloped and weighed down by a growing population, if the economy fails to grow at a reasonable rate, it will be impossible for China to solve its various economic and social problems, improve people's lives and carry out gradual modernization. Therefore, where conditions permit, we should try to develop our economy at a relatively rapid rate. On the other hand, we should not be impatient for quick results in the course of development, because an excessively high growth rate is liable to end up destabilizing the economy.

Past experience and the recent economic situation have shown that the key to China's economic development is to optimize the industrial structure and improve economic performance. By keeping the growth rate at a moderate six percent in the next decade we hope to avoid the tendency to go after quantity and growth rate alone in order to create favourable conditions for achieving a proper balance between the major sectors of the economy, promoting progress in science and technology and improving the quality of growth and of the national economy as a whole. Maintaining this growth rate is the only practical and realistic way to guarantee sustaining power. Only by maintaining an appropriate growth rate over a long period of time and by avoiding drastic fluctuations will it be possible for us to create a more relaxed environment in which to further straighten out economic relationships, which is also indispensable to our efforts to deepen the reform.

The basic guiding principles for the Ten-Year Programme and the Eighth Five-Year Plan are clearly defined in the Party Central Committee's Proposal. We should firmly carry them out in conducting economic and social development in the coming decade. Chiefly, they are as follows.

1. We must unswervingly take the road of building socialism with Chinese characteristics.

After analysing our past and more recent practical experience at the Third Plenary Session of the Eleventh Central Committee and at the Party's Twelfth and Thirteenth National Congresses, the Party has formed its basic line for the primary stage of socialism. This is to make economic development the central task, adhere to the Four Cardinal Principles and persist in carrying out reform and the open policy, as well as a series of other effective principles and policies. In its Proposal, the Party Central Committee has drawn up 12 succinct major principles concerning the basic theory and practice for building socialism with Chinese characteristics.

—Uphold the people's democratic dictatorship led by the working class and based on the alliance of workers and farmers, constantly improve the system of people's congresses and the system of multi-party co-operation and political consultation under the leadership of the Communist Party, constantly consolidate the patriotic united front and expand it to the broadest possible extent and strengthen socialist democracy and the socialist legal system.

—Develop the productive forces, the fundamental task of socialism, concentrate on modernization, and constantly improve the material and cultural life of the people.

—Continue to improve the socialist economic and political structures and the managerial systems in other fields through reform and fully awaken the initiative, enthusiasm and creativeness of the central and local authorities, enterprises and the working people.

—Keep opening more widely to the rest of the world by expanding economic relations and trade with other countries, utilizing foreign funds, introducing advanced technology, establishing special economic zones and open economic areas and adopting other necessary policies and flexible measures.

—Uphold an ownership structure embracing diverse economic sectors with socialist public ownership as the main one, encourage the complementary role of individual economic activity as well as the private and other economic sectors beneficial to the public sector, and strengthen administration and provide correct guidance for them all.

—Vigorously develop a socialist planned commodity economy, combine a planned economy with market regulation, and promote sustained, stable and co-ordinated development of the economy.

—Apply the system of distribution with "to each according to his work" as the mainstay, supplemented by other modes of distribution; allow and help some people and areas to prosper before others through honest labour and lawful operations, and encourage them to help others to thrive, so that all people and all parts of the country will gradually prosper.

—Uphold Marxism-Leninism and Mao Zedong Thought as the guiding doctrine; carry on and develop China's fine cultural heritage, draw on and assimilate the fine cultural achievements of all the other countries in the world, in order to constantly raise the ideological and ethical standards and scientific and cultural levels of the nation and promote socialist cultural and ideological progress.

—Establish and develop relationships of equality, mutual assistance, unity, co-operation and common prosperity in line with socialism among all our nationalities, uphold and improve the system of regional national autonomy and oppose ethnic discrimination and separation of nationalities.

—Promote the systematic realization of the great cause of reunifying the motherland in accordance with the concept and practice of "one country, two systems."

—Adhere to an independent foreign policy of peace, develop friendly relations with all other countries on the basis of the Five Principles of Peaceful Coexistence, oppose hegemonism and power politics; support the just struggles of oppressed nations and peoples, preserve world peace and promote the progress of mankind.

—Uphold the leadership of the Communist Party, constantly improve the Party's leadership system, style and methods, and strengthen the Party politically, ideologically, theoretically and organizationally, so that it remains the staunch leading core of the socialist cause.

Some of these are basic principles that we have been pursuing for several decades and have been refined and enriched under changing historical conditions; others represent the summation of more recent experience in reform, opening up to the outside world and moderniza-

tion over the past ten years or so. All of them represent the crystallization of the wisdom of the entire Party membership and all our nationalities and embody the outstanding contribution made by Comrade Deng Xiaoping in carrying on and developing Mao Zedong Thought under the changing historical conditions. Following the basic guidelines of these principles, we have been building socialism with Chinese characteristics since the Third Plenary Session of the Eleventh Party Central Committee and have made achievements which have attracted worldwide attention. The fundamental guarantee for reaching our objective for the 1990s will be following this road.

2. We must resolutely promote reform and opening to the outside world. This is crucial for implementing all the principles and policies concerning the building of socialism with Chinese characteristics. Thanks to our efforts in the 1980s, significant progress has been made in economic restructuring, and a pattern for opening to the outside world has taken shape. However, before all the drawbacks of the old systems could be eliminated, new irregularities and problems emerged. In order to properly set right the many irregularities in current economic activities, attain the second-step strategic objective without a hitch and remain invincible in the face of intense competition in the world, we must continue to deepen the reform and open China more widely to the rest of the world. Our reform is one where the socialist system is refining and developing itself, and it is designed to promote the development of the productive forces and comprehensive social progress and to constantly increase the vitality and dynamic nature of socialism. The integration of reform and the open policy with ceaseless consolidation and refinement of the socialist system has been our most important experience. Facts have shown that neither China nor any other country can do without reform and opening up nor can they succeed if they do not proceed in a correct direction. Therefore, in future we should continue adhering to the socialist orientation, exploring ways to deepen the reform and making the open policy more fruitful.

3. We must firmly adhere to the principle of maintaining sustained, stable and coordinated development of the national economy. This principle is the product of our analysis of positive and negative experiences gathered over many years, and it provides an important guarantee for attaining our objective by the end of the century. By sustained development we mean keeping an appropriate growth rate each year. By stable development we mean moving steadily forward and avoiding violent fluctuations. By co-ordinated development we mean proportionate development. These three characteristics of development are closely related. Co-ordinated proportioning of the economy is the basis for sustained and stable development, and only proportionate growth can be rational, yield good results and guarantee sustained and stable development. In order to ensure sustained, stable and co-ordinated development of the economy, it is vital that we work hard to maintain a basic balance between total demand and total supply and avoid the tendency to seek quick results. We should tap the potential of all our resources for the benefit of economic

growth and, on the other hand, prevent excessive distribution of national income to avoid inflation. We should work to connect growth rate to economic results and always make improved economic performance the first priority in all our economic work.

4. We must firmly implement the principle of maintaining independence and self-reliance, working hard and building the country through diligence and thrift. Self-reliance is not in contradiction to the open policy; the two harmonize perfectly. Opening to the outside world and using foreign technology, expertise and funds will enable us to rely more on ourselves. Conversely, only by relying on our own strength can we open more widely to the rest of the world. In the 1990s we shall open China more widely to other countries and make greater headway in foreign trade, the use of foreign funds and introduction of technology and intellectual resources from abroad. Moreover, we shall try to develop the economy mostly with domestic funds and our own strength. To make up for our relative shortage of resources and funds, it is most important for us to economize as much as possible on the use of financial, material and human resources, and try our best to stop serious waste in production, construction, circulation, consumption and other fields. In this next decade and even during the entire period of modernization, we must be fully prepared to work hard and build up the country through diligence and thrift.

5. We must firmly promote material progress and cultural and ideological progress simultaneously. We should never forget that it is a socialist modernization programme under which we are working. In promoting material progress we must also promote cultural and ideological progress, and overcome the tendency to pay more attention to the former than to the latter. In addition to being one of our major objectives, the latter provides an important guarantee for the former. Only when we have succeeded in making progress culturally and ideologically will our people have a correct direction to follow, gain greater confidence in socialism and become closely united. This is where our real advantage lies. To accelerate socialist cultural and ideological progress, all departments should work together and do all they can to get the masses involved in this endeavour, so that this task can be carried out at the grass-roots level.

The basic guiding principles just listed chart the direction for our advancement and define the correct way of attaining the second-step strategic objective. In all our work over the next decade we should therefore always see to it that our basic line, principles and policies are continued, kept stable and are comprehensively executed. While no change will be made in these basic principles and policies, specific policy measures should constantly be improved and developed. The major task confronting us now is to work very hard to implement these principles, policies and measures.

In the Draft Outline submitted for examination and approval by the session, the Eighth Five-Year Plan and the Ten-Year Programme are presented together for consideration. This is because many questions relating to economic and social development, and some major construction projects, key scientific and technological

projects and the training of qualified personnel will still be relevant issues after the period of one five-year plan. By drafting the Five-Year Plan with the general trends and objectives of economic development for the next ten years in perspective, we were able to maintain a broader view. Since there are many factors that make economic and social development unpredictable, it was impossible to formulate too many specifics in the Ten-Year Programme in the Draft Outline, excepting chief objectives, basic tasks, important policies and some important targets. The Eighth Five-Year Plan is to be implemented soon and we have set more targets and worked out more detailed projects in it, but its priorities are still on maintaining a correct orientation, and on accomplishing the tasks and carrying out policies and the overall plan for reform and opening up in economic and social development. Still more details may be found in the annual plan.

In the course of carrying out this Plan we will need to readjust or expand the set targets as necessary. Towards the end of the Plan period, we shall start drafting the Ninth Five-Year Plan. Since we have not succeeded in improving the economic environment and rectifying the economic order, we shall have to continue this task through the first year of the Eighth Five-Year Plan or longer while simultaneously working for economic development. When economic development returns to normal, we shall still continue our efforts to fulfill the tasks that have been left unfulfilled in this field.

The year 1991 is the first year for implementing the Ten-Year Programme and the Eighth Five-Year Plan, and it is also a year in which we must continue to improve the economic environment, rectify the economic order and deepen the reform. Therefore, making a success of this year's work is of great significance. We should focus on economic work and, while maintaining a balance between total demand and total supply, readjusting the economic structure and improving economic performance, make sure that the economy grows at an appropriate rate. We should guard against repeating the mistake of relaxing efforts in agriculture after a good harvest and instead redouble our efforts to develop agriculture. We should take effective measures to bring about substantial progress in revitalizing large and medium-sized state-run enterprises as quickly as possible. We should organize a campaign for the "Year of Quality, Variety and Efficiency," carry it out year after year and make it a success. We should improve financial and taxation work, control institutional purchases, increase production and practise economy, raise revenues and reduce expenditures, and reduce the imbalance between revenue and expenditure. We should continue deepening the reform in accordance with the requirement to combine a planned economy with market regulation. While striving to do the economic work well, we should improve political and ideological work and expedite cultural and ideological progress in the cities and countryside. We should strengthen overall control of public security, maintain social stability and normal order, so that our people can work and live in a favourable environment. We must do our best to make every field of endeavour a success and ensure a good begin-

ning for the Eighth Five-Year Plan.

III. Economic Development

Our general point of departure for economic development in the next ten years is to maintain sustained, stable and co-ordinated development of the national economy in line with the requirements of the second-step strategic objective, while focusing on improving economic performance. In the Draft Outline the following major questions are considered.

1. Making continued efforts to maintain a balance between total supply and total demand.

In the next ten years and during the Eighth Five-Year Plan period we shall be confronted with many contradictions in trying to strike a balance between total supply and total demand because we not only have to satisfy the need of construction funds for all areas but also have to steadily raise people's living standards. Therefore, maintaining a basic balance between total supply and total demand and preventing inflation and excessive distribution of national income constitute an extremely important task. Experience has shown that the main reason for the sharp fluctuations in past economic development was impatience for high growth rates as was manifested in our guidelines. Exceedingly large-scale development and excessive demands for consumer funds caused an imbalance between total supply and total demand and between major sectors of the economy. Finally, we were forced to make adjustments in the economy. In the past two years we have achieved marked success in our efforts to improve the economic environment and rectify the economic order precisely because we have struck a balance between total supply and total demand.

To maintain sustained, stable and co-ordinated development of the economy and to avoid major setbacks in the coming ten years, it is crucial that we maintain a balance between total supply and total demand, in particular we must maintain a balance in finance, credit, foreign exchange payments and materials supply and demand, as well as a proper relationship among them. We should do what we can for economic development and people's wellbeing. Investment in fixed assets should be compatible with our national strength and the growth rate of consumption should be compatible with that of production. Because it may take a long time to improve economic performance markedly, the contracted financial responsibility system will remain the major financial system during the Eighth Five-Year Plan period. This should restrict the growth in state revenue and in revenue of the central financial authorities. In addition, investment in key construction projects, national defence expenditures and operating expenses for science and education need to be increased appropriately. As for the enormous amount of subsidies paid out to compensate for enterprise losses and price rises each year plus certain other expenditures, they can only be cut back gradually. Therefore, it will be hard to strike a balance between revenue and expenditure every year; there will be a certain amount of deficit. We must try to do everything we can to increase revenues and reduce ex-

penditures in order to cut the deficit. All departments are now asking the treasury for additional financial support and preferential treatment. We must be determined to offer no more such support or treatment, make no further reduction of taxes on enterprises and allow the enterprises no greater amount of profit. In issuing credit and loans, banks should continue to adhere to the policy of working to stabilize the value, control the total issue and readjust the structure, issuing currency and loans in accordance with the rational needs of economic development in order to avoid inflation. We should make timely settlement of foreign exchange accounts payable, and increase foreign exchange receipts from both visible and invisible trade and keep imports and foreign loans to a reasonable level.

Various regions and departments have set forth projects to be built in the next ten years and during the Eighth Five-Year Plan period. The overall scope of these projects greatly exceeds the potential supply of funds and materials. It is true that from the point of view of an individual region or department certain projects are necessary and, moreover, some of them have already been assessed for feasibility. But looking at the situation as a whole, and in light of our limited financial and material resources, we have to approve some and disapprove others on the basis of importance and urgency. Since the construction projects listed in the Draft Outline are to be launched within five to ten years, the proportion of annual investment should be specifically set on the basis of available funds and should remain basically constant. When launching projects we should go about it systematically; we cannot all rush headlong into battle with no sense of priority.

2. Vigorously readjusting the industrial structure to make it more rational and modern.

Economic development, reform and opening to the outside world during the 1980s brought about favourable changes in the industrial structure. The situation in agriculture and consumer goods industries has improved; the service sector has been growing more rapidly; and new industries have been created. Nevertheless, there has been no fundamental change in the irrational industrial structure. Besides, new contradictions and problems have cropped up in the course of economic development. The main problems in the industrial structure are as follows: agriculture, the foundation of our economy, remains weak; basic industries and infrastructure lag behind other fields of endeavour; the overall scale of processing industries is too large and the level of technical expertise and degree of specialized division of labour in them are low; and the service sector cannot meet the needs of economic development nor of people's daily lives. With the rise in people's incomes and living standards in the next ten years there will be an increased demand for greater quantity and variety in consumer goods. In addition, the increase in industrialization and the increase in the number of people leaving agricultural production, plus expanded trade and economic relations with other countries, require that we work even harder to readjust the industrial structure. We should also note that, in the wake of the revolution in science and technology, the industrial structure has undergone

or is undergoing reorganization and upgrading worldwide. Whether or not we can seize every opportunity to expedite the adjustment and our industrial structure will have a direct bearing on the attainment of the second-step strategic objective and exert a long-term influence on the progress of China's modernization.

Therefore, the Draft Outline gives top priority in economic development in the next ten years to readjusting the industrial structure. The major tasks involved include the following:

— **Redoubling our efforts to improve and expand agriculture to promote all-round growth of the rural economy.** Confronting us in the 1990s are a number of problems. On the one hand, an increasing population and the transition to a relatively comfortable life will mean an ever-growing demand for farm products. On the other hand, the overall production capacity of our agriculture cannot be increased rapidly enough in the near future. Because the amount of farmland per capita continues to diminish and the weather and other elements are unpredictable, agricultural development could be very difficult. The Draft Outline requires that grain output first tops 450 million and then 500 million tons in the 1990s. Specific quotas are set for the output of other major farm products such as cotton, oil-yielding crops and sugar-yielding crops and for the development of forestry, animal husbandry and fishery. The Draft Outline contains a series of important measures designed to expand agricultural production. These include: deepening reform in the rural areas, stabilizing and improving the responsibility system with the household contract linking remuneration to output as the main form, establishing all types of social services and improving the system of unified management combined with independent management in order to boost the economic strength of the collective; increasing investment in agriculture, doing more harnessing of major rivers, increasing irrigation and water-conservation construction projects, continuing afforestation, and effectively controlling flood and drought; invigorating agriculture through application of scientific and technological advances and promotion of education; working hard to reform and improve the circulation pattern of farm products; and promoting the sound development of village and township enterprises. Strengthening management and using land and water resources economically and rationally are essential to agricultural production and to the economic growth of the entire society and, therefore, must be carried out. Governments at all levels are expected to diligently organize the execution of these measures.

— **Building more basic industry and infrastructure projects is an important task for the next ten years.** In the past two years, thanks to economic improvement and rectification and structural readjustment, the strain on basic industries and the infrastructure has been eased to some extent. Although some products have even been overstocked in some places, this is a temporary phenomenon resulting from our retrenchment measures. However, in the long run basic industries and the infrastructure will remain weak links in the development of the national economy. Since they take a long time and

require huge investment to develop and the return on investment is low, we must lose no time in arranging for their development, adopting measures which favour investment in them, and raising funds for them in various ways. In the Draft Outline specific arrangements are made for the development of the energy, transport, post and telecommunications and major raw and semi-finished materials industries. We need to muster all our resources and make a concerted effort, paying close attention to quality and efficiency, to complete a number of key projects on time and form a comprehensive production capacity much in the same way as when we successfully built 156 major projects during the First Five-Year Plan period. Our banks should grant more loans to these projects. Construction funds should be allocated for the coal, power, oil and railway industries to guarantee the financial needs of key projects. The prices of their products or their charges should be gradually rationalized, so that our basic industries can continue to expand. We should improve geological survey work so that its development is coordinated with the construction of key projects. In ensuring enough funds for the key projects of the state, governments at all levels should raise funds from all sectors of society in accordance with state policies to develop basic industries and the infrastructure in their regions in light of their local conditions.

—**Reorganizing, upgrading and improving the processing industries.** The scope of China's processing industries is large enough. In the next ten years the stress should be placed on fully tapping the potential of existing enterprises and raising their production capacity by deepening reform, readjusting structures, improving management and updating technology. To this end, we shall have to cut back all excessive production capacity of and put a stop to the manufacture of inferior outdated products or products whose manufacture consumes large amounts of material or pollutes the environment. Enterprises whose output is small and whose products cost too much to manufacture and yield poor returns should be reorganized. In line with large-scale production, they should be urged to introduce division of labour based on specialization or to set up associations among themselves. We should encourage the wide use of new technologies and techniques, develop new products and improve product quality to better meet the needs of the domestic and international markets.

—**Developing the construction industry.** A relatively comfortable life and higher living standards are reflected in improved housing. According to the Draft Outline, in order to meet the needs of economic development and people's lives in the next ten years, the construction industry will be developed considerably. The experience of China and other countries shows that the construction industry can become one of the major pillars of economic development. We must adhere to the principle of putting quality first and raise technical and managerial levels in the industry. In all construction work quality should be stressed and costs held down. Use of new building materials manufactured by our own country should be encouraged.

—**Accelerating the development of the service sector.** In

view of the fact that this industry has a very important role in economic development and people's lives and that it still lags behind other industries, the Draft Outline has laid great emphasis on it. In its development, priority shall be given to trades serving production and people's needs, in areas such as commerce, materials supply, banking, insurance and tourism. Growth of the service sector will substantially help to ease the pressure on employment, accumulate funds, enliven the urban and rural economies, readjust the economic structure and improve the overall efficiency of the national economy and the living standards of the people. However, in the course of development in the 1980s some confusion arose owing to lack of experience and poor management. This has been or is being overcome thanks to our efforts to improve the economic environment and rectify the economic order. We should provide support and guidance in this area and improve management so that this sector can develop relatively quickly and on a sound basis.

3. Promoting rational division of work among various regional economies and their co-ordinated development.

Rational geographical distribution of the productive forces and co-ordinated development of the regional economies are vital to China's economic and social development. The development of the regional economies and the geographical distribution of resources are uneven across the vast territory of our country. Correct handling of the relationship between national and regional economic development and the relationships among the regional economies has a great bearing not only on the full exploitation of all kinds of advantages and rational economic development but also on unification of the country and unity of all our nationalities. In the 1980s both the national and regional economies grew significantly and there were also some changes for the better in the geographical distribution of the productive forces. Nevertheless, there still are some irrationalities and glaring problems as well. The main problems include too many duplicated construction projects, too many similar industrial complexes, irrational allocation of resources and barriers between the regions and markets. These problems hinder rationally co-ordinated production and commodity circulation. In the coming ten years we shall gradually rationalize the geographical distribution of the productive forces in line with the principles of overall planning, rational division of work, taking advantage of each other's strengths, co-ordinated growth, consideration of the interests of all concerned, and common prosperity. For this purpose, we must satisfactorily handle the following three relationships:

First, we must correctly handle the relationship between taking advantage of the strengths of various regions and making comprehensive plans for the economic development of the whole country. The state will encourage and support the various regions in making the most of their strengths by improving guidance and co-ordination. Meanwhile, in order to raise the overall efficiency of the national economy, the state will promote rational division of work among the regional economies. A unified national economic network and market are objective requirements for a commodity economy

and large-scale production, as well as a prerequisite for exploiting regional advantages. Barriers between regions and markets hinder rational geographical distribution of the productive forces and the most appropriate distribution of resources, in addition to hindering the exploitation of regional advantages. Regional economies should develop in accordance with the industrial policies of the state. In formulating the state industrial policies, consideration should be given to the exploitation of each region's strong points. This will facilitate the simultaneous development of the national and regional economies.

Second, we must correctly handle the relationship between areas richly endowed with resources and areas with a large number of processing enterprises. Particularly in the economically developed coastal areas, efforts should be made to develop high-technology industries, manufacture products that can earn foreign exchange, and economize on the use of resources. Industrial enterprises that consume large amounts of materials and energy and require extensive transport services should be rapidly developed in areas with sufficient energy and abundant resources. While accelerating the exploitation of natural resources, these areas should also develop some processing enterprises as appropriate. Attention should be given to accelerating construction of the eastwest railroad trunk line to benefit exchange between coastal and interior areas of commodities, funds, technology and talent.

Third, we must correctly handle the relationship between developed areas and developing areas. The uneven development of the economy and differences in living standards have historical and geographical causes. As the economy develops, the state and economically developed areas should do their best to bring change to the less developed areas, so that each and every area can make progress and achieve prosperity. We shall continue to implement the current policies of assisting minority nationality areas, poverty-stricken areas, old revolutionary base areas and outlying districts in obtaining adequate food and clothing in the next ten years so that marked progress can be made there in the economy and people's living standards. The state will continue to provide these areas with financial, material and technical aid and build mines, water conservation and transport projects and other industrial projects there, to stimulate their economic development. In the next ten years, the state will continue to carry out the policy of providing relief in exchange for work in poverty-stricken areas, encouraging peasants to take part in improving sloping fields and low- and medium-yield farmlands so as to create the necessary conditions for people there to have adequate food and clothing. More developed provinces and cities along the coast are expected to conclude agreements or contracts with less developed provinces and areas and, on the basis of mutual benefit, share their successful experiences, transfer technology, exchange talent and supply financial and material aid to help accelerate their economic development. People in less developed areas should work hard to develop farming, forestry and animal husbandry, build highways, electric power stations, irrigation works

and other infrastructure projects, and develop some processing industries in order to become more self-reliant and improve their production and living conditions.

4. Always keeping improved economic performance the first priority of all our economic work.

Improving economic performance will be a major task in economic development in the coming decade. We have stressed this task for many years, and progress has been made in quite a few areas. However, generally speaking, there has been no fundamental change. Excessive consumption in production, inferior quality, enormous waste in construction, slow capital turnover, low labour productivity and serious enterprise losses are to be found everywhere. Many technological and economic indexes obviously lag behind those of the economically developed countries. Worse still, some are even lower than our own past records. The gap between backward and advanced enterprises within trades is also very wide. Poor performance is at the crux of many difficulties in China's economy. Due to the fact that during the coming decade and throughout the period of the modernization drive we shall continue to be plagued by a huge population, heavy construction tasks, shortage of funds, outdated basic industries and infrastructure, and relatively inadequate resources in terms of average per-capita amount, we shall get nowhere relying on poor management which wastes resources. We have no choice but to work our hardest to improve economic performance by intensifying management. Among the indexes set in the Draft Outline for improving economic performance during the Eighth Five-Year Plan period are: the amount of standard coal consumed for every 10,000 yuan of GNP is to be decreased from 9.3 to 8.5 tons, labour productivity of the community as a whole is to be raised at an average of 3.5 percent per annum, and the turnover period for working capital in state-run industrial enterprises covered by the budget is to be shortened from 127 to 95 days.

We should take practical measures and do solid work to attain these targets so that we can gradually remedy our poor economic performance.

Upgrading technology is the chief means we have for improving economic performance. China now has a large industrial foundation with numerous enterprises, which will shoulder most of the production and construction tasks for the coming decade. Many enterprises are using obsolete equipment and backward technology which need to be upgraded immediately. During the Eighth Five-Year Plan period and the coming decade, we must update existing enterprises with advanced technology, equipment and production techniques, and tackle key problems in scientific research and production, focusing on production technology and modern equipment. We must work hard to raise the level of the machine-building industry to better meet the requirements of all sectors of the national economy for technology and equipment. During the Eighth Five-Year Plan period the state will select a group of large and medium-sized key enterprises and manufacturers of important products to be the vanguard in upgrading technology, so that they may approach or reach advanced international

standards. All local authorities and departments should similarly select a group of enterprises for technological upgrading in order to give an impetus to technological progress in small and medium-sized enterprises and village and township enterprises. Upgrading technology should be focused on conserving energy, reducing consumption of raw and semi-finished materials and production costs, improving the quality of products, increasing the production capacity of brand-name, high-quality new products plus those for export. It should also emphasize preventing and controlling pollution, and increasing the multi-purpose use of resources. We should expand the application of advances in science and technology that require less input, yield greater economic results and promise quick returns, continue to implement the "Spark Programme" and the "Harvest Programme," and speed up the application of advances in technology to production. While improving technology in traditional industries at an accelerated pace, we should continue to implement the "Torch Programme," successfully manage the new- and high-technology development areas, promote commercialization and industrialization of new and high technologies and widely apply them to traditional industries. Now that the electronics industry is playing an increasingly prominent role in overall economic and social development, we should recognize the strategic importance of its rapid development, closely integrate it with the manufacture of precision machine tools and other equipment and promote wide application of electronic technology to economic and social activities. We should also continue to introduce advanced technologies from other countries, try to make good use of them and make our own innovations based on them.

Improving management is an important way of improving economic performance. At present, financial, material and human resources are recklessly wasted in production, construction and circulation, and the development potential in these areas is far from being fully tapped. Therefore, we must make tighter management the key link in improving economic performance. We should improve macro-management, try to make state plans more scientific and productive, and rationalize overall allocation of resources. We need to exercise rigorous management in the enterprises, especially provide more effective leadership and guidance on the production lines, strictly implement the contract responsibility system, make a success of work at the basic units, and improve the overall quality of the work force. The experience of many advanced enterprises shows that this enables the same people with the same equipment to turn out more and better products. We should persistently and earnestly conduct the campaign to increase production, practise economy, raise revenues and reduce expenditures in all fields of endeavour, and do careful budgeting and fight waste, working to spend less money to accomplish more things.

5. Promoting progress in science and technology, expanding education, improving the overall quality of the national economy and promoting all-round social progress.

Science and technology constitute a primary produc-

tive force. In the present-day world, the growth of the productive forces and the increase in the overall national strength depend to a large extent on a country's level of science and technology. International economic competition in science and technology and for trained personnel is becoming more prevalent. If we are to markedly improve economic performance, increase overall national strength and systematically narrow the gap between our country and the developed countries, we need to fully realize the strategic importance of science, technology and education, relying on scientific and technological progress and improving the quality of the work force for economic development.

In developing science and technology, we should continue to implement the principle that "economic development must rely on science and technology, while development of science and technology must be geared to the needs of economic development." This is not only good for economic growth, but is also the only way for science and technology to prosper and advance. We shall continue to deepen reform of the science and technology management system and gradually set up a scientific research mechanism in which importing technology is combined with innovation while application is combined with dissemination for mutual promotion. We shall make economic development a main objective of work in science and technology, and speed up the transformation of scientific and technological achievements into practical productive forces.

We should do overall planning for the work in science and technology on three levels: at the top, applied technology research; second, high-technology research; and third, basic research. We should rationally allocate our resources in order to promote China's comprehensive economic, scientific and technological development. We should closely watch the advances in technology now going on in the world and do our best to make new gains in high-technology areas, such as bioengineering, electronic information technology, automation technology, new materials, new energy sources, aeronautics and space, oceanographic engineering, lasers, superconductivity and communications. The key to accelerating progress in science and technology is to stabilize and perfect the policies for promoting such progress and to increase investment through practical and effective means. We should establish and gradually improve a protection system for intellectual property rights and widen the role of the patent system in the development of science and technology.

Developing education and raising the overall quality of the populace is of fundamental importance to the socialist modernization drive. China's modernization programme requires a large number of skilled technicians as well as a contingent of hundreds of millions of educated workers. To serve this programme, we should continue to deepen the reform of the management system of education, promote research in the science of education, work hard to implement the educational policies of the Communist Party and the state and bring up morally, intellectually and physically developed builders and successors of socialism. We should focus on improving the quality of instruction and increasing the

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efficiency of school management, in accordance with the actual requirements of the modernization drive.

By the year 2000, we plan to make compulsory primary education universal throughout China and make compulsory junior middle school education universal in most of the urban areas as well as in some rural areas where the economy is fairly advanced, and eliminate illiteracy among most young and middle-aged people throughout the country. By greatly expanding vocational and technical education and training, we shall enable the overwhelming majority of urban and rural labourers to have needed technical knowledge and skills, as well as give skilled workers improved abilities and more knowledge of specialized techniques. While basically maintaining the present scope of higher education and rationalizing the structure, we shall concentrate on helping a number of universities and colleges to markedly improve the quality of instruction and efficiency of school management, bringing a number of key branches of learning up to advanced world standards. We shall continue to implement and improve the policies concerning students studying abroad, encouraging them to come back to work after finishing their studies. We shall also increase promotion of international exchange and cooperation in education. We must try hard to strengthen the training of teachers so that they will become more competent professionally, ideologically and politically. The various types of schools at all levels should effectively improve moral education and ideological and political work to raise the socialist consciousness and moral standards of both educators and those receiving an education. In the Draft Outline, governments at all levels are required to gradually increase investment in education along with economic growth and, at the same time, raise funds for education through various channels, urge and help all sectors of society to operate schools and encourage self-education, in order to promote co-ordinated educational and economic growth.

6. Improving the people's living standards on the basis of expanded production.

The purpose of economic development is to satisfy people's ever-growing material and cultural needs. The general objective for the coming decade is to enable all the people to lead a relatively comfortable life. According to the Draft Outline, during the period of the Eighth Five-Year Plan both workers and office staff as well as the peasants of our country should register some growth in their income after adjustment for price rises. The principal measures for raising the people's consumption level and quality of their daily lives include increasing production of textiles and other light industry and farm and sideline products and continuing to carry out and improve the "shopping basket" programme in urban areas; effectively organizing market supply; expanding the service sector which caters to the needs of both urban and rural residents; speeding up the construction of urban and rural housing and public utilities; preventing environmental pollution and improving the environment; taking full advantage of both the urban and rural collective economic undertakings and other economic sectors to provide more job opportunities for the work force, and systematically perfecting the social security

system; encouraging family planning to strictly control population growth; promoting cultural activities to enrich people's lives; and developing public health and sports activities to improve the people's health. After ten years of steady improvement, the Chinese people's living standards will register a noticeable rise at the end of this century.

The relatively comfortable life mentioned above is compatible with the projected growth in China's productive forces and reflects basic socialist principles. A rise in people's living standards includes both material improvement and cultural enrichment and, both a rise in individual consumption level and improvement in the areas of social welfare and working conditions. As far as material comforts are concerned, the patterns and styles of consumption should agree with China's conditions and national traditions. We should readjust the industrial structure and product mix as necessary to make them compatible with the improved quality of people's daily lives and changes in consumption patterns as people move from subsistence living to a relatively comfortable life. At the same time, we should guide consumption and establish rational consumption patterns and healthy, beneficial consumption styles that are suited to China's conditions.

Since China is a big country with very uneven economic and cultural development, the goal of enabling the people throughout the country to lead a relatively comfortable life can only be achieved gradually region by region. No unified nationwide timetable in this regard should, or could, be formulated. However, we can be certain of one thing and that is that the prevalence of such a life and common prosperity will be attained by 2000. We shall continue to implement the policy of allowing and helping some people and some regions to prosper earlier than others through honest labour and lawful operations. Nevertheless, we must never lose sight of the aim of this policy, which is to help the people in all parts of the country move towards common prosperity. Therefore, we should not only oppose egalitarianism but also guard against the development of too wide an income gap in society. One of the most essential advantages of the socialist system lies in common prosperity.

A relatively comfortable life can be realized only through the hard work of the entire nation. China is now on the threshold of a new undertaking and a thousand things remain to be done. Therefore, in the next ten years and even throughout the course of the modernization drive, we must properly handle the relationships between accumulation and consumption and between building up the country and raising people's living standards. We must see to it that the growth of actual total wages does not exceed that of the national income and that the increase in real average income does not outstrip that of labour productivity. For a long time from now, we need to persistently maintain our independence, rely on our own strength and work hard to build up the country using diligence and thrift, so we can accomplish socialist modernization through our intelligence, wisdom and untiring hands.

Fellow Deputies,

The Chinese People's Liberation Army, the Armed Police and the Public Security Police constitute a solid pillar in the people's democratic dictatorship. In the 1980s, the people's armed forces made tremendous progress in their own development and contributed significantly to the defence of our motherland and the safeguarding of our modernization drive.

In the coming decade, under a complicated and rapidly changing international situation, we may have to cope with a variety of unpredictable possibilities. To safeguard state security and ensure a stable environment for economic development, we must further modernize our national defence forces. In line with the country's financial capability, we should appropriately increase the outlay on national defence and work hard to develop defence science and technology, focusing on research in and manufacture of new weapons and equipment to modernize our army's armaments. We should continue to readjust the structures of defence-related science and technology and the defence industry, implement the policy of appropriately converting military-industrial production capacity to manufacture of civilian products, strengthening unified planning and enhancing coordination, to improve both military and civilian products. We should continue to augment the construction of key defence projects. We must strive to broaden education in national defence to enhance all our people's awareness of its importance. We should extensively carry out activities to support the army and give preferential treatment to families of revolutionary armymen and martyrs, and we should also carry out activities to support the government and cherish the people, so as to further strengthen the unity between the army and the government and between the army and the people. The people's armed forces should further intensify their revolutionary zeal, continue their modernization drive and standardization, and enhance their political consciousness, military proficiency and combat capability, in order to safeguard the smooth progress of socialist modernization.

IV. Social Development

In the Draft Outline of the Ten-Year Programme and Eighth Five-Year Plan, economic development is presented as the first priority, co-ordinated development of the economy and social undertakings is emphasized and comprehensive requirements are proposed for cultural and ideological progress and all types of social undertakings. Here I should like to explain a few points.

1. The need to promote progress in socialist culture and ideology.

Advancing socialist culture and ideology is an important goal in building socialism with Chinese characteristics, as well as an important guarantee for promoting material progress. Over the past ten years, great strides were made in culture and ideology. But some serious deficiencies have also shown up, mainly the weakening of ideological and political work, which led to an unchecked flood of bourgeois liberalization and brought about grave consequences to society. Over the next ten years, China will be faced with a volatile international

situation in which foreign hostile forces will continue their attempts to effect peaceful evolution in China. In addition, we shall be charged with the formidable and complicated tasks of domestic development and reform. Therefore, we must steadfastly carry out the principle of working for material, and at the same time, cultural and ideological progress, while also stressing the building of a culturally and ideologically advanced socialist society.

The basic task in advancing socialist culture and ideology is to develop a socialist citizenry who have high ideals and moral integrity, who are better educated and have a strong sense of discipline, as well as to raise the ideological, moral, scientific and cultural standards of the Chinese nation as a whole. Centring on this basic task is the need to raise people's ideological and moral standards and their educational, scientific and cultural levels. Advanced ideological and moral standards are the soul of our socialist culture and ideology; they determine the nature and orientation of the latter. When we call for rectifying the tendency of stressing material progress to the neglect of cultural and ideological progress, we mean raising these standards. We must relentlessly urge our people to adhere to the Four Cardinal Principles and resist and oppose bourgeois liberalization, in order to ensure a correct orientation for economic development, reform and opening to the outside world. It is necessary to carry on the fine traditions of ideological and political work. We must carefully study this work's characteristics and the laws governing it under the current conditions of reform and opening China to the outside world and conduct more effective ideological and political training in lively forms that attract the people's interest so that they will take it to heart. We should conduct intensive and persistent training in patriotism, community spirit and socialism, making use of our common ideals to mobilize and unite the people of all our nationalities in the great cause of building up our motherland and rejuvenating China. We must arouse and attract hundreds of millions of people to participate in the development of socialist culture and ideology to help foster an active, healthy and cultured citizenry. China's young people, numbering more than 500 million, represent the generation which spans this century and the next, and they are the hope and future of our motherland. We must fully recognize the extreme importance and urgency of fostering people to be builders and successors for our socialist cause, and closely co-ordinate education in the schools with education at home and in society, to bring up new generations of socialist builders.

The development of education, science and culture promotes and depends on ideological and moral progress, and both help to advance material progress. There can be no socialist modernization without enhancing the scientific awareness and educational level of the entire nation. Therefore, we should adhere to the policy of "letting a hundred flowers blossom and a hundred schools of thought contend" and, while promoting science, technology and education, we should conduct more effective research in the social sciences and further develop all cultural undertakings including the press and publishing, broadcasting, film, television, and liter-

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ature and art. On the basis of the fundamental experience and all effective principles and policies from the 1980s, specific arrangements have been made in the Draft Outline for the development of science and technology, education and culture. Governments at all levels are required to give top priority to these arrangements and do a good job carrying them out.

It is essential that we pay more attention to the vast number of intellectuals and let them play their role in promoting progress in socialist culture and ideology and in the modernization drive. Since the founding of the People's Republic, and especially since the Third Plenary Session of the Eleventh Central Committee of the Communist Party, China's intellectuals have made significant contribution to every aspect of national economic and social development. Accomplishing the arduous task set for the second step of our strategic objective in the next ten years urgently requires the intellectuals to fully display their initiative and inventiveness and to take on the tasks which history bestows on them. We should continue to develop a feeling of respect in society for knowledge and for talented people. We should gradually improve policies and systems which are designed to bring out talented people, so that people can fully utilize their talents and abilities. Along with economic growth, we shall take practical measures to improve the intellectuals working and living conditions. We should encourage intellectuals to become more a part of the real world, to better understand China's actual conditions, and to achieve more successes in the great socialist modernization drive, reform and opening to the outside world.

2. The need to strengthen socialist democracy and the socialist legal system.

Socialist modernization is an undertaking of all the people. Only by strengthening socialist democracy can we mobilize and rely on the people to the greatest possible extent. In furthering the economic restructuring, we must also actively and steadily promote corresponding progress in political restructuring, establish and improve procedures and systems for democratic supervision, set up a system of leadership that will help raise efficiency and develop a socialist democracy suited to Chinese conditions.

Governments at all levels should emphasize and support research and consultancy before making policy decisions and make decision-making more democratic and scientific. They should also readily accept supervision by the people's congresses or their standing committees at the corresponding levels, respect and enable the people's political consultative conferences, the democratic parties, and mass organizations to play their role in political consultation and democratic supervision, and listen to opinions from all quarters with an open mind, so that the will and interests of all the people can be fully embodied in state affairs and social activities.

It is important to further strengthen the state's political power, reform the administration and management systems and straighten out the relationships between functional departments of governments at all levels. It is necessary to continue to reform the cadre and personnel systems, streamline government organizations, re-

duce the number of levels and administrative staff, improve work styles and increase efficiency. It is also necessary to further encourage democratic activities at the grass-roots level, improve democratic management in enterprises as well as self-government among both urban and rural residents, increase the citizens' awareness of the need and their ability to participate in the administration and discussion of state affairs, and arouse the people to become involved in building socialism.

It is essential, through building the legal system, to put socialist democracy on an institutional and legal basis to safeguard the people's right to be masters of the country and to guarantee stability, unity and long-term peace in China. At the same time, we must standardize economic relations and social activities through the law, in order to maintain public order and to solidify the results of reform and opening to the outside world. Now that we have attained the initial stage in forming a whole system of socialist law in China based on the Constitution, our political and economic activities and government work are being gradually put on a legal footing. However, some important laws and statutes relating to economic affairs and to administration and management have yet to be worked out. While promoting reform and opening to the outside world, we should speed up the drafting of such important laws as a planning law, budget law, banking law, investment law, corporation law, pricing law, labour law and auditing law. At the same time, we should also formulate more administrative statutes, regulations and rules consistent with the requirements of reform, the open policy, administration and management, so as to further standardize and institutionalize government administration and management.

One outstanding problem is the prevailing tendency to not enforce the law strictly enough. It must be emphasized that once a law is promulgated, all organizations and individuals must abide by it. We must protect the authority of the Constitution and the law, uphold the principle of equality before the law, and work towards the point where when there is a law it is obeyed, enforcement is strict and lawbreakers are prosecuted. We shall continue to publicize and explain the legal system, making legal knowledge common among all of China's citizens, and enhance their awareness of the need to obey the law. All government personnel should study and understand the law, increase their awareness of the law, and set an example in observing and enforcing the law.

3. The need to strengthen procuratorial and judicial work and maintain social stability.

Under the present situation of stability and unity, there are still some factors which could lead to instability in China. Attempts at subversion, dismemberment and sabotage by foreign hostile forces working against China still continue. Therefore, we must always be on guard to firmly preserve political and social stability and unity. We uphold the Four Cardinal Principles, one of which is to uphold the people's democratic dictatorship and this one carries the same importance as the other three. We must severely crack down on serious criminal activities and major economic crimes. We must launch

a thorough campaign to eliminate the "six evils" (namely, prostitution; manufacture, sale or dissemination of pornography; and abduction and sale of women or children; illicit drug cultivation, abuse or trafficking; gambling; and cheating or harming people through feudal or superstitious practices), stop and outlaw all organizations and activities which endanger public security or upset public order.

It is essential to follow the principle of combining efforts made by specialized organs with those by the masses, and bring out the strength of every sector in society to improve all facets of public security and maintain normal public order through political, financial, administrative, legal, cultural and educational means. We should urge all the people to observe the laws and rules of discipline, to help maintain public order, and to bravely combat all phenomena that undermine public order. It is imperative for the public security, state security and justice departments as well as the people's police and the officers and men of the armed police to be able to meet the requirements of new situations, continuously increase their political awareness and professional competence, honestly perform their duties, strictly enforce the law, and fully exercise their function as part of the people's democratic dictatorship, in order to further contribute to the strengthening of public security and the maintenance of social stability.

4. The need to continue combatting corruption and do a better job in building a clean and honest government.

As the reform deepens, China opens more widely to the outside world and the economy grows more prosperous, there will be all the more need for us to build a clean and honest government and combat corruption, if the government wants to maintain close and enduring ties with the people. For this purpose, government personnel and all other public servants should be honest and clean, live a plain life, serve the people wholeheartedly and resist all unhealthy practices. The building of a clean and honest government must start, first of all, with government organs at all levels, particularly departments under the State Council, and with leading cadres at all levels, especially the high-ranking cadres. They must be strict with themselves and set an example for others. Those who take part in economic or other crimes, abuse power for their personal gain or practise favouritism in violation of the law, no matter how high their position is, must be resolutely punished in accordance with the law once their activities are verified; under no circumstance can we tolerate or abet their wrongdoing. Those who are guilty of serious bureaucratism or commit the crime of dereliction or neglect of duty must be investigated to determine their culpability in accordance with the law. Those who violate the law or norms of administrative discipline, going their own way in disregard of orders or prohibitions, must be dealt with severely. We should concentrate on investigating and prosecuting major cases. We must vigorously rectify and resolutely overcome unhealthy practices in all departments, trades and professions, including violations of the law or rules of discipline by law-enforcing departments and supervisory institutions. We should fully exploit law-enforcement and supervisory departments in

charge of industrial and commercial administration, financial affairs, taxation, pricing, public security, customs, auditing and supervision, and encourage and support the democratic parties, the media and the masses in exerting supervision, if we want to resolutely combat all violations of the law or rules of discipline. We must persist and achieve marked success in the effort to build a clean and honest government and correct malpractices in all trades and professions during the Eighth Five-Year Plan period.

5. The need to firmly carry out the basic national policies of family planning and of environmental protection.

Having rich manpower resources is definitely an advantage for China. However, the fact that China has a large population base and its population over the past few years has grown by over 16 million annually, equivalent to the population of a medium-sized country, has strained and complicated economic and social development and the effort to improve people's living standards. Furthermore, a baby boom will occur during the Eighth Five-Year Plan period. The population situation is, therefore, very grim. According to the Draft Outline, China's average natural population growth rate is to be held below 1.25 percent over the next ten years. Even if our efforts are successful, China's population will still be large, and about one-fourth of the increased national income will be consumed by the growth in population. If population growth exceeds the planned figure, the burden will be even heavier. Governments at all levels must, therefore, give top priority to family planning and keep constant tabs on this work. They have done a great deal in birth control and met with some success over the past decade, with the cities of Beijing, Tianjin and Shanghai and the provinces of Zhejiang, Liaoning, Sichuan, Heilongjiang and Jilin doing particularly well. In the coming decade the population problem will have a still greater bearing on China's overall economic and social development. We must continue to widely and intensively publicize the basic state policy for family planning in order to increase the nation's awareness of the population problem. The success of family planning should be an important criterion for appraising the work results of governments at all levels. They should continue to implement the current policies on family planning, encouraging late marriage, late birth, prenatal and postnatal care and only one child for each couple, while discouraging early marriage, early birth and couples having more children than what the plan allows, severely cracking down on criminal violations of the family planning policy. Governments at all levels should focus their attention on rural areas, speeding up the establishment of service networks for family planning in counties, townships and villages, providing adequate technical services and guaranteeing necessary funding so that relevant policy measures can be carried out at the basic-level units.

Another basic policy of China is to protect the environment. In the next ten years and during the Eighth Five-Year Plan period, we must try to prevent and control environmental pollution to improve the environment in many cities and other areas. We need to redou-

ble our efforts to publicize and explain the environmental protection policy, universalize and push forward environmental science and technology, and enhance the whole nation's awareness of the need to protect the environment. Governments at all levels, various departments and enterprises and institutions concerned should strictly enforce the laws, statutes and policies relating to environmental protection, appropriately increase their investment in this area, and improve environmental management to meet the requirements of the transition to a relatively comfortable life.

6. The need to consolidate and develop the great unity among China's nationalities.

China is a unified, multi-ethnic country. The nation's long-term stability and prosperity depend on the equality, mutual assistance, unity, co-operation and common development of all its nationalities. For one reason or another, most of the minority nationality regions remain comparatively underdeveloped economically and culturally. To promote the common prosperity of all nationalities, we should assist the minority nationality regions in their economic and cultural development. At present, our nationalities are united, maintaining harmonious relations among themselves. The specific problems that have cropped up in certain areas are primarily contradictions among people who share identical fundamental interests. They should be properly solved through democratic consultation and by implementing and publicizing policies relating to minority nationalities. The Law on Regional National Autonomy must be unflinchingly carried out and the rights of the autonomous areas to self-government and the equal rights of minority nationalities must be fully guaranteed and their customs and habits respected. In addition, we must diligently carry out the policy of freedom of religious belief. We should continue to imbue people with the importance of unity among nationalities through education, pay attention to overcoming and eliminating tendencies towards ethnic chauvinism and regionalism, oppose efforts to divide the Chinese nation and safeguard the unity of our motherland.

This year marks the 40th anniversary of the peaceful liberation of Tibet. Democratic reform has been carried out in Tibet over the past 40 years and the seamy feudal serf system overthrown. As a result, vast numbers of serfs and slaves were emancipated, and world-shaking changes took place in Tibet's society and economy. In the next ten years, with the vigorous support of the whole nation, the people of all nationalities in Tibet will work together to attain still greater success in developing their economy and culture. Certain foreign forces have been trying to intervene in China's internal affairs in the name of preserving Tibetan "human rights" in their vain attempt to divide China. This is something absolutely unacceptable to the Chinese nation, including the Tibetan people.

V. Economic Restructuring and Opening to the Outside World

In order to accomplish our second-step strategic ob-

jective, we must resolutely continue to deepen the reform and open more widely to the outside world. The Draft Outline stipulates that during the next ten years, we must adhere to the principle of combining a planned economy with market regulation, and carry out comprehensive reform in a guided and systematic manner in order to solve the major problems in social and economic activities and establish a preliminary, new structure for a planned socialist commodity economy. Basically we need to do the following:

—Preserve the socialist form of public ownership as the main form of ownership, appropriately develop individual economic activity and the private and other economic sectors, and improve the ownership structure consistent with the requirements of the development of the productive forces.

—Separate the functions and responsibilities of administration from those of management and appropriately separate ownership of enterprises from their management; gradually make the management in the overwhelming majority of the state enterprises socialist commodity producers as well as managers who are truly responsible for their own management decisions, profits and losses, who practise self-restraint and develop on their own initiative; explore various effective ways to realize an economy based on public ownership; and establish dynamic management systems and operating mechanisms.

—Further improve the market for consumer goods, expand the market for the means of production and develop markets for funds, technology, information, housing and labour services in order to set up and improve a unified market mechanism under the guidance and management of the state.

—Straighten out the distribution relationships between the state, the collective and the individual and between the central and local authorities, in order to form a rational pattern for the distribution of the national income, continue to use the income distribution system with "to each according to his work" as the main element, supplemented by other forms, and gradually improve personal income distribution system.

—Make comprehensive use of economic, administrative and legal means, especially price control, taxation, interest rates and exchange rates, to regulate economic operation, and establish and improve an economic regulating system which combines direct and indirect regulation and which is divided into two levels: that of the central authorities and that of the provinces, autonomous regions and municipalities directly under the Central Government.

In line with these basic requirements, we should coordinate the reform of enterprises, circulation, pricing, finance, taxation, banking, foreign trade, planning, investment, labour and the wage system, housing, medical care and social security.

The Draft Outline proposes that we take another ten years to set up the initial form of a new economic structure. This is longer than we had originally planned. However, this does not mean that we can relax our reform efforts in the slightest. Instead, it shows that after analysing our experience gained over the past ten

years or so we have arrived at a clearer and deeper understanding of the complications and difficulties involved in carrying out the reform. We cannot copy the model or experience of other countries in reform. We have to proceed from the actual conditions of our country to seek a realistic road to improve and develop the socialist system through practice. This reform will have to undergo repeated experimentation, supplementation and improvement before it can succeed in the end. We may make mistakes along the way, but we must correct them without delay and then continue our advance. For this purpose, we have to constantly review our experience. We must carry forward the enterprising spirit and be courageous to explore new ways, make use of every minute to push forward the reform, yet we must not do it haphazardly or become impatient for quick results. We should continue to apply the experiences and traditional ways which have worked out successfully before and, at the same time, keep making innovations and breakthroughs. In future, we must combine reform with development more satisfactorily. The methods we use or the steps we take must serve to solve the outstanding problems and contradictions for the benefit of immediate and future economic growth, laying a foundation for sustained, stable and co-ordinated development of the national economy.

At the same time, when planning economic development, we should also have in mind the need to create a favourable environment for deepening the reform. The various reforms should be based on an overall plan. While the emphasis may be laid on one particular field for a certain period of time, others area should not be neglected, so that no single area proceeds too far beyond the rest. Before we decide to take any reform measures, we must consider whether the country, the enterprises and the people can bear them, in order to avoid a violent shock in the community. They are not to be judged on abstract principles or models but on whether they can promote the development of the productive forces or contribute to social stability and progress. We already have a wealth of experience from the 1980s and have acquired a clear understanding of the general objectives and basic policies and principles for reform. If we can proceed vigorously and steadily over the next ten years, it is very likely we will be able to establish an initial economic structure and operating mechanism that combine a planned economy with market regulation and meet the requirements for development of a planned socialist commodity economy. This is a historic mission, which has a bearing on the destiny and success of our socialist cause and which we have the resolve and ability to accomplish.

Now, I wish to discuss a few problems which we should concentrate on solving in the course of economic restructuring.

First, we must continue to seek concrete ways to combine the planned economy with market regulation. As required by a planned commodity economy, establishing a mechanism that combines a planned economy with market regulation represents our basic orientation for deepening economic restructuring. From our many years of theoretical study and practical experience, we

have by and large arrived at a common understanding about the combination of a planned economy with market regulation.

1. Planning can help maintain proportionate development of the national economy with respect to the different sectors and a rational allocation of resources and avoid anarchy. It serves to mobilize and muster the financial and material resources necessary for the construction of important projects and prevent wasteful, duplicated construction of major projects. And, it can better regulate the distribution of income so that social justice can be maintained on the way to common prosperity.

Market regulation facilitates competition, allows superior quality to triumph over inferior quality, and encourages enterprises to produce what the market needs and to upgrade their technology and managerial skills. The purpose of combining a planned economy with market regulation is precisely to fully exploit the advantages and strong points of both elements and further develop the productive forces. Since the introduction of reform and the open policy, China has been exploring ways to handle this combination. Practice has demonstrated that this principle is consistent with conditions in China and therefore is correct. A planned economy and market regulation must and can be combined. We should not have any more misgivings or hesitation about this when we formulate or implement policies. The question now is not whether we are able to or should combine them, but how better we can combine them.

2. We should not assume that a planned economy utilizes only mandatory plans. Both mandatory and guidance plans are concrete elements of a planned economy. As economic restructuring deepens, the economic structure improves and the market matures, we should appropriately reduce the items covered by mandatory plans and expand those covered by guidance plans, giving more reign to market forces. The planning and management departments must act in line with the laws governing proportionate economic development and the law of value, take into account the relationship between market supply and demand and make market regulation function in agreement with the overall plan of the state, its statutes and regulations.

3. Generally speaking, planning plays the major role in setting targets for economic growth, controlling total supply and total demand, readjusting economic structure and geographical distribution of major sectors of the economy, and controlling other important economic activities which have a bearing on the overall situation. Most production activities and operations in enterprises, ordinary technological upgrading and small-scale construction projects are to be regulated by market forces.

4. The main tasks for the state in making plans for exercising management and providing guidance are rationally defining the orientation for national economic development, devising plans and setting targets for macro-control, establishing the correct policies for industrial production in various regions and for other economic activities, ensuring a good balance in the national economy, co-ordinating proportionate develop-

ment of the major sectors of the economy, and systematically guiding and regulating the operation of the economy by financial, legal and administrative means.

The above is a general observation. The combination of a planned economy with market regulation will take different forms and cover different items in different areas or facets of economic activities. For example, in the areas of production and circulation, guidance plans or market regulation should apply to the manufacture and distribution of the large amount of ordinary industrial and agricultural products. Mandatory plans are adopted only to cover the manufacture and circulation of a few major products that have a bearing on the national economy and people's livelihood and thus must be allocated and distributed by the state, whereas the rest should be subject to guidance plans or market regulation.

To give another example, the amount and pattern of fixed assets investment in construction and the construction of key projects and their locations are to be determined by the decisions and plans of the central and local governments, while the use of investment, project design and construction management should be subject to the competitive forces of the market. Under the guidance of the state plan and industrial policies, other projects for upgrading technology and small-scale construction projects should be regulated by the market.

For still another example, while the prices of a few important commodities and labour services are fixed by the state, any price adjustment should be consistent with the law of value and the changes in market supply and demand; the prices of many other commodities and labour services should be subject to market regulation.

In short, neither the composition nor the scope of the combination of a planned economy with market regulation are immutable. Both are subject to constant readjustment and improvement in light of changes in the practical situation for the purpose of further promoting the reform.

Second, we must further revitalize state-owned large and medium-sized enterprises. This is a key link in our effort to deepen economic restructuring. The state-owned large and medium-sized enterprises provide the main source of revenue for the state and form the most important pillar or backbone for China's modernization programme. At present, they are carrying a heavy burden and are beset by many difficulties, and many relationships remain to be straightened out. Our ability to revitalize these enterprises, make the best of their leading role and arouse the workers' interest in production has a direct impact on the growth of the national economy and the consolidation of the socialist system. Success in economic restructuring will also largely depend on the results of the reforms in these enterprises. Therefore, beginning this year we must concentrate all our efforts on this area, taking effective measures for improving the external environment and internal management, so as to help the enterprises to overcome their practical difficulties and enable them to become noticeably more vigorous in a relatively short time. This requires that we first do the following:

(1) Improve and develop the contract responsibility

system. The relationships between the state, the enterprise and the individual and the relationship between accumulation and consumption need to be handled successfully, so that the enterprises are able to reinvest more of their funds in upgrading technology. We also need to improve the depreciation system and the system relating to retained profits. During the period of the Eighth Five-Year Plan we should continue to use and improve the present contract responsibility system, while experimenting with the system which requires payment of tax plus a percentage of profits to the state, and payment of tax before loan repayment or any retention of profit.

(2) Persist in separating the functions of administration from those of management and appropriately separating ownership from management authority. Proclaimed laws, statutes and policies which are designed to reinvigorate the large and medium-sized enterprises must be further implemented and the decision-making power of the enterprises must be fully respected and guaranteed. The actual methods for separating ownership from management may vary in line with the nature of the industry in question and the scale and technical characteristics of a particular enterprise. We should continue to carefully experiment with the leasing and share-holding systems which have emerged during the reform and constantly evaluate our experience. In particular, this should be done in enterprises whose shares are under state control or whose shares are purchased by government departments, local authorities or other enterprises. We should also improve the management of state-owned assets and systematically establish a management system and methods compatible with a planned socialist commodity economy.

(3) Develop enterprise groups. It is necessary to formulate concrete policies and measures to promote reorganization and grouping of enterprises in order to achieve a rational enterprise structure. On the basis of equality, mutual benefit and voluntary participation, a number of inter-regional and inter-departmental competitive groups of enterprises should be established, and tightly organized groups should be encouraged.

(4) Deepen the reforms of the leadership structure and operating mechanisms of enterprises and improve enterprise management. It is essential to uphold and improve the contract system, under which the factory director assumes full responsibility, and correctly handle the relationships between the factory director (manager) on the one hand and the Party committee and workers conferences on the other. We should ensure that the director exercises his functions and powers in operation and management, make the Party organization function as a political nucleus, wholeheartedly rely on the working class and strengthen the supervisory role of the workers conference in an enterprise. We should improve democratic management and the personnel, labour, wage, distribution of retained profits, accounting and auditing systems, discontinue the practices of "everyone eating from the same big pot" in distribution and of allowing the larger part of retained profits to go to individuals, and overcome lax discipline.

(5) Lighten the burden on enterprises and forbid

saddling them with indiscriminate charges or fees.

Third, we must actively promote reforms in housing and the social security system. During the Eighth Five-Year Plan period, we should speed up these reforms in line with the principle of sharing the burden among the state, the collective and the individual. We should gradually reform the practice of providing low rent and free distribution and urge all sectors of society to help accelerate the construction of residential units, with a view to improving the people's living conditions. We shall systematically set up a pension system for different types of workers and office staff as well as self-employed workers in cities and towns. Employment-pending insurance will be broadened. In light of different conditions in different rural areas, we should provide guidance for the gradual establishment of a scheme consisting of different types of old-age pensions. The systems of free medical care and workers benefits including medical care should be reformed and perfected in order to improve the quality of medical care and reduce waste and losses. We should continue to encourage all sectors to raise funds to run hospitals and to carry out the system of community-sponsored medical insurance in the countryside. Industrial injury insurance and welfare systems should be established and improved, and the legitimate rights and interests of the handicapped should be protected.

Successful reform of the housing and social insurance systems is essential to guiding rational consumption, deepening enterprise reform and guaranteeing people's wellbeing. Thus it is also essential to adjusting the unfair distribution of wealth, maintaining social stability and promoting reforms in other fields of endeavour. Reform of these two systems will involve thousands upon thousands of families and will directly affect people's immediate interests. Therefore, we should analyse our experience gained in running the current pilot cases, take into account local conditions and give detailed guidance in order to make steady progress.

Fourth, we must increase the state's capacity for macro-economic regulation and control and correctly manage the relationship between the central and local authorities. Since the introduction of reforms, we have altered the once excessive centralization of the central authorities by delegating power to lower levels and letting them retain a proportion of profits. This has proved to be a correct approach since it has helped arouse the enthusiasm of the local authorities, enterprises and working individuals for production. However, because power was not delegated appropriately in some areas, macro-control was not introduced early enough, some reform measures were not introduced in a well-planned manner, and power over some economic activities was overly decentralized, the state's share of total national income and the central financial departments' share of total revenue have decreased, causing a weakening of the state's ability to exercise macro-control. This trend is still evident, and the imbalance between revenue and expenditure continues to worsen.

For the sake of both developing the economy and deepening the reform, we need to formulate any necessary policies and measures, and the central authorities

must be able to concentrate an appropriate amount of financial and material resources to tackle major problems of nationwide concern. This does not at all mean a return to the old practice excessive centralization. It means instead a proper combination of necessary centralization with appropriate decentralization. The central authorities should consider and co-ordinate the interests of the local authorities which in turn should consider the interests of the whole country—both aim to give more play to the superiority of the socialist system and accelerate the modernization process.

We should continue to implement and improve the policy of opening to the outside world. After ten years of work, China has established an overall pattern for opening to the outside world in every way. In our effort to expand economic and technology exchanges with other countries in a more and more complicated international environment and increasingly more competitive world economy, the most important thing for us to do is to pay greater attention to quality and efficiency and do a better job in the areas of foreign trade, utilization of foreign capital and the introduction of technology and intellectual resources, while at the same time maintaining steady growth.

We should focus on improving the mix and quality of exports. We have started to change our main exports from primary products like raw materials to manufactured goods, with manufactured industrial products now comprising more than 70 percent of the total export volume. Our future task is to gradually change the main exports from extensively processed products to intensively processed products. We must increase the export of machinery and electronic, light industrial, textile and high-technology products, which have higher added value. We must encourage the export of competitive products which have good prospects for development on the world market. We must earn more foreign exchange mainly by raising the quality, world standing and reputation of our exports. We should vigorously expand international tourism, increase the export of labour services, undertake contracted projects and make overseas investments to earn more foreign exchange from invisible trade. Efforts should be made to consolidate the existing markets, develop new ones and extend economic and technological co-operation and exchange with neighbouring countries. To meet the needs of our development and sustain normal trade ties with other countries, we should maintain an appropriate volume of imports and readjust the mix of imports, spending our limited foreign exchange earnings on importing advanced technology and key equipment.

To better utilize foreign funds, we must improve existing laws and statutes and the investment environment. We should provide proper guidance for foreign investment and encourage the establishment of export-oriented, foreign-exchange-earning enterprises and enterprises using advanced technology and the construction of large and medium-sized projects in basic industries and infrastructure—all in line with the state's industrial policies. We should see to it that foreign investment is absorbed for accelerating the updating of enterprises, in order to promote technological progress

in China's traditional industries and the updating and upgrading of products.

We shall take full advantage of the superior position of the coastal regions in opening to the outside world and further develop the export-oriented economy to stimulate the economic growth of the country as a whole. During the period of the Eighth Five-Year Plan, while improving management of the existing special economic zones, open cities and regions, we should concentrate on developing and opening up the New Pudong District in Shanghai. We must maintain the stability and continuity of the open policy and policies which have been introduced, except for making small improvements. Taking into consideration both the overall condition of the national economy and local advantages, the local authorities should define the proper direction, priorities and pattern for economic development in their regions. They should develop their special industries, helping bring about a rational geographical division of labour.

We have made major reforms in the management system of foreign trade to meet the needs of the open policy and the development of foreign trade. While continuing to take advantage of the initiative of the central and local authorities and of enterprises, we shall gradually introduce unified policies, fair competition, independent management, profit and loss responsibility, production coordinated with marketing, a system of export and import agents and a unified approach to trade relations with foreign countries. This reform, which is of great significance to the stable development of our foreign trade, must be implemented in a carefully organized way.

VI. The International Situation and Our Diplomatic Work

Along with our tremendous achievements in reform, opening to the outside world and our modernization drive, we have also made significant progress in our relations with other countries. Persisting in our independent foreign policy of peace, we have helped to create an external environment favourable to our socialist modernization drive and have done our share to contribute to world peace and stability.

The first year of this decade witnessed a sudden change in the international situation. The old world structure, which had lasted for over four decades, disintegrated and a new one has yet to take shape. The world is now in a period in which the old world pattern is being replaced by a new one.

Over the past year, US-Soviet relations have become more relaxed, military confrontations have eased somewhat, and the world is moving towards multipolarization. Some regional conflicts have dissolved or hold out the prospect of political settlement. These are welcome developments. However, the harsh reality is that the world we live in is not trouble-free, and the peace and development that the people in the world have been longing for are still facing serious challenges. In addition, hegemonism and the use of power politics

continue to grow, some political, economic and ethnic contradictions, which had been hidden from the eyes of the world, are becoming more pronounced and new power imbalances have given rise to new strife. Furthermore, the gap between North and South in terms of wealth is still widening. With the old and new troubles in the world being intertwined, the international situation has become all the more turbulent and volatile.

The Gulf situation exerts a heavy influence on the entire world situation. In August last year Iraq invaded and annexed Kuwait, after which the US-led multinational forces were immediately deployed in the Gulf. The world community did its best to find a peaceful solution to the Gulf crisis and prevent the outbreak of war, but regrettably, all efforts failed, and the war finally became a reality.

The Chinese government has taken a consistent, clear-cut and responsible stand on the Gulf crisis. We have expressed our resolute opposition to Iraq's invasion and annexation of Kuwait, and demanded unconditional withdrawal of the Iraqi troops and restoration of Kuwait's independence, sovereignty, territorial integrity and legitimate government. In addition, we called for a peaceful solution to the crisis because war would bring nothing but calamity to the Gulf and Middle East, plunging the people in the region into an abyss of misery and death and inflicting enormous damage on their economy. After the Gulf war broke out, we strongly urged the parties concerned to exercise the greatest possible restraint and expressed our support for all the endeavours of the international community to find a peaceful settlement to the Gulf crisis in order to prevent the spread and escalation of the war. We feel pleased with Iraq's unconditional withdrawal of its troops from Kuwait and the restoration of Kuwait's independence, sovereignty, territorial integrity and legitimate government. Hereby we extend our congratulations to our friends, the Kuwaiti people, and we hope that they can soon heal their war wounds and succeed in rebuilding their homeland. For now, the Gulf war flames have died out, but the realization of final peace still requires enormous efforts. China holds that matters in the Gulf should be addressed mainly by the countries in the region through consultation, that the independence, sovereignty and territorial integrity of the Gulf countries should be respected and that the internal affairs of each country should be handled by the country's people themselves. We also believe that all foreign troops should be withdrawn from the Gulf and that the UN Security Council should play its due role in making post-war arrangements for the Gulf. China is ready to join the international community in a continued effort to realize peace in the region and is willing to expand friendly relations and co-operation with all Gulf countries.

Tension in the occupied territories of Palestine has also been a major concern to the international community. Developments in the Gulf situation have had a serious impact on the political settlement of the Middle East question. The Chinese government and people have always supported the just cause of the Palestinian and Arab people. It is our view that since the Gulf war has ended, the Middle East question should be put on the

agenda and an early, just and reasonable solution to the issue should be worked out, so that a long-lasting peace can be realized in the Middle East. Israel should withdraw from all Arab territories under its occupation. The legitimate national rights of the Palestinian people should be restored. The State of Palestine and the State of Israel should recognize each other. All Middle East countries, including Palestine and Israel, should coexist in peace and harmony. We support the convocation of an international conference on the Middle East question under the auspices of the United Nations with the participation of the five permanent members of the Security Council and all the parties concerned. We also support all forms of dialogue by the parties concerned in seeking a political settlement of the question.

Fellow Deputies,

Over the past year we have made some progress in the area of foreign relations, bringing about a better situation and further enhancing our international standing.

We have restored diplomatic relations with the Republic of Indonesia and have established diplomatic ties with the Republic of Namibia, the Kingdom of Saudi Arabia, the Republic of Singapore and the Republic of the Marshall Islands.

Placing the focus of its diplomatic work on the development of relations with the surrounding countries, the Chinese government has done a great deal towards establishing and consolidating friendly relations with China's neighbours, thus ushering in one of China's finest periods in terms of its overall relations with its neighbours since the founding of the People's Republic.

The traditional friendship between China and the Democratic People's Republic of Korea has been further consolidated and developed. We support the proposals put forward by the Democratic People's Republic of Korea for the self-determined and peaceful reunification of Korea. The talks between the premiers of North and South of Korea should help improve the relations between the two sides. We hope that the parties concerned will continue their positive efforts for the relaxation of tension and the promotion of stability on the Korean peninsula. China's exchange of non-governmental trade offices with South Korea will facilitate the development of non-governmental trade and economic relations between the two sides. Since China's relations with the People's Republic of Mongolia and Laos were normalized, our bilateral exchange and co-operation with these two countries have expanded. We have maintained good-neighbourly and friendly relations with Myanmar. We have continued our policy of developing friendly relations with the ASEAN countries and strengthened our co-operation with them for the maintenance of peace in the region. China's friendly relations with Thailand, Malaysia and the Philippines have undergone considerable development. In restoring and establishing diplomatic relations with Indonesia and Singapore, China has not only broadened friendly relations with these two countries, but brought its relationship with the ASEAN countries into a new stage of comprehensive development. We are hoping to establish and develop friendly relations with Brunei on the basis of the Five Principles of Peaceful Coexistence. Our

traditional ties of friendship with the South Asian countries of Pakistan, Bangladesh, Nepal and Sri Lanka have been developing and areas of co-operation between China and these countries are continuously expanding. Relations between China and India have noticeably improved; the establishment of sustained and stable friendly relations not only conforms to the fundamental interests of our two peoples but contributes to peace and stability in the whole region.

The international community has made major progress in its efforts to bring about political settlement of the Cambodian question, which is now moving towards final settlement. However, there are still bound to be some difficulties and complications ahead. It is our hope that Hanoi and Phnom Penh will consider regional peace and stability and the fundamental interests of the Cambodian people and follow the trend of recent developments to adopt a realistic attitude favourable to the settlement of the Cambodian question at the earliest date. China is ready to join the international community in continued efforts to find an early, fair, reasonable and comprehensive political solution to this question within the framework of relevant UN resolutions. Along with the progress in the political settlement of the Cambodian question, the relations between China and Viet Nam, which have already begun to thaw, will be gradually restored.

Since their relations were normalized, China and the Soviet Union have made progress in their relations. The Sino-Soviet border negotiations have made some headway and negotiations on mutual reduction of military forces in Sino-Soviet border areas and confidence-building in the military field have produced positive results. China and the Soviet Union are close neighbours sharing about 7,000 kilometres of border. To maintain a normal bilateral relationship and develop good-neighbourly and friendly relations between the two countries is of vital importance to both countries. On the question of how we should build our respective nations, the two countries should adopt an attitude of non-interference, respecting the choice made by the people of each country. As long as we abide by the spirit embodied in the Sino-Soviet Joint Communiqué, friendly relations and co-operation between the two countries will continue to develop.

The Chinese government has always attached great importance to developing friendly relations and co-operation with Japan. It views as positive Japan's move to take the lead in resuming economic co-operation with China. Sino-Japanese relations have now been basically returned to normal. Continued contact, enhanced mutual understanding and expanded co-operation and exchange between our two countries in all areas conform to the fundamental interests of our two peoples and will contribute to peace and development in the Asia-Pacific region. It is our belief that as long as the two sides strictly observe all the principles contained in the Sino-Japanese Joint Statement and Friendship Treaty, friendly relations and co-operation between the two countries will develop smoothly. Both the Chinese and Japanese peoples should maintain their vigilance against the attempts of a handful of people to

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revive militarism in Japan. Peaceful and friendly coexistence from generation to generation conforms to the fundamental interests of the two peoples.

The XI Asian Games held in Beijing last year was a crowning success. This not only served to increase the cohesion of the Chinese nation, display the people's patriotic spirit and demonstrate the advantages of the socialist system but also helped cement the friendship and unity between the athletes and peoples of China and other Asian countries and enhance China's international reputation.

One of the key elements of our foreign policy is to continuously strengthen the friendship, unity and co-operation between China and the rest of the third world. The past year has seen a frequent exchange of visits between the leaders of China and other third world countries, and there has been marked progress in our traditional friendship, unity and co-operation with Arab, African and Latin American countries. We support African countries in their efforts to safeguard state sovereignty against external interference and to choose their own political systems and course of development in the light of their respective national conditions. We support their joining together for strength and promotion of economic integration in Africa. We support the just struggle of the South African people and welcome the recent positive developments in South Africa. We hope to see an early abolition of apartheid, achievement of a political settlement and establishment of a new, unified and democratic South Africa where people enjoy racial equality. We also hope that national reconciliation and unity can be achieved in Angola and Mozambique. In light of the changed international situation, Latin American countries have continued their efforts to find a way of development suited to their respective national conditions and to jointly promote regional unity, in addition to playing an important role in international affairs. We support the reasonable propositions and just demands of these countries. The state visit by Chinese President Yang Shangkun to five Latin American countries last May marked a new stage in the development of relations between China and Latin American countries.

China's relations with the European Community and the West European countries are moving towards normalization, with political contacts and co-operation in the fields of economy, trade, science and technology, education and culture being gradually resumed. As there is no conflict of fundamental interests between China and the West European countries, there are broad prospects for the development of long-term and stable friendly relations. This will be particularly true in the coming decade when China will be undertaking large-scale economic construction. There is much that China and the West European countries can do in economic co-operation and technology exchange. The Chinese government is willing to contribute its share to further restoring and developing its friendly relations and co-operation with the European Community and all West European countries on the basis of seeking common ground while maintaining differences, mutual respect for sovereignty, non-interference in each other's internal

affairs, and equality and mutual benefit.

The Chinese government has always considered relations between China and the United States to be important. A normal and sound relationship is not only beneficial to the two countries but also instrumental in enhancing stability in the Asia-Pacific region and the whole world. Both China and the United States benefit from the development of trade relations between the two countries. Should the United States unilaterally revoke China's most-favoured-nation status, it would not only be detrimental to Sino-American trade relations, but also harm the interests of a number of other countries and regions. We would not want to see this happen. Last year the foreign ministers of the two countries met more than once to discuss major international issues and bilateral relations. Such contacts have helped enhance mutual understanding and restore bilateral relations. We hope that both sides will abide by the principles contained in the three Sino-US Joint Communiques and bring Sino-US relations back to normal at the earliest date possible.

China's relations with Canada, Australia and New Zealand have improved, with increased political contacts and growing co-operation in trade and economic development. We believe that through joint efforts, friendship and co-operation between China and these three countries will develop steadily.

The Chinese people and the people of the East European countries have maintained their traditional friendship and long-standing co-operation, and normal contacts and exchanges continued in the political and economic fields and in science and technology and culture. We are willing to continue to maintain and promote our relations with them on the basis of the Five Principles of Peaceful Coexistence.

Over the past year, China, as a permanent member of the UN Security Council and an important member of the international community, has played a unique role in securing the political settlement of regional conflicts and promoting international co-operation. It has taken an active part in the international conferences and activities in the field of disarmament and has done its share to deter the arms race and promote arms reduction. The draft resolutions on "nuclear disarmament" and "conventional disarmament" which China has submitted to the UN General Assembly each year for five consecutive years have been adopted by consensus. China has increased its participation in and contribution to international co-operation aimed at preserving the ecological environment, protecting the interests of disabled people and preventing drug abuse. On the question of human rights, we have succeeded in safeguarding China's sovereignty and dignity by adhering to correct principles. In their attempt to interfere in the internal affairs of other states and impose pressure on small and weak countries under the pretext of their so-called human rights issues, a handful of countries have severely disrupted international co-operation in the field of human rights, deteriorated international relations and impeded efforts to protect human rights. These irregular practices must be rectified.

North-South imbalances have become more and more

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glaring as a result of the irrational international economic order and the recent drastic changes in the world situation. Many third world countries are facing such pressing problems as unprecedented crushing debt, worsening terms of trade and capital flight. China has consistently supported developing countries in their efforts to strengthen South-South co-operation and promote North-South dialogue. We hold that the developed countries should also take on their responsibilities and contribute their share towards improving the international economic environment, and in particular towards resolving the issue of external debt in developing countries.

As the old world structure gives way to a new one, people are increasingly concerned about peace and development in the world of the future, and the establishment of a new world order in particular. The more than four decades since World War II have demonstrated and the future will continue to demonstrate that hegemonism and the use of power politics are doomed to fail. Comrade Deng Xiaoping pointed out as early as 1988 that it was necessary to establish a new international economic order as well as a new international political order. The Chinese government holds that the Five Principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence summarize the basic norms governing international relations. They conform to the purposes and principles of the United Nations Charter and reflect the essential characteristics of international relations. We are of the view that a new international order should be established on the basis of the Five Principles of Peaceful Coexistence. It should comprise a new political order and a new economic order, which form an integral whole, the two being closely interrelated and complementary. In essence, the new international order means that all countries, big or small, strong or weak, rich or poor should all be independent and sovereign states and equal members of the international community. It should be entirely different from the old order based on a very few big countries' hegemonism and power politics. It is our view that the essential contents of the new international order should include the following conditions:

—Each and every country has the right to independently choose its social, political and economic systems and course of development in light of its domestic conditions. No country, especially none of the big powers, should interfere in the internal affairs of another country, nor should it seek to impose its own values, ideology or development model on others.

—All countries must show mutual respect for sovereignty and territorial integrity. No country should invade or annex another country under any pretext. International disputes should be resolved rationally through peaceful negotiation rather than the use or threat of force. No international disputes are to be settled by means of war.

—In international relations, no big, strong or rich countries should coerce, humiliate or bully small,

weak or poor countries. International affairs should be handled by all countries through consultation on an equal footing, and their handling should not be monopolized by one or a few big powers. No countries shall seek hegemonism or practise power politics.

—The old international economic order must be replaced by a new one characterized by fairness, reasonableness, equality, mutual benefit and exchange of equal values.

Needless to say, such an international order, which conforms to the aspirations and fundamental interests of the people of all countries, will help bring about a lasting world peace and facilitate the development of all countries through their own efforts.

The establishment of a new international political and economic order is a great, arduous and history-making event. The Chinese government and people are ready to work persistently with the governments and peoples of all other countries for the gradual accomplishment of this historic mission.

The next decade will be one of vicissitudes in the international situation. It is also a pivotal decade in history, as mankind marches into the 21st century. Proceeding from the fundamental interests of the people of China and the world, the Chinese government will, as always, steadfastly commit itself to creating a peaceful international environment favourable to China's modernization drive. We will continue to develop friendly relations and co-operation with all other countries. We firmly believe that the world wants peace, that mankind wants development and that our era will continuously witness advancement in a direction favourable to mankind.

Fellow Deputies,

We shall firmly promote economic and cultural exchange between the two sides of the Taiwan Straits and work to advance the great cause of peaceful reunification of the motherland in accordance with the principle of "peaceful reunification, and one country, two systems."

Recently, the Taiwan authorities have, on more than one occasion, made remarks concerning reunification of the motherland and prepared to adopt some concrete measures to help develop relations between the two sides. All this we welcome. However, we could not fail to notice that the Taiwan authorities have not yet abandoned their position of "one country, two governments," that they have continued to pursue "elastic diplomacy" in the international arena and that they still restrict direct links for postal, air and shipping services and trade, as well as bilateral exchanges. Compatriots on both sides of the Straits are eager to see further development of the laudable tendency towards increased exchange between the two sides, which has been occurring in recent years, and an earlier elimination of man-made obstacles to these "three links." We hope that the Taiwan authorities will continue to do more practical things to facilitate direct links for postal, air and shipping services and trade, bilateral exchange, and reunification of the motherland. The Chinese Communist Party has long

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expressed its willingness to hold talks with the Chinese Kuomintang on an equal footing at the earliest possible date. The two parties may discuss the country's reunification or hold consultation on questions concerning the relationship between the two sides of the Taiwan Straits, including any issue of concern to the Taiwan authorities. The CPC is also ready to communicate with all parties, organizations, and public figures from all circles in Taiwan in order to increase mutual understanding and discuss the administration of state affairs. We welcome our Taiwan compatriots' enthusiastic participation in the mainland's modernization programme and shall continue to make this convenient for them. For projects covered by the mainland's industrial policies, they will enjoy preferential treatment as stipulated in those policies.

Hong Kong and Macao will return to the motherland in 1997 and 1999 respectively. In the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, the principles and policies of the Chinese Government towards Hong Kong are institutionalized in the form of law. The law provides a fundamental guarantee for the region's stability and prosperity after China's resumption of sovereignty over the region. The drafting of the Basic Law of the Macao Special Administrative Region is underway and is expected to be completed in 1993. It will then be submitted to the National People's Congress for examination and approval. The Chinese Government has been taking positive steps to ensure stability and prosperity in Hong Kong and Macao and has been making earnest efforts to effect a smooth transition and a smooth transfer of power in the two regions. Towards this end, it is ready to foster its co-operation with the British and Portuguese governments on the basis of the Sino-British Joint Declaration and the Sino-Portuguese Joint Declaration respectively.

We are convinced that our compatriots in Taiwan, Hong Kong and Macao and those living abroad also love China and are willing to contribute to the peaceful reunification and modernization of their motherland. Let us all join hands and work for this purpose.

Fellow Deputies,

Though it represents an arduous task, the national economic and social development planned for the next decade can be attained through our diligent efforts. Fulfilment of the Ten-Year Development Programme and the Eighth Five-Year Plan is a historic mission entrusted to us by the times.

We should resolve to safeguard the unity of the people of all our nationalities as well as the hard-won political stability and unity. These are basic guarantees for our economic growth and social progress. Unity creates strength. We must work to preserve our unity and stability the way we protect our eyes.

We should resolve to carry on our fine tradition of hard work and devote ourselves to all our undertakings. We should overcome all the difficulties in a firm, indomitable, unyielding and pioneering spirit while we continue to forge ahead.

We must always bear in mind the overall situation and interests of the country, courageously undertake our commitments and responsibilities and make greater contributions than ever before. In everything we think and do, we should proceed from the overall and long-term interests of China's more than one billion people, considering both the immediate interests and the long-term interests, and both the local interests and the overall interests.

We should resolve to enhance our sense of discipline, strictly enforcing all orders and prohibitions. We should also ensure that all laws, statutes, principles, policies, plans and measures which have proved effective, be implemented to the letter and spirit, so that our work in every field can proceed in an orderly and sound manner.

In order to fulfil the Ten-Year Development Programme and the Eighth Five-Year Plan and reach the second-step strategic objective, all functionaries, especially the leading cadres at the various levels of governments, including first and foremost the State Council and its subordinate ministries and commissions, must try hard to perform their duties honestly, work assiduously and conscientiously for the public interests and effectively improve their work styles. They must wholeheartedly serve the people and completely rely on the people, and carry out all their assignments to the best of their abilities.

Reviewing the past and looking to the future, Chinese people of all nationalities are full of confidence and hope. We must rally more closely around the CPC Central Committee with Comrade Jiang Zemin at its core, unite and work with one heart and one mind in accomplishing the magnificent tasks laid out in the Ten-Year Development Programme and the Eighth Five-Year Plan and in making China prosperous and strong.

Our objectives must be attained!

Our objectives shall be attained!

from second place in the output of cereals and cotton to first place; from third place in the output of coal, pork, beef and mutton to first place; from fifth place in the output of steel to fourth place; and from sixth place in power output to fourth place.

Every economic sector in China had a more balanced development. China's total rural social output increased 3.6 times, an average annual growth rate of 13.7 percent, while the output of chief farm produce registered an all-time high. The rapid growth of rural non-agricultural businesses centred around township enterprises blazed a road of industrialization and modernization in rural areas. The country's total industrial output value rose 3.3 times, and the productive

capacity, technical level and scientific development capacity of industrial goods increased dramatically. As the investment in fixed assets totalled 2,774.3 billion yuan, a large number of key projects were finished, adding a reserve force to the development of the national economy.

Breakthroughs in China's Foreign Economic and Technological Exchange. During this decade, China rose from its 28th position in world export value to 14th place, establishing trade relations with more than 180 countries and regions throughout the world. In the past decade, it used a total of US\$68 billion in foreign capital and imported more than 10,000 advanced technological items.

Marked Progress in Science, Technology, Culture and Educa-

tion. During the decade, China completed more than 100,000 important state-level scientific and technological projects and 1,700 of the nation's inventions won state awards. New breakthroughs were made in high-energy physics, computer technology, carrier rocket and satellite communication technology, some of which met or approached advanced world level. The rate of universal primary school education rose from 20 to 76 percent. A total of 4.23 million university and college students and 198,000 postgraduate students were trained during the decade. In addition, there was rapid development in other forms of education.

Living Standards Improved Noticeably. During the decade, the real level of consumption increased on an average of 5.9

Chart 2:

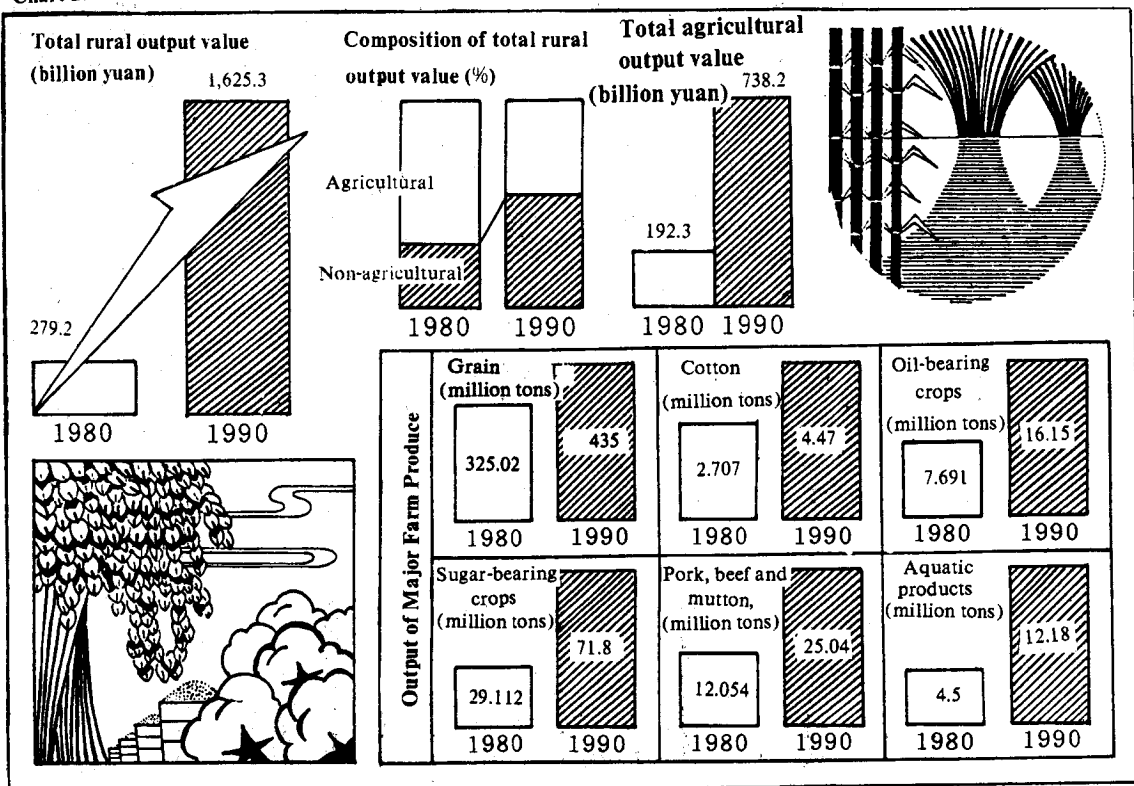


Chart 3:

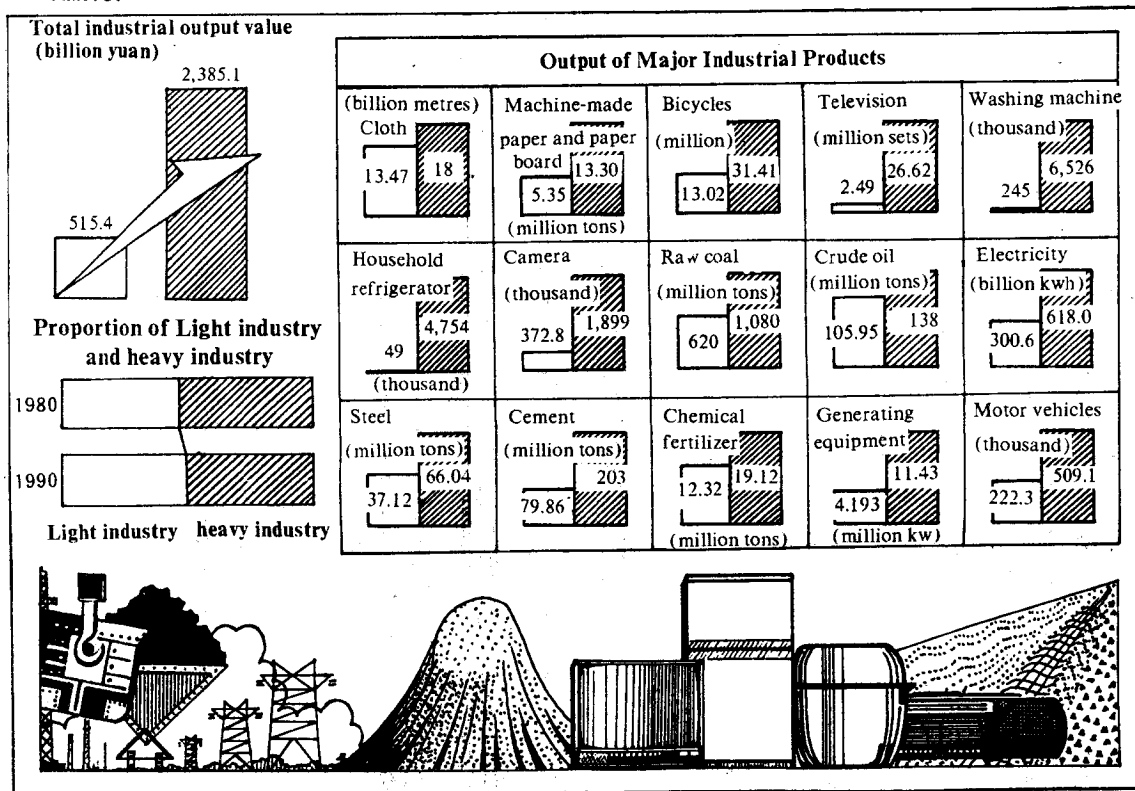
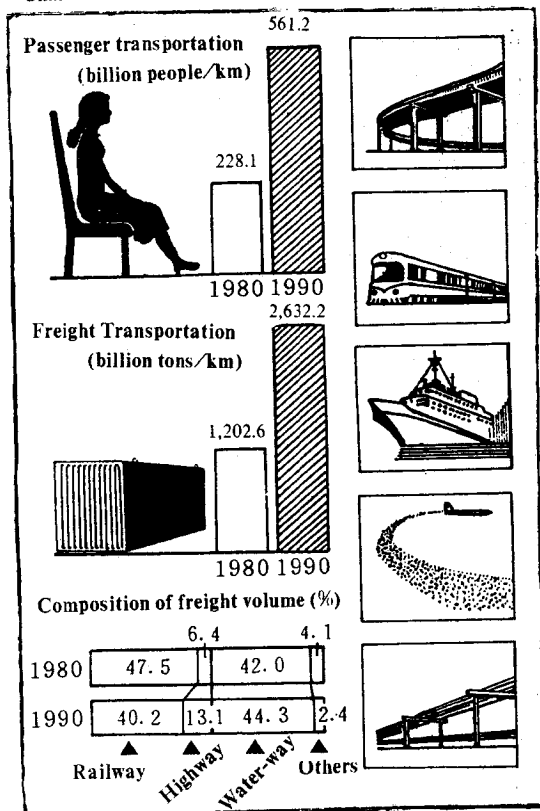


Chart 4:



percent annually, noticeably higher than the average rate of 2.6 percent during the previous 28 years. In 1990, the per-capita living income of city and town residents averaged 1,387 yuan while the per-capita net income of farmers was 630 yuan. Allowing for price rises, these represent a 68.1 and 124 percent increase respectively, higher than the figures for ten years before. Compared with 1980, the per-capita average living space in the cities in 1990 rose from 3.9 square metres to 7.1 square metres while that of rural areas jumped from 9.4 square metres to 17.8 square metres.

Transport and Telecommunications Developed

The transportation capacity developed rapidly and the volume of both passenger and cargo transport increased by several fold. Post and telecommunication services developed vigorously and the mileage of multiple-tracked and electrified railway lines increased considerably. A number of expressways were built and opened to traffic, although there were no expressways in China a decade ago. Both the handling capacity of harbours and the air transport increased considerably. The business of the country's post and telecommunications rose on the average 20 percent annually, growing more than five times over the total of the pre-

Chart 5:

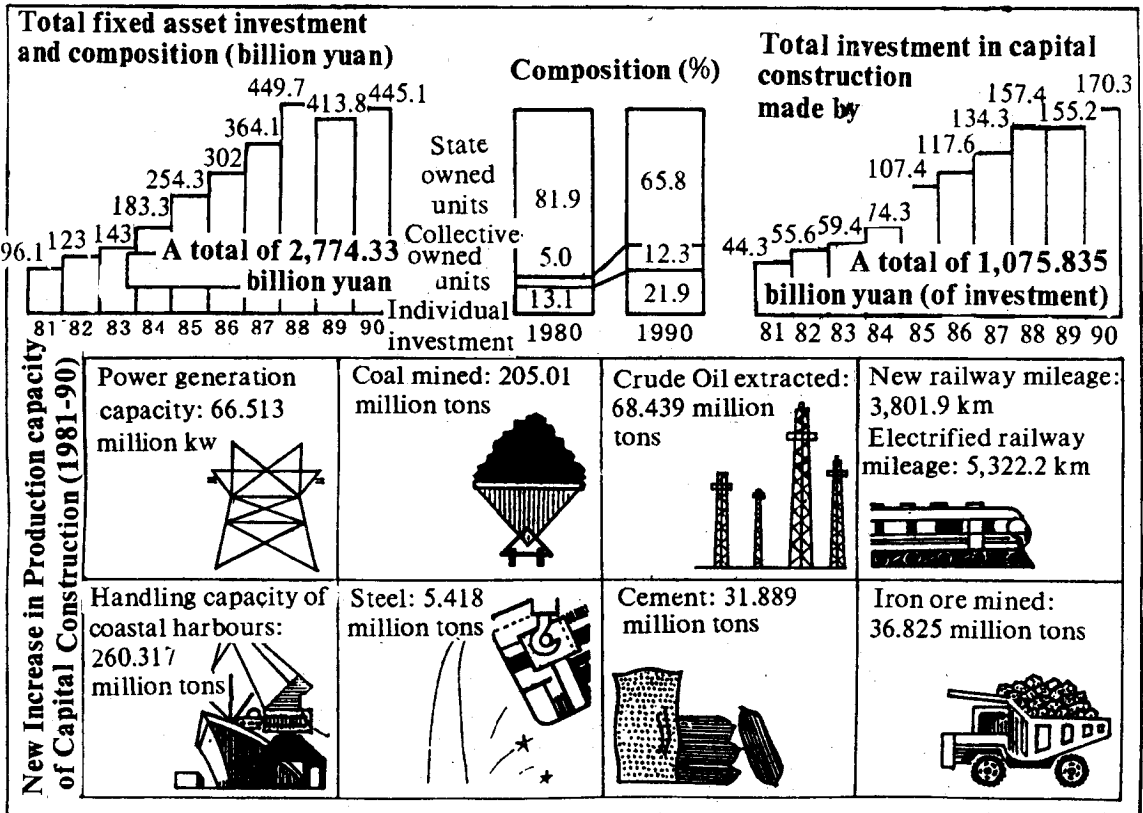


Chart 6:

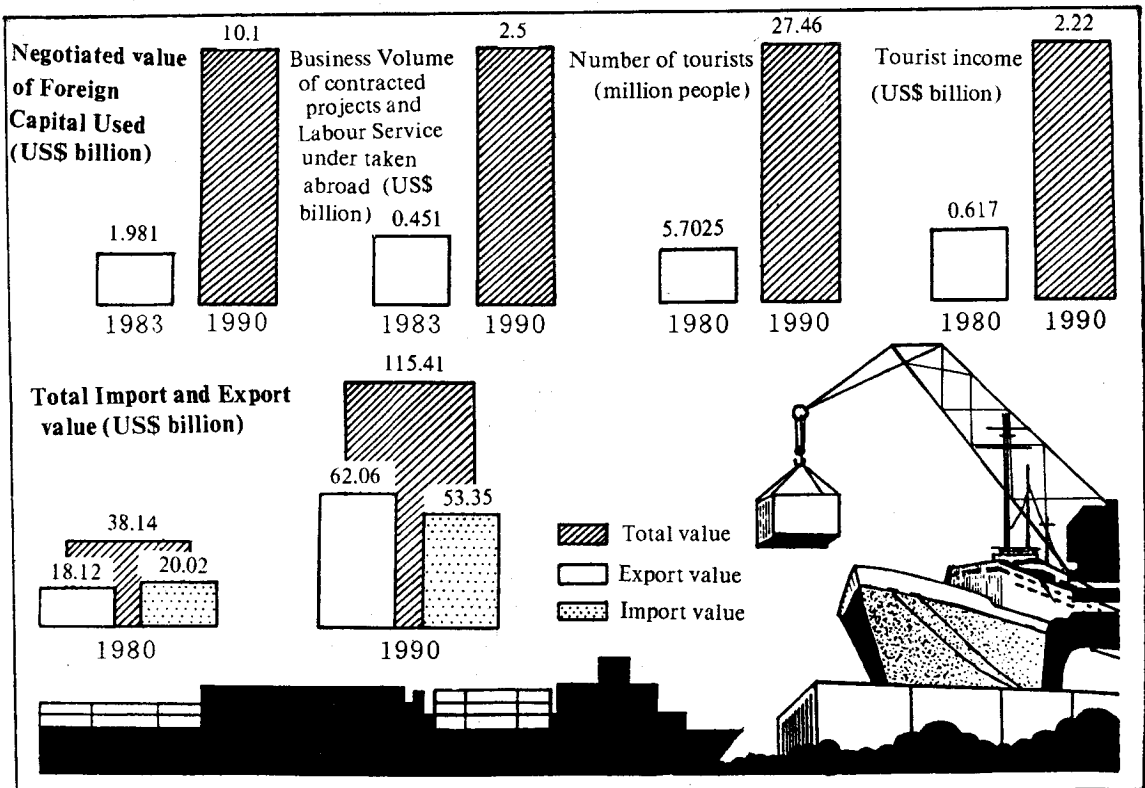
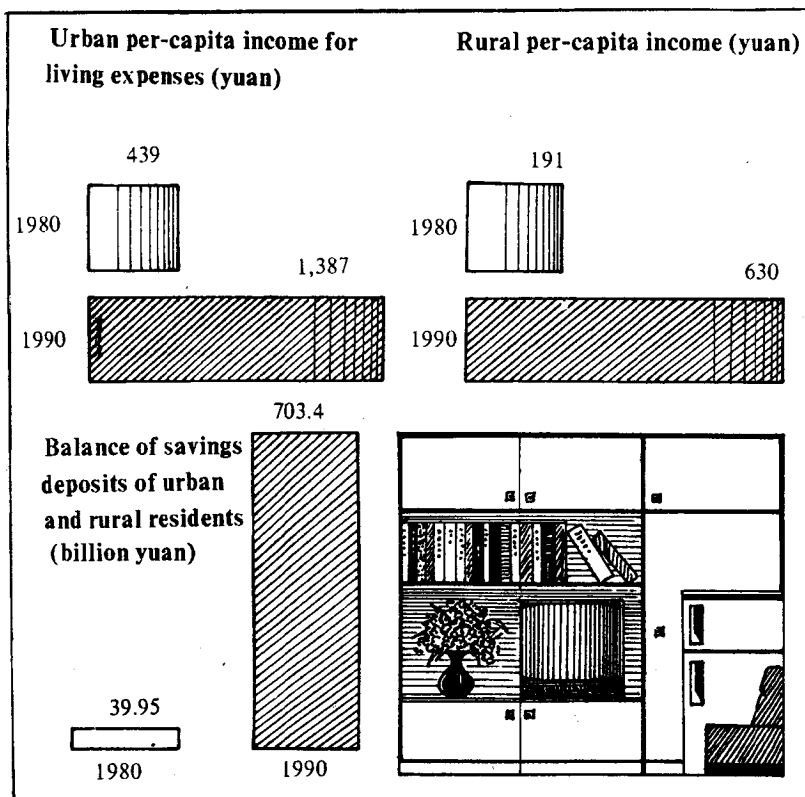


Chart 7:



vious 30 years.

Key Construction Stepped Up.

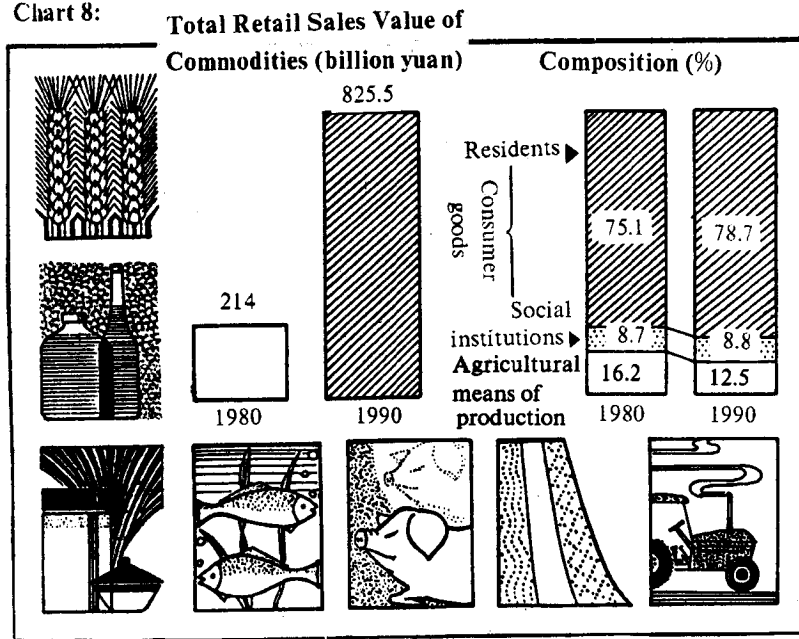
During the reform and readjustment, the scale of investment in capital construction has continued to expand and the structure of investment improved. The technical transformation in existing enterprises advanced steadily. Between 1981 and 1990, social investment in fixed assets grew on an average of 19.6 percent annually. Investment made by units owned by the whole people in energy and raw material industries and transport, post and telecommunication facilities rose on an average of 22.3 percent annually, exceeding the growth rate for the total investment made by units owned by the whole people during the same period of time. In ten years, the investment in key construction projects made up around one-third of the nation's total investment in fixed assets. Of the 338 key projects constructed during the decade, 150 have been completed and put into operation.

Readjustment and Reform of the Circulation System.

A market system which involves multiple economic sectors, many circulation channels and suitable to China's conditions has taken shape and been improved during the reform. The supply of commodities was ample. In 1989, the purchasing value of farm and sideline products was four times that in 1980 to reach 338.6 billion yuan. The scale of the market was expanded and the sales were brisk. The social purchasing power in 1990 totalled 1,045 billion yuan, up 4.5 times that in 1980.

The following charts indicate China's economic and social development in the 1980s: ■

Chart 8:



Economic Restructuring, Foreign Trade Reform Are Progressing

by Our Staff Reporter Yang Xiaobing

During the Fourth Session of the Seventh National People's Congress (NPC), Chen Jinhua, minister in charge of the State Commission for Economic Structural Reform, and Li Lanqing, minister of Foreign Economic Relations and Trade, briefed Chinese and foreign reporters on the development of China's economic restructuring and the reform of the country's foreign trade system and answered questions raised by them.

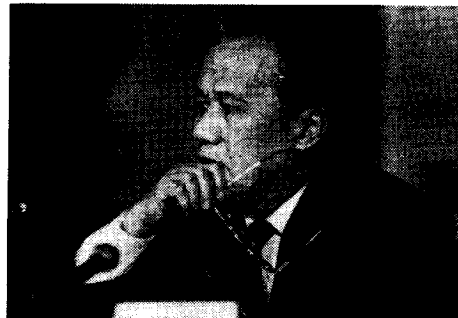
Chen Jinhua told reporters that the objective of China's economic restructuring during the 1990s was to initially establish a new socialist planned commodity system based on public ownership and an economic operating mechanism integrating planning and market forces. Centred on this general goal, he said, "We will focus on promoting five aspects of reform: first, to improve the ownership structure by retaining socialist public ownership as the mainstay while properly developing individual entrepreneurship, private business and other economic components; second, to separate administration from business and appropriately separate ownership from management, gradually enabling a majority of state-owned enterprises to become, in a real sense, socialist businesses and commodity producers endowed with managerial autonomy, responsible for their own profits and losses, and with the capability of self-restraint and self-development; third, to further improve the consumer goods markets, to enlarge

the market for capital goods, and to develop additional markets for various commodities and production factors; fourth, to rationalize the distributive relations among the state, collectives and individuals, and between the central government and local authorities, bringing into existence a rational distribution structure of national income which can fully reflect the principle of "to each according to his work"; and fifth, to regulate and adjust the economy by applying economic, administrative and legal means in a comprehensive way, especially by applying such economic leverages as price, taxation, interest rate and exchange rate, and to establish a regulatory system of the central government, provinces, municipalities and autonomous regions. From this year onward, we will, in the spirit of unified planning and accomplishing certain tasks within a given period, focus on the reform of the housing and social security systems, in a bid to reduce enterprises' social burden, and to create an external environment necessary for further enterprise reform."

In the meantime, Chen added, "we will gradually reduce state subsidies, enabling both the state and localities to accumulate funds for economic development in order to lay a new material and technological foundation for the country to enter the next cen-

tury." In carrying out the aforesaid reforms, he said, "we will continue to properly deal with the relationship between reform and development. We will pursue reform, development and an expansion of the opening-up so as to promote a sustained, steady and co-ordinated development of the entire economy."

When asked how to handle the relationship between the central



Chen Jinhua.

government and the localities during the reform, Chen Jinhua said that legislative, economic and administrative measures would be taken to properly handle the relationship between them. In the past, the over-centralization and rigorous control of the central government dampened the enthusiasm of localities and during the past decade, a series of policies and measures were taken to adjust the relationship between the central government and localities. The problem was that in the process of delegating powers to localities,

the central government went too far in some areas and the administration became lopsided. This resulted in overlapping construction, for example, in auto and electronic industries. In the coming ten years, while continuing to give play to the enthusiasm of localities, attention will be paid to proper centralization. China is a vast country and to realize a relatively comfortable life, it is necessary to concentrate its strength on major projects. For example, the Shanghai Baoshan Iron and Steel Complex requires a total investment of 30 billion yuan during two stages of its construction. When commissioned, it will have an annual capacity of more than 4 million tons of hot-rolled steel plates, 2.1 million tons of cold-rolled steel plates and 500,000 tons of seamless steel tubes, an output equal to the entire nation's present output of cold-rolled steel plates. When commissioned, it will play a big role in various aspects of the national economy. If the central government had not concentrated the financial might and materials needed for constructing such a major project, the project would not have been possible.

When asked whether large state-owned enterprises would continue to run in the red, Chen

Jinhua agreed that some large state-owned enterprises did not operate well but said the situation was quite complicated and caused by many factors. For example, in the last two years of economic rectification and retrenchment, the market has become sluggish. In addition, there are also problems in their management. But a majority of enterprises operate normally, and



Li Lanqing.

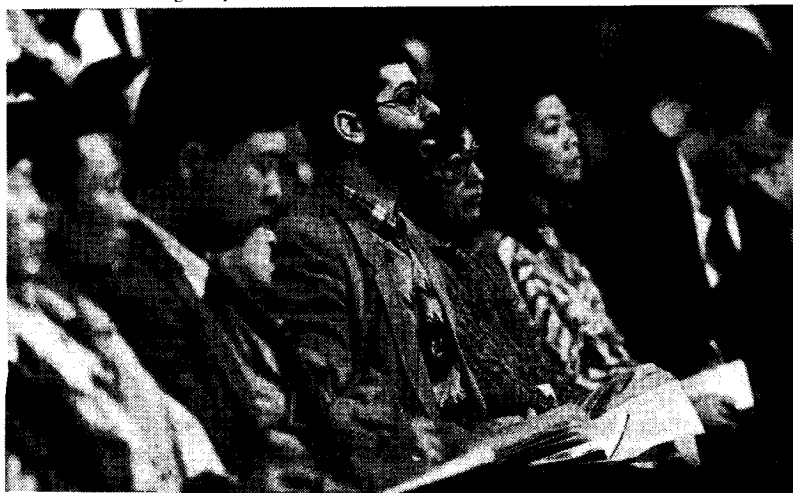
some have done quite well. Chen said that the state would adopt 11 measures to further strengthen the vitality of large and medium-sized enterprises (the 11 measures can be boiled down into the following: increase input in enterprises' technical transformation, reduce the proportion of production that falls within the

mandatory plan, properly increase the depreciation rate, properly increase funds for the development of new products, reinforce circulating funds through opening more channels, reduce the interest rates of bank loans properly and, at the right moment, introduce differential interest rates, expand enterprises' autonomy in foreign trade, continue to carry on those policies which are favourable to them, further clean up those mutually entangled debts, organize 100 or so large enterprise groups, and reduce enterprises' burdens wrought by various levies—Ed.).

Speaking of the Bankruptcy Law, Chen Jinhua said that according to incomplete statistics by the end of 1990, about 170 enterprises had gone bankrupt and, in addition, some other enterprises that have declared bankruptcy are being examined by the economic courts.

Li Lanqing briefed Chinese and foreign reporters on the reform of China's foreign trade system. He said that this year China would continue to reform its foreign trade system with the stress on ensuring that foreign trade enterprises are responsible for their own profits and losses. On the basis of the adjusted exchange rate of RMB, China's foreign trade will be brought into the orbit of unified policies, with enterprises assuming responsibilities for their own profits and losses, with the accomplishment of equal competition, self-management and the integration of industry and trade, and with the introduction of an agency system. The current reform has the following obvious characteristics: First, the system that "everyone eats from the same big pot" has been shattered and, by following standard international practice, foreign trade enterprises are responsible for their own profits and losses, thus exerting more pressures on foreign trade

Chinese and foreign reporters.





Discussing how to better answer reporters' questions.

Photos by XUE CHAO

enterprises to improve their management and enhance their initiative and ability for self-management. Second, the varied foreign exchange retention rates for different regions have been changed. This has provided enterprises with equal conditions for competition and helped improve the foreign trade management order. Third, the macro-management of foreign trade has been improved. Fourth, China's trading partners are mainly capitalist countries, so the government has attached importance to giving full play to market forces under the principle of integrating the planned economy with market regulation. Fifth, the foreign exchange which enterprises can spend has been increased, thus providing more opportunities for foreign products to enter the Chinese market. Sixth, policies encouraging export and measures for foreign trade management have remained consistent. In short, the reform reflects China's determination to further open to the outside world and make China's foreign trade structure more compatible with the international trade norms required by the General Agreement on Tariffs and Trade (GATT). These steps make it easier for China to involve itself in international eco-

conomic co-operation and exchange. Since the new system was put into practice two months ago, China has maintained a fairly good development momentum of imports and exports. This shows that the direction of reform is correct.

When asked what the impact would be on China's foreign trade if the United States would cancel China's "most-favoured-nation" (MFN) status next year, Li Lanqing said that the mutual granting of MFN status between the two countries is an important part of the Sino-US trade agreement and is regarded as the cornerstone of economic relations and trade between the two countries. If the United States suspends or conditionally maintains China's MFN status, such a step would harm bilateral relations, especially economic and trade ties. It would, of course, seriously affect China's export to the United States and also harm the interests of American consumers and American investors in China. This is because the United States is the biggest provider of capital to China, with signed investments amounting to about US\$4.36 billion. Meanwhile, the suspension of the MFN status would also have a serious impact on the prosperity and stability of

Hong Kong. All this is not what China wishes to happen. It has not been easy for Sino-US economic and trade ties to reach their current state—a product of the common effort by governmental and business circles of both countries by overcoming a variety of difficulties. Therefore, the relations should be cherished by both sides. China appreciates the US government's stand on this question and hopes that US congressmen will take the two nations' overall interests into account and avoid any non-trade factor affecting Sino-US trade relations. As a Chinese saying goes, "It is better to see something once than to hear about it one hundred times" and so, Li said, "I'd like to avail myself of this opportunity to express my hope that more US congressmen will come to have a look, to know more of China. This will help them make the correct decisions on Sino-US relations."

When asked about the cancellation of subsidies for foreign trade enterprises, Li Lanqing said that cancellation of subsidies for foreign trade enterprises is an important measure to enable trade to be conducted according to international practice. "But this does not mean that China will commit itself to cancel all subsidies in its international trade," Li said. "This is because that even the developed countries also subsidize their foreign trade, and the amount greatly outstrips ours. In so doing, we aim to make China's foreign trade system meet the GATT requirements. As for the overall cancellation of subsidies, it should be discussed within multi-lateral trade agreements so that all parties are committed. Since the foreign trade system began to be reformed on January 1 this year, China's exports have been in good conditions. Of course, some high-cost products need to be adjusted. Why, however, are they exported if their costs are higher than their foreign counterparts?" ■

Foreign Aid for Water Projects

China has greatly strengthened its economic and technological co-operation with foreign countries in its water conservancy construction in recent years. According to an official from the foreign affairs department of the Ministry of Water Resources and Electric Power, the ministry has established scientific and technological co-operation relations with 28 countries. Of the projects built with financial aids and loans from the United Nations and various countries, some 23 projects worth more than US\$130 million are near completion.

The official said that the batch of economic and technological co-operation projects include the Three Gorges key water control project of the Yangtze River, a feasibility study on Xiaolangdi water control project of the Yellow River, flood forecasting systems for the Yellow, Huaihe and Hanjiang rivers, development of a water-saving pilot irrigated zone, economic research of water resources and helping poverty-stricken areas develop water conservancy, know-how education and scientific research.

Economic and technological co-operation and exchanges with foreign countries have greatly stimulated China's water project construction. Through the introduction of foreign capital, China can now construct more key water conservancy projects which affect the national economy and people's livelihood. The advanced technology and equipment introduced from abroad have greatly improved China's traditional water conservancy construction ways. An Italian flood forecasting system has

shortened the forecasting time by eight hours for the flood-threatened areas, from the Sanmen Gorge to Huayuankou of the Yellow River, and provided the means by which the lower reaches can avoid flood damage.

In addition, China's institutions of higher learning have trained a great number of talented personnel with foreign aids and loans. The first batch of loans for education and scientific research of water projects allowed China to have 76 masters and doctoral candidates trained abroad and over 300 managerial personnel of water conservancy equipment and instruments at home.

by Li Rongxia

New Measures on Foreign Investment

The Income Tax Law for Foreign-Funded Enterprises and for Foreign Enterprises (Draft) has been examined by the Standing Committee of the National People's Congress and approved by the Fourth Session of the Seventh National People's Congress. The law will be soon implemented.

The Income Tax Law Concerning Sino-Foreign Joint Ventures and the Income Tax Law Concerning Foreign Enterprises carried out in the early 1980s will be merged into a new tax law. The two types of enterprises will use the unified tax rate.

The income tax rate for foreign-funded enterprises stipulated in the draft will be slightly lower than that of any other country and the draft will, according to different areas, stipulate different duty rates in order to encourage the establishment of productive and high-tech enterprises. At the same time, spe-

cial preferential treatment will be given to agriculture, forestry and other undertakings.

The new tax law stipulates that the enterprise income tax for enterprises in the special economic zones and productive enterprises in the economic and technological development zones will be levied at a reduced rate of 15 percent and those of the coastal open economic zones at a reduced rate of 24 percent.

Yu Xiaosong, director of the Foreign Investment Management Department under the Ministry of Foreign Economic Relations and Trade, said that the measures China adopted to encourage foreign investment will meet the needs of foreign investors in running their enterprises. Moreover, China will continue to improve its policy of opening to the outside world. All this will guarantee profits for foreign businessmen.

In fact, foreign-funded enterprises in China enjoy full decision-making power involving plans for production and operation, wage and subsidy standards and their systems, the purchase of raw materials and equipment they needed from domestic and foreign markets and sales of products as well as the establishment of a financial system.

In addition, China has created many favourable conditions for foreign investors in construction of infrastructure facilities, sale of products, the system of foreign exchange balance and labour wage, materials supply and land-use fee.

Last year, China revised the Sino-Foreign Joint Venture Law and adopted measures for improvement. For example, joint ventures will not be nationalized, its chairman of the board will be elected by the board of directors through the consultation of both sides of the venture,

and the term of co-operation will be set in line with different undertakings and conditions. All this has had a positive impact both at home and abroad.

Since China began import of foreign funds in 1979, it has adopted policies to encourage foreign investors and formulated a number of foreign economic laws and regulations including the Economic Contract Law, the Patent Law, the Law on Chinese-Foreign Joint Ventures, the Law on Foreign Enterprise and other laws for the special economic zones, signed agreements with more than 20 countries on providing protection of insurance for investment and avoiding double taxation. ■

French Loans for Equipment

The China Guangzhou Peugeot Auto Co. Ltd. signed a buyer's credit agreement with the China Trust and Investment Industrial Bank in Guangzhou on March 18 on purchasing equipment worth 102 million French francs. The loan will be provided by the Paris National Bank of France.

The majority of credit will be used to purchase production lines and equipment imported from France for the machining workshop producing generators and for the punching workshop manufacturing punching parts. Some of the loans will be used to expand paint production lines and strengthen examination of product quality.

The equipment is worth 120 million French francs and the contract for the supply of goods has been signed by the Peugeot Auto Co. of France and the Guangzhou Peugeot Auto Co. Ltd. The credit accounts for 85

percent of the total contract's value.

The Guangzhou Peugeot Auto Co. Ltd. is one of the largest bus producers in China. Upon completion, the company will be the largest producer of Peugeot 505 cars in the world. ■

News in Brief

- The large JT6120 coach checked and approved by the government in February of this year has good market prospects. In March, a Singapore businessman signed a letter of intent with the relevant Chinese departments to first purchase 60 and then later 300 such coaches.

The JT6120 coach was one of China's Seventh Five-Year Plan (1986-90) key technical projects. The Mechanical and Electrical Products Co. of the China International Trust and Investment Corp. is responsible for manufacturing the chassis, and the Dalian, Yangzhou and Changsha bus factories are responsible for assembling the whole coach. This year they will produce 50 coaches, next year 300-500 and by 1995 the annual output is expected to reach 3,000. Various tests prove that the technical standard is of advanced international level of the 1980s.

- China and the UN Development Programme signed an agreement in Beijing March 22 on the two projects of passing on technology by returned overseas Chinese and inviting senior experts.

According to the three-year projects, the UN Development Programme will provide China with about US\$4.5 million for introducing and training talented personnel.

- The mainland co-ordination committee and representatives of the Taiwan co-ordination committee of economic and trade exchanges between both

sides of the Taiwan Straits held a meeting in Shanghai on March 16 to discuss how to encourage two-way economic and trade exchanges between the mainland and Taiwan. The meeting also decided to jointly hold a meeting to research into trade and investment on both sides of the Straits in Shanghai this September and begin class lectures on investment policies, trade and investment environment on the mainland in Hong Kong in the second half of this year.

Both co-ordination committees were established in Hong Kong by economic and trade circles on the mainland and Taiwan on December 17, 1989.

- A high-quality computer programme called the "highly compressed Chinese font library," instrumental for the wider application of computers, was recently developed and patented in China. This achievement marks a new era for China's computer font industry.

The Chinese font library was a collaboration of Professor Xie Kezhong of the Department of Computer Science of the Central South China Engineering Institute in Hunan Province and the Beijing Xianfeng (Pioneer) Corp. By compiling the Chinese font step by step, the programme has compressed 6,700 Chinese characters, four typefaces and 16 fonts into a set of character codes that is stored on three integrated chips, each the size of a stick of chewing gum. The computer programme is capable of creating 100 characters per second. The font library is compatible with all kinds of computers, and can do the whole process from operation to display to output in Chinese. Compared with similar programmes, the capacity of the font library is three to four times greater while the cost is two-thirds less. ■

Outstanding Geologist Remembered

Some international commemorative activities to mark the 350th anniversary of the death of geologist Xu Xiake will be held in October in Guilin, Guangxi Zhuang Autonomous Region, southwest China. Sponsored by the International Cultural Exchange Centre of China, the Chinese Society of Travel Culture, the Chinese Society of Geography and the Western Returned Students' Association, the activities will include an international academic symposium, a study of Xu's travels and a painting, calligraphy and photo exhibition.

Xu Xiake was a prominent Chinese geologist, explorer-traveller and travel writer of the late 16th century. Before his death, he left to his friend a 100,000-character manuscript of his life-long journeys to most parts of the country. *Travel Notes by Xu Xiake* includes most of his original manuscript and is about 60,000 characters long. A record of his travels and investigations, the book is of great geological and literary value. Both Xu and his travel notes are wonders of Chinese history.

Xu Xiake was born in 1587 in what is known today as Jiangyin County, Jiangsu Province. Unlike his contemporaries who attended schools, sat for imperial examinations and became officials, Xu decided to study the country his whole life and started his travel career at 22 years of age. Xu came back to his hometown because of poor health at 54, a year before his death. He experienced all kinds of hardships while probing the secrets of the mountains and rivers. He took notes every day and left China this valuable treasure.

His complete and accurate notes include studies of mountain ranges, water systems, water flow and karst formations. Based on his investigations, he was the first person to point out that the Jinsha River, the source of the Yangtze

River, was the third longest river in the world. Xu was also the first in the world to make a systematic investigation of karst formations.

Xu studied karst formations and caves carefully. He visited the caves of the Seven-Star Rocks in Guilin twice and took detailed notes about his findings. His diagrams and plane drawings of the Seven-Star Rocks were similar to those made by scientists of the Geological Institute of the Chinese Academy of Sciences in the 1950s using modern instruments and methods.

His great achievements of 350 years ago were possible because he made breakthroughs in geological research methods. He used many modern geological methods instead of classical ones. He was a world pioneer of karst formations and cave research, and also a forerunner in the development of geological history. His achievements attained a high scientific level of sophistication at that time.

The study of Xu's travel will include visits to the Lingqu Canal,



Drawn by XIE NINGGAO

Portrait of Xu Xiake.

a famous water project built in 223 BC; Guizhou's capital city Guiyang; Huangguoshu Falls in Guizhou Province; a flower city and Yunnan's capital, Kunming; Dianchi Lake on the Yunnan-Guizhou Plateau; Dali, Lijiang and the Stone Forest in Yunnan Province.

Topics to be discussed at the academic symposium will include the life of Xu Xiake, his travel notes, his geological and literary achievements, his exploratory spirit, the importance of developed tourism to the national economy, and tourist and cultural exchanges between China and other countries.

by Wei Liming

Ceramic Workshop 1,000 Years Old

A rare ancient ceramic workshop was recently discovered in Jiangxi Province — famous for its ceramics.

The discovery was made in Tianyu Township, Jian city where a railway line was being constructed. After investigation, experts claimed that the workshop had been in use between The Five Dynasties (907-960) and the Ming Dynasty (1368-1644), and had a history of more than 1,000 years. The remains include broken walls, a brick ceramic clay processing pit, a rectangular storage area, drainage ditches and sites of other activities. These site remains form into a large complex and are in good condition. They give insight

into the production process and the clear division of labour. Evidence of the more than 20 procedures involved in ceramic-making in ancient China as recorded in Chinese historical books can be found. Such large-scale workshop remains have never been discovered in any other famous ceramic kiln throughout China.

Scientists agree that this is a rare example of a comprehensive ceramic workshop and the two hoof-shaped kiln beds are the first discovered in China. On the backside of the kiln three complete chimney holes are still visible.

by Hong Lanxing

A Geoscience Transect Shaped for the Qinghai-Tibet Plateau

A map providing a transectional view and describing the geological evolution of the Qinghai-Tibet Plateau, the world's highest, has been prepared and will soon be published.

More than 60 Chinese geologists and geophysicists from eight academic institutions including the Chinese Academy of Geological Sciences participated in the research and drafting of the highly specialized map. After the draft of the map was first exhibited at the 28th International Geology Conference in Washington D.C. in 1989, it was considered as a valuable geological research aid that international assistance for publication was provided. The English edition of the map has been prepared by the American Geophysical Union (AGU) and is due to be published in Vienna later this year.

The Qinghai-Tibet Plateau has long been a contentious area of research among international geologists. The uplift of the plateau and the orogenic movement of the Himalayas, the youngest in the world, are geological events of great significance to the survival of human beings and have continued to impose an enormous impact on the evolution of the environment in Asia and the world since the Quaternary Period. With its rich geological phenomenon, unique geological activities and distinctive lithospheric structure, the plateau has received the attention of geologists and geophysicists for generations.

Following a proposal by Professor M. Barazangi of Cornell University (USA), the Global Geoscience Transectional Committee of the Inter-Union Commission on the Lithosphere decided to compile 200 specialized



Chinese geophysicist Wu Gongjian and his colleagues at the press conference present the geological transect map of the Qinghai-Tibet Plateau.



Professor H.Z. Gotze and J. Monger, both specialists of GGT, hold a discussion with the geoscientists of the Yadong-Golmud Geoscience Transect project at the International GGT Conference of East Asia in April, 1989.

geological maps. The Qinghai-Tibet Plateau was listed as one key area of research in the project.

Chinese geologists are fully committed to the international project. A comprehensive and systematic study of the plateau's geology, an area which accounts for one-third of China's total ter-

ritory, they contend, will not only help scientists further understand the working of the earth's core but have great practical implications for locating new resources, alleviating geological disasters and protecting the environment.

The project, begun three years ago in 1987, is essentially fin-



The map shows a compressional deformation in a crystalline schist of the Himalayan ductile thrust zone.

ished. It covers an area of more than 1,400 km, from Yadong of Tibet to Golmud in Qinghai in a north-north-east to south-south-west direction. The map, consisting of 12 smaller ones, is the first of its kind developed in China. Though necessarily the outgrowth of various disciplines of

edited in the most up-to-date manner, but also further explores and provides new answers to some key geological problems. After completing their research, for example, the drafters now contend that the plateau resulted from the drifting together of six terranes; that the uplift was a

study, its focus is geological, geophysical and geochemical information. The cross-sectional view of the plateau area accurately displays the crustal formation and provides a basis for understanding the plateau's geological evolution.

The map, appraised by Chinese and foreign geologists, is of international standard. It not only adds new geological information in its presentation, drafted and

gradual process with the Indian Plate subducted to the Eurasia Plate, and the resulting compression formed the Himalayan orogenic zone; different from the process of subduction of the Andes and the nappe type of the Alps, the Himalayan range is a unique orogenic zone; and that the plateau has four uneven tectonic belts. These recently developed hypotheses have improved our scientific understanding of the plateau.

The scientists from various institutions are now drawing a sketch of the last area of the Plateau to be mapped—from Golmud to Ejin Qi. After its completion, the map will connect with the Indian transect map in the south and the Mongol-Siberian transect map in the north, providing a view of the geological evolution of the entire Eurasian continent.

by Cui Lili

An Art Troupe for Fishermen

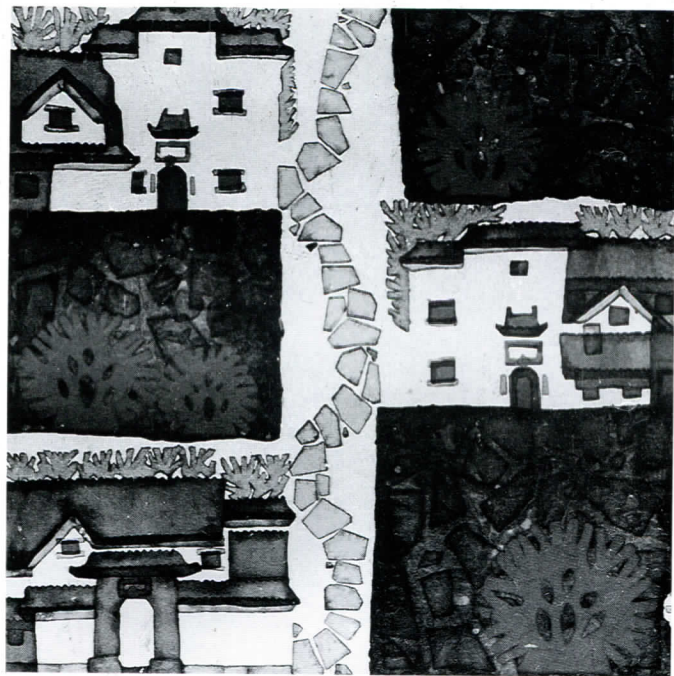
The Art Troupe from Changhai County, Liaoning Province, northeastern China, recently performed the light opera, *Sea Flower*, in Beijing. Audiences acclaimed the work which was produced by a small county art troupe with only 32 performers and stage workers. The opera won awards for best script and best director at last year's National Opera Festival.

The opera tells the love story of a widow and a widower in a seaside village. Twenty years ago, Old Hai's wife died of illness and his neighbour, Aunt Happiness' husband, was drowned in a sea disaster. Since then the widow and widower began to help each other in everyday life. However, gossip circulated among the villa-

gers that the two were having an affair. Ironically the gossip deepened their love for each other. After the implementation of the reform and open policy in 1979, Old Hai got rich through hard labour. His son and Aunt Happiness' daughter had grown up and had their own lovers. But Old Hai and Aunt Happiness still lived separately, keeping their love deep in their hearts. The son and daughter began to make various attempts to bring their father and mother together.

This light opera is human, lyrical and rich in national flavour. After seeing the opera, He Jingzhi, acting minister of culture, said, "The opera is sweet, beautiful and full of the feeling of new life."

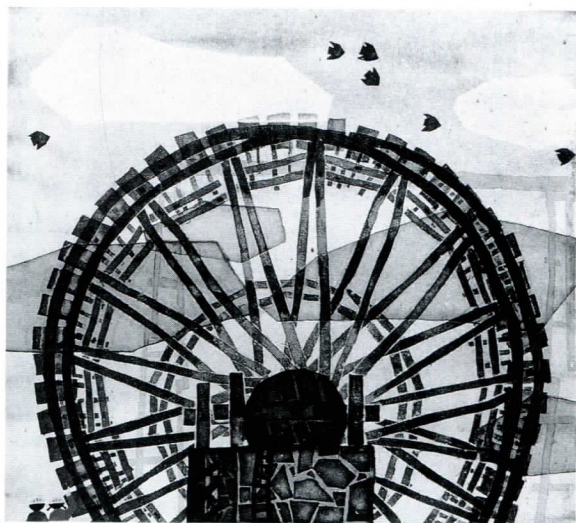
Changhai County consists of 112 islands. In the past 30 years, the county art troupe has staged 34 operas and plays and 15 musical and dance productions. Carrying their luggage and stage sets, they bring their productions to every island. Altogether they have given over 650 performances, entertaining 250,000 audiences. Wherever the art troupe goes, a festive mood erupted. Posters and broadcasts begin to publicize the event days before the coming of the troupe. Women and children put on their new clothes for the occasion. The villagers usually begin placing their stools in front of the stage as early as at 2 o'clock in the afternoon for the evening performance. A village has to wait their turn on a long list if they want to invite the art troupe to perform there. ■



A Village.

Cloth Prints by Xi Hu

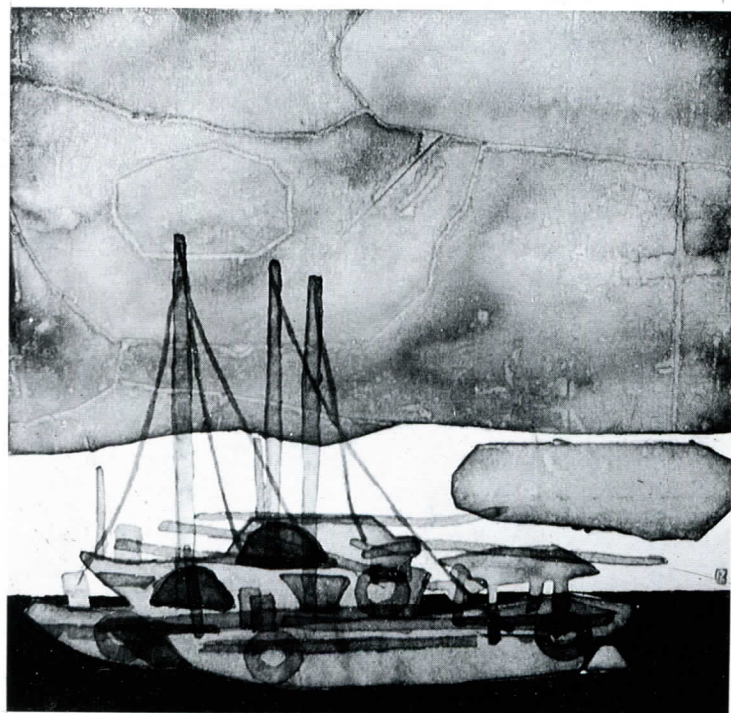
Xi Hu, born in Wuhu, Anhui Province in 1958, is now an art designer with a company in Zhanjiang City, Guangdong Province. The pictures and patterns, after being cut out on a piece of cloth, are printed using a new technique Xi created.



A Waterwheel.



A Mountain Village.



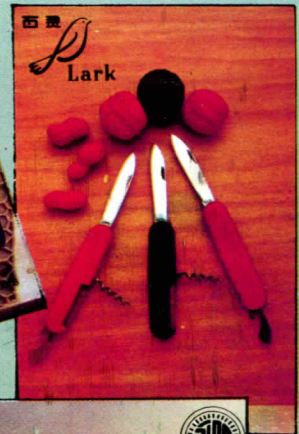
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北京国际商报 1991 年第 15 期 邮政代号 2-9225 · 北京市期刊登记证第 1233 号 · 国内统一刊号: CN11-1378