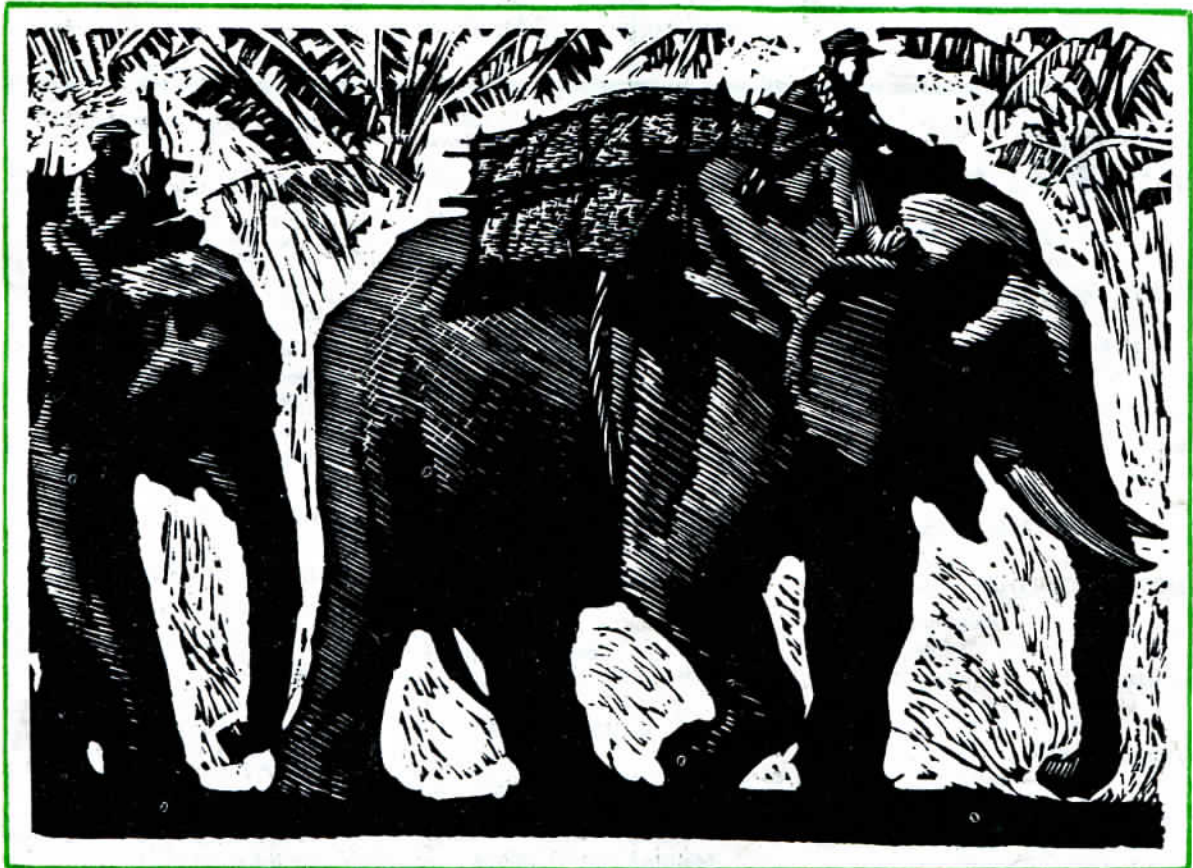


BEIJING REVIEW

北京周報

A CHINESE WEEKLY
OF
NEWS AND VIEWS

- 3-Point Proposal on Kampuchean Question
- Why Sino-Vietnamese Relations Deteriorate
- Banking Reforms



HIGHLIGHTS OF THE WEEK

Our Stand on Kampuchea

China's three-point proposal for a just and reasonable settlement of the Kampuchean issue. Full text of a speech by the head of the Chinese Delegation at the UN-sponsored International Conference on Kampuchea (pp. 13-16).

The Tide Turns

While Democratic Kampuchea still has a long struggle ahead of it, the tide is beginning to turn against the Vietnamese invaders (pp. 9-10).

Memorandum on Viet Nam

The Chinese Foreign Ministry on 1) the deterioration of Sino-Vietnamese relations, 2) the root cause of tension in Indochina, and 3) the Soviet-Vietnamese threat in Southeast Asia (pp. 16-20).

A New Economic Strategy

Vice-Minister of State Planning Commission Fang outlines a new strategy for China's economic development, listing its principles and priorities (p. 6).

Banking Reforms

Why and how China is instituting reforms in its banking and finances (pp. 24-27).

Role of Democratic Parties

Small parties composed mainly of intellectuals are becoming more active in the current modernization drive (p. 5).

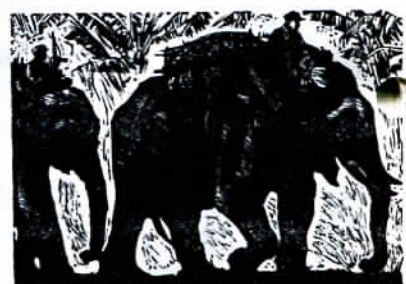
Communist vs Feudal Morals

Feudal morals remain the major target for China's ideological battle though bourgeois and petty bourgeois influences also need to be combated (p. 28).

logical battle though bourgeois and petty bourgeois influences also need to be combated (p. 28).

The Controversy Over Pop Music

Zhao Feng, a leading Chinese musician, comments on the introduction of foreign popular songs and calls for the development of China's own lyrical music (p. 28).



Democratic Kampuchea: To the front by elephant.
Woodcut by Wang Weixin

BEIJING REVIEW

北京周报

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China—Arab Relations

How are the relations between China and the Arab countries?

China has maintained good relations with the Arab countries.

Centuries ago, China already had contact with the Arab countries and Chinese silk, tea, porcelain and other articles were brought overland or across the seas to those countries. After the founding of New China in 1949, the friendship between China and the Arab countries has steadily developed on the basis of the Five Principles of Peaceful Coexistence. Interflow and co-operation in trade, culture, sports and journalism have also been on the increase. What is more important is that the common struggle against hegemonism has linked us together more closely than ever before.

China has unswervingly supported the just struggle of the Palestinian and other Arab people. We always maintain that Israel must withdraw from the Arab territories it has occupied and that the Palestinian people's national rights, including the right to establish their own state, must be restored.

The situation in the Middle East has been turbulent for many years. The Middle East question has remained unsolved because of the rivalry between the Soviet Union and the United States and because of the aggressive stand persistently followed by Israel. Now the situation is developing in a direction favourable to the Arab people. We are happy to see that their struggle to

recover the territories occupied by Israel and to restore the Palestinian people's national rights has won increasing support throughout the world while Israeli policies of aggression and expansion have been

condemned by more and more countries and people.

The Chinese people always stand on the side of the Palestinian and other Arab people and will always be their trustworthy friends and brothers.

—International Editor
Mu Youlin

Disarmament

What's China's attitude towards disarmament? Why does China insist that the Soviet Union and the United States should be the first to reduce their armaments?

China's attitude towards disarmament is very clear. We hold that the Soviet Union and the United States are the two countries which have the largest nuclear and conventional arsenals and are capable of launching a world war. And it is precisely their hegemonist policies that menace world peace and the security of other countries today. That is why we demand that the two superpowers, the Soviet Union and the United States, should be the first to reduce their armaments. When the huge gap between them and the other nuclear states and militarily significant states is closed, the latter should then join them in reducing armaments proportionately. This is fair and reasonable.

If all the countries should reduce their armaments according to certain ratios, then the great disparity between the two superpowers and the other states can never be eliminated, no matter what the ratio may be, and the two superpowers will always retain their capability to

launch a world war while the other countries will lose their power and right to defend themselves. That the two superpowers should be the first to drastically reduce their armaments is a basic principle which should be applied to all fields of disarmament.

The disarmament talks have been going on for more than 10 years, but up to now the two superpowers have neither reduced their armaments nor cut down their military expenditures. On the contrary, the arms race between them is becoming increasingly frantic. This is because they are not sincere and do not wish to take any practical measure to reduce their armaments. While talking glibly about disarmament, they are actually manufacturing and stockpiling weapons of mass destruction. The Soviet Union, in particular, has quickened its tempo of arms expansion and war preparation and produced large quantities of conventional weapons over the past 10 years. Its strategic weapons have also multiplied. The Soviet invasion of Afghanistan and Soviet support given to Vietnam's aggression against Kampuchea have seriously threatened world peace and the security of many countries. The Soviet Union has made various disar-

LETTERS

The Sixth Plenary Session

I was greatly interested in the results of the Sixth Plenary Session of the 11th Central Committee of the Communist Party of China, which were widely reported in Japan.

I used to think that it was very necessary to launch the proletarian cultural revolution in order to prevent revisionism.

After the gang of four was smashed, I became aware of what monstrous crimes it had committed through the criticisms of the "cultural revolution." I feel the sufferings the Chinese people endured were atrocious.

The resolution adopted by the Sixth Plenary Session gave the answer: The "cultural revolution" led to domestic turmoil. Still I hope a more detailed explanation will be provided in the future.

Kei Jinguji
Kofu, Japan

Children's Welfare

I like the articles in "Events and Trends" concerning children's welfare.

I see that great progress is being made in this field. It is very encouraging to know that people care about the future of their children, because the children have the responsibility to carry on the future of the country.

I think it is very important for children to have a good education, high morals and good discipline in order to safeguard the hard earned

mament proposals inside and outside the United Nations, preached the convocation of a world disarmament conference and decked itself up as the "standard-bearer of disarmament." But the fact is all these are nothing but a smokescreen to cover up its aggression and expansion.

The 1980s have been proclaimed by the UN General Assembly as the second "10 years of disarmament." To make disarmament really effective under the present circum-

stances, the people of the world need to combine disarmament with the struggle against hegemonism. That is to say, apart from making it incumbent on the superpowers to reduce their armaments, the people of the world should wage a determined struggle against their policies of aggression and expansion. Only in this way can another world war be put off and world peace and security safeguarded.

Clifton Amin Muhammad
Dallas, Texas, USA

Cartoons

The cartoons appearing in "Humour in China" are lively, bright and entirely correct and meaningful, when the artist's trap is set for the "Bear" that attempts to gobble up great hunks of other people's land, and in the process gets a monstrous bellyache!

Bruce A. Renton
Ottawa, Canada

I will comment only on "Humour in China." I very much applaud your letting the rest of the world know what the Chinese consider humorous situations. In my view, this is one of the best ways to cement relationships between different peoples. My view is that we all find the same kinds of situations funny and worthy of laughter. If we laugh together, how can we not live in peace together?

Leon Otis
Fremont, Calif., USA

Many cartoons appear in *Beijing Review*, but to our surprise no words (to explain them) are written. Many of us can't "read" pictures neither can we understand them if they bear no "explanatory words." Please try to draw cartoons and print "explanatory words" to make them more enjoyable, just as Western journals do.

stances, the people of the world need to combine disarmament with the struggle against hegemonism. That is to say, apart from making it incumbent on the superpowers to reduce their armaments, the people of the world should wage a determined struggle against their policies of aggression and expansion. Only in this way can another world war be put off and world peace and security safeguarded.

— International Editor
Mu Youlin

The international section usually lacks enough news from Africa. Does this mean that there are no news from Africa?

G.W. Ndugga
Kampala, Uganda

Being More Timely

Attaching importance to the question of promptness, *Beijing Review* is airtailed to its readers. But, it is regretful that your editors and translators are not doing much in this respect, showing a lack of flexibility. For instance, your Japanese edition No. 21 (May 26) carried a piece of news about conferring a title of Honorary State Chairman on Madame Soong Ching Ling by the NPC Standing Committee which happened 10 days earlier. Why wasn't it carried in the previous issue? Another example, Francois Mitterrand became the President of France, on May 21. Your article by Zhai Xiangqian in the same issue reported: "Mitterrand will assume office in the latter half of this month (May)." This is confusing.

Hiromi Takano
Beijing, China

Articles Too Long

The article on the Paris Commune was good but too long. It should have been short. Reading long articles, one gets tired.

International reports and comments are good. I have been able to get information on Afghanistan. In some papers its reporting was biased whilst your paper reporting was fair.

Mtengeti S. Mtengeti
Dodoma, Tanzania

Suggestions

I like most to read more about Afghanistan and the Soviet invasion, economic progress and what the peasants say in the "Special Feature" column.

I would also like to make a suggestion based on my own interest, and likewise other readers of *Beijing Review* that the international reports and comments carry the best stories possible that help readers understand the situation in the Western countries, the Middle East and the world.

Edward Nawurah
Tema, Ghana

POLITICAL

More Mao Zedong's Writings Published

A letter written by the late Mao Zedong in 1937 in Yanan, the seat of the CPC Central Committee at that time in northern Shaanxi Province, was published on July 11 in *Renmin Ribao*, the Party organ, and other newspapers in the Chinese capital. In this letter which was addressed to Lei Jingtian, chief judge of the criminal division of the higher court in the Shaanxi-Gansu-Ningxia Border Region, Mao Zedong demanded that stricter discipline be enforced on Party members and officers and men of the Red Army (predecessor of the Chinese People's Liberation Army) than on the common people.

The letter referred to the death sentence of Huang Kegong, a Party member, for murdering a woman student who was unwilling to marry him. Huang Kegong was a cadre at the Chinese People's Anti-Japanese Military and Political College and had participated in the historic Long March.

Mao Zedong said in the letter: "If a Communist Party member and Red Army officer were to be pardoned after committing such a despicable and vicious crime which violates the standpoint of the Party, the standpoint of the revolution and the standpoint of human beings, it would be impossible to educate the Party, the Red Army and the revolutionaries, much less the common people. Therefore, the Central Committee and the

Military Commission must, according to his crime and in adherence to Party and Red Army discipline, mete out to him the capital punishment precisely because he is not an ordinary person but a Party member and Red Army officer of long standing. There is no other alternative."

Mao Zedong admonished all Party members, Red Army commanders and fighters and revolutionaries to draw a lesson from Huang Kegong's case.

Jiefangjun Bao (Liberation Army Daily) published this letter together with a signed article which said: "The letter was written over 40 years ago, but it is still important in giving us guidance in rectifying the Party style of work, enhancing the sense of law and discipline and strengthening the socialist legal system."

A few days before this letter was published, *Renmin Ribao* and other newspapers in the capital had made public Mao Zedong's five previously unpublished telegrams and four news reports. The five telegrams, written in September 1937, shortly after the War of Resistance Against Japan had started, called for upholding the Party's independence and initiative in guerrilla warfare, and the four news reports were written for the Xinhua News Agency during the Liberation War (1946-49).

In these telegrams, Mao Zedong pointed out that guerrilla warfare should be the sole orientation of the work in north China as a whole and that the main task was to have the forces dispersed at different places so

as to set up base areas to arouse the people to fight the enemy.

The four news reports were written by Mao Zedong at the crucial moments of major campaigns during the Liberation War. They made an incisive analysis of the revolutionary situation prevailing at that time, gave encouragement to the people of the whole country and guided them in their revolutionary struggle.

Democratic Parties Play Their Role

The Chinese Peasants' and Workers' Democratic Party, one of the eight democratic parties in addition to the Communist Party of China, recently held a meeting in Beijing to discuss how its members can play a better role in the four modernizations. Composed mainly of people working in the field of medicine and public health, this party has a membership of 7,500. Lu Jiaxi, the newly elected President of the Chinese Academy of Sciences, is one of the standing committee members of its central committee.

A special feature as well as an advantage of China's political system is the practice of multi-party co-operation under the leadership of the Communist Party. Since all the parties are equal and maintain friendly relations, such leadership means primarily leadership over the line, principles and policies to be followed. All the parties enjoy political freedom guaranteed by the Constitution; they have independent organizations and the right to make their own decisions.

It is a fundamental principle of the Communist Party to

carry out long-term co-operation with non-Party personages. In the endeavour to accomplish the four modernizations, a large amount of work has to be done by people not in the Communist Party. Importance should therefore be attached to the role of these democratic parties which are composed mainly of intellectuals.

Since the end of last year, the eight democratic parties have held meetings in succession to swap experiences gained in working for the four modernizations. They have put forward many constructive suggestions and enthusiastically initiated many social undertakings, such as setting up various kinds of spare-time and continuation schools and short-term special lecture courses. Fifty such schools have been established in 22 large and medium-sized cities throughout the country, attended by 20,000 workers and staff members and job-waiting youths.

The Chinese Peasants' and Workers' Democratic Party, for instance, has organized special lecture courses on traditional Chinese medicine in Beijing and lectures on Western medicine in Shanghai. The Jiu San (September 3) Society, which mainly comprises university professors and lecturers, has opened an evening law school in Beijing. The China Association for Promoting Democracy, composed mainly of people in the field of education, has started an advanced course for middle school teachers of the Chinese language in Tianjin. The Revolutionary Committee of the Kuomintang has set up a foreign languages school in the scenic city of Guilin to train personnel for the tourist trade. The China Democratic League, made up mainly of senior intellectuals, has made arrangements for

scholars to give lectures in various places.

Many members of the China Democratic National Construction Association and of the All-China Federation of Industry and Commerce, which is not a political party but a people's organization closely connected with the Democratic National Construction Association, have rich experience in economic work and enterprise management, and some have technical skills and made notable achievements. For example, 65-year-old Song Zhixian, an expert on making cloisonne glaze, set up a glaze factory last year with the help of a neighbourhood Party committee in Beijing. The factory has since produced several kinds of special glaze to enrich the production of traditional Chinese cloisonne.

The China Zhi Gong Dang (composed mainly of returned overseas Chinese) and the Taiwan Democratic Self-Government League have made contributions in rallying overseas Chinese and Taiwan compatriots for the cause of the motherland.

A commentary carried recently in *Renmin Ribao*, organ of the Chinese Communist Party, acclaimed the ever-increasing role played by the democratic parties in the socialist modernization drive, in the effort to bring about the early return of Taiwan to the motherland and in opposing hegemonism and safeguarding world peace.

ECONOMIC

Plan for Economic Development

At the China-West Europe Business Leaders Symposium held recently in Beijing, Vice-Minister of the State Planning

Commission Fang Weizhong outlined China's long-term economic development in the 80s and the major targets set for China's Sixth Five-Year Plan (1981-85).

He said that, in the light of the experiences and lessons gained in the past 31 years, a great change will be made in economic construction with regard to the strategic objectives, forms of development and economic patterns. The aim is to find new ways which require less investments but yield better results, with a lower accumulation rate and greater benefits for the people. In this way the superiority of the socialist system will be brought into fuller play. The next 10 years will be crucial to the realization of this strategic shift.

During this decade major efforts will be made in laying a sound foundation and securing a steady economic development and improving the people's living standard. While a certain rate of economic growth will have to be maintained, China does not aim at a growth rate that cannot last.

The principles for economic development in the next 10 years are as follows:

—Continue with the readjustment and reform with a view to streamlining the economic structure, organizational structure of the enterprises and the economic system;

—Do a good job in agriculture, energy, transport and communications, and intellectual development so as to promote the overall development of the national economy;

—Tap the potential of existing enterprises to boost production and carry out technical transformation on the basis of their reorganization;

— Conduct more effective economic and technical exchanges with other countries. While mainly relying on our own efforts, foreign funds will be used and suitable technology imported to facilitate the development of energy resources, transport and communications as well as the technical transformation of existing enterprises.

The main objectives of the Sixth Five-Year Plan are to realize the tasks of readjusting the national economy decided upon in 1979. The major objectives are:

— Increase the proportion of agriculture and light industry in the national economy so that the proportion between agriculture, light industry and heavy industry will be more reasonable;

— Appropriately reduce the rate of accumulation so as to bring about a proper and reasonable ratio between accumulation and consumption;

— Ensure that the production of consumer goods keep up with

the rising purchasing power so that prices will in the main remain stable;

— Raise the economic results substantially and increase the state revenue year by year so that revenue and expenditure will be balanced.

A detailed plan is being worked out, with the emphasis on the Sixth Five-Year Plan and the 10-year development programme. The work of planning, which will take some time to complete, will follow the principle of seeking truth from facts, acting according to capability, advancing step by step and striving for practical results. In the course of planning, there will of course be some revisions, but the basic orientation and principles will not be changed.

Readjusting Rural Industries

About 1.43 million commune- and brigade-run factories dot China's rural areas today, employing over 30 million workers. These enterprises have be-

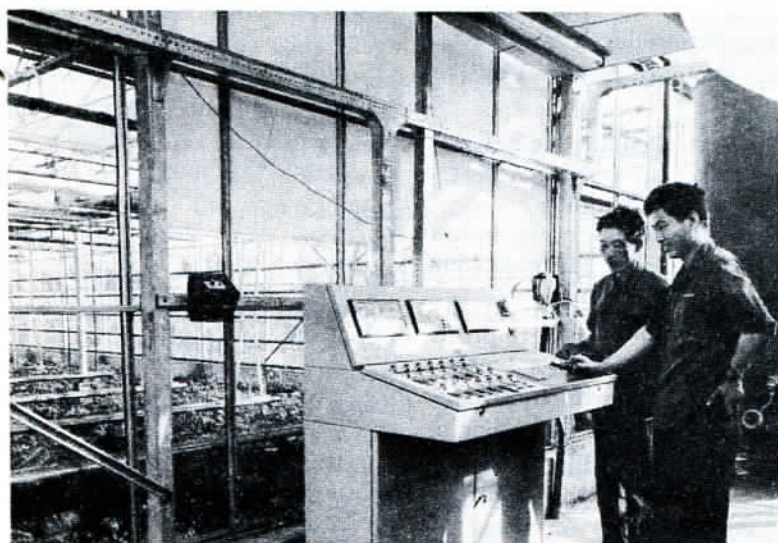
come an important component part of the rural economy, and the value of their products accounts for one-third of the total annual income of the rural collective economy.

During the present period of readjusting the national economy, these enterprises also need to be reorganized.

The following examples illustrate this necessity.

Many communes in central China's cotton-producing Hubei and other provinces have built small textile mills of their own, using up the cotton produced there. The question here is that in the consumption of raw materials, the quality of products or the cost of production, these small mills are all far inferior to the large mills in Shanghai and other cities. Now that the raw materials are used up by these small mills, the large mills in the cities often operate under capacity and are sometimes even forced to stop production. Another example is that in the last few years thousands of small factories have been built in various parts of the country producing electric fans, refrigerators, washing machines and other modern household appliances. As they were built not according to a plan, they overlap each other, thereby resulting in a waste.

The State Council promulgated not long ago a 16-point decision calling for readjustment of commune- and brigade-run enterprises. The main task is to stop the blind development of certain industries in the rural areas. In handling the relations between rural industries and the existing big industries in the cities, it is required that the overall situation be taken into



A large glasshouse built in the city of Harbin, Heilongjiang Province, to study the growth of vegetables in cold areas.

consideration. The communes and production brigades are not to run textile mills, cigarette factories and small salt fields, for these can be better handled by the state enterprises. The state will give assistance to commune- and brigade-run factories processing farm and sideline products, and new factories of this kind will not be built in the cities since it is more economical to have them in the countryside. In addition, rural communes are encouraged to develop fish breeding, poultry raising, the service trades to meet the needs of commune members and expand enterprises doing processing work for big industries and for export. The machinery processing industry run by communes and production brigades are required to produce and repair medium-sized and small farm implements.

The State Council's decision pointed out that the development of commune- and brigade-run industries should be rationally distributed and integrated with the building of small towns. Besides small industries, cultural undertakings and service facilities should also be developed so as to help the small towns prosper steadily.

HEALTH

Production of Medicines

China's pharmaceutical industry has developed at a rapid pace since liberation in 1949, thanks to the attention shown by the Party and government. Numerous factories have been built and the technique of production and quality of the drugs have been constantly improved.

Nearly 1,000 kinds of medicines using chemical materials and more than 3,000 preparations are being produced today. In addition, over 500 pharma-

ceutical factories in China produce nearly 3,000 kinds of traditional Chinese medicines. The products basically meet the needs of the people at home, and some are sold abroad.

Many efficacious drugs produced in China have aroused the attention of medical circles abroad. In producing traditional Chinese medicines, the methods used are constantly being perfected by the introduction of modern technology. As a result, the quality has improved and variety increased.

A relatively comprehensive system has been set up to carry out scientific research and manufacture of biological products. At present, more than 5,000 people are working in this field, and about 100 kinds of products, including various kinds of vaccines, serum, toxoid and preparations for diagnosis purposes, are being turned out.

Socialist China pays the utmost attention to the people's health. The production of drugs is, therefore, under strict control and supervision. As a precaution against the manufacture and sale of inferior drugs, the State Council recently adopted a decision stipulating that all medicines and medical equipment produced must be up to the standard required by the state.

The State Council has also decided to set up a pharmacological research institute as the centre for carrying on researches on Western and traditional Chinese herbal medicines.

The principle of meagre profit is practised in the pharmaceutical departments, and whatever loss they may incur is made up by subsidies from the state. Since 1949, the state has reduced the prices of drugs on eight occasions with the result that they are now 80 per cent

less than in the early post-liberation years.

FOREIGN RELATIONS

Sino-Korean Friendship

The 20th anniversary of the signing of the Sino-Korean Treaty of Friendship, Co-operation and Mutual Assistance fell on July 11. The leaders of the two Parties and states exchanged messages reaffirming their militant friendship and the mass organizations of the two countries held meetings to mark the occasion. *Renmin Ribao* carried an editorial stressing co-operation between the two countries in the political, economic, military, cultural and other domains.

At a banquet given in Beijing by Ambassador Jon Myong Su of the Democratic People's Republic of Korea, Wan Li who is a member of the Secretariat of the CPC Central Committee and Vice-Premier pointed out that China resolutely supports the just stand of the Korean Government for reunification, denounces the crimes of the Chun Du Hwan clique, which suppresses democratic personages and students, and supports the south Korean people's struggle for democratizing their society. Wan Li said: A country cannot remain divided for ever. Any scheme to create "two Koreas" and perpetuate the division of the country is doomed to failure. The United States must pull out all its troops and weapons from south Korea and stop interfering in Korea's internal affairs. The question of reunification of Korea must be settled by the Korean people themselves without any outside interference.

Kampuchean War Situation

VIENT Nam thought it could swallow Kampuchea as easily as a meat-ball, but the "meat-ball" has turned out to be a bone, and, moreover, it has become stuck in its craw. This is how one observer has described Viet Nam's predicament in Kampuchea.

After fighting desperately for two and a half years, through three tough dry seasons and two rainy seasons, the Kampuchean armed forces and the civilians have got over the worst, found their foothold and are turning the tide against the invaders.

Old Base Areas Strengthened. The Kampuchean army and guerrillas are no longer fighting a rearguard action, fighting savagely to cope with the Vietnamese mopping-ups. Since the start of the third dry season, November 1980-April 1981, they have begun to strike out

at their enemy in some zones in a planned way. In the old war zones on the western front, such as Battambang, Pursat and Koh Kong, they have overrun many enemy strongholds and consolidated and expanded the old base area of Phnom Kravanh. Vietnamese strongholds in the Phnom Melai Mountains have all been wiped out and the liberated area has expanded to cover an area of more than 3,000 square kilometres (see 1 and 2 on the map).

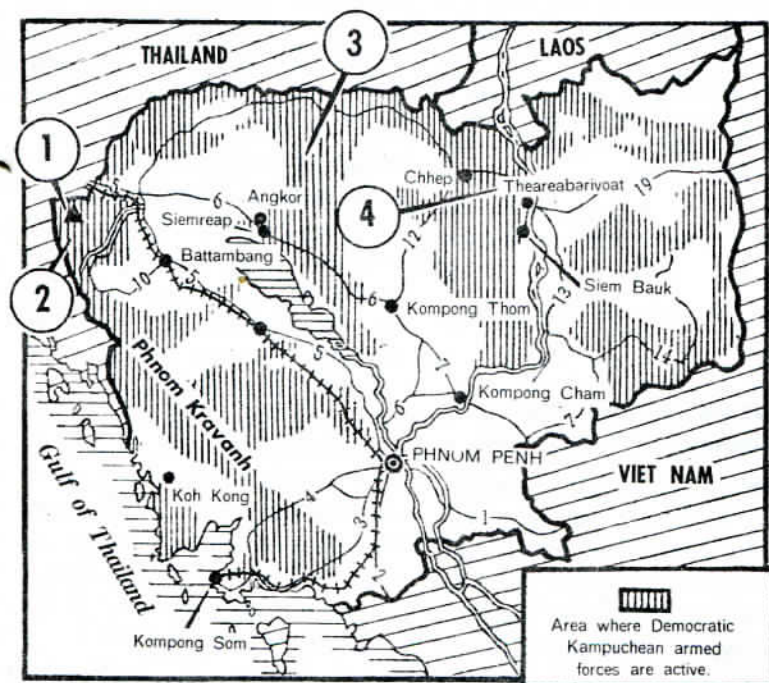
New War Zones. After the destruction of the Vietnamese strongholds in Phnom Dang Raek, the Kampucheans opened up two new war zones there. One is the Chhep-Theareabari-voat-Siem Bauk war zone, which stretches from the Kampuchean-Thai and Kampuchean-Lao borders in the north, to northern Kompong Cham in

the south and the Mekong River in the east, forming a liberated zone of more than 8,000 square kilometres. The other is the Siemreap-Angkor-Highway 6 war zone, which forms another new liberated area of 4,000 square kilometres at the juncture of the three provinces of Oddor Meanchey, Siemreap and Preah Vihear (see 3 and 4 on the map). The two new zones join up the west and the east, linking the fronts in the west, the centre and the east.

Major military operations of the Kampuchean National Army and guerrillas have grown in scope and not confined to a narrow area but have gradually extended deep into the interior. The Highway 6 area north of Tonle Sap, Kompong Thom Province and Kompong Cham Province in the centre have all become battlefields, where fierce engagements have taken place. The Kampuchean National Army and guerrillas have also stepped up attacks against Vietnamese communications and transport lines.

Vietnamese Aggressors Going Downhill. The Vietnamese aggressors find themselves in an increasingly passive position on the battlefields. Due to heavy casualties, low morale, supply shortages and fewer reserve forces, Hanoi now finds it very hard to mass enough troops for large-scale mopping-up operations against the bases of Democratic Kampuchea as it did in the past. The Kampuchean National Army and guerrillas, however, have developed to 50,000-60,000 people and now hold a vast territory.

The change which has taken place in the war shows that



Democratic Kampuchean Government

A Five-Point Programme

A FIVE-POINT draft minimum political programme to bring about united resistance to Viet Nam was issued by the Patriotic and Democratic Front of the Great National Union and the Democratic Kampuchean Government after full consultations between June 28 and 30.

According to a July 8 report of Radio Democratic Kampuchea, the five points of the programme are:

1. To carry on resolutely the armed struggle and other forms of struggle against the Le Duan aggressor clique until it withdraws all its troops from Kampuchea.

2. All activities must be conducted on the basis of Democratic Kampuchea, which is the only legal and orthodox form of state of Kampuchea and is also a member of the United Nations.

3. All national forces in the united struggle against the Le Duan aggressor clique of Viet Nam should absolutely avoid any clashes among themselves that may lead to the weakening of the forces in this struggle against the enemy.

4. After all the Vietnamese troops are withdrawn from Kampuchea, a general election by free, direct and secret ballot will be conducted under all forms of close supervision of the United Nations without threats from any armed forces or any other forces.

This election will produce the National Assembly of Kampuchea. And this Kampuchean National Assembly will draw up a constitution of Kampuchea and decide the Kampuchean political system to be a parliamentary system and will not establish socialism or communism.

Kampuchea will be an independent, peaceful, neutral, and non-aligned country which will never allow any foreign military base to be set up on its soil.

The National Assembly will elect a national government.

This government will found a national army to defend the country.

5. All national forces in the united struggle against Viet Nam's Le Duan aggressor clique can maintain their own political status and enjoy freedom of action on the condition that they do not go against the minimum programme.

the legitimate seat in the United Nations of Democratic Kampuchea and called on Viet Nam to pull its troops out of Kampuchea immediately. The conference of the non-aligned foreign ministers, the conferences of the UN Human Rights Commission and the UN Economic and Social Council, all held in the first half of the year, as well as the recently convened non-governmental conference in Tokyo, all called on foreign troops to withdraw from Kampuchea.

In the past two and a half years, in order to occupy and rule Kampuchea, Viet Nam has forcibly fostered a puppet regime in place of the legitimate Kampuchean Government. All these facts show that the key to solving the Kampuchean problem lies in a Vietnamese troops withdrawal. Any international conference on the Kampuchean problem will have to solve the problem of a Vietnamese withdrawal first. Otherwise, the Kampuchean people will not be free to decide their own problems and there will be no genuine independence, neutrality and non-alignment for Kampuchea. The Vietnamese authorities' adamant refusal to withdraw also suggests that any international conference on the Kampuchean problem must be closely coordinated with the situation on the battlefield. Only by strengthening the Kampuchean people's anti-Vietnamese struggle and waging heavier attacks against the Vietnamese aggressors and putting them in a more difficult position can Viet Nam be forced to change its stand and withdraw to pave the way for a fair solution to the Kampuchean problem.

— Xiao Yang

Viet Nam's strategy of "fighting a quick battle," using a superior force to wipe out Democratic Kampuchean resistance, has failed. Although the Vietnamese aggressors are still numerically superior and the Kampuchean people will have to wage a protracted and arduous struggle before they can drive the aggressors out of their country, the situation is becoming more

and more unfavourable to Viet Nam.

Where Lies the Way to Vietnamese Withdrawal

The Kampuchean people's anti-Vietnamese struggle has won widespread sympathy and support in the world. In resolutions passed by an absolute majority, the 34th and 35th UN General Assemblies recognized

Soviets Reject EEC Proposal

B RITISH Foreign Secretary Lord Carrington, who is also the Chairman of the EEC ministerial council, held talks with Soviet Foreign Minister Andrei Gromyko in Moscow on July 5 about the European Economic Community's proposal for an international conference on Afghanistan. This EEC proposal, which some people see as providing "an honorable way out" for the Soviet Union to withdraw its troops from Afghanistan, was termed by the Soviet Union as "unrealistic in its present form" and no basis for negotiations. The British lord flew home empty-handed.

It was to be expected. Ever since the Soviet Union invaded Afghanistan, it has been pursuing an escalating war of aggression against the Afghan nation even as it expresses its "willingness" to settle the Afghan issue through negotiations. The stress has always been on the former, one notices. Its expressions of "willingness to negotiate" are intended only to win time for it to crush Afghan resistance. This explains why the Soviet Union has rejected all the assorted proposals for a "political settlement" of the Afghan problem.

Ulterior Motives

The Soviet Union insists on settling the Afghan issue according to a proposal its client regime put out on May 14 last year. The proposal calls on Iran and Pakistan to negotiate with the Karmal regime and for Iran and Pakistan to provide a "reliable guarantee" against "an-

other armed intrusion into Afghanistan." After which, the Soviet Union and the Karmal regime between them will determine a time-frame and process for a Soviet troops withdrawal. It is not difficult to see that this proposal is actually an attempt to legalize the Soviet armed aggression against Afghanistan and the Soviet-fostered Afghan puppet regime. If this proposal is accepted, then the Soviet Union's claim that it had been "invited" into Afghanistan would be justified and the Soviet troops will have all the reasons to prolong their stay.

The Soviet proposal to link the Afghan situation with the security of the Persian Gulf is nothing but an attempt to extend its influence into the Gulf by making use of the Afghan situation it has created. It hopes, moreover, to provide itself with a pretext for continuing its occupation of Afghanistan, on the grounds of "ensuring the security of the Gulf." The Soviet proposal clearly does not lead to a "political settlement" of the Afghan problem, but is merely an exercise in typical hegemonist logic and power politics.

The Soviet Union's intransigence shows again that Moscow's policy of aggression and expansion is fixed and inalterable. Its invasion of Afghanistan is to establish a bridgehead for a push south into the Indian Ocean and the Persian Gulf. It is also a major step deliberately taken by the Soviet Union in its drive for world hegemony. Thus the Soviet Union will not will-

ingly give up Afghanistan. Since the 60s, the Soviet Union has never voluntarily disgorged any territory it has seized. The Afghan problem is by no means a regional problem, but a major issue of principle concerning the world. Any compromise or concession on this issue will be certain to invite endless trouble.

Basic Principles

In the face of Soviet intransigence, the whole world must launch a tit-for-tat struggle. Three basic principles must be upheld in solving the Afghan problem: (a) the Soviet Union must comply with and carry out the related UN resolutions to withdraw all its troops from Afghanistan at once and without preconditions; (b) the Afghan people must be allowed to decide their own destiny without any foreign interference; (c) Afghanistan's independent and non-aligned status must be restored. Of the three, the withdrawal of Soviet troops is of primary importance, because the Afghan problem was caused entirely by the Soviet military occupation. As the whole world knows, the only foreign interference there has come from the Soviet Union.

At this stage, the Soviet Union will definitely not pull out of Afghanistan, although it is beset with difficulties at home and abroad. It has already paid an enormous price for its invasion because of the ever fiercer resistance put up by the Afghan people, but Moscow's ambition for world hegemony has not changed a bit. It is still trying hard. A

reasonable settlement acceptable to the Soviet Union will emerge only when the Afghan people, with the strong support of the peace-loving countries and peoples the world over, deal it a blow hard enough to make Moscow understand that it does not pay to hang on in Afghanistan. Since this has not taken place, quite clearly, conditions are not yet ripe for a "political settlement" of the Afghan question.

As the Afghan problem is the

most outstanding in the overall struggle against hegemonism, it bears watching closely, no matter what happens elsewhere in the world, and let there be no illusions about the Soviet hegemonists. History and current experience teach us that only by upholding principle and persisting in struggle can the necessary conditions for a real settlement of the Afghan problem be created.

— "Renmin Ribao" Commentator, July 9.

Ludicrous and Stupid

Report From Washington

THE Reagan administration is having contacts with "the government of Taiwan" which "are more frequent and probably more cordial than they were in the previous administration," said White House spokesman Larry Speakes on July 6.

"But," he added, "we do not plan to change the non-governmental relationship" with the "Taiwan government."

It is a big retrogression for the White House spokesman to call the local authorities of Taiwan the "Taiwan government." Isn't he aware that it is stipulated in the Sino-US Communique on the Establishment of Diplomatic Relations that the US Government recognizes the Government of the People's Republic of China as the sole legitimate government of China? Since it is the "sole" government, why then has this gentleman spoken of another "government"?

The remarks of Mr. Speakes are both ludicrous and stupid. How can contacts between two

"governments" be "unofficial" or "non-governmental"? Can a "government" be "unofficial" or "non-governmental"? Isn't the relationship between "governments" official? Obviously, the so-called non-governmental relationship is merely a cover-up for an official relationship. For instance, maintaining the present Taiwanese "non-official" offices and personnel in the United States, giving them de facto diplomatic immunity and increasing their number mean that they really are an embassy, consulates and diplomatic officials in fact but not in name. Such an "unofficial" or "non-governmental" relationship also includes the provision or sale of weapons to Taiwan with which to oppose the Central Government of China. This has gone beyond a normal official relationship and has interfered in China's internal affairs. It also means that once Washington labels it "unofficial," it can do whatever it likes, including encroachment upon the territory and sovereignty of other countries.

— Xinhua Correspondent

TIBET: NO LONGER MEDIAEVAL

Edited by Jin Zhou

Text by Zhu Li

Designed by Li Yuhong

Tibet is a part of China that is much talked about but little understood. For centuries it was sealed off from the outside world not only by the Himalayas but also by feudal barriers. In modern times, misinformation about the region and even deliberate misrepresentation of conditions and events there have added to the confusion.

This book, based on first-hand observations, interviews and research, is designed to give the reader a clear and accurate picture of this fascinating "Roof of the World" where 1.8 million people live.

The old Tibetan regime — feudal serfdom in its cruellest form — survived essentially unchanged for centuries, right up until the democratic reform that followed in the wake of an abortive rebellion by serf-owners in 1959.

The reform emancipated 95 per cent of the population that had lived in virtual slavery and paved the way for the socialist transformation of every aspect of the old feudal society: social, political, economic, cultural, educational and medical. All this is well reflected in the 176-page book.

Abundant photographs illustrate the close relationship between Tibet and the rest of China, portray the culture and traditions of the Tibetan people, and depict the diverse aspects of their life.

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International Conference on Kampuchea

Speech by Chinese Acting Foreign Minister Han Nianlong

Three-point proposal on settlement of the Kampuchean question:

— The Vietnamese troops must withdraw completely from Kampuchea within a time limit.

— The Kampuchean people's right to self-determination must be fully respected.

— Necessary international guarantee of the independent, neutral and non-aligned status of Kampuchea should be provided.

The following is the full text of a speech by Han Nianlong, Chinese Acting Foreign Minister and Chairman of the Chinese Delegation, delivered on July 13 at the UN-sponsored International Conference on Kampuchea in New York. — Ed.

THE Chinese Delegation is honoured to have the opportunity of participating in the International Conference on Kampuchea and to join you all in the search for a solution to the Kampuchean question. First of all, allow me to express my appreciation to the UN Secretary-General Mr. Kurt Waldheim and the ASEAN countries for the many efforts they have made towards the implementation of General Assembly Resolution 35/6 and towards the convening of this conference. We are very pleased to see Mr. Villibald Pahr presiding over the conference. We wish the conference success as a result of the joint efforts of the participants.

Since the adoption of the resolution on the situation in Kampuchea by the UN General Assembly last year, the grim situation resulting from Viet Nam's aggression against Kampuchea has remained unchanged. The Vietnamese authorities are stubbornly carrying on their policies of aggression and expansion, vast numbers of their troops are still occupying large parts of Kampuchean territory and the flames of aggressive war have never subsided. At the same time, Vietnamese aggressor troops in Kampuchea are deployed along the Kampuchean-Thai border, frequently harassing the border areas of Thailand and thus constituting

a serious threat to the peace and security of Thailand and Southeast Asia as a whole. This situation has aroused increasingly grave concern among the people of the world. The convening of the International Conference on Kampuchea reflects the common desire of the international community and is of great significance to upholding the fundamental principles of the UN Charter and implementing the resolutions of the General Assembly. The Chinese Delegation is prepared to join other delegations here and do our share for the success of the conference.

The Kampuchean issue is, in essence, Viet Nam's naked aggression against a small and weak neighbour. Viet Nam has seized the territory of a sovereign state by armed force with the intention of a perpetual occupation. Facts have shown that the Vietnamese authorities harbour the ambition of forming an "Indochina federation" so as to dominate Indochina and then proceed to expand further in Southeast Asia. They have completely disregarded and refused to implement the resolutions on the Kampuchean situation adopted at the last two sessions of the UN General Assembly by an overwhelming majority. They even attack the General Assembly resolutions as "a trampling upon the sovereignty of the Kampuchean people and a gross interference in their internal affairs" and as "going against reason and contravening the UN Charter," and so forth. But who is wantonly trampling on the independence and sovereignty of Kampu-

chea and who is peremptorily interfering in its internal affairs in brazen violation of the UN Charter? Hasn't Viet Nam's own behaviour in Kampuchea provided a clear enough answer? By going on a rampage of killing, burning and creating famine in Kampuchea, the Vietnamese troops have brought untold sufferings to the Kampuchean people. Hundreds of thousands of Kampucheans have been forced to flee their homeland and seek refuge in other countries. This has imposed a heavy burden on neighbouring countries and caused serious social problems. Viet Nam, a member state of the United Nations, has invaded and occupied another member state by armed force in violation of the UN Charter and the norms of international relations and it has seen fit to heap abuses on the resolutions of the General Assembly. The refusal of the Vietnamese authorities to attend this International Conference on Kampuchea convened in pursuance of a General Assembly resolution is yet another demonstration of their truculent disdain for the great majority of the UN member states and all the peace-loving people of the world.

The Vietnamese authorities have resorted to all sorts of tactics to obstruct the implementation of General Assembly Resolution 35/6 and the convening of the International Conference on Kampuchea. They have come out with a proposal in the name of the so-called foreign ministers' meeting of the three Indochinese states calling for a "regional meeting" between the Indochinese and ASEAN countries. It is not difficult to see through their sinister design behind this manoeuvre, that is, to persuade people that their invasion of Kampuchea is merely something between neighbours and to induce the international community to recognize this as a fait accompli.

Last May, the Vietnamese authorities staged an "election" farce in Phnom Penh in an attempt to give a legal appearance to the Heng Samrin clique which, as everybody knows, is nothing but a product of the Vietnamese aggression and a puppet fostered by Viet Nam. The so-called "elections" in Phnom Penh were entirely stage-managed by Viet Nam in total violation of the provision of the General Assembly resolution regarding elections in Kampuchea under UN supervision after the withdrawal of Vietnamese troops. Therefore, those elections were completely illegal and null and void.

The above facts have irrefutably shown up the duplicity of the Vietnamese authorities:

while intensifying their armed aggression, they are resorting to political tricks to hoodwink world opinion. It should be pointed out that it is the abetment and support of the Soviet hegemonists that have made the Vietnamese authorities so reckless. It is an important part of the global strategy of the Soviet Union to use the Vietnamese occupation of Kampuchea to menace and ultimately control Southeast Asia. Thus, Viet Nam's occupation of Kampuchea is not a mere regional question, but a far wider issue affecting the overall peace and security of the world.

In face of the grave situation in Kampuchea today, an increasing number of countries and world opinion have been vigorously calling for a prompt end to the Vietnamese aggression in the interest of a comprehensive political settlement of the Kampuchean question. Proceeding from a desire to uphold the fundamental principles of the UN Charter and the norms of international relations, and in order to safeguard the independence and sovereignty of Kampuchea and peace and security in Southeast Asia, the Chinese Government and people sincerely hope that the Kampuchean question will be solved in a just and reasonable manner. In our opinion, a comprehensive political settlement of the Kampuchean question must include the following elements:

First, the Vietnamese troops must withdraw completely from Kampuchea within a time limit.

As is known to all, the continued presence of 200,000 Vietnamese troops in Kampuchea is the main obstacle to a fair settlement of the Kampuchean question. The Chinese Delegation believes that the primary task of this conference is to discuss and work out ways for the total withdrawal of Vietnamese troops from Kampuchea. This is not only the key to and basis for the settlement of the Kampuchean question, but also an essential prerequisite to easing the tension in Southeast Asia. We propose that the conference call on Viet Nam to pull out all its troops from Kampuchea within six months.

Second, the Kampuchean people's right to self-determination must be fully respected.

General Assembly Resolution 35/6 affirms the right of the Kampuchean people to determine their future free from outside interference. In our view, after the total withdrawal of Vietnamese troops, it is up to the Kampuchean people themselves to decide through genuine free elections under UN supervision such

internal affairs as what kind of government and political system are to be established in Kampuchea and who are to be chosen to form the government. We hope that the patriotic forces in Kampuchea will consult among themselves and jointly work out the necessary measures to ensure genuine free elections without any threat of force so as to give full expression to the will of the Kampuchean people.

Third, necessary international guarantee of the independent, neutral and non-aligned status of Kampuchea should be provided.

The Chinese Delegation wishes to propose that, after the total withdrawal of Vietnamese troops from Kampuchea, the permanent member states of the Security Council, together with Viet Nam, the ASEAN and other countries concerned undertake the following:

- (1) To refrain from any interference in Kampuchea's internal affairs;
- (2) To respect the independent, neutral and non-aligned status of Kampuchea;
- (3) Not to use Kampuchea as a base for aggression against other countries or for interference in their internal affairs;
- (4) To respect the results of the genuine free elections to be held by the Kampuchean people under UN supervision.

On the basis of the UN Charter, the norms of international relations and the resolutions adopted at the last two sessions of the General Assembly, the Chinese Government has put forward the above three-point proposal with a view to reaching a just and reasonable settlement of the Kampuchean question. We are prepared to discuss and consult with all of you on our proposal.

In our opinion, any political settlement of the Kampuchean question should be in conformity with the fundamental principles of the UN Charter and the norms of international relations. It should not depart from the General Assembly resolution, and certainly not infringe upon the fundamental interests of the Kampuchean people. Historical experience shows that when a small and weak nation is subjected to aggression, compromises or concessions will only court greater harm. Today, on the Kampuchean question, to condone the Vietnamese authorities' hegemonist behaviour of bullying the weak or to seek a compromise at the expense of the interests of a small and weak nation such as Kampuchea will only serve to further embolden the aggressors and, far from achieving a lasting settlement of the Kampuchean question, will

bring serious consequences to the peace and stability of Southeast Asia and Asia as a whole.

It is necessary to point out here that in order to perpetuate their occupation of Kampuchea, the Vietnamese authorities have fabricated a so-called "China threat" and even prescribed the elimination of the so-called "China threat" as the precondition of their troops withdrawal from Kampuchea. Obviously, this is used by the Vietnamese authorities as a pretext for their refusal to pull out their troops from Kampuchea and in order to throw a scare into the Southeast Asian countries. As is known to all, there have been friendly and good neighbourly relations between China and Viet Nam over a long period. It is an indisputable fact that China has done its utmost and made great national sacrifices, even at the cost of slowing down its own economic development in order to support and assist the Vietnamese people in their struggle for independence and liberation. The main cause for the deterioration of Sino-Vietnamese relations is simply China's refusal to endorse the expansionist policy pursued by Viet Nam. The Vietnamese authorities have set their mind on being the overlord in Indochina by establishing an "Indochina federation" under their control. These facts have met with opposition from China. Especially when Viet Nam launched its massive invasion of Kampuchea, China, along with all the other justice-upholding countries and peoples, condemned the Vietnamese authorities for this act of aggression and has since supported the Kampuchean people in their struggles against Vietnamese aggression. This is why Viet Nam has since looked upon China as its bitter enemy. The Vietnamese authorities have whipped up campaigns of hatred against China, persecuted Chinese residents in Viet Nam and engaged in frequent armed provocations and intrusions into Chinese territory along the Sino-Vietnamese border. It is obviously absurd to attribute the root cause of the Kampuchean question to the so-called "China threat." China poses no threat whatsoever to any country, and has no conflict of fundamental interests with any of the countries in Indochina and Southeast Asia. China wants to live in amity with all countries on the basis of the Five Principles of Peaceful Coexistence. By the same token, China sincerely hopes that the Vietnamese people will succeed in building their nation and achieving economic development and will enjoy a better life in peace and stability. We hope that Viet Nam will become a factor conducive to peace and stability in Southeast Asia. We are only opposed to the policies of aggress-

sion and expansion pursued by the Vietnamese authorities. Should they withdraw all their troops from Kampuchea and abandon their policies of aggression and expansion, the Chinese Government would be prepared to start negotiations with Viet Nam on the restoration of normal relations between the two countries and the conclusion of a treaty of mutual non-aggression and peaceful coexistence.

The Chinese people are deeply devoted to peace. The general guideline of China's foreign policy is to oppose hegemonism and defend world peace. China is a developing country with a large population. To build China into a modernized socialist state requires hard work for several generations, and for that purpose we must try to secure a long-time peaceful international environment. It is our hope that all countries in Southeast Asia will progress in peace and stability. However, we are resolutely opposed to any form of hegemonism which is the source of all turbulences in the world. The hegemonists, global or regional, invariably have

wild ambitions. In many parts of the world, the hegemonists are engaged in acts of aggression and expansion, trouble-making and sabotage, and in bullying other countries. If the international community should permit devastation to fall on such small and weak nations as Kampuchea and Afghanistan today, other countries will suffer the same lot tomorrow. China opposes hegemonism not only because China is concerned with its own security, but mainly because it has in mind the maintenance of world peace. At this august assembly, the Chinese Delegation solemnly declares that China has no intention whatsoever to establish its own spheres of influence anywhere in the world, neither at present nor at any time in the future. China sincerely hopes to see an independent, peaceful, neutral and non-aligned Kampuchea that will live in amity with its neighbours, to the benefit of peace and stability in Southeast Asia. The Chinese Delegation earnestly hopes that through our common efforts this conference will effectively contribute to a just and reasonable settlement of the Kampuchean question. □

Chinese Foreign Ministry's Memorandum

Cause of Deteriorated Sino-Vietnamese Relations And of Turbulence in Southeast Asia

The general background and underlying cause for the turbulent situation in Indochina and Southeast Asia and the worsening relations between China and Viet Nam are the emergence of Vietnamese regional hegemonism and the Soviet hegemonist expansion in Southeast Asia.

The Vietnamese leaders should abandon the policy of seeking regional hegemony, cease to serve as a tool of the Soviet Union, withdraw all their troops from Kampuchea and Laos, stop their raids and threats against Thailand, respect the independence, sovereignty and territorial integrity of their neighbours. These are the most urgent things to be done in order to restore stability to Indochina and Southeast Asia, as well as the indispensable prerequisites for realizing the normalization of relations between China and Viet Nam. This is the only wise course of action for the Vietnamese authorities to take.

Following is the full text of the Memorandum of the Ministry of Foreign Affairs of the People's Republic of China, which was published in Beijing on July 13, 1981.

FOR some time the Vietnamese authorities have fabricated numerous lies and made unbridled slanderous attacks on China, attributing to China the cause of the seriously dete-

riorated Sino-Vietnamese relations and of the turbulence in Indochina and Southeast Asia, in an attempt to confuse the right and wrong and cover up their acts of aggression and expansion so as to invent excuses for their intensified pursuance of the policy of regional hegemonism. Therefore, the Chinese side deems it necessary to state the truth of the matter in order to set the record straight.

I. Why Sino-Vietnamese Relations Continue To Deteriorate

Since the end of Viet Nam's War of Resistance Against US Aggression, the Vietnamese authorities have taken a whole series of measures to worsen Sino-Vietnamese relations. At present, they are stepping up these anti-China activities. Their professed willingness to improve Sino-Vietnamese relations is a sheer gesture meant to deceive people.

The Fourth Plenum of the Fourth Central Committee of the Communist Party of Viet Nam held in 1978 and the subsequent meetings decided to set China as the "direct enemy of Viet Nam," adopt "an offensive strategy" towards China and regard it as a "national task" and "international obligation" to oppose China. At the end of 1980, the Seventh Session of the Sixth National Assembly of Viet Nam brazenly included in its new constitution the content of opposing China, thus defining its anti-China policy in the form of law. The Vietnamese authorities' anti-China activities have become more and more fanatic because they have persisted in making these activities a part of their basic national policy. They have deployed large numbers of troops in the areas along the Sino-Vietnamese border, carrying out frequent armed provocations against China and intrusions into Chinese border areas. In the period from early 1980 to the end of June 1981, the Vietnamese troops shelled and opened fire on Chinese territory and sent their units and armed special agents to intrude into Chinese territory for raids, harassment and sabotage on more than 2,670 occasions. Especially since last May, the Vietnamese troops have become more rampant in their provocations along the Sino-Vietnamese border. They have shelled Chinese territory almost daily and have repeatedly sent troops in company or battalion or even regiment strength to intrude into Ningming County of Guangxi Zhuang Autonomous Region and Malipo County of Yunnan Province, thus aggravating tension in the border areas. In order to establish a war system spearheaded against China, the Vietnamese authorities have marked off its northern provinces adjacent to China as the "north battlefield," where they have deployed 62 per cent of the total strength of their army, 75 per cent of their air force and a large number of warships. Along the Sino-Vietnamese border, the Vietnamese side continues to "purify the border," forcing border inhabitants to move away, constructing defence works, introducing more

armaments and military supplies and carrying out frequent military manoeuvres. In addition, the Vietnamese authorities have been creating a war atmosphere at home. They are busy spreading all sorts of absurd rumours making a hullabaloo about "China's threat" to Viet Nam and attributing to the so-called "China's psychological warfare" all such things as political unrest, economic depression and people's resentment, which are actually the result of the Vietnamese authorities' militaristic policy of aggression. Obviously, the vigorous incitement of hostile feelings against China has already become an important means of the Vietnamese authorities to divert the people's complaints and to maintain and strengthen their rule at home.

Facts show that in order to realize their regional hegemony and suit the needs of the global strategy of Soviet hegemonism, the Vietnamese authorities are pressing ahead with their policy of hostility against China in a deliberate attempt to further worsen the Sino-Vietnamese relations. This is the basic reason why these relations have failed to improve so far.

Of late, the Vietnamese side has put forward a number of so-called proposals, such as the conclusion of a "bilateral agreement on peaceful coexistence" and a "non-aggression treaty." It has done this not at all for the purpose of improving the relations between China and Viet Nam. It is not difficult to see the intention behind these proposals after they are analysed.

After cooking up the so-called "China threat," the Vietnamese authorities brazenly demand the inclusion into the "treaty" such content as putting an end to the non-existent Chinese "threat" and "invasion," and ask China to accept the charges imposed by them. What kind of logic is this? They are even more unreasonable in demanding that China stop its support to the patriotic Kampuchean armed forces and civilians in their resistance against Vietnamese aggressors and that this point be incorporated into the "treaty." Doesn't this mean that China should abandon its stand of upholding justice, condone the Vietnamese authorities' aggression and expansion and accept their occupation of Kampuchean territory as legitimate? The Chinese Government has never opposed the conclusion of bilateral agreements or treaties which are aimed at developing friendly relations and co-operation between states, opposing hegemonism and safeguarding peace. However, we must firmly

expose and denounce the Vietnamese authorities for playing tricks on the question of concluding an agreement, falsely accusing China and peddling their fallacy of "justified aggression" in their attempt to cover up their criminal aggression and expansion.

As is known to all, the Chinese Government has done its utmost to improve Sino-Vietnamese relations. It has proposed bilateral negotiations at the governmental level, put forward an eight-point proposal for handling the relations between the two countries and also expressed willingness to undertake, together with Viet Nam, not to seek hegemony but to contribute to peace in Southeast Asia. The Chinese side will continue its efforts to this end in the future. The door is always open for the normalization of our bilateral relations. Now it depends on the Vietnamese side whether these relations can be improved and whether a bilateral agreement or treaty can be concluded to ensure goodneighbourly and friendly relations and co-operation between the two countries in the interest of opposing hegemonism and safeguarding peace. It can be said that it is now high time for the Vietnamese side to take actions.

II. The Root Cause of Tension in Indochina Lies in the Vietnamese Authorities' Attempt To Seek Regional Hegemony

The Vietnamese authorities assert that the present tension in Indochina is caused by the so-called "Chinese ambitions" rather than the policies of aggression and expansion they have pursued with the support of the Soviet Union. They even try to make people believe that the invasion and occupation of Kampuchea by 200,000 Vietnamese troops is for the purpose of dealing with the "China threat." However, the deeds of the Vietnamese authorities have provided an explicit answer as to who has single-handedly created turbulence and disaster in this region.

After the unification of Viet Nam in 1976, the Vietnamese authorities went ahead with an ambitious plan in an attempt to establish their hegemonist rule in Indochina. After it succeeded in gradually bringing Laos under its total control, Viet Nam launched a large-scale war of aggression at the end of 1978, and occupied large parts of the Kampuchean territory and its capital — Phnom Penh. At present, there are 50,000-60,000 Vietnamese troops and nearly 10,000 Vietnamese experts, advisers and secret police in Laos, controlling Laos' military, political, economic, cultural, propaganda, and ex-

ternal affairs. In Kampuchea, the Vietnamese authorities have propped up a puppet regime and established a military and colonial rule in the occupied areas of the country on the strength of their 200,000 aggressor troops. Over the past two years or more, they have frequently launched military offensives, frenziedly massacred Kampuchean patriotic soldiers and civilians, wantonly plundered its resources and wealth and destroyed its farmland and water conservancy projects. Moreover, they have driven hundreds of thousands of Kampucheans out of their homeland and emigrated large numbers of Vietnamese into Kampuchea, thus bringing havoc to the country and menacing its national survival. The Vietnamese authorities can never get away with this historical crime. The immediate aim of Viet Nam's annexation of Kampuchea and Laos is to set up an "Indochinese federation" with itself as the overlord. The Vietnamese authorities even assert that the three Indochinese states "must form an integral whole" and that the three countries "have already been integrated and one can call it whatever he wishes." They are even openly exerting pressure on the ASEAN countries to regard the "three Indochinese states" as a "bloc" and to enter into dialogue with it as such. Otherwise, they asserted, "there can be no peace and stability in Southeast Asia," etc. The Vietnamese authorities, whose deeds have laid bare their ambitions for Indochina, hope that people will believe that it is China and not the Vietnamese authorities that have expansionist ambitions in Indochina. This is just their wishful thinking.

The Vietnamese authorities are now playing tricks to justify their refusal to pull out their troops from Kampuchea in defiance of the resolutions adopted on the Kampuchean question at the 34th and 35th sessions of the UN General Assembly. They are vigorously peddling their scheme to convene a "regional meeting" between the "Indochinese bloc" and ASEAN, in an attempt to undermine the International Conference on Kampuchea. This has met with wide opposition of world opinion. Using the fabricated "China threat" as its pretext for refusing to withdraw its troops from Kampuchea, Viet Nam at one moment says that its troops will pull out "only when China's threat is eliminated," and the next it claims that its withdrawal from Kampuchea must be conditioned upon China's giving up its just stand of supporting the Kampuchean patriotic forces' struggle against aggression and signing a "treaty of mutual non-aggression" with the so-

called "three Indochinese states." Such absurd pretexts are being used by the Vietnamese authorities to divert the attention of world opinion from the Kampuchean question and evade condemnation by the international community.

Recently, the Vietnamese authorities, in referring to China's relations with Kampuchea and Laos, have urged China to sign what it calls a "bilateral agreement of peaceful coexistence" and a "treaty of mutual non-aggression" with these two countries respectively. It is nothing but another anti-China trick of theirs. At present, the Government of Democratic Kampuchea is the sole legal representative of Kampuchea recognized by the United Nations. The puppet regime fostered by the Vietnamese authorities has no right whatsoever to represent Kampuchea. After the complete withdrawal of Vietnamese troops from Kampuchea, China, naturally, will develop friendly relations and co-operation with an independent, neutral and non-aligned Kampuchea on the basis of complete equality and mutual benefit and in a manner satisfactory to both sides. As to Sino-Lao relations, over the years the two countries were on good terms, and it is due to the Vietnamese authorities' meddling and sabotage that there have been reverses in Sino-Lao relations in recent years. In 1979, the Vietnamese authorities, in collaboration with the Soviet Union, invented the lie about "China massing heavy troops along the Sino-Lao border" and coerced the Lao authorities into opposing China and suspending the co-operative relations between Laos and China in the economic and cultural fields. Since last May, the Vietnamese authorities, while aggravating tension along the Sino-Vietnamese border, have played the same old trick, fabricating the rumour that "China is threatening the Lao border," and they have even sent Vietnamese armed personnel in the guise of Lao soldiers to provoke incidents on the Sino-Lao border in an attempt to create confusion and whip up fresh anti-China clamours. The Vietnamese authorities not only oppose China themselves but also want to turn the whole of Indochina into an anti-China base for themselves and the Soviet Union. This is the root cause why Sino-Lao relations have been undermined. It will not be difficult to resume and continue to develop friendly relations and co-operation between China and Laos in the future so long as Laos' independence and sovereignty (including its right to make independent decisions in external affairs) are

guaranteed. Viet Nam, posing as the spokesman of the three Indochinese states, is bound to fail in its attempts and schemes to make China recognize the Heng Samrin puppet regime, acknowledge the fait accompli of its occupation of Kampuchea and its control of Laos and accept Viet Nam as the overlord of Indochina.

III. Increased Collusion Between the Soviet Union and Viet Nam Poses an Ever More Serious Threat to the Southeast Asian Region

With respect to the situation in Southeast Asia, the Vietnamese authorities have also been rehashing the hackneyed slander about the so-called "China threat" in an attempt to befuddle the people with distorted facts, cover up the expansionist acts of the Soviet Union and Viet Nam and sow discord between China and the countries concerned. However, lies are but lies. A brief review of the evolution of events in the past few years makes it clear that it is the Vietnamese authorities' act of annexing Indochina and their bigger ambitions to control the whole of Southeast Asia that have posed a direct threat to the security of Thailand and other Southeast Asian countries. Using Viet Nam and Indochina as its forward base and regarding Southeast Asia and the Asian-Pacific region as an important link in its hegemonistic global strategy, the Soviet Union, on its part, has visibly increased its military presence in this region, thus further complicating and aggravating the situation there.

The Vietnamese invasion of Kampuchea has brought Thailand under the direct threat of the Vietnamese expansionist forces. Over the past two years and more, the Vietnamese authorities have kept many divisions of their aggressor troops in Kampuchea and Laos on the border of Thailand and have stepped up the construction of fortifications, roads and airfields and concentrated large quantities of tanks, artillery pieces, aircraft and missiles in areas close to the Thai border. Since the beginning of 1980, the Vietnamese troops have carried out more frequent shellings, intrusions and raids from their bases in Kampuchea and Laos, directed against the territory of Thailand. On June 23, 1980, over 2,000 Vietnamese troops flagrantly intruded into Thailand. Recently, a greater number of Vietnamese troops have appeared on the Kampuchean-Thai border. The Vietnamese authorities have kept on sending their men to sneak into Thailand for provocations, sabotage and other conspiratorial activities. A vice-foreign minister

of Viet Nam went so far as to threaten that Viet Nam would "resort to all possible means" to deal with Thailand. The gravity of the dangerous situation along the Kampuchean-Thai border keeps increasing. A host of facts shows that the Vietnamese authorities' military action against Thailand is premeditated and carefully planned. Their purpose is to bring pressure to bear on Thailand in conjunction with their war of aggression in Kampuchea and force Thailand and other ASEAN countries to recognize the Heng Samrin clique and the fait accompli of Viet Nam's occupation of Kampuchea. What is more, they harbour more malicious designs. In recent years, Vietnamese leaders often claim the status of a "world military power" for their country and assert that "a strong Viet Nam will contribute to the deep-going changes on the political scene of Southeast Asia." It may be predicted that once the Vietnamese regional hegemonists obtain a firm foothold in Kampuchea, they will use Indochina as a base to press forward with their more ambitious expansionist plans. There has been growing concern about what may happen after Indochina. The Vietnamese authorities' threat to and raids against Thailand have already put this question in sharp focus.

The Vietnamese authorities are abetted and supported energetically by the Soviet Union in their aggression and expansion. Taking advantage of the Vietnamese authorities' wild ambitions for expansion and their dependence on the Soviet Union, the Soviet Union has been infiltrating deeper into Indochina and the Asian-Pacific region. It has gone further in this regard since 1980. It has dispatched an increasing number of personnel of all descriptions to the Indochinese states. It has obtained from Viet Nam the right to use Cam Ranh Bay, Da Nang, Kompong Som and other important ports. The Soviet Pacific Fleet has multiplied its activities in South China Sea and the Western Pacific and even reached the Gulf of Siam. Having pushed several thousand kilometres southward from Vladivostok, the Soviet military strength is posing a direct menace to the sea-lane linking the Pacific and Indian Oceans. In co-ordination with its move in Afghanistan, the Indian Ocean and the Persian Gulf, the Soviet Union is opening up another route for pursuing its strategy of southward drive. The stark facts show that the Soviet-Vietnamese collaboration based on their common hegemonistic aspirations is the root cause of the turbulence in Southeast Asia and the Asian-Pacific region. Colluding with each other and each using the other for its own ends, they have intensified their expansion in Southeast Asia, thus

disrupting the tranquillity and stability of the region. This not only constitutes a real threat to the countries in the region but also forebodes greater danger. The Soviet and Vietnamese authorities are working closely together to peddle their fraudulent proposals for the so-called "confidence-building measures" and "group dialogue" in an attempt to lower people's vigilance and distract them from the danger they face. This is completely futile.

Conclusion

The evolution of events fully shows that the anti-China policy of the Vietnamese authorities is inseparable from the Soviet and Vietnamese moves in this region and that it is an important component of the Soviet and Vietnamese strategy for seeking hegemony. The general background and underlying cause for the turbulent situation in Indochina and Southeast Asia in recent years and the worsening relations between China and Viet Nam are the emergence of Vietnamese regional hegemonism and the Soviet hegemonist expansion in Southeast Asia.

In the view of the Chinese side, it serves the interest of all peoples, including that of the Chinese and Vietnamese peoples, to maintain peace, security and stability in Indochina and Southeast Asia and good neighbourly relations, friendship and co-operation among all countries in the region. China will continue to make unremitting efforts to this end together with all justice-upholding and peace-loving countries and peoples. The Chinese side wishes to point out once again in all seriousness that the Vietnamese leaders should earnestly consider the strong demand of the international community, take into account the ardent desire of the Vietnamese people to recuperate and develop their national economy in a peaceful environment, abandon the policy of seeking regional hegemony, cease to serve as a tool and forward base for Soviet southward drive and withdraw all their troops from Kampuchea and Laos, halt their armed provocations against and intrusions into China, stop their raids and threats against Thailand, respect the independence, sovereignty and territorial integrity of their neighbours, so as to ensure the peace and tranquillity of the region. These are the most urgent things to be done in order to restore stability to Indochina and Southeast Asia, as well as the indispensable prerequisites for realizing the normalization of relations between China and Viet Nam. This is the only wise course of action for the Vietnamese authorities to take. □

China's 1980 Monetary Statistics

Receipts and Payments of State Credit Funds

(Renminbi: million yuan)

<i>Items</i>	<i>End of 1979</i>	<i>End of 1980</i>
Deposits	134,004	165,864
Deposits by enterprises	46,891	57,309
Deposits by the treasury	14,868	16,202
Capital construction funds	13,130	17,175
Deposits by government departments and organizations	18,488	22,945
Savings deposits in cities and towns	20,256	28,249
Deposits in rural areas	20,371	23,984
Deposits by international monetary institutions		3,427
Currency in circulation	26,771	34,620
The bank's working funds	42,788	47,733
The bank's surplus	4,945	2,719
Others	7,752	8,063
Total credit funds	216,260	262,426
Loans	203,963	241,430
To industrial production enterprises	36,309	43,158
To industrial supply and marketing enterprises and materials supply departments	24,212	23,603
Commercial loans	123,225	143,702
Short- and medium-term loans for buying equipment	792	5,550
Industrial and commercial loans to urban collective and individual enterprises	5,751	7,829
For earnest money	698	788
To state farms	686	940
To rural communes and production brigades	12,290	15,860
Gold purchases	1,216	1,216
Foreign exchange purchases	2,058	-847
Balances with the International Monetary Fund		3,604
Money advanced to the Ministry of Finance	9,023	17,023
Total credit funds used	216,260	262,426

Deposits and Loans by Rural Credit Co-operatives

(Renminbi: million yuan)

<i>Items</i>	<i>End of 1979</i>	<i>End of 1980</i>
Total deposits	21,588	27,234
Deposits by communes and production brigades	9,833	10,548
Deposits by commune- and brigade-run enterprises	2,193	2,947

Deposits by commune members	7,843	11,703
Others	1,719	2,036
Total loans	4,754	8,164
Agricultural loans to communes and production brigades	2,254	3,454
Loans to commune- and brigade-run enterprises	1,415	3,111
Loans to individual commune members	1,085	1,599

Exchange Rate, Foreign Exchange and Gold Reserves

Items	1979	1980
Renminbi exchange rate for one SDR (year end rate)	1.9710 yuan	1.9517 yuan
Renminbi exchange rate for one US dollar (year end rate)	1.4962 yuan	1.5303 yuan
Renminbi exchange rate for one US dollar (average rate for the year)	1.5549 yuan	1.4984 yuan
Gold and foreign exchange reserves:		
Foreign exchange (million US dollars)	2,154	2,262
Gold (million troy ounces)	12.8	12.8

Explanation of the Monetary Statistics



In an interview with a Xinhua correspondent, Li Baohua, President of the People's Bank of China, answered questions concerning the publication of China's monetary statistics. The following is an abridged translation of the interview. — Ed.

Question: What do China's 1980 monetary statistics reflect?

Answer: Because the bank serves as the general centre for the movement of funds in various sectors of the national economy, these statistics reflect both China's monetary situation and the overall situation in the national economy.

For instance, the increase in various kinds of bank deposits in 1980, especially the substantial increase in savings deposits, showed that the economic policies China has pursued since the Third Plenary Session of the 11th Central Committee of the Communist Party of China held at the end of 1978 have boosted production,

raised the income of both urban and rural residents and stabilized society. By the end of 1980, savings deposits across the country approached 40,000 million yuan, accounting for 24 per cent of the total deposits. They have an important bearing on keeping the receipts and payments of credit funds in balance and soaking up potential purchasing power.

Loans at the end of 1980 came to a total of 18.4 per cent above those of a year earlier. Loans to state light and textile industries as working funds rose by 33.5 per cent, far exceeding the increase of loans to heavy industry.

In 1979, the bank began granting medium- and short-term loans to enterprises for buying and upgrading equipment within certain limits and under specified conditions. At the end of 1980, the total amount of such loans showed an increase of 4,760 million yuan over that at the end of 1979. These loans have stimulated the light and textile industries to produce more daily consumer goods, helped old enterprises to

tap their production potential and carry out technical innovation and transformation, and promoted the development of collective and commercial enterprises and service trades as well as the readjustment and turning out of other products by some enterprises. In other words, they have played a positive role in promoting the readjustment and development of the national economy, revitalizing production and marketing, raising economic returns and increasing state revenue and foreign exchange income.

Q: The released statistics showed that the amount of currency in circulation was 34,600 million yuan. What was the situation in regard to the circulation of currency in 1980?

A: By the end of 1980, 34,620 million yuan was in circulation, up 29.3 per cent from the end of previous year. With the development of production, the increase of economic units, the expansion of commodity circulation, the growth of income for people both in urban and rural areas, and the bigger role played by market mechanism, there should have been a proportionate growth of the currency in circulation. However, in 1980, the currency in circulation expanded faster than the growth of production and the increase of commodity circulation. A substantial part of the increase resulted from the funds advanced to the Ministry of Finance to cover the budgetary deficits which were caused by a disproportionate growth in the different sectors of the economy over many years.

In order to remedy the over supply of currency in circulation, the State Council decided last January to increase the withdrawal of currency from circulation and tighten up on the irrational issuance of money. Aimed at bringing about a balance between loans and credit funds and halting the issuance of currency to cover financial deficits, these actions were seen as an important task in the current economic readjustment. These measures have produced good results in tightening credit controls, quickening the withdrawal of currency from circulation and stimulating production and marketing.

Q: Could you give some explanation of the item "The bank's working funds"?

A: In China, there are two sources for the bank's working funds: one comes from the money listed under the item "Additional appropriations for bank credit funds" in the state financial budget, and the other is the accumulated amount of a certain part of its profit which the bank is entitled to keep. In a socialist

country a bank's working funds play an important part in keeping the balance of receipts and payments of credit funds and the overall balance of financial and credit funds as well as in stabilizing prices. They are also an indispensable condition in keeping the value of money stable.

Q: What is the basis for setting the exchange rates between Chinese and foreign currencies?

A: The exchange rates for China's Renminbi are set in accordance with the principle of independence and self-reliance, the principle of equality and mutual benefit in international economic exchanges, and our government economic and monetary policies. An additional factor taken into consideration is the fluctuations in the exchange rates of capitalist countries. We choose some major convertible foreign currencies, consider their importance in China's international economic exchanges and the relative changes in their strength, and adjust our exchange rates accordingly.

Q: What does the item "Deposits by international monetary institutions" refer to?

A: This item refers to the deposits placed at the People's Bank of China by the two international monetary institutions — the International



A bank office handling savings deposits in Fushun, Liaoning Province.

Monetary Fund and the World Bank. In May 1980, China's representation in the IMF and the World Bank was restored. According to agreements, a member state must pay part of its share to these organizations in foreign exchange and part in its own currency, while a member state's currency held by the two inter-

national organizations must be placed at the central bank of the member state concerned. In September 1980 China handed its share to the IMP and the World Bank and the Renminbi part was put into the People's Bank of China.

Q: What are the future plans for publishing monetary statistics?

A: In the future, monetary statistics will be published regularly in the magazine *Zhongguo Jinrong* (Banking in China). Beginning this year, they will be published once every three months and then, when conditions permit, once a month. As for figures prior to 1980, they will be successively made public as soon as they can be prepared. □

On Banking Reform

by Zhang Enhua

IN socialist China where the economy is mainly guided by planning, the People's Bank of China is controlled by the state. The basic task of the bank as the financial organ of the government is, according to Lenin, to regulate the "socialistically organized economic life of the country as a whole."

As in other branches of the national economy, the bank has travelled along a circuitous path during the past 30 years and more, and is now confronted with the need to institute reforms.

Achievements

During the revolutionary wars, banks in the revolutionary base areas supported the war effort and helped achieve victory by issuing banknotes, developing the economy and ensuring supplies. On December 1, 1948, shortly before the founding of New China, the People's Bank of China was founded. One of its first actions was to issue Renminbi (RMB), the unified currency.

Following the nationwide liberation in 1949, the People's Bank of China took over all the credit organizations of the bureaucrat capitalists and confiscated all the bank shares of the Chiang, Soong, Kung and Chen families—the four big families of the Kuomintang reactionary ruling class.

From 1950 to 1952 when the national economy was restored, in order to check the long-standing inflation which had been so ramped during the period of Kuomintang rule, the Central People's Government decided to unify

finances and the management of cash, and to effect a controlled transfer of material and commodities of the country. The People's Bank played a positive role in co-operating with other departments to attack speculation, fight against unscrupulous merchants and stabilize prices through instituting different credit means, changing the interest rates and tightening or loosening the money market.

In 1955, the People's Bank issued the new RMB (one new yuan was equivalent to 10,000 old yuan), thereby ending once and for all the trials of inflation. Since then, the value of RMB has basically been stable.

During the period of the First Five-Year Plan (1953-57), the bank used its funds to support and expand state-owned enterprises. On the other hand, it adopted different credit and interest policies towards different capitalist trades and enterprises so as to develop those aspects of the capitalist businesses which were beneficial to the national economy and the people's livelihood and limit and reform those aspects which were unbeneficial. This constituted a strong co-ordinating force in the state's socialist transformation of capitalist industry and commerce.

In the meantime, remarkable progress was made in the area of economic construction due to the concentrated use of manpower, material and financial resources. The 156 major items of construction were swiftly completed, laying a good industrial base.

"Cashier" of Ministry of Finance

However, with the consolidation of the industrial base and the development of an increasingly complex economic structure, defects

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gradually appeared in this highly concentrated financial system.

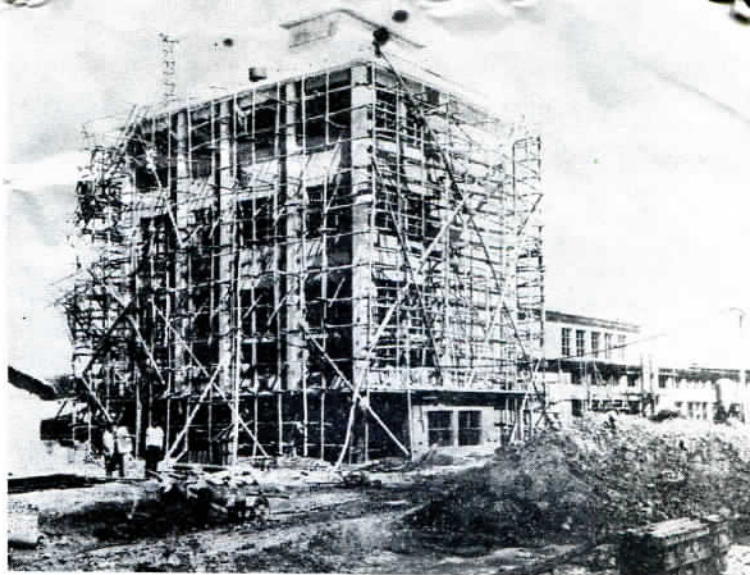
Firstly, the state's capital construction funds and the fixed working funds of state-owned enterprises were all appropriated by the Ministry of Finance. The bank became only the "cashier" of the ministry. By the end of 1978, 70 per cent of the total sum of the fixed assets and working funds in the state-owned enterprises were appropriated by the Ministry of Finance. The funds available to the bank were only a part of the short-term loans for temporary or seasonal needs of the enterprises. Naturally, this greatly limited the bank's functions.

During the 10 years of the "cultural revolution," currency and commodity exchanges were criticized as a "bourgeois right," thus the role of the bank was totally negated. For a period, the People's Bank was merged with the Ministry of Finance and its very existence was called into question.

Secondly, funds were irrationally distributed because of lopsided policy of construction. The state concentrated all its funds on "major" projects to the detriment of other kinds of construction, causing a serious disproportional development in the various branches of the national economy. For instance, light industry was neglected for a long time; the construction of coal mines, power plants and communications lagged behind other branches of heavy industry; many completed projects were shut down periodically; and municipal construction and service trades in many cities could not keep up with the demand, causing a great deal of inconvenience to local residents.

Thirdly, funds were not utilized in a reasonable way either. The state's capital construction funds were allocated by the Ministry of Finance. Because recipient enterprises did not have to return the funds or pay any interest, they tended to be more concerned with vying for investment and construction funds than with economic results, leading to tremendous waste. Statistics between 1952-1978 show that capital construction investments in that period amounted to 600,000 million yuan, while only 400,000 million yuan were incorporated in fixed assets. Of the enterprises which possessed these fixed assets, a considerable number lacked coal, electricity, raw material or markets for their products.

Fourthly, because of the unified management of finances, no enterprises had reserve funds to draw upon for their own purposes. All



Construction of the Shunyi Brewery was made possible with loans from a local bank.

expenditures for renovating equipment or for trial producing new products had to be approved by the state. Sometimes minor renovations could not be incorporated into the state plan, resulting in years of backward techniques, low production rates and no renovation of equipment in many old enterprises.

In the wake of the readjustment and restructuring of the national economy in 1979, many enterprises assumed greater decision-making powers and had some funds to use at their own discretion. Some localities have money in their own hands. The regulating function of the market under the guidance of planning has been brought out and the circulation of commodities has been activated. As a result new demands have been made on the bank. It now needs to study how to organize and use the ever increasing amount of funds at the disposal of the enterprises and the scattered funds in society at large and how to expand the scope of credit so as to give full play to its role of regulating the national economy.

To turn gradually from serving as the "cashier" of the Ministry of Finance into the state's financial centre and play a role of regulating the economy, it is imperative for the bank to change its organizational structure.

Financial Centre

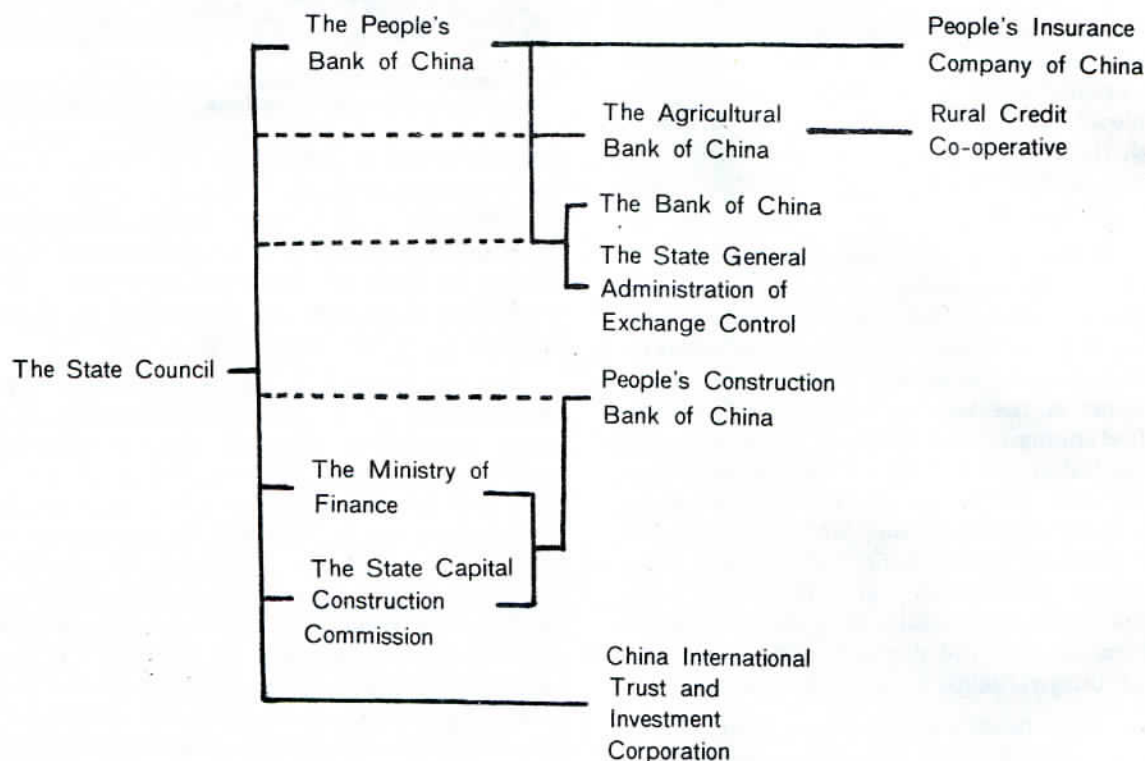
Restructuring the banking system essentially involves questions of management and effective use of funds.

Structure of Management. In order to shoulder the arduous task of taking care of finances, the

People's Bank of China should become the nation's central bank and all other banks, including the Bank of China, the People's Construction Bank, and the Agricultural Bank, will serve as specialized banks.

With a view to developing business relations both at home and abroad, the State General Administration of Exchange Control (SGAEC), the China International Trust and Investment Corporation and the People's Insurance Company have been set up.

The following diagram shows the financial institutions which are now in existence:



The People's Bank of China is responsible for issuing banknotes, drafting financial policies, setting interest rates, devising a nationwide credit plan, settling accounts and supervising finance and foreign exchange.

The Agricultural Bank of China chiefly handles credit for the agricultural departments and the rural areas.

The People's Construction Bank of China is responsible for conducting medium- or long-term loans for the enterprises and allocating investments for the state.

The Bank of China mainly handles foreign exchange, savings deposits and loans in relation to imports, exports and tourism.

The China International Trust and Investment Corporation primarily handles long-term

investments in China by overseas Chinese, by compatriots in Xianggang (Hongkong) and Aomen (Macao) and by foreign investors, and organizes joint ventures with Chinese and foreign investment.

The People's Insurance Company of China mainly issues insurance on the public and individual assets and life insurance in China's economic relations with foreign countries and the nation's economic construction.

The rural credit co-operatives are the basic organizations of the Agricultural Bank of China in the rural areas.

As the scope of banking develops, the possibility of establishing a commercial and industrial bank and a reserve bank will be considered.

Division Between Banking and Finances.

Beginning last year, state investments in capital construction have been gradually changed from a system of gratis allocations to bank loans. The People's Construction Bank of China will provide capital construction funds for units in industry, communication, agriculture and forestry, animal husbandry, aquatic production, commerce, tourism and culture, which exercise independent business accounting and have business incomes and the ability to repay. Expenditures for government administration, national defence, scientific research,

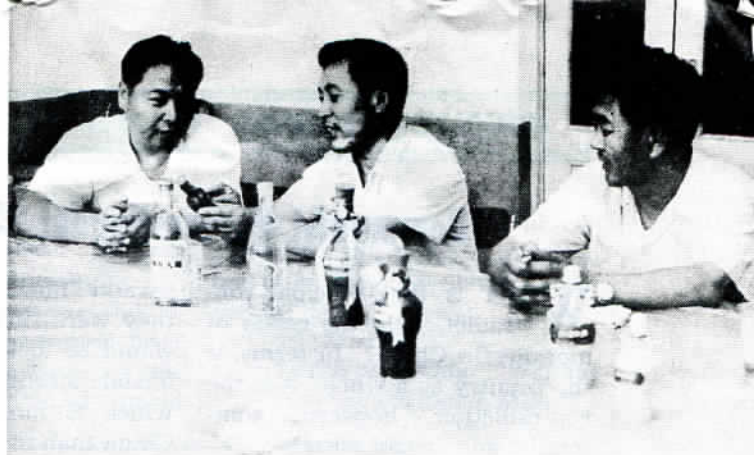
culture, education and public health are appropriated by the Ministry of Finance. A regular schedule for repaying the loans with interest should be set up. The total sum and the basic way for spending are governed by the state plan, but the bank retains the right to grant the loans in a preferable way.

The state investment in capital construction this year amounts to 30,000 million yuan, one-third of which is bank credits. In accordance with the state plan, the bank is successful in controlling the flow of funds. For instance, investments in light and textile industries have been expanded and help has been given to the production of coal, electricity and petroleum and transport. In this way, a change is being effected in the lopsided relationship between heavy industry, light industry and agriculture. In the past a number of units contended for investments and construction projects. Now funds for capital construction are provided through bank loans which have to be repaid with interest. These units are obligated to calculate their plans and budget carefully. As a result many enterprises seek fewer or no loans, thereby saving state funds and raising the economic effects of investment.

The Bank's Right to Self-Management Enlarged. Banks are provided with a certain amount of state funds to extend short- and medium-term loans (short-term loan runs for a period of not longer than one and a half years and medium-term loan is given for up to three years). Last year, the People's Bank of China granted short- and medium-term credits to 15,000 old enterprises for tapping potential, technical innovations and reforms. Over 5,600 items in these enterprises were completed and went into production that same year, and 13 per cent of the bank credits were called in.

For example, a chemical fertilizer plant in Qianjiang County, Hubei Province, used to burn a large quantity of crude oil. It wanted to renovate its equipment but the funds for the project was not available as the item could not be incorporated in the state plan. Later, it obtained a bank loan and bought new equipment for refining gasoline, diesel oil and kerosene. While burning the heavy gas oil, it was able to make a profit out of these products and thus repay its bank loan in less than six months.

In addition, within limits set by the government a floating interest rate will be implemented in the future, and then gradually the bank's right to regulate this rate and the foreign exchange rate will be enlarged so that timely ad-



Head of a banking credit department in Beijing (left) discussing a loan with leading members of a wine factory.

justments can be made in accordance with the domestic and foreign markets and changes of currency values.

Reform of the Internal Management System.

A change in the bank management is now necessary. Banks at all levels can not only grant loans according to the state plan but also absorb credit funds. Each bank carries out its independent business accounting and can deduct a percentage from the profits it has made for its own use and for the well-being of its workers and staff members.

Investigation and Research Work. To turn the bank into a true financial centre of the state, it is necessary to further strengthen the information-gathering, forecasting and regulating work.

Take Sichuan Province as an example. People there are asking that reeling mills be established to handle the cocoon harvest. But the bank should first of all investigate the source of raw material of those big reeling mills in Jiangsu and Zhejiang Provinces and make a comparison between the quality of products, production costs and the profits of reeling mills in the country before deciding on the recipients and size of its loans. Such procedures will do away with overlaps and will help assure good results.

In short, the People's Bank, all the specialized banks and their branches should ensure the implementation of unified management of finances in the country and maintain relative independence. Like the circulatory system in the human body, the banks should organize a network for the utilization of funds and link up thousands upon thousands of economic units, and as the nation's management centre of funds, help push the national economy forward. □

Communist Versus Feudal Morals

WHAT is the principal contradiction in the realm of morality in China? In terms of the country as a whole, it is the contradiction between communist and feudal morals.

During China's long historical development, feudal ethics and morals became crystallized in a huge and rigid theoretical system. These feudal morals were publicized by different dynasties, particularly by rulers who used the state organs for their advocacy and popularization. As a result, these values permeated deep into the society and for more than 2,000 years they have served as a basis for regulating the relations between people and guiding their conduct.

After the victory of the democratic revolution in 1949, China thoroughly smashed the rule of imperialism and feudalism and dealt heavy blows at the economic base and the political institutions which had propped up the feudal morality. But 30 years is a short span of time compared to the process of demolition in Western countries, where feudal morals were combated continuously for

several hundred years before they were finally destroyed. It would be foolish to assume that feudal morality and its influence, which is more deep-rooted in China than in any other country in the world, could be rocked to its foundation so soon after the victory of the new-democratic revolution. But it is equally true that after liberation, we lacked a correct estimation of the principal contradiction in the realm of morality. Hence we directed our main attack against the feeble bourgeois ethics, giving the remnant feudal morality a chance to prosper.

At the core of Chinese feudal morality is the notion of loyalty to the monarch. Today this is mainly manifested in the personality cult and privilege-seeking as well as the patriarchal system, bureaucracy and the life-tenure system for cadres.

In China as a whole, the principal contradiction is between communist and feudal morals. This does not rule out the possibility that in some places or units the influence of bourgeois ethics may be stronger than the feudal ethics. Still less does it mean that the struggle



Portrait of an official who makes appointments on the basis of favouritism.

By Miao Di

against bourgeois morals can be slackened or abandoned. On the whole, bourgeois ideas are stronger in cities than in villages, more prevalent among the intellectuals than among the workers and peasants. Also we should by no means underestimate the influences of the morals of petty-producers and lumpen-proletariat.

(Excerpts from "Xuexi Yu Tansuo" [Study and Exploration], No. 1, 1981.)

ZHAO FENG ON POP MUSIC

WHEN foreign pop music started seeping into China a few years ago, some people, especially the urban youth, found it quite to their liking. Yet it has had very little impact on the musical world; a small number of composers have used

it in their compositions and a few singers are trying to copy the manner of singing or gestures of the foreign pop stars. As is indicated by this response, two diametrically opposed views have emerged on the question of pop music and it has become a topic of discussion.

In my opinion, pop music is a very complicated phenomenon

in musical culture, which cannot be flatly negated or affirmed. Artistically, it has the simplicity of folk music, and the impromptu way of presentation is good. But it has been cheapened by over-commercialization and the performers try to win over their audiences by acting

The author is President of the Central Conservatory of Music in Beijing.

coquettishly. The songs are from the old melodious folk tradition, are extremely sentimental and sometimes contain mystic religious preachings. This music consists of both protests against the criminal capitalist society and indecent love songs. Such complexities require us to be very specific in our analysis of pop music.

In our society where much of life consists of struggle and production, we also prize friendship and love. People need inspiring music as well as entertaining songs. During the 10 years of turmoil, millions of young people had little access to the outside world because of the cultural autocracy. So when they finally had the opportunity to hear pop music, some of them were delighted and enthralled by its novelty, irrespective of whether the music was good or bad. This kind of response is entirely understandable.

We oppose the unhealthy elements in pop music, because they foster certain bad social practices. But we can neither forbid the existence of such music, nor prevent it from being popularized. Instead, we musical workers should compose healthy and optimistic lyrical music which reflects the spirit of our times to replace the cheap and shoddy music. As to the broad masses, we should try to raise their ability to distinguish good music through our compositions and concerts, and we should insist on order in the music halls. By all means, we should not just seek quick successes or box-office sales.

Great efforts should be made to popularize our ancient superb pieces which are lyrical and

refreshing, or to compose healthy lyrical pieces in line with our musical tradition.

At the same time, we should also introduce to our audiences good foreign light music, musicals and other lyrical music

pieces which are of a higher standard than the pop music to meet the varying needs of the people.

(Excerpts from "Wenhui Bao" of Shanghai, May 16.)

Satellite Towns

MANY large cities around the world are expanding rapidly, causing acute housing shortages, traffic jams and heavy pollution.

Early in this century, some people proposed that satellite towns be established on the outskirts of large cities as a means of curbing their expansion. The experiences of the past few decades have shown that this method is far from ideal.

Many residents in the satellite towns work in the city, with some hoping to actually move back into the city. According to estimates based on the Japanese experience, 3 million people will commute to work or school in Tokyo from the suburbs and satellite towns in 1985. This only serves to greatly increase the pressure on the urban transportation system.

The results of such experiments in China have been mixed. While the satellite towns in Beijing and Shanghai have played their role in solving the problems of industrial distribution and employment, they have not attained the goal of dispersing the population. On the contrary, they have stimulated population growth. Since 1968, those who have moved into a satellite town south of Beijing (the Fangshan Petrochemical town) from other places in the country accounted

for 65 per cent, and those who have moved in from Beijing made up only 17 per cent.

In order to serve society, the satellite towns should meet the following conditions:

They should provide sufficient and different job opportunities for the residents, with particular attention given to the needs of working couples. Their service trades, medical services, educational, recreational, physical culture and traffic facilities, living space and environment should be no worse than those in the mother cities. While established near major traffic arteries, they should keep a certain distance from the metropolis. Judging from our country's national strength, such requirements can hardly be met in the near future.

Although it will be necessary to set up satellite towns in those areas adjacent to the large cities in the future, we should not see their construction as the only method of controlling the size of the cities and dispersing the urban population. In fact, the size of large cities can only be restricted by good regional planning, by developing new cities, by strict control of the urban population and by adopting measures for sending skilled people out of the metropolitan areas.

(Excerpts from "Jianzhu Xuebao" [Architectural Journal], No. 4, 1981.)

The Chinese Goethe

Selection of Papers on the Study
of Guo Moruo

《郭沫若研究论集》

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Like Germany's Goethe, Guo Moruo (1892-1978) was a cultural giant in China. As a writer, poet, playwright, historian and palaeographer, he had a profound influence on the nation's modern cultural history. *Selection of Papers on the Study of Guo Moruo*, the first of its kind in China, contains 17 of the 33 papers presented at the first national symposium on the study of Guo Moruo held in 1979 in Guo Moruo's home town of Leshan, Sichuan Province.

This selection is oriented around four topics: Guo Moruo's early ideological development, his poems, his plays and his relationship with foreign literature. This study enables readers to comprehend how Chinese academic circles assess Guo Moruo, what the controversy around him entails and what kinds of intellectual discussions take place in academic Chinese studies. In addition, reliable historical materials are used to correct inaccurate assumptions about Guo Moruo's life.

Two papers in the selection have helped to clarify four major historical events in his life: 1) Guo joined the Northern Expedition in 1926 to fight against the warlords of his own accord, and his participation was arranged by the Chinese Communist Party organization. 2) Guo took part in the 1927 "August 1" Nanchang Uprising led by the Chinese Communist

Party and was the head of the general political department of the insurgent army. 3) When he went in 1927 to Japan for 10 years, he was neither fleeing from home nor trying to go into seclusion, but was carrying out an assignment by the Party organization. During this period, he engaged in palaeographic research while actively supporting the revolutionary activities of Chinese students in Japan and literary circles at home. 4) Though Guo's articles about palaeographic studies were praised by Japan's former President of the Privy Council Saionji, who advocated armed aggression against China, Guo never had any relations with him. The clarification of these four historical points is valuable to the study of Guo's early ideological development.

Two other controversial problems which are tackled in this selection are the origin of Guo's pantheistic thinking and the precise timing of the change of Guo's world outlook from democracy to communism. According to one commonly held view, Guo's pantheism stemmed from foreign influences. The turning points in his world outlook were traced back to different years: 1923, 1928, and 1930. In this selection these views were challenged by two middle-aged scholars who proposed that Guo's pantheistic ideas originated from Zhuang Zi, an ancient Chinese philosopher, and that Guo's world outlook as manifested in social practice gradually changed between 1924 and 1926. These new viewpoints, although from one school of thought, are beneficial to the study of the early development of Guo's ideas.

Guo wrote 12 historical plays and many poems during his life.

His most famous works, both at home and abroad, were *Qu Yuan*, which depicts the life of a patriotic poet in the Warring States Period (475-221 B.C.), and *Goddess*, a collection of patriotic poems. This selection also contains several papers which look at Guo's poems and historical plays from a number of angles. The authors conclude that these poems and plays are creative and significant, for they not only opened up a new style of poetry in China, but also sparked the development of a new type of playscript. In short, Guo Moruo laid the foundation for the development of China's modern verse and tragic drama.

The last section of this work deals with Guo Moruo's interest in foreign literature, a new subject in the study of Guo Moruo in China. Two papers elaborate on the impetus foreign literature gave to Guo's creative writing. They show that the influence of India's Tagore, America's Walt Whitman and Germany's Goethe can be clearly discerned in his writings, particularly in his poems. In addition, Guo also translated 30 foreign works, a contribution to the cultural exchange between China and other countries.

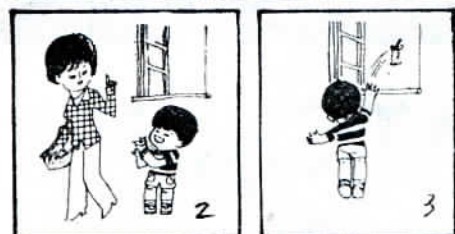
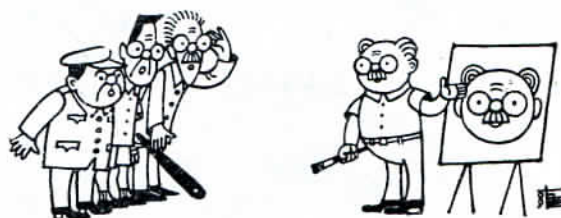
Even before his death, various research institutes and colleges had begun to research the role and writings of Guo Moruo. The 1979 symposium, which was attended by 97 units from 23 provinces, municipalities and autonomous regions in China, was held to exchange ideas and deepen people's understanding of this great writer. The conference is representative of a new spirit in Chinese academic circles; now scholars both young and old are eager to learn from others in order to improve their own skills.

— Qin Chuan

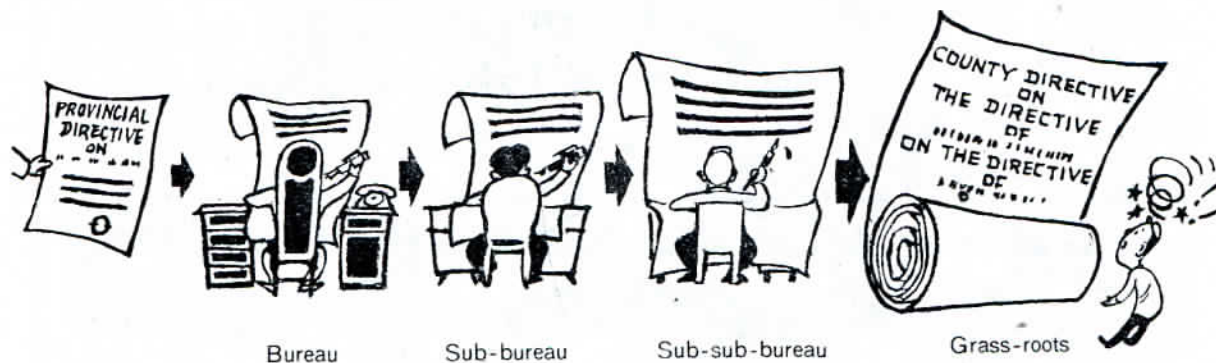


— Zhao Wenbin

Humour — — In China



— Wang Guohun

— *Liu Yong*

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