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Restraining Social Demand



RURAL REFORM: SECOND-STAGE



Hope.

by Gong Jianhua

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Li Chungeng

HIGHLIGHTS OF THE WEEK



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Opening Markets for Rural Products

■ China's rural reform, which began in 1978, entered its second stage in 1985. The focus of the reform has now shifted from popularizing the household responsibility system to opening up new channels to improve the distribution of commodities. A *Beijing Review* series outlining the major developments begins this issue (p. 14).

Restraining Total Social Demand

■ While industrial development has become more balanced since the beginning of this year, there are destabilizing factors at work—the over-expansion of social demand, the excessive growth of local investment in non-productive projects and a drop in investment in energy and communications—the weak links in the economy. To remedy this, the State Council has adopted measures to balance social supply and demand (p. 5).

Zhao: Factories Must Improve Performance

■ Chinese Premier Zhao Ziyang has called on the country's large and medium-sized enterprises to improve their managerial performance by introducing diverse forms of the contractual responsibility system (p. 4).

US-Japan Trade Wrangle

■ An analysis of the trade conflict between the United States and Japan by a Chinese economist. According to him, despite the dispute, an all-out trade war is unlikely (p. 21).

Housing: Shortage Despite Improvement

■ From China's first general survey of urban housing in 1985-86, the State Statistical Bureau learned that urban housing is being rapidly expanded and the living conditions of city dwellers have improved remarkably, but that housing shortages remain acute (p. 25).

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Keeping Social Demand Down

by Geng Yuxin

According to the State Statistical Bureau, China has experienced a normal, balanced industrial development since the beginning of this year; however, destabilizing factors, primarily the over-expansion in demand, remain and cannot be easily overcome.

In the first three months of this year, total industrial output value was 14.1 percent more than the same period last year, equivalent to the average of the 22.9 percent growth rate for 1985 and the 4.4 percent growth rate for 1986. Such a rate of development is appropriate. Consumer goods, electricity, raw and semi-finished materials, and products used in agriculture such as tractors, chemical fertilizers and insecticides, all registered a considerable increase. Water conservancy facilities built since last winter, and the area of newly added irrigated farmland, have all surpassed the records in previous years. All these help boost agricultural production.

In the first quarter, local capital construction investment increased 35 percent over the same period last year, of which non-budgeted investment almost doubled. Most of the new 2,400 projects are non-productive. Investment in key projects in energy, transport, posts and telecommunications dropped somewhat as compared with the same period last year. In the first quarter, consumption funds also increased, the nation's total wages rose 16.7 percent, of which bonuses jumped 42.6 percent. The growth rate of the non-state sectors was greater than state's.

China has already learnt the lessons of total social demand surpassing total social supply, which repeatedly led to an

overheated economy and disproportionate development. It was referred to as a "chronic disease." Now that China is opening and reforming, power is being delegated to enterprises, distribution of funds has become decentralized, the old structure is being replaced, and macro-economic control has thus become much more difficult.

Trimming social demand is vital to the balanced development of the national economy.

In 1986, regions, departments and enterprises had 167 billion yuan in non-budgeted funds, a 4.8-fold increase over 1978, equivalent to 75 percent of the state's revenue in that year. This invigorates the local economy, but at the same time, it raises problems: How to use the funds correctly? What investment orientation should be followed? What consumption pattern should be adopted? This not only requires the guidance of state policies and plans, but control through strong economic levers and legal means. These are part of the new economic mechanism to be established in the current comprehensive reform.

Difficulties still arise from contradictions between the long-term interests of the whole, and immediate, local interests, although under socialism, their long-term and fundamental inter-

ests are identical.

For instance, as far as the national economy is concerned, energy and communications are weak links which urgently need to be strengthened, without which a sustained and stable economic development is out of the question. But when a reasonable price system remains to be established, the profit level of energy and communications is lower than the obviously too strong processing industry. At present, however, local authorities are particularly enthusiastic about energy- and transport-consuming projects. This situation requires localities and enterprises to subordinate their immediate interests to the interests of the state as a whole and to invest more in energy, transport, post and telecommunications departments. The State Council began on May 1 to levy a 7 percent special tax on the profits of urban and rural collective enterprises and individual industrial and commercial businesses. The money will be used to build more energy and communications projects. The levying of net profits from state-owned enterprises for this purpose began long ago.

Similar regulatory mechanisms will gradually be established in the course of future reforms until a set of effective controls is in place to keep a constant balance between social demand and supply. This is vital to the sound, stable and long-term development of the national economy.



Contract System to Enliven Factories

China's state-owned enterprises, large and medium-sized ones in particular, must try various forms of the contractual responsibility system in a bid to improve their managerial performance, Premier Zhao Ziyang said in a meeting with business executives in Shanghai when he inspected the city in mid-April.

In recent years, China has experimented with contracting and leasing out many small enterprises to individuals to improve their management, a break with the old tradition of state-owned and operated industries. Under the contractual responsibility system, where factory directors and state departments concerned sign contracts, the large and medium-sized enterprises are required to deliver a fixed output quota, and the bigger the above-quota part, the more they may retain their profits but have to make up the loss if deficits arise.

Zhao said that many small enterprises have generally reported improved performance since they implemented the new system and some others that have contracted responsibilities for investment and output have also achieved satisfactory results. "This demonstrates that there is an enormous potential among the enterprises," said the premier who is also Acting General Secretary of the Chinese Communist Party Central Committee.

Zhao noted that major enterprises are not vigorous and their enormous potential has not been fully tapped because state policies and measures to encourage the initiative of enterprises and employees have not been effectively carried out.

"To solve this problem," he went on, "it is imperative for enterprises to tap their internal potential, rather than depend on

the state to cut back taxes and profits."

According to a national survey released recently, China's large and medium-sized industrial enterprises numbered 8,285 at the end of 1985. With about 22 million employees, these enterprises turned out a gross industrial output value of 418.27 billion yuan (US\$113 billion) or 43 percent of the country's total industrial output value. Their contribution, in profit and taxes paid to the state, represents 42.7 percent of the government's total income.

However, most of these enterprises are still plagued by poor economic returns. Zhao pointed out that China's reforms are designed to encourage enterprises to improve product quality, readjust the product mix, reduce raw material consumption and expand production of readily marketable goods.

"The contractual responsibility system, through which enterprises will have more decision-making power, will provide the state with increased revenue and make enterprises more able to pursue long-term development," he added.

Zhao also stressed the need to directly tie the interests of employees and managers to the economic efficiency of their businesses, and called for the promotion of practices like linking wages to the company's overall economic efficiency and instituting piecework wages.

He urged local industrial management bureaux to better serve enterprises by drawing up development plans, and coordinating and overseeing the operation of the enterprises, instead of interfering in their internal affairs.

The premier described the introduction of the factory

director responsibility system as an important facet of the reform in the enterprise leadership system.

He asked local officials to be aware of two principles in instituting this system. First, directors must assume overall responsibility for their enterprises, and second, Party organizations in enterprises must back up the director's work.

"Economic ties between enterprises should be expanded and large enterprises should help small ones," Zhao noted.

Premier Zhao also urged Shanghai to accelerate co-operation with other parts of China and to expand exports, and expressed the hope that major enterprises will take the lead in the campaign to develop the economy, improve efficiency and continue the reform. ■

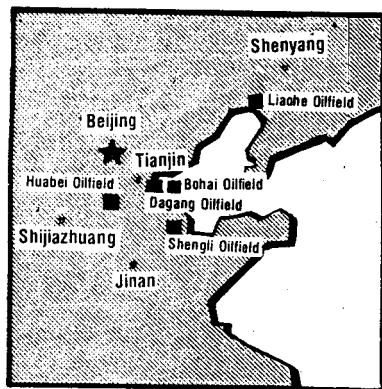
Bohai Sea Area To Pump Most Oil

China has decided to make the area along its northern most coast the key to developing the country's petroleum industry, according to an official of the Ministry of Petroleum Industry.

Known as the Bohai Economic Ring, the area covers 200,000 square kilometres along the coast of the Bohai Sea, where proven oil reserves account for about half of the country's total. More than 120 oil-producing areas have been found in this region, including China's five major oilfields—Shengli in Shandong Province, Liaohe in Liaoning Province, Huabei in Hebei Province, Dagang near the city of Tianjin and the offshore oilfield on the Bohai Sea.

The official said that oil exploration and development

would be increased during the current Five-Year Plan (1986-90). The output of crude oil in the area has been increasing steadily in recent years. It produced more than 53 million tons of crude oil last year, but in the first quarter of this year, the output increased by a large margin over the corresponding period of last year. Production this year is estimated to be over 3 million tons more than last year. The area is expected to furnish half of the national output by 1990, he said.



China began looking for oil in the area in the early 1960s, and exploration work will be intensified in the coming years. The official said that a dozen oil-producing sites have been discovered in the past few years in the 10,000-square-kilometre shallows and beaches of the Bohai Sea, which he described as promising for further exploration.

In addition to the Sino-Japanese joint ventures in the Bohai Sea, five areas with rich oil and natural gas reserves have been found so far in Liaodong Bay, a body of water adjoining the sea.

The Bohai Economic Ring has considerable natural gas reserves which the ministry will try to develop, the official said. The natural gas from the area is supplied to nearby chemical fertilizer factories and cities.

Gas production in the Dagang Oilfield, which supplies Tianjin, has gone up to 450,000 cubic metres every day. In addition, the

Huabei Oilfield will supply 400,000 cubic metres of gas a day to Beijing.

'Education Should Serve Socialism'

The fundamental yardstick to judge how efficiently a school is run is whether its students have acquired a well-rounded education (morally, intellectually, physically and aesthetically — *Ed.*) and whether they can serve the socialist cause, said Li Peng, vice-premier of the State Council and minister in charge of the State Education Commission, at the third national congress of the China Educational Workers' Union.

Delegates to the congress, which lasted for seven days from April 26 to May 2, discussed ways to strengthen democratic management in schools and popularize the system of teachers' congresses.

Li stressed that the work of a school should not be judged solely by what proportion of its students are enrolled in universities and colleges.

He urged leading officials in charge of education at various levels to firmly grasp the guiding principle of relying on all their teachers and staff in running a school. He said that democratic life and management of schools should be improved to cultivate the enthusiasm and initiative of teachers and staff.

He said that educational workers' unions have been set up in some schools and energetic efforts should be made to consolidate, develop and improve them.

At the congress, He Dongchang, vice-minister of the State Education Commission, disclosed a plan for new education reforms to enable China's schools and colleges to meet the needs of the country's economic development.

He said that schools and colleges will introduce curricula and set aside class periods for students to learn techniques and study society and people through practical work.

According to He, the one-sided pursuance of high college entrance rate has prevented young people from integrating into society. Worse still, the neglect of practical teaching and the drive to get into universities have taken their toll in rural areas and small towns. Although a few students there make it to college each year, the majority, who remain in their hometowns and villages, lack the basic skills and technology useful for local industrial and agricultural development.

He said that gradual changes will be introduced in college entrance examinations and admissions to reduce the strain caused by the drive for college entrance.

At the same time, he said, China will readjust its regulations with regard to sending students abroad to ensure that their majors will meet the needs of the country's development.

He said that the readjustment requires schools, government agencies and enterprises to help prospective young employees choose majors that suit the demands of the institutions. Those who have obtained financial support from relatives are allowed to go. However, those who have won scholarships and stipends from foreign schools and organizations must obtain consent from their employers, which have the right to decide whether that the prospective students will change their majors.

Once the institutions give permission, the students must sign contracts with their employers specifying their purpose of studies and the date of their return. The two parties will be legally bound by the contracts.

The China Educational Workers' Union was founded in 1952 and is now a constituent of

the All-China Federation of Trade Unions. It has 110,000 grass-roots organizations and 9 million members. So far, nearly 1,200 institutions of higher learning and more than 100,000 middle and primary schools around the country have established teachers' congresses, accounting for about 60 percent and 80 percent of the national total respectively. ■

Bird Loving Grows in China

To attract birds, Jia Ning, a 12-year-old Beijing schoolboy, and his pals put 15 birdhouses up in budding trees in the city's western suburbs. They were among thousands of children who took part in China's annual bird-

loving week, in early April. They cared for birds, took quizzes to demonstrate their knowledge and attended other bird-loving activities. Films, TV programmes, lectures, a new series of stamps and picture albums on birds were all part of the effort.

The bird-care activities have proved to be fruitful since they were first begun in 1982. In Beijing, for example, more than 4,000 birdcages have been hung in trees in the city's major parks by local residents and school children. The bird population and number of species have remarkably increased in the city. Last year some 20 varieties of wild waterfowl came to winter on the warm and tranquil lake in Beijing's western Yuyuantan Park. In previous years only three or four kinds of birds could be found there.

Other reports say that feathered friends have been increasing in number in cities like Hangzhou and Kunming, and along the Yellow River, where insect pests have been under control.

In the areas where migratory birds breed, or rest on their route, some 40 bird-ringing stations have been set up since 1983. Some 23,000 birds of over 20 species have been tagged with leg rings. Experts' recovery studies have discovered their main north-south routes, thus providing information for further ornithological studies and bird protection.

China boasts more varieties of birds than any other country in the world, about 1,200 species in all. But because of their shrinking natural habitats, the bird population has decreased over the past 30 years. Some are even on the verge of extinction. "Some

'Left': Yunnan golden monkeys, once considered extinct, have recently been rediscovered. Pictured here is a 12 kg female.

'Right': A rare species of buzzard with feathered talons has been found in Gansu Province.

ZHOU CHONGYAO

MIN ZHONGJIE





ZHOU CHONGYAO

Residents of Kunming, Yunnan Province, feed migratory red-billed gulls seen there for the first time in 100 years.

children, even adults, still shoot birds as game, as far as I know," a forestry ministry official says.

But now China is trying to put an end to this hostility between man and feather. Afforestation drives have been waged in the past five years to provide birds with a better environment. So far, they have succeeded in doubling the country's urban wooded area. A Natural Protection Law has done much to refrain those who would impair wild birds. And areas inhabited by rare birds in the provinces of Liaoning, Hubei and Fujian, for example, have been designated as natural conservation regions.

At a recent meeting on bird protection, Yan Jici, vice-chairman of the Standing Committee of the National People's Conference, called on people to combat illegal killing and peddling of rare birds and random felling of trees.

"To protect birds is to protect nature and man himself," he said. "So we should pay special attention to keeping an ecological balance while carrying on the large-scale economic construction."

In a commentary on bird-care activities *Renmin Ribao* (People's

Daily) said that this effort represents an awakening to the need to protect nature. "Ecological environment is the common property of the whole society," it commented. "Protecting it conscientiously is not only a patriotic duty but also an international virtue." The article called people to construct a modernized China with birds singing and flowers blooming. ■

Young Delinquents Cause Concern

More than 100 crime experts and scholars gathered in Pingdingshan City in Henan Province on April 20 for a symposium to discuss the trend of juvenile delinquency and map out a strategy to control it.

This is the second symposium sponsored by the China Juvenile Delinquency Research Society, which was set up in 1982.

According to the symposium, China successfully checked the rapid climb in the number of juvenile crimes that had risen sharply for a period after 1977. However, after falling to a lower

level in 1984, they are now on the rise again.

Information released at the symposium indicates that the more recent rash of juvenile crimes involve younger offenders, the use of modern devices and serious violence. These have become major social concerns. Statistics collected by crime experts show that the number of cases of juvenile delinquency accounts for nearly 70 percent of the criminal cases at present, as compared with 20-30 percent in early 1960s. The age at which most juveniles start committing crimes is 11 instead of 16 as in the 1950s and 60s.

The ways of committing crimes are now more like those of adult criminals. In the past, juvenile offences usually included minor theft and hooliganism. But now the offences are more violent, including robbery, rape and murder. In 1986, robbery by delinquents increased some 80 percent over the previous year; murder, 20 percent; and rape, about 10 percent.

At the symposium, some law officials pointed out that, as the country's scientific, educational and cultural development progressed, young criminals have begun using modern technology. This ranges from chemicals to remote-control explosives and anaesthetic devices.

Participants at the meeting are of the opinion that most of the crimes last year were sex-oriented or motivated by money, and that youth and juvenile delinquents were responsible for most of the cases.

They also attribute the increase in the number of young offenders to poor family education and bad social influences such as gambling, which had been completely eliminated after the founding of New China in 1949, but has now reappeared. Bourgeois life-styles and publicity given to violence and crimes through films, television, books and magazines also prodded teenagers to go astray, they said.

At the meeting, Wei Jiuming, permanent vice-president of the China Juvenile Delinquency Research Society, said although the crime rate among young people in China is much lower than in the West, effective measures should be taken to reduce it to the minimum.

He called on researchers and scholars to make a thorough study of juvenile delinquency during the country's modernization drive so as to take effective preventive measures.

The criminologists present at the meeting called for better laws and regulations on juvenile delinquency to help young people and keep society stable.

They urged such laws and regulations should be drafted as soon as possible to define the responsibilities of the state, society, family and school and encouraging the self-reliance of young people.

They suggested setting up juvenile courts at all levels and establishing juvenile judiciary procedures different from those used in dealing with adult offenders. They were positive about special juvenile courts in Shanghai and Tianjin, believing that they represent a significant attempt to improve judiciary procedures for juvenile delinquents.

Study of juvenile delinquency started in China only five years ago. But much progress has been made with regard to the number of researchers and the number of disciplines involved. There are juvenile delinquency study institutes in four colleges of political science and law, and research organizations have been set up in nearly 20 provinces, municipalities and autonomous regions. A large number of experts and social activists working to educate juvenile delinquents have come to the fore.

According to Wei Jiuming, his society will use its research results to provide information and advice to government departments. ■

Weekly Chronicle

(April 27-May 3)

POLITICAL

April 29

■ Qiao Shi, vice-premier of the State Council, discloses at the first national conference on improving the government legal system that more laws and regulations will be drafted to facilitate and guarantee the steady advancement of China's economic, political, scientific, technological and educational reforms.

■ **China Daily** reports that regulations to protect pregnant women from working under harmful and dangerous conditions and giving them longer maternity leave have been drafted by the Ministry of Labour and Personnel, the Ministry of Public Health, the All-China Federation of Trade Unions and the All-China Federation of Women, and will soon be considered by the State Council.

ECONOMIC

April 27

■ Xinhua reports that the Shanghai Municipal Subway Company has received bids from firms in Britain, France, Hong Kong, the Federal Republic of Germany, Japan, the Netherlands and the United States to supply equipment, technology and loans for the construction of Shanghai's first subway.

CULTURAL

April 27

■ Xinhua reports Professor Chen Yanxi and other scientists at the Beijing Agricultural University have developed a kind of bacteria which can stimulate the growth of 48 different crops and

raise their yields per-unit by 10 to 101 percent.

■ China's first training ship for naval recruits, fully navigable on the high seas, is handed over to the navy. The vessel, which is equipped with a state-of-the-art power generator as well as automatic navigation and communications system, can accommodate 200 trainees and 30 instructors.

SOCIAL

April 27

■ A total of 1,048 model workers are awarded medals and certificates of merit in Beijing for their contributions to China's construction and reforms by the All-China Federation of Trade Unions. Among them, five are presented with the title of "National Model Worker."

FOREIGN RELATIONS

April 28

■ CPC Central Committee Acting General Secretary and State Council Premier Zhao Ziyang meets Alfonso Guerra, sub-secretary general of the Spanish Socialist Workers' Party and deputy prime minister of Spain.

April 29

■ A Foreign Ministry spokesman says that the report by Kyodo News Service about the so-called direct talks between Chinese foreign minister and South Korean foreign minister in Bangkok is a sheer fabrication. "It is at least irresponsible to release such a report," the spokesman says.

April 30

■ Vice-Premier Li Peng meets H. C. Egorof, Soviet vice-minister of higher and secondary specialized education, and tells the guest that he hopes Sino-Soviet co-operation and exchange in education will expand.

US-JAPAN

No Progress on Trade Conflict

Talks between US President Ronald Reagan and Japanese Prime Minister Yasuhiro Nakasone ended with no concrete progress towards resolving the current crisis in bilateral trade.

Japanese Prime Minister Yasuhiro Nakasone visited the United States on April 29, two weeks after the US imposed punitive tariffs on US\$300 million worth of Japanese semi-conductors, power tools and colour TVs, in retaliation for what the US called Japan's violation of an agreement last July not to "dump" chips in foreign markets at low prices. The agreement had also demanded that Japan open its market wider to US-made computers. Japan has denied the allegations.

The prime objective of Nakasone's visit was to seek a commitment from Reagan to lift the American sanctions against Japan. The US side, on the other hand, was looking for specific actions by the Japanese to open their markets to American goods. Neither side got all it wanted.

Japan is one of US major trade partners and its most important political and military ally in the Far East. Trade between the two nations totalled US\$112 billion in 1986, more than that between the US and all the European Community countries combined.

In 1986, however, the US ran up a record trade deficit of almost US\$59 billion with Japan, one-third of the country's global trade deficit of nearly US\$170 billion that year.

Americans had also been angered by Japanese exclusion of US companies from bidding for a multi-billion-dollar international airport project in western Japan.

Although Reagan tentatively agreed to rescind the tariffs as soon as possible, he said later that the sanctions would not be removed until at least mid-May,

when he will review trade figures again to see if Japan has really opened its markets to US products and stopped dumping computer chips in other countries.

Nakasone's visit also coincided with the passage of a protectionist trade amendment by the US House of Representatives where anti-Japanese sentiments are rising.

The amendment, drafted by Representative Richard Gephardt of Missouri, requires the president to levy tariffs or quotas on countries with a large trade surplus with the US if negotiations to lower the surplus fail.

ESCAP

A Call to Tap Human Potential

The 10-day session of the United Nations Economic and Social Commission for Asia and the Pacific concentrated its efforts on developing human resources, particularly in the third world.

The 43rd annual session of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) wound up its 10-day meeting April 30 in Bangkok, Thailand with a draft declaration and a report. The declaration said that the occasion of the 40th anniversary of the commission should be marked by co-ordinated efforts and new initiatives to assist in strengthening national plans and processes for economic and social development and intensify regional economic and social co-operation, including scientific and technical co-operation. The report stressed

During his stay in Washington, the Japanese prime minister did announce several concessions, including a plan to allow foreign contractors to bid on the airport project. Earlier, Japanese former Foreign Minister Shintaro Abe met with Reagan and other US officials before Nakasone's visit and presented a package of offers, including spending US\$54 billion from public projects on purchasing domestic products in order to boost domestic demand and more government purchases of foreign products. The package also promised to open Japanese markets to US manufactured, agricultural and construction products. Japan also offered to double its aid to US\$3.8 billion in five years and to grant US\$30 billion of loans to Latin American debtor countries. The White House said the package appeared promising, but that its effectiveness would depend on details.

by Liu Zhiguang

the importance of regional co-operation and multi-disciplinary research in the field of human resource development. Top of list of suggestions put forth by ESCAP is the preparation of a long-term plan of action on how to improve the skills and expertise of the developing nations' managers and engineers.

Delegates from the Asian-Pacific countries attending this session stressed that the region's economies continued to be beset by a lack of natural resources, high external debts, deficits in the balance of payments and mounting protectionism in some devel-

oped countries.

"Self-centred and piecemeal solutions" by the developed countries to the economic problems of developing nations have aggravated and jeopardized the latter's economies, said Maldivian delegate Ahmed Mujuthaba.

Thai Foreign Minister Siddhi Savetsila pointed out that the "continuing growth of protectionism in developed countries hinders necessary structural improvement and economic growth of the developing countries." The least developed countries complained that the international community has failed to pay enough attention to their development. The majority of their economies grew at rates well below the annual 7.2 percent envisaged for the 1980s. A new plan that was designed to transform their economies has not been successful.

Their views were shared by delegates from Bangladesh, Sri Lanka, Nepal and other countries. However, Malaysian delegate Kasitah Gaddam declared that "the current economic problems facing the region should not discourage us in our collective efforts at strengthening co-operation among member countries." Chinese Foreign Minister Wu Xueqian stated that "the Chinese government follows with great interest and supports the Asian-Pacific regional co-operation." Mutual respect, equality and mutual benefit, increased exchange and attainment of common progress, he said, formed "the basic position of the Chinese government in conducting Asian-Pacific regional economic co-operation."

Meanwhile, ESCAP has been urged to play a more active role in shaping collective action to solve the region's human resource development problems through joint initiatives, exchange of experience and training.

Other subjects discussed at the session included transport and communications, and economic

and technical co-operation among developing countries.

ESCAP came into being 40 years ago in Shanghai, China at a time when the region was torn by war. The early years of ESCAP, known then as Economic Commission for Asia and the Far East (ECAFE), were devoted to reconstructing the region's war-ravaged economies, mainly through investigations of its members' immediate needs. By 1949, it had shifted its work to laying down a foundation for long-term development with the stress on economic progress and stability.

As a think-tank in the region, ESCAP conducts studies covering myriad subjects, including negotiations with transnational corporations, transfers of technology, and importing low-cost building materials.

After 40 years, ESCAP faces challenges which require the regional UN body to provide increasingly sophisticated and specialized technical assistance and to intensify activities in professional training, so as to help the region keep abreast of rapid scientific and technological progress in the world.

by Ma Shengrong

GROUP OF 77

Developing Nations Cry for Co-operation

The recent ministerial conference of the Group of 77 highlighted the economic plight of the developing countries and urged the developed countries not to stand by.

The sixth ministerial conference of the Group of 77 ended late in April in Havana with the adoption of a Havana Declaration, which called for reconstruction of international economic relations based on equity and justice.

The week-long conference, attended by delegates from Asia, Africa and Latin America as well as 16 international and regional organizations, concentrated on the most urgent problems facing developing countries: widespread indebtedness, falling prices of primary products and high interest rates.

The declaration characterized the 1980s as a "lost decade of development" because the world economy is on a downswing. It pointed out that this situation poses a serious threat to democracy, social stability and international peace and security. Economic structural changes are one cause, but macroeconomic policies such as protectionist and discriminatory measures taken by the developed countries have

aggravated the situation, the declaration said.

The conference called for a lasting and fair solution to the debt crisis, because the developing nations are not able to repay their debts "under present conditions without sustained economic development." The delegates suggested a new debt strategy, based on development and shared responsibility among the parties involved. The debt service of developing countries should be limited to a certain percentage of their export earnings or gross national product and lenders should significantly extend the maturity, grace and consolidation periods and reduce interest rates on all loans, giving particular attention to the less developed countries. The Group-77 document also asks governments of the developed nations to encourage resumption of and increases in bank lending to developing countries.

The conference also called upon industrial nations to respect multilateral trade rules and

principles, including their commitment to provide differential and more favourable treatment to developing countries. It said the developed countries should improve the access to their markets for products from developing countries by removing the tariff and non-tariff barriers. It proposed the development of a non-discriminatory and comprehensive trading system which would encourage both increased participation by developing countries and equitable distribution of trade gains.

The group adopted five reso-

lutions at the meeting, one of them urging all states to open their markets to Palestinian goods and another condemning South Africa's apartheid policies. It also voted to ask the Group-77 chairman to discuss participation of China in global talks on trade preferences.

The Group of 77 was established in 1964. Its 127 third world member countries have been working for better and fairer relations among different economic groups.

by Zi Xin

BULGARIA

Economy Improves With Reforms

Bulgaria has made marked progress in its economic development thanks to reforms and a techno-scientific revolution.

After a long period of rapid development, Bulgaria has met with some difficulties since the 1980s, and the development pace has slowed down. Two years ago, the Bulgarian government adopted new measures to further the reform of its economic structure and to launch a techno-scientific revolution in an effort to regain lost momentum.

During the 1960s and the 1970s, Bulgaria's national income more than doubled. But current industrial and agricultural production can no longer meet the demands of this expanding economy. Since entering the 1980s, the potential of the existing economy has been gradually exhausted and fundamental change must be made to revive it.

Economic reform in Bulgaria began in 1978, but it achieved little progress. A serious drought in 1985 made the economy even more tenuous, and prompted the Bulgarian government to give the economy a second thought. In his speech to the opening ceremony of the 13th Party Congress in early

April last year, Todor Zhivkov, general secretary of the Bulgarian Communist Party, said, "The elements that have promoted the development of our economy have been used up. As a party and a country, we must face the new realities." The congress called for painstaking efforts to fulfil the reform.

One of the most important aspects of the reform is the introduction of self-management in all production organizations. The Bulgarian Communist Party has realized that the right of ownership and the right of management can, and should, be separated. The state is now the owner of the means of production but individual organizations are the managers. Unlike before, the state is not directly involved in daily management activities and is responsible only for macro-economic control through making plans and issuing laws and regulations. Bulgaria dismissed eight departments that used to be responsible for the management of enterprises and established in their

place three commissions responsible for policy-making under the Council of Ministers.

The so-called self-management system gives more power to organizations which are independent economically and legally, and allows them to link their production directly with market demands. Under the new policy, workers can not only plan on their own research, production, sales and investments, but can also elect their own factory directors. In order to increase the competitiveness of its products, the Bulgarian government encourages the enterprises to take part in international trade and authorizes them to use their foreign exchange earnings for technological innovation.

In this quest for a new economic base, paramount importance has been attached by Bulgaria to the role of science and technology. "We have no other choice but to launch a techno-scientific revolution" as a way to intensify the economy, said Zhivkov.

Instead of putting its main efforts on all fields of science and technology, however, Bulgaria is concentrating on a few fields which are closely connected with international co-operation, such as automation, bio-technology, new materials and energy.

Bulgaria has also worked out incentive programmes to link the work of technicians and researchers with their pay through bonuses. This has greatly stimulated scientific workers to make more discoveries and inventions. In an effort to accelerate the spread of new technologies, Bulgaria has decided to integrate scientific research with production and market.

According to an official statistics report, total industrial output of 1986 increased 4.3 percent and gross agricultural output rose by 10 percent and national income grew by 5.5 percent over 1985, for the first time in five years exceeding the growth rate that the government had planned.

by Ren Xin

THE IVORY COAST

Basing Economic Policy on Reality

The Ivory Coast, described as an economic miracle because of its high growth rate, owes its success to a policy that gives priority to agricultural production.

Though not rich in natural resources, the Ivory Coast has maintained an economic growth rate of 8 percent over the past 20 years. Since the late 1970s, the country has been the largest cocoa producer and the third largest coffee producer in the world. It has also been the largest exporter of wood, palm oil, bananas and pineapples in Africa and the third largest producer of cotton and natural rubber on the continent.

Giving priority to agriculture in its economic policy, the Ivory Coast has changed its single-product agriculture economy to an agriculturally diversified economy. At present, the country's agricultural products account for 80 percent of its export revenue, bringing its per capita annual income to US\$1,200, the highest of all African countries.

The Ivory Coast carries out controllable economic liberalism, which is different from the free competition in Western countries. What is especially noteworthy about the policy is that when agricultural products suffered from sliding prices in the international market, the government subsidized farmers and raised the purchasing price of farm produce. By having control over the purchase price and export of the country's agricultural products, the government has taken hold of the country's economy and aroused the enthusiasm of the peasants. The booming agricultural economy stimulates industry and commerce, which in turn vitalize exports. Exports pump money into agriculture, and a healthy economic cycle is formed.

From the 1960s to now, the Ivory Coast's governmental investment in agriculture has taken up 22 percent of the country's total investments, compared with only 10 percent in the other African countries. Because the Ivory Coast has vast land and a small population, President Houphouet Boigny advocates the building of farms and plantations by officials. He himself owns a farm of 1,200 hectares. The advanced farming methods that the officials bring to the countryside have helped change the backwardness of the rural areas, giving a great impetus to agriculture.

Highways in the Ivory Coast, which are well-developed, link distant villages with major towns and cities, contributing to the commercialization of its rural economy. The Ivory Coast has invested heavily, even with borrowed money, in building good roads. Between 1978 and 1984, the government invested US\$1 billion in building 2,600 kilometres of tar-paved highways. In 1986, 34 percent of the country's investment budget was used in building and repairing roads. Now the Ivory Coast has a highway network of 55,000 kilometres, 3,700 of which are expressways and tarmac roads.

The Ivory Coast puts much emphasis on drawing foreign capital. As the country's investment law is not restrictive, a registration permit is all that foreign investors need to open factories in the country. Moreover, they are exempt from taxation for 5-10 years. Foreign investment in agriculture enjoys

special advantage in the country.

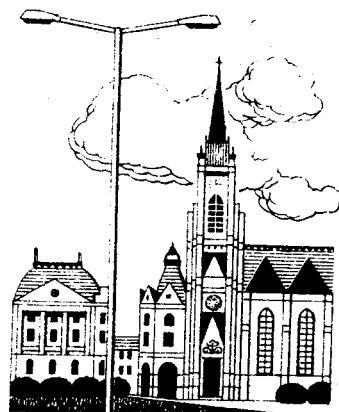
Because of its tolerant immigration policy, the country's population of 10 million consists of 3 million immigrants, who are engaged in farming and who increase the country's badly needed labour force.

The Ivory Coast's successful economic policy has helped the country survive the economic and financial crisis caused by the drop in prices of farm products on the international market and bad weather. The people of the Ivory Coast are fond of saying, "The fact that God does not endow us with abundant underground resources helps us strive in agriculture."

Situated in Western Africa, the Ivory Coast gained independence on August 7, 1960. In November the same year, Felix Houphouet-Boigny became its president. At the age of 82, he is now the African countries' most durable leader. He is also known as Ivory Coast's "first farmer," because he often goes to the countryside to solicit the views of the farmers and leads them in developing agriculture.

The Ivory Coast government has pursued the policies of peace, unity, dialogue and "non-opposition at home." This has helped promote the country's political stability and economic development.

by Zhu Qin



2ND-STAGE RURAL REFORM (I)

Opening Markets for Rural Products

The abolition in 1985 of the state monopoly on purchasing and marketing major farm products shifts the focus of China's rural reform from spreading the household responsibility system to improving the distribution of commodities. This change involves opening the market further, bringing about a reasonable economic structure and correctly handling the relationship of grain production to diversified agriculture. This article, the first of a series, outlines the major tasks for the reform.

by Duan Yingbi*

Rural economic reforms began in 1978. The first step was characterized by the household responsibility system under which farmers are allowed to sell part of their surplus farm products, and the purchase price for such products is raised from their very low pre-reform level. This helped motivate the farmers' enthusiasm. Between 1978 and 1985, the nation's total agricultural output value increased at an average annual rate of 9 percent (or 6.7 percent after deducting the output value of village-run industries). Farmers' average per-capita income, with price rises factored in, rose by a record rate of 14.8 percent a year.

The second step began in 1985. Since then state monopolies over purchasing and marketing of major farm products has been abolished. All products not purchased under state contract are disposed of on the market. The main purpose of the reform at this stage is to readjust the rural economic structure through market regulation, make full use of available manpower and natural resources to move from self-sufficient rural economy to the socialist commodity economy.

Monopoly Over Purchases

Between 1953 and 1984, China followed a system of state monopoly for purchasing and marketing the four major farm products—grain, cotton, velvet and vegetable oil crops. A fixed state purchasing system was implemented over 70 farm and sideline products such as pork, beef, mutton, eggs, poultry and tea. Farmers were required to sell all surplus products to the state's commercial departments at price specified by the state. The commercial departments distributed the products to the urban

areas, and no free transactions were allowed. For many years a unified purchase price was set by the state.

This system of state monopoly was necessary in the past when there was not much farm produce to spare and it helped guarantee supplies for urban and rural people and supported socialist construction.

The volume of grain purchased by the state each year accounted for 20 to 24 percent of total grain output. Two-thirds of it was used to supply urban residents and light industry, the remainder was resold to the countryside for disaster

A surplus grain market in Dongming County, Shandong Province.

LI JIN



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relief, for areas short of grain, pastoral areas, forest areas and for stockpiling.

The system, however, runs counter to the objective law governing the production and circulation of commodities. With the development of production and improvement in the living standards, its defects became increasingly obvious. It could not keep pace with changes in consumer demand, commodity circulation was hindered, the irrational rural economic structure was hard to readjust, and farmers were not growing enough

except for individual varieties, such as tobacco, the state will no longer assign fixed quotas of farm products to be purchased from farmers. A system of purchasing under contracts and on the markets will be introduced."

After the contract system was introduced for the purchase of grain and cotton, state commercial departments consulted farmers before the sowing season and signed purchase contracts with them. In principle, more was to be purchased from high-yield regions and none from poverty-stricken areas.

After selling the required quota of grain, the farmers may sell their surplus on the market. If the market price is lower than the state purchase price, the government can buy more produce at the state purchase price in order to protect the farmers' interests.

As for the price of cotton, 30 percent is purchased in north China at the state purchase price and the rest can be sold at the above-quota purchase price. In the south, 60 percent of cotton is bought at the state price and 40 percent at the above-quota purchase price. After meeting the fixed quota purchase of cotton, farmers are allowed to sell their surplus themselves.

Purchase contracts are all signed before the sowing season, and their implementation guarantees the execution of the agricultural guidance plan. After the fixed quota purchase system for pigs, aquatic products, beef, mutton, poultry, eggs, vegetable and other non-staple foods was abolished, selling prices were decontrolled, free markets were opened and prices were set according to product quality. In order to compensate the urban dwellers for price rises in non-staple foods, the state issues subsidies to each city dweller. Grain from the state stores is rationed for urban residents and the selling price remains unchanged. Losses resulting from the difference between purchasing and selling prices will be met by continued state subsidies.

The system of state monopoly for purchasing timber from collective forests was abolished, and purchasing and marketing at negotiated prices was introduced. In order to guarantee the supply of timber for national capital construction, the government gives grants to tree farms which sell timber at state prices. To guard against indiscriminate tree felling, many places have introduced a licenced tree felling system.

A similar process took place



Zhejiang people using their beaches to develop aquaculture.

XUE CHAO

grain because its price was low. These problems could be solved only by developing market forces under the guidance of state planning.

Purchase Under Contract

"Ten Policies for Enlivening the Rural Economy" was a document promulgated by the Central Committee of the Chinese Communist Party and the State Council on January 1, 1985. It stipulated: "Beginning this year,

In order to support farmers who grow commercial grain, the state grants them preferential supplies of chemical fertilizers, diesel oil, improved variety seeds and other means of production. As for the purchase price for grain, 30 percent of the grain is bought under the original state purchase price and 70 percent at the high, above-quota purchase price; provincial authorities may adjust prices according to the variety and quality of products on condition that they do not set prices higher than the general purchase price.

with Chinese medicinal herbs. Here free purchase and marketing prevails except that licorice root, musk and barks of official magnolia and of eucommia are kept under strict control in order to protect natural resources. It is stipulated that these four varieties can only be purchased by designated commercial companies and no one else. The prices for these four varieties, like hundreds of other medicinal herbs, vary according to the market.

The provisions of the Regulations on the Monopoly for Trade in Tobacco are still followed. Tobacco is treated differently according to different varieties. A mandatory purchase plan is drawn up by the state and transactions in tobacco are handled by designated state commercial companies, but the purchase price has been raised somewhat.

Other farm products are no longer subject to state purchase monopolies and the farmers can sell their products freely. After the monopoly purchase system was abolished, the commercial department was no longer the sole purchaser and marketer. All commercial organizations may purchase farm products.

Economic Restructuring

Although it has been only two years since the second step of the reform was introduced, it has yielded initial results, manifested mainly in the rationalization of the rural economic structure. In the past, farmers had to produce according to the state's mandatory plan. Now they must decide for themselves how to make the most of their local advantages to adapt to the changes in the market and use their labour force, funds and means of production in the optimum way. This entails changes.

First of all, the crop planting structure has changed. In 1985 while the areas sown with grain

and cotton were reduced, areas of oil and sugar crops, hemp, flax, other cash crops and vegetables expanded. In 1985, grain fields were 3.9 percent less than the year before; cotton, 25.7 percent less. Areas grown with sugar crops expanded by 25 percent; and tobacco, 56.1 percent. The proportions of grain, cash crops and other crops changed from 78:14:8 in 1984 to 75:16:9 last year.

However, due to the sharp drop in grain planting, natural disasters

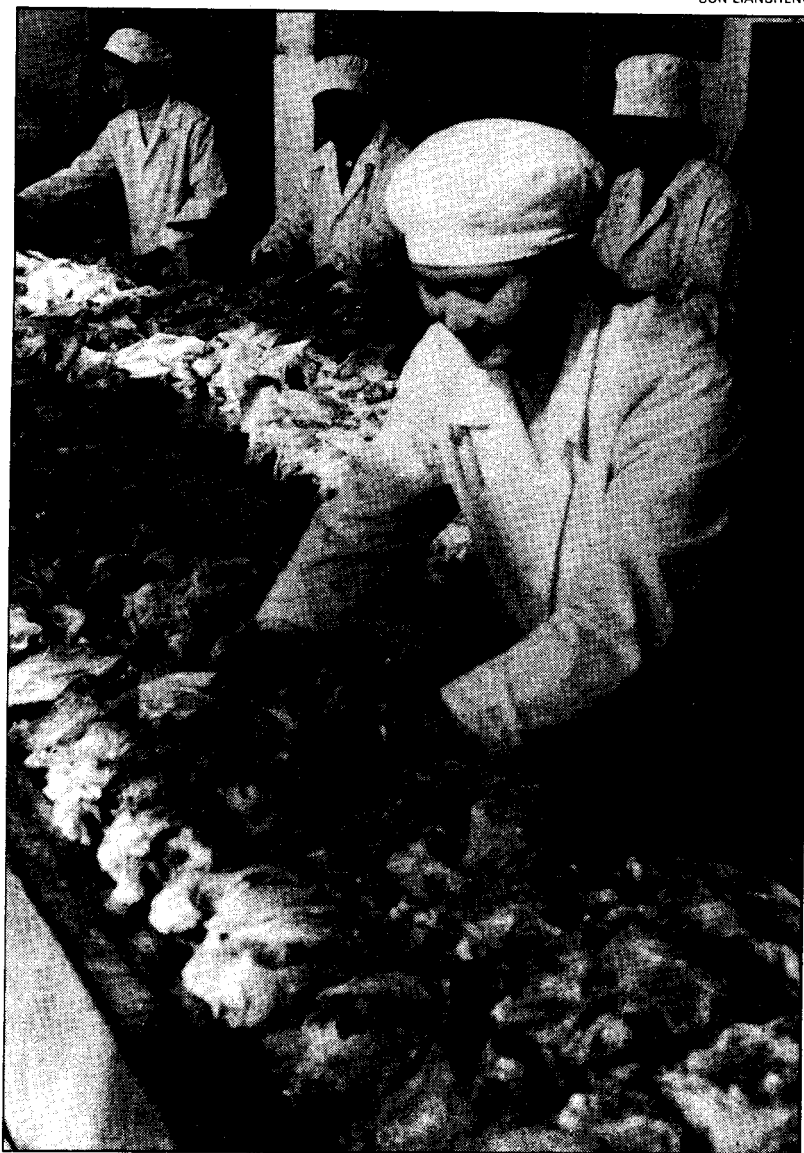
and slackened effort in grain production in some regions, grain output in 1985 was 28.33 million tons less than in 1984.

It was mostly coarse food grain and poor-quality rice which decreased in output. The supplies of good-quality rice, beans and food grains preferred by the people grew considerably.

In 1986 the nation's grain growing area increased by nearly 2 million hectares over 1985, which yielded an additional 12 million

Farmers of Jinxian County, Liaoning Province, packing chickens for the market.

SUN LIANSHENG



tons. That year's harvest totalled 391.09 million tons, second only to the record year of 1984. The cotton area was intentionally reduced, mainly in low-yield regions. Despite the sharp drop in total cotton output in the last few years, China still has enough cotton to meet its needs.

Livestock breeding which used to be a small sector developed dramatically in the past two years. In 1985, the output of pork, beef, and mutton increased by 13.9 percent; milk, by 14.2 percent; eggs, by 23.1 percent. In 1986, the output of pork, beef and mutton rose 9 percent; milk, 14.4 percent.

In the fishery business, marine fishing was limited for the protection of natural resources; the emphasis of development has shifted to fresh-water and sea-beach fish-raising. In 1985, output of aquatic products increased by 12.5 percent; in 1986, it was 15.3 percent more.

Rural industry, construction, transport and commerce have also developed in the last few years, providing channels for absorbing surplus rural labour. In 1986 the output of these economic sectors reached 348.2 billion yuan, a 50 percent increase over 1984,

accounting for 46.9 percent of total product of society in the countryside.

Total product of society, calculated according to comparable prices, increased in the countryside by 15.6 percent in 1985, and by 11.6 percent in 1986, when it was 742.9 billion yuan. According to a sample survey conducted by the State Statistical Bureau, farmers' per-capita net income, when price rises were factored in, actually increased 8.4 percent in 1985, and 3.2 percent in 1986, reaching 424 yuan.

The reform of the monopoly purchase system for farm products and the readjustment of the rural economic structure have promoted the production and circulation of commodities. For decades, the supply of pork, beef, mutton, eggs, fish and vegetables was rationed. Since 1985, these non-staple foods have been available for purchase without restriction, meeting demand more or less.

In addition, the rural co-operative economy has been boosted. By the end of 1985, the nation had 480,000 co-operative organizations in industry, cons-

truction, transport, commerce, catering and the service trades. They were set up by the farmers on a voluntary basis and on the principles of equality and mutual benefit. They helped achieve what individual household businesses could not have achieved, and improved economic results. It seems there is a bright outlook for them.

The replacement of the monopoly purchase system with market regulation marks just the beginning of the second-step rural reform. Much work remains to be done. This includes opening up and improving the rural markets, bringing about a good flow of funds, technology and labour; gradually concentrating contract land in the hands of capable farmers so as to raise per-hectare yields and labour productivity; setting reasonable prices, especially for grain in relation to other farm products; increasing industry's support for agriculture to ensure stable grain growth; and readjusting the economic structure. In sum it should bring about an all-round and co-ordinated development of the rural commodity economy. ■

2ND-STAGE RURAL REFORM (II)

Farmers Active in Commercial Sector

by Our Correspondent Han Baocheng

Lifting the state monopoly on the purchasing and marketing of farm produce has given Chinese farmers a free hand to buy and sell their products. The rural market has become larger and more diverse; collective and individual businesses have mushroomed; and commercial organizations for urban/rural goods exchange have appeared. The most powerful of the collective commercial organizations—the supply and

marketing co-operative—has regained its importance after a prolonged bad start.

Co-operative Commerce

Two channels for commodity circulation have coexisted since the founding of New China. One being all state-owned commercial departments under the Ministry of Commerce, in charge of urban

commerce; the other, made up of the supply and marketing co-operatives under the All-China Supply and Marketing General Co-operative, which manages rural commerce. Each has established its own independent wholesale and marketing networks.

The supply and marketing co-operatives set up in China's rural areas in the early 1950s were, at the beginning, a kind of co-

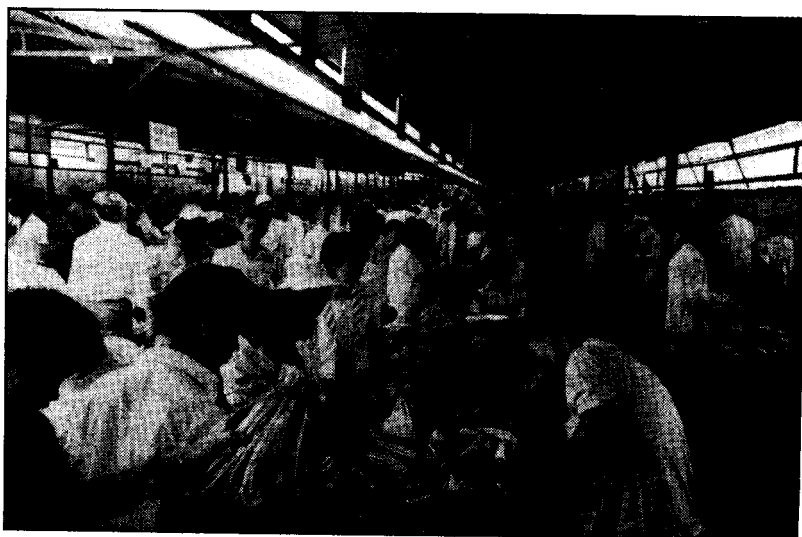
operative undertaking with state support in which the peasants bought shares on a voluntary basis. These co-operatives limited themselves to supplying rural areas with consumer goods and means of production, and purchasing farm and sideline products needed in the cities.

Since the late 1950s, the ownership of the supply and marketing co-operatives has swung energetically: in 1958, they became state-owned; in 1962, they resumed their co-operative status; in 1970, they again became state-owned; in 1975, co-operative; in 1978, state-owned again; and in 1982, they eventually were turned back to collective ownership and given over to the farmers.

With this lack of consistency came a loss of direction. The objective of serving the peasants through peasant management became an irrelevance. The organizations lost their flexibility as they were drawn into the rigid purview of the state. Restricted by set prices and state monopoly, they lost their autonomy. Moreover, the absolute egalitarianism in remuneration fostered bureaucracy and alienated the peasants.

This notwithstanding, the supply and marketing co-operative system grew over the decades into a gigantic economic organization with 4 million workers, 500,000 purchasing and selling establishments and 400,000 commission agents, and its role in commodity circulation in the rural areas is unrivalled. The current reform is aimed at sorting out its problems, building on its good points and generally boosting the rural commodity economy.

The first task of the reform is to revive the organization's non-governmental co-operative nature, says Sun Jialin, deputy director of the Qingdao Supply and Marketing Co-operative in Shandong Province. The co-operatives at the county-, township- and village-levels now all encourage farmers to buy



A newly opened free market outside the east gate of Shenzhen City.

PAN JIAMIN

shares so as to link the interests of the co-ops with those of their own. In Qingdao's six counties and one outskirting area, the money paid by farmers for shares in 1984 accounted for 2-3 percent of the funds of the supply and purchasing co-operatives of the area. At the end of 1986, however, that proportion rose to 20 percent.

Democratic management is a vital part of the reform. The co-operative at each level is managed by a board of directors and a supervisory committee elected by the co-op members. Many members of the two managerial bodies are farmers. For instance, in Zhucheng County, of the 178 members of the grass-roots co-ops' boards 51 are farmers, (28 percent); and about 60 percent of the 114 supervisors are also farmers.

Sun said the business scope of these co-ops has also been expanded. In addition to buying and selling, they also process farm and sideline products, handle cold storage and transport, and provide technical and information services. All these are problems facing specialized households directly. This system, relying on its extensive economic networks and better facilities, is able to provide farmers with services and solve

problems no individual business could match.

Farmers in Nanquan Township in Moxian County has a history of raising fowls. Constricted by the township's limited capacity to process, cold store and transport, the fowls could not be shipped out and the potential of the trade was wasted. In May 1985, the township's co-op and two nearby villages pooled an investment of 300,000 yuan to build a cold storage room with a capacity of 350 tons. It also set up a fowl processing factory with four specialized households and bought a five-ton refrigerator van. The township shipped 200 tons of fowl meat to Jiangsu and Zhejiang provinces in 1985. Last year, it sold 700 tons and netted 2.17 million yuan.

Since the cold storage and processing factory began operating, more than 200 chicken farms and specialized purchasing households in Moxian and adjacent counties have used them, turning Nanquan Township's co-op into the fowl centre of the area. Not having to worry about the market, the farmers have gone all out to breed their chickens. In 1986, the number of fowls raised by Nanquan farmers doubled.

By the end of 1985, farm produce processing enterprises run by supply and marketing co-operatives had totalled 30,000, an increase of 13,000 over 1981. Their output value amounted to 16 billion yuan in 1985, up 68.4 percent over 1981.

Urban Fairs

As the barrier between urban and rural trade breaks down, more farmers have entered the urban market. Since 1982, the supply and marketing co-operatives throughout the country have established 1,700 farm and sideline products trading centres and wholesale stations in urban areas. Their total business turnover tops 10 billion yuan a year.

Since going into operation in July 1984, the No. 1 Farm and Sideline Products Wholesale Trading Centre of the Tianjin Supply and Marketing Co-operative has co-operated with Guangdong and Sichuan provinces and the Xinjiang Uygur Autonomous Region in selling bananas, oranges, tangerines and hami melons. The fruit is shipped to Tianjin directly by farmers and the local supply and marketing co-ops, with high efficiency and less spoilage. In the past it took at least 18 days to ship the citrus fruit from Sichuan to Tianjin through supply

and marketing co-operatives at several levels. Now it takes 8-10 days and the loss rate drops from 20 percent to 8-10 percent.

The co-ops can now purchase industrial products from the producers instead of having to go through the state-owned wholesale stations at the county, provincial and central levels. For example, the Yingkou Match Factory in Liaoning Province delivers 50 percent of its products directly to the buyers according to an order list supplied by the provincial co-ops.

Transport and Information

Problems remain, however. Despite these reforms, the circulation of commodities is still limited by poor transport, especially in the mountainous areas where the transport is underdeveloped. Until last year, one-third of the co-ops in Shanxi Province were operating in the red.

Farmers have also encountered problems due to poor marketing information. Farmers in Linyi in Shanxi Province began to breed long-haired rabbits in 1984. Since the rabbit hair was in great demand at the time, supply and marketing co-operatives, foreign trade companies, state-owned commercial departments and individuals came to buy. Some

farmers applied for loans to start up rabbit breeding and the output of rabbit hair increased rapidly. The next year, however, saw demand drop with the price, and farmers found themselves having to kill the rabbits for meat.

The Wanxian County supply and marketing co-operative in Sichuan Province encouraged local farmers to plant a particular herb. But come harvest time it purchased only some of the crop because it could not sell the herb. The local people had no way to sell the herb nor do they know anything about storing and processing it, so about 10,000 kg went to waste.

Rural Fairs

Since the commodity economy developed in rural areas, the traditional fairs have returned and gained importance. China had 33,302 rural fairs in 1978. In 1985 the figure went up to 53,324, a 66 percent increase. During this period, their business value increased from 12.5 billion yuan to 51.2 billion yuan, a four-fold increase.

The participants in the rural fairs are farmers and individual pedlars. At the bigger fairs they will be joined by urban commercial departments and supply and marketing co-ops. On sale are farm and sideline products, household goods, domestic animals and farm tools. Generally, small fairs will be held every day or every other day, while the bigger ones every three or five days. Some traditional trading fairs will rotate around various places, be in one place for several days and the trade volume will reach as high as several million yuan each time.

The backward Linyi area in Shandong Province, which is composed of 13 counties, held 756 fairs last year, 456 more than in 1979. During this period, the business value went up from 200 million yuan to 700 million yuan.

A farmer-run shopping street in Yueyang County, Hunan Province.

XU RUYUAN



But the area is still facing shortage of cash, poor facilities and lack of managerial personnel. The big fairs have managerial committees composed of people in charge of taxing, pricing, weighing, sanitation, traffic and security. At present there are still more than 50 small fairs held on the roadside so they obstruct traffic and foul the surroundings.

Joint Management

Zhucheng County in Shandong Province increased its farm and sideline output 120 percent between 1980 and 1985. To find markets for these products, the county established a commodity circulation system, based on the state-owned commercial departments and supply and marketing co-operatives.

The state-owned departments at the county level have established trading relations with 358 industrial and commercial undertakings in more than 20 cities including Beijing, Shanghai and Guangzhou. They also set up 5 wholesale stations and 49 wholesale centres managed jointly by collectives or individual households. The county co-op opened a few dozen purchasing stations in townships and villages to buy farm and sideline products. Most of these products are processed locally. In 1986 the county fruit company earmarked 5.8 million yuan for building two cold store-rooms with a total capacity of 3,200 tons in order to regulate the supply of fruit and the price.

The county has 9,032 households specializing in trade and transport. They have established business relations with the state-owned wholesale stations, the co-ops and their purchasing stations, and have enlivened the fairs. With little capital, the individual retailers are in a relatively weak position, but despite the high stakes involved they are eager to try their hand.

Stock Co-ops

There is a large joint stock company in Juxian County in Shandong Province. Established in 1983, it has sold a total of 45,000 yuan in shares to individual households, state-owned and collective enterprises. It deals mainly in the wholesale of rural consumer goods, farm produce and sideline products. In 1985 its turnover reached 1.2 million yuan.

The company has 45 employees including the manager, Ma Qinzong, an accountant and a cashier. The wages are graduated. Employees are paid in line with the amount of business done while the accountant and cashier receive an average of the employees' wages. The manager is paid one percent of the total turnover. Manager Ma said, "This system ensures that everybody works hard for the company."

The company has an office in Qingdao and some wholesale stations in neighbouring counties. The commodities come from all over the province, from neighbouring provinces, from Beijing, Tianjin and Wuhan.

Ma said his company plays a supplementary role to the state-owned commerce and has the advantage in handling commodities with small profit margins

since it spends less on circulation because fewer middle men are involved in the process.

Joint management has proved even more successful in some developed coastal areas. The Mayong District in Dongguan city, Guangdong Province, abounds in bananas. Due to good transport, the bananas have found a ready market in north China. The farmers in the district earn half their income from banana production.

Now the Mayong town which has dozens of thousands of people has 60 banana purchasing stations—one state-owned, five co-ops, 21 collective and 33 jointly managed by farmers. These purchasing stations have established a sales network in 63 cities in north China. They transport the bananas directly to their places of sale on their 1,210 boats. In 1986 the total sales increased to 75,000 tons from 12,600 tons in 1982.

Overall, commodity circulation is still slow and farmers find it difficult to trade goods. There is still inadequate information exchange, poor transport, limited storage capacity, farmers' lack of education and management skills. All these problems will be tackled in the second stage of the rural reforms.

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US-Japan Trade Friction: Review and Preview

by Chen Baosen*

President Ronald Reagan announced March 27 that, starting April 17, a tariff of 100 percent would be imposed on a wide range of Japanese semi-conductors and electronics appliances. The action, taken in retaliation against Japan's dumping of computer chips and discounting of US semi-conductors, has shocked the Japanese government and public, escalated US-Japan trade friction, and catapulted their relations into a troubling new stage.

Trade friction between the United States and Japan is of long standing, having centred first on textiles, then on automobiles and videocassette recorders, and most recently on semi-conductors and computers, both high-technology products. The present friction looks like trade competition but is actually an economic battle, in which Japan has been seen as the winner and the US as the loser. At present, the US is on the attack while Japan is in the defensive position. Trade friction between the US and Japan will probably increase, but an all-out trade war is highly unlikely. Instead, repeating cycles of competition and compromise are the probable pattern, based on the analysis which follows.

Economic Competition

After World War II, the US began supporting Japan as part of its battle for world hegemony with the Soviet Union. Between 1950 and 1978, the US and Japan signed 32,000 technology-export contracts which greatly helped Japan to strengthen its material

and technological economic base. In the early postwar years, when European and Asian nations wanted to boycott Japanese goods, the US imported large amounts of Japanese goods at favourable terms. This helped Japan find markets. With US support, the Japanese economy developed rapidly. But its rapid transformation into a competitor soon became a major source of concern to the US. From 1971 to 1986, Japan's gross national product (GNP) increased at an average annual rate of 5 percent, compared with 2.3 percent for the US. In 1971, Japan's GNP was only 36 percent of that of the US, but by 1983 that figure had risen to 47 percent and Japan had become the second largest economic power in the western world.

But Japan aspired to even greater achievements. In the early 1980s, the Japanese government called for a change in the old strategy of "development through trade" to "development through technology." Japanese corporations are aiming to turn out the best quality goods at the lowest cost in the next century, so as to make Japan the No. 1 economic power in the world.

So in February, Reagan announced that the US would increase the competitiveness of its products and to contend for world economic superiority.

Economic competition between the US and Japan is centred on the science and technology. Both sides want to exploit new industrial areas and products and to increase productivity in order to guarantee themselves an invincible position in the market, but Japan has had the upper hand at present. Japan will seize the key links of science and technology in catching up with the United States.

In its tenth postwar economic development plan of 1983, Japan

stressed scientific and technological development and selecting the computer field as a focus, vowed to produce new fifth-generation computers within 10 years. As a result, electronic technology has become the major battleground for the competition between the two nations. The US government's blockage of the sale of Fairchild Semi-conductor Corp. to Japan and the recent imposition of tariffs are apparently aimed at protecting US primacy in sophisticated technology, not just at reducing the US trade deficit.

Winner and Loser

Trade friction between the US and Japan, sparked by Japan's dumping of products in the US and Western Europe and the US huge trade deficit, has accelerated in recent years. By 1986, the US trade deficit with Japan jumped to US\$58.6 billion, more than six times 1980's US\$9.38 billion, for an average annual increase of 35.7 percent.

The US's 1981-82 economic recession struck a heavy blow at the car industry, and pushed hungry buyers towards the small, relatively cheap Japanese cars. During this period, the US auto industry produced only 6.9 million cars and 1.8 million trucks, due to factory shutdowns and large-scale layoffs. Meanwhile, imported Japanese cars amounted to 1.9 million and trucks 443,000, taking up 28 percent of the American automobile market. Japanese vehicles were more competitive than US ones because of their reliability and low price.

However, mounting protectionism and demands from US car manufacturers that restriction be imposed on imports led the

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Japanese government to avoid a trade war with its biggest trading partner by setting a voluntary quota for car exports to the US. Instead of colliding with US tariff barriers, Japan began investing in factories in the US, just as the US had done in Western Europe in the late 1950s. Though friction over Japanese auto imports has ceased with the recovery of the US auto industry, Japan has maintained its solid base in the US car market and the threat of future conflict remains.

In the 1980s, the US has also been challenged by Japan in such high-tech fields as electronic equipment. Japanese videocassette recorders (VCRs) have been the cause of the unrest, following cameras, TV sets and quartz watches, flooding into the US. In 1981, Japanese companies sold US\$1.8 billion worth of tape recorders and VCRs in the US, up 69.9 percent from the previous year.

The US was a wide-open market for Japanese VCRs because no US electronics equipment company was producing them. Ironically, both the principles and techniques of the VCR originated in the US, but they were not exploited. Instead, Japanese producers, headed by Sony and JVC, developed and put out VCRs using American technologies, and sent them into American homes.

Also in the 1980s, the world market for personal computers has filled up, so the US and Japan have had to compete with each other to sell their computers and integrated circuits. Japanese manufacturers won this game as well by dominating the US market for computer printers and disk drives. The US's 1985 trade deficit with Japan in electronic equipment came to US\$20 billion, up from US\$9 billion in 1983 and US\$15 billion in 1984, or even more than for automobile

products.

Conversely, US products have made little headway in Japan. When the US complained about Japan's non-tariff barriers, the Japanese side replied that it was not tariff barriers but American manufacturers' ignorance of the ways of Japanese consumers that accounted for their failure to penetrate Japan.

Offensives/Defensives

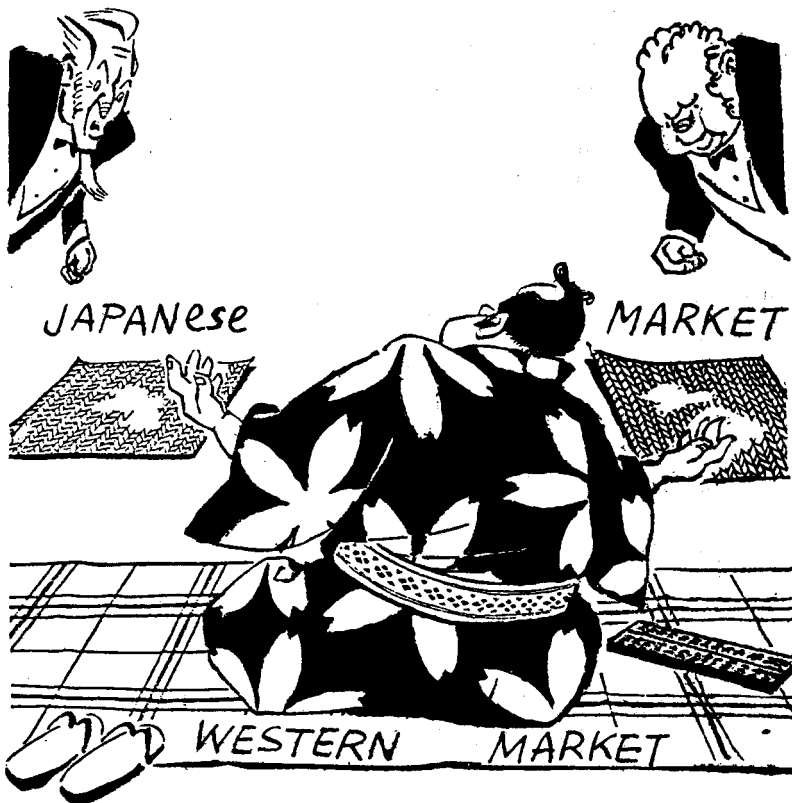
Trade friction between the US and Japan escalated again in 1984 when the US registered a US\$38.5 billion deficit, almost twice the 1982 figure. Protectionist forces in the US Congress became vocal and advocated retaliatory measures against Japan. Reagan, who had been advocating free trade, had to adapt to the new situation in order to retain political support, so the US stance vis-a-vis Japan changed drastically.

In September 1985, Reagan announced three trade policies: first, to respond strongly to the unfair trade practices of other nations; second, to try to free up world trade through negotiations at the General Agreement on Tariffs and Trade; and third, to aid US exporters and importers who had been harmed by imports. Reagan also authorized his trade representative to retaliate against unfair and discriminatory trade in accordance with Article 301 of the Trade Act of 1974. In addition, the administration decided to co-operate with its trading partners and to devalue the US dollar against the Japanese yen and the West German mark. This was the first round of the US trade offensive. Under these pressures, Japan made many concessions to appease protectionist forces in the US.

However, the trade deficit continued to increase despite the progress made in the first round. The US then put forward its "Baker Plan" at the Tokyo Summit meeting of seven in-

"Sit down please. Don't stand on ceremony."

CARTOON by ZHU GEN HUA



dustrial nations in the summer of 1986. The plan called for international co-ordination to cut the huge US trade deficit. The US demanded that Japan and Western Europe open their markets and increase their imports from the US. In return, the US would reduce its trade deficit by cutting its budget deficit. Japan and Western Europe were forced to accept the proposal and agreed to regular consultations among the finance ministers of the nations concerned. They agreed to use nine economic indices to monitor the economic situation and to adjust imbalances. They also agreed to make necessary changes in foreign exchange rates. But the US did not commit itself to the range of floating rate of the US dollar; instead, it wanted to preserve this weapon that could force Japan and Western Europe to concede. This was the second round of the US trade offensive.

In 1986 the US trade deficit increased to US\$147.7 billion from US\$124.4 billion in 1985. Of this, US\$58 billion came from trade with Japan—up from US\$49.8 billion in 1985. This indicated that the previous two rounds of trade offensives had not succeeded. Japan and Western Europe did not carry through their promises to expand domestic demand. Hence Reagan administration's decision to impose sanctions on Japanese semi-

conductors. The harsh response from Japan indicates that Japan's manufacturing industries have been heavily hit by the sharp increase in the value of the yen, which has brought about increased unemployment. This is why Japan is taking a less flexible attitude towards trade negotiations between the two countries.

Conflict/Compromise

The US-Japan trade friction has almost become a trade war, and is likely to intensify in the face of US inability to balance its trade, and protectionist pressures inside the country. This tendency has its own momentum. Though advocating free trade, Reagan will have to adopt some protectionist measures to avoid political trouble. Japan, on the other hand, is not totally unwilling to compromise since the US market is its economic lifeline. But the drastic appreciation of the yen is leaving less and less room for adjustment. The US, Japan and Western Europe have now realized that trying only to remove trade barriers, without changes in the structure of supply and demand in their own countries, cannot resolve the basic problem of the US trade deficit.

But it is very difficult for the US to cut its budget deficit, increase consumer savings, and restrain public and private consumption.

It is also difficult for Japan to expand domestic demand and increase imports. It will take a long time for both the US and Japan to change. During this period there are possibilities of economic crisis, inflation and trade wars.

Is it possible then that a trade war of the type witnessed in the 1930s may recur? Judging from recent developments, all the Western industrial nations are fully aware of the costs associated with trade wars and are trying to avoid such an eventuality. The present economic situation is also quite different from that of the 1930s. Interdependence among Western industrial nations has grown at an unprecedented rate. Western Europe and Japan cannot afford to lose the US market; on the contrary, they would face an economic crisis if the US were hit by an economic crisis set off by a trade war. On the other hand, the US will not have an easy time if the Japanese and Western European economies are sluggish. The policy of "fair trade" put forward by Reagan, though a step back from "free trade," is different from "protectionist trade." Therefore, a full-scale trade war between Japan and the US is unlikely, though disputes over some specific products may be intense during Reagan's presidency. Compromise and concessions will co-exist with confrontation and sanctions. ■

Young Workers Look for Colourful Life

by Our Correspondent Li Ning

The younger members of China's workforce are a vital element in economic structural reforms. They are sensitive, eager to learn and seek variety, colour and a faster tempo in their life. Since the reform, the workers' material

welfare has been bound up with enterprise performance. Young workers are beginning to be interested in the performance and welfare of their enterprises and in advanced foreign management expertise.

Sharing a Common Fate

The Shanghai No. 3 Iron and Steel Works had a large stock of stainless steel which it could not sell. So the factory's Communist Youth League pitched in. It



ZHOU JIAGUO

Dongfang Seafood Restaurant personnel learning English. In Guangzhou more than 400,000 young people are attending evening classes, this is 57 percent of the city's young working people.

organized the young workers to act as sparetime salesmen. They got in touch with buyers, sold the products, made up deficits and increased surpluses. They also responded enthusiastically to a "one person one idea" scheme and put forward a good many proposals for the steelworks' management. In 1986, Wu Jianqin, a young worker, wrote a paper entitled *The Improvement of Equipment Examination & Repair*, which won him an award for his ingenuity.

Recently, the All-China Federation of Trade Unions made a nationwide survey of 640,000 people of whom 370,000 were young workers. In China there are 120 million employees, 57 percent of whom are categorized as young workers. Of these, 83 percent agreed with the idea that greater decision-making powers for enterprises will invigorate them and will benefit the people working there. Clearly they have understood that workers and enterprises share a common fate.

Eager for Knowledge

In a society which stresses the need for greater efficiency, young

workers understand that knowledge not only enriches their minds but also moulds their temperament and helps them to be competent at their jobs.

In recent years, 30 percent of the employees in the Beijing Switchgear Plant have engaged in some kind of study to improve their cultural and technical level, and the plant leaders have brought that study programme into the enterprise's plan. In order to encourage the workers to continue their studies, they have decided to pay 300 yuan to every worker who gains a qualification certificate from an institution of higher education.

Hao Jianying is a 26-year-old worker in the Taiyuan Iron and Steel Research Institute. She graduated from a secondary technical school in 1981, won first prize in the company's chemical knowledge competition and was admitted to Shanxi Evening University in 1984. Every evening she has to walk 15 kilometres to get there and back. "In order to meet the needs of the times, I want to learn as much as I can while I am still young," she says.

In Beijing Yili Food Company,

young workers are studying advanced technology. The company imported much advanced equipment, including a biscuit production line from the USA, a waffle production line from Italy, and chocolate and fruit sweets production lines from West Germany. Most young workers in the company have helped in installing and testing the machinery. Now they have mastered the use of all the production lines. While testing the sweets production line imported from Britain, group leader Cao Delu, a 30-year-old worker, was warmly praised by foreign technicians for the way he handled the machinery's problems. He said: "Since we are using modern, up-to-date equipment, we have to study hard and master its use."

Several years ago, young workers' incomes were very low, and they had to do their housework themselves and did not have time to study and enjoy life. With their incomes increasing many can pay the Home Help Company to do it. So now they have time to study technology, foreign languages, literature, history, music, art and photography in their spare time. Their traditional living style, which was often characterized as "a single path from home to factory," has also changed.

Shen Xinquan's braised chickens are in great demand in Beijing for their good quality and low price.



New Life Styles

The reforms have brought better living standards. With salary rises and bonuses, worker's incomes have risen.

Consider, for example, Beijings' No. 3 Architectural Engineering Company. In the past the workers' minimum monthly wage was only 40 yuan but now it is 68 yuan; and the annual average bonus is 600 to 700 yuan. At present, 80 percent of the young workers feel that their living standards have notably risen. On the other hand, some workers have gone to extremes and spent more than they could afford.

Compared with young people in schools, offices and the army, young workers go in for higher-quality consumer goods. Most young workers have bought new style furniture, tape recorders, colour televisions and cameras. There is an elite among workers who all have their own motorbikes.

Wearing beautiful clothes and seeking to have a pleasing manner are no longer regarded as bourgeois. Although many old

workers still live a frugal life, most of the younger workers consider that wanting modern clothes and a good meal is part of normal life.

Zhao Junde, 20, is a company-employed carpenter and a Communist Party member. He does not smoke or drink, but is fond of nice clothes. He lives near the Xiyuan Hotel, so he often sees Chinese and foreign visitors wearing lovely modern clothes. He says: "In my opinion, beautiful clothes can beautify a city just like building new houses. I don't want to wear dirty work clothes and ruin the appearance of the city. It is normal to like beautiful things."

Looking for a Different Job

According to the state policy, employees in the state sector can resign and seek new work with permission from the enterprises.

In Beijing there are a number of workers who have resigned, including some from the building, textile, machinery and chemical industries. Some of them worked hard and got little reward, so they

started their own individual businesses.

Zhang Keke, a company-employed painter, resigned in 1985. He is fond of painting and has opened a mounting business in Haidian District. Sometimes he also paints. His income is considerable.

Tian Zili, a plasterer, resigned in the spring of 1985. He co-operated with several friends in buying new clothes from Shenzhen and Guangzhou, which are resold in Beijing. Since he discovered there was little money in it he asked to be taken back. Because he had been a good worker, the factory re-employed him.

Many young workers dissatisfied with their work have resigned. The authorities have looked into this matter and last year, a new wage system was implemented in textile enterprises. In the past, the operator's monthly income was 70 yuan. Now it has increased by 30 percent. Another important way is to help these young workers understand that China is still a developing country, and it is up to them to work hard to change their environment. ■

FACTS AND FIGURES

First General Survey of Urban Housing

by the State Statistical Bureau

Between July 1985 and July 1986 China conducted its first general survey of urban housing. With zero hour December 31, 1986 as the reference time, the survey covered 323 cities. The results show that urban housing is rapidly being expanded and the living conditions of city dwellers have improved remarkably. But the housing shortage problem in China is still acute.

A total of 26.19 million households, or 97.77 million people, were surveyed. Their

homes had a combined construction area of 1.278 billion square metres, including 902 million square metres of usable floor space which makes up 70.6 percent of the total construction area. The living space added up to 597 million square metres, or 46.7 percent of the total. Living space averaged 6.1 square metres per person, or 1.6 square metres more than in 1949 (4.5 square metres). From 1952 to 1985, investment in housing of state-owned units reached 127.7 billion yuan, 42.7 percent of their total investment in

non-productive projects. The pace of urban housing construction quickened since 1979. Between 1979 and 1985 the area of houses built with state investment amounted to 570 million square metres, exceeding the total built in the 29 years previously.

The per-capita living space varied with the size of the city. People in small cities had more living space. People in super-large cities had the smallest living space. The cities were divided into large, medium-sized and small cities

Urban Living Space

	Small Cities (with less than 200,000 people)	Medium-Sized Cities (with 200,000-500,000 people)	Large Cities (with 500,000-1 million people)	Extra-Large Cities (with over 1 million people)
Number of cities surveyed	177	94	30	22
Per-capita living space (M ² /person)	6.65	6.08	6.19	5.86

Average Per-Capita Living Space in the Provinces With the Highest Figures and the Lowest Figures

	Whole Province	Small Cities	Medium-Sized Cities	Large Cities	Extra Large Cities
Six provinces	7.19	7.25	6.84	7.41	7.35
Zhejiang	7.64	7.38	7.17	7.87	8.07
Fujian	7.49	7.69	5.52	8.10	
Hunan	7.11	6.89	6.85	7.81	
Sichuan	7.11	7.39	6.82		7.14
Hebei	7.10	7.07	6.81	7.33	
Jiangsu	7.07	6.18	6.98	6.94	7.38
Three Provinces	4.85	4.88	4.87	4.79	4.86
Heilongjiang	4.98	4.99	4.93	5.04	4.92
Jilin	4.93	4.81	4.92	4.87	5.03
Liaoning	4.71	4.82	4.78	4.31	4.80

according to the non-agricultural population in 1985.

46.3 percent of the small cities surveyed had an average living space of over 7 square metres; 44.7 percent of the medium-sized cities had an average floor space of 6-7 square metres; and 43.3 percent of the large cities and 45.5 percent of the extra large cities had an average floor space of less than 6 square metres.

The per-capita living space is higher in southern provinces and comparatively low in the three provinces in northeast China. In the six provinces of Zhejiang, Fujian, Hunan, Sichuan, Hebei and Jiangsu, the per-capita living space averages 7 square metres or more; while in the 15 provinces, autonomous regions and municipalities of Hubei, Guizhou, Shandong, Shanxi, Gansu, Xinjiang, Henan, Beijing, Shaanxi, Yunnan, Ningxia, Anhui, Jiangxi, Qinghai and Guangxi, the figure stands at between 6 and 7 square metres. People in Inner Mongolia, Tianjin, Guangdong and Shanghai have 5-6 square metres of living space, and people in

Heilongjiang, Jilin and Liaoning in Northeast China have less than 5 square metres of living space per person.

The average per-capita living space for 55.53 million people (56.8 percent of city dwellers) is below the national average of 6.1 square metres, and 25.17 million people (25.7 percent) have an average space of less than 4 square metres. Those with an average space of over 6.1 square metres number 42.24 million people (43.2 percent); 20.58 million people (21 percent) have an average of over 8 square metres; and 9.87 million people have an average share of over 10 square metres. There are 7.54 million people (28.8 percent of the total households in cities) who are without their own rooms.

In the last 30 years or so China has also striven to improve its urban dwellers' living conditions. More people are using tap-water, electricity and kitchens. The use of electric lighting has reached 97.3 percent in the cities, and in 23 cities it is 100 percent; running water is used in 81.6 percent of homes; kitchens are in 70 percent.

However, there are indoor toilets in a mere 42.5 percent of urban homes, while heating is available in only 24.4 percent of homes in northeast China, north China and northwest China. Gas is used in 11.8 percent; and 7.6 percent of urban homes is equipped with bath-tubs.

By the year 2000 the per-capita living space in Chinese cities will be over 8 square metres, according to departments concerned. To achieve this almost every urban household should have one apartment, with a family of three given a two-bedroom apartment (24 square metres) and a family of four, a 3 or 4-bedroom apartment equipped with the necessary facilities. To solve the housing problem in the cities, China will have to add 700 million square metres of living space in the cities before the year 2000, which means a construction area of 1.5 billion square metres, or another 17 percent over existing construction area of apartment buildings. This calls for 500 billion yuan in state investment in housing in the cities, counties and towns. ■

Regulations on Encouraging Foreign Investment

In October 1986, the State Council issued the Provisions on the Encouragement of Foreign Investment (see "Beijing Review," issue No. 43, 1986). Since then, the relevant government departments have been formulating rules to implement them. In issue No. 3, 1987, "Beijing Review" published the Provisions on the Right of Autonomy of Enterprises With Foreign Investment in the Hiring of Personnel, which was drawn up by the Ministry of Labour and personnel. Six more sets of regulations are published in this and the coming issues. — Ed.

Provisions on the Purchase and Export of Domestic Products by Foreign Investment Enterprises to Balance Foreign Exchange Accounts

Article 1. These provisions are hereby formulated in accordance with the relevant regulations of the State Council for the purpose of facilitating enterprises with foreign investment to balance their foreign exchange accounts. Upon the approval of their application, the above-mentioned enterprises are allowed to purchase and export non-resultant domestic products so as to make up for their foreign exchange deficiencies.

Article 2. In principle, enterprises with foreign investment should balance their foreign exchange accounts by exporting the resultant products of their own enterprises. However, enterprises which have run into temporary difficulties in this regard may apply, within a certain period of time, for purchasing and exporting non-resultant domestic products (except those subject to unified handling under the state regulations) so as to balance their foreign exchange accounts.

Article 3. An enterprise with foreign investment which complies with Article 2 of the provisions and which needs to purchase and export non-resultant domestic products to balance its foreign exchange accounts should first apply to the local provincial department of foreign economic relations and trade, stating the sum of foreign exchange and the corresponding sum of RMB yuan needed that very year to purchase domestic products for export, and their names, specifications, quantities and their export channels.

Article 4. The approved quantity of non-resultant domestic products to be purchased by a foreign investment enterprise should be limited by the amount of foreign exchange needed to make up for what is needed in its production and operation for the year and in helping the foreign investor to remit its earned profits abroad or in its termination and liquidation.

Article 5. Foreign investment enterprises which are approved to purchase and export non-resultant domestic products to balance their foreign exchange accounts should mainly purchase products manufactured in the provinces, autonomous regions or municipalities where they are located. If they need to purchase them in other provinces, they should first have the approval of the provincial-level department of the foreign economic relations and trade of the relevant provinces, autonomous regions and municipalities.

Article 6. The domestic products purchased by enterprises with foreign investment for export in order to balance the enterprises foreign exchange accounts must be shipped out of China and sold abroad, and must not be re-sold within China.

Article 7. Enterprises with foreign investment which are approved to purchase non-resultant domestic products to balance their foreign exchange accounts may export the products by themselves or by China's foreign trade corporations as their agents.

Article 8 Apart from approving enterprises with foreign investment to purchase domestic products for export, the people's governments of all provinces, autonomous regions, municipalities and cities with independent plans may, with the prerequisite of fulfilling state export targets, organize export of their local products through specialized foreign trade companies. Of the foreign exchange thus earned and retained by localities in accordance with the relevant state regulations, some will go to the suppliers of the products according to the stipulated ratios and the rest may be used by local people's governments to balance the foreign exchange accounts among the enterprises with foreign investment under the

(Continued on P.34)

Beijing and Guangzhou: Values Differ

"NAN FENG CHUANG"

(South Wind)

I like strolling the streets of Beijing. The streets there are broader and smoother than in Guangzhou, and I feel peaceful sauntering along the pavement. But both Beijing and Guangzhou find it difficult to turn the busy small lanes of their old sections into modern roads. So many of them have survived.

Bookstands are to be found all over Beijing's streets in larger number and scale than in Guangzhou. Guangzhou's bookstands only offer popular literature, but Beijing's appeal to people of every educational level. For instance, the books such as *Le Défi Mondial* ("The World Challenge") and *Leaders* are hard to find in Guangzhou. Is it because the booksellers there are so ignorant that they haven't heard of them, or is it that the public is not interested in them even if the bookstands are loaded with such books? Whichever is true, this shows that the interests of Beijingers and Guangzhouese differ greatly.

However, Guangzhou has other advantages. For instance, the Guangzhou Friendship Store is open to everyone, whereas the one in Beijing is open only to foreigners and visitors from Hong Kong and Macao. Moreover, the sense of social ranking is more rigid in Beijing than in Guangzhou. For example, some young men from Guangzhou have given up employment in state-owned enterprises in favour of becoming businessmen, and one young woman preferred to work in a roast-goose store rather than study at Beijing University. Such choices are inconceivable for Beijingers.

Beijing and Guangzhou have different values. Beijing values intellectual work, but people from

Guangzhou think more highly of people who are good at business and can earn more money. Wealthy individual households in Beijing do not enjoy much respect, but in Guangzhou it is the writers who are looked down upon. This is why talented young people in

Beijing prefer to engage in literary work, while young people in Guangzhou wish to go into business. Maybe this is why a large number of new talent has emerged in northern Chinese literature while the number of students in literary training groups in Guangzhou has declined.

(by Huang Tianyuan, No. 3, 1987)

Meteorologists in Qinghai Province

"QINGHAI RIBAO"

(Qinghai Daily)

Despite poor transport facilities and harsh climate, meteorologists in Qinghai Province make round-the-clock observations and records of weather trends in the Qinghai-Tibet Plateau and use sophisticated communications equipment to transmit meteorological data to Beijing and other parts of the world. Their contribution to human exploration of the atmosphere is a great one.

The meteorologists marched into the hinterlands of the Qinghai-Tibet Plateau in the early 1950s. They carried their instruments on their backs and travelled on horses and oxen and set up many ground and upper-air meteorological stations. Most of those pioneers are old now, but their attachment to the region and to their work remains strong. They have been joined by many promising young volunteers from

different cities who want to contribute their intelligence and training to this task.

Qinghai has 12 ground meteorological stations and four upper-air stations which all contribute to the world's weather information network. Nine of the stations are located at elevations of 4,000 metres or higher. For instance, the Wenquan meteorological station is the highest ground meteorological observatory in the world and the Tuotuohe station is one of the world's highest upper-air stations. The weather information they provide are generally acknowledged as very valuable by meteorologists in China and abroad.

As meteorological technology has improved, Qinghai's meteorological stations have been fitted with advanced equipment, such as a meteorological satellite receiver and Great Wall 0520 microcomputer. These all help expand academic exchanges and technical co-operation with foreign countries.

(March 27, 1987)

Deng Xiaoping and 'Red Star News'

"LISHI ZHISHI"

(Knowledge of History)

In the early 1930s, Deng Xiaoping took part in the struggle in the Central Soviet Area of southern Jiangxi and western Fujian. Because Deng held to the correct line with Mao Zedong as the leader, he was dismissed from a leading post by the Party Central

Committee headed by Wang Ming and was appointed chief editor of *Red Star News*, then the official newspaper of the General Political Department of the Red Army.

Because there were only two staff members at the *Red Star News*, Deng Xiaoping had to do much of the work including rewriting articles, layout, writing headlines and proofreading.

Historic record shows that *Red Star News* published 17 columns or supplements such as "Leninism," "Theoretical Study," "Military Knowledge," "Military Tests," "Hygiene and Sanitation," "Club," "People," "Iron Hammer," "Tribunal" and "Literature and Art." The "Leninism" column was devoted to study of Marxist theory including discussions of the problem of war and the Paris Commune. The "Tribunal" supplement was used to publicize revolutionary legal knowledge

and to report events covered by military law, while the literary and art supplement were used to publish folk songs, songs by Red Army soldiers, and riddles. Deng made the paper very active and it was welcomed by Red Army officers and soldiers as well as local people, who called it "a big mirror," "a radio station" and "a Red Army club."

It was after the historic Zunyi Meeting in January 1935 that Deng Xiaoping was transferred to another post.

(No. 1, 1987)

Regulations Protect the Elderly

"ZHONGGUO XINWEN"

(China News)

Recently, the Tianjin municipal people's congress approved and promulgated a set of regulations protecting the legal rights of senior citizens, the first law specially formulated for the aged by a local government.

The document, which will go into effect July 1, 1987, includes the following provisions:

— Guaranteeing senior citizens' inviolable rights of personal safety. All acts such as beating, abuse, insult, slander, maltreatment and forsaking are forbidden.

— All elder citizens have the right to claim support and assistance from their children who

have come of age.

— Guaranteeing senior citizens' right of freedom to marry. No one is allowed to interfere with the elderly in matters of divorce or remarriage.

— Guaranteeing legitimate rights with regard to property. No one is allowed to seize the legitimate property of the elderly. Senior citizens' have the right to refuse demands for financial support from their grown children.

— Ensuring senior citizens rights of residence. Adult children and other relatives have no right to invade and occupy elder people's houses or change their housing conditions by force.

(March 20, 1987)

The Tricycle: A Great Way to Go

"RENMIN RIBAO"

(People's Daily)

Each day, more and more tricycles are to be seen on Beijing's streets. A new variation on the bicycle, they are much loved by the people who use them.

Tricycles are easy to make and very versatile. A bicycle can be turned into a husband-and-wife vehicle just by adding a third wheel and another seat. Retired

couples can use tricycles instead of walking. Old couples can carry grandchildren in their arms to school or play. Some people call tricycles the "old folks' car." During National Day in 1986, many young people used tricycles to take their parents to see the flowers at Tiananmen Square. Tricycle can also be used as an ambulance because they can carry patients to the hospital easily and safely. The tricycle has been

nicknamed "Quanjiafu" (happiness for the whole family). Since most Chinese families today have only three members, the tricycle solves the problems of getting to work and getting children to school or kindergarten.

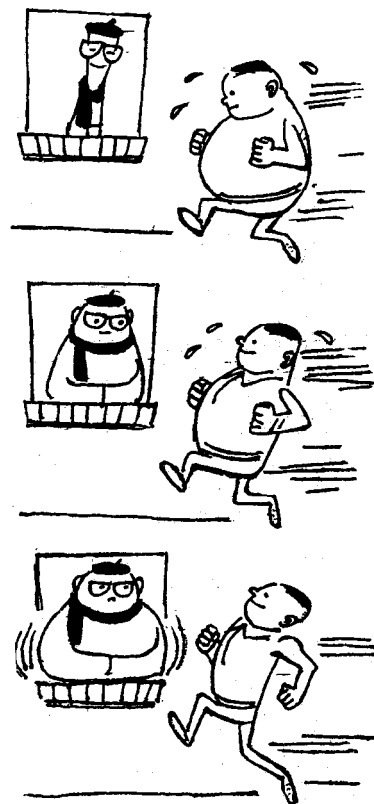
Tricycles not only meet people's everyday needs but have also led to new social relationships between husbands and wives, and the old and young.

In recent years, some people have advocated the development of family automobiles. While this would be a good idea, it is hardly feasible for most Chinese families because of cost, scarce gasoline supplies and lack of garage space. So, mass production of cars is impossible at present but the use of tricycles should be encouraged.

(Jan. 28, 1987)

Exchange.

CARTOON by HE WEI



Foreign Funds Used in Communications

During the Seventh Five-Year Plan period (1986-90), a total of US\$400 million of foreign investment will be spent to accelerate improvement in post and telecommunications. Coming mainly from foreign government loans, the money will be used to develop programme-controlled telephone exchanges and optical fibre cable production lines and to build digital microwave lines in provincial capitals, coastal open cities and the four special economic zones.

For these projects, China has held talks with about 10 countries including Japan, Holland, France, Italy, Sweden, Spain and the Federal Republic of Germany. Some have already yielded results such as the agreement on using French government loans to construct a 200,000-channel programme-controlled telephone exchange in Beijing and updating the microwave line between Hankou and Chongqing. Other loan-money will be used to improve local post and telecommunications in Jiangsu,

Zhejiang, Liaoning, Guangdong provinces and Chongqing.

The construction of 250,000-channel programme-controlled urban telephone exchanges imported with a 35 billion Japanese yen loan granted by the Overseas Co-operation Fund of Japan is under way in Tianjin, Shanghai and Guangzhou. The work is expected to be completed in two or three years. This is the biggest project involving overseas investment in the post and telecommunications in the country.

China is also interested in co-operating with foreign businesses to manage relevant industrial production. The Shanghai Bell Telephone Equipment Manufacturing Co., a Sino-Belgian joint venture with an annual capacity to produce 300,000-channel programme-controlled exchanges, has gone into operation. Now China is holding talks with foreign businesses on jointly managing optical fibre production lines.

In the last few years China has imported programme-controlled

telephone exchanges totalling 1.2 million channels and put 300,000 channels into operation. China also plans to import advanced telecommunications equipment such as telex, digital microwave and optical fibre cables. ■

New Loans for Foreign-Aided Firms

The Bank of China (BOC) has issued Regulations on Providing Loans to Foreign-Financed Enterprises, which came into effect on April 24.

Compared with the Provisional Regulations for Providing Loans to Joint Ventures of Chinese and Foreign Ownership issued by the Bank of China in March 1981, these 27-article regulations offer foreign-funded enterprises better terms for getting BOC loans. They include:

More Loans. The Bank of China will give loans not only to Sino-foreign joint ventures as before, but also to Sino-foreign co-operative and wholly foreign-owned enterprises.

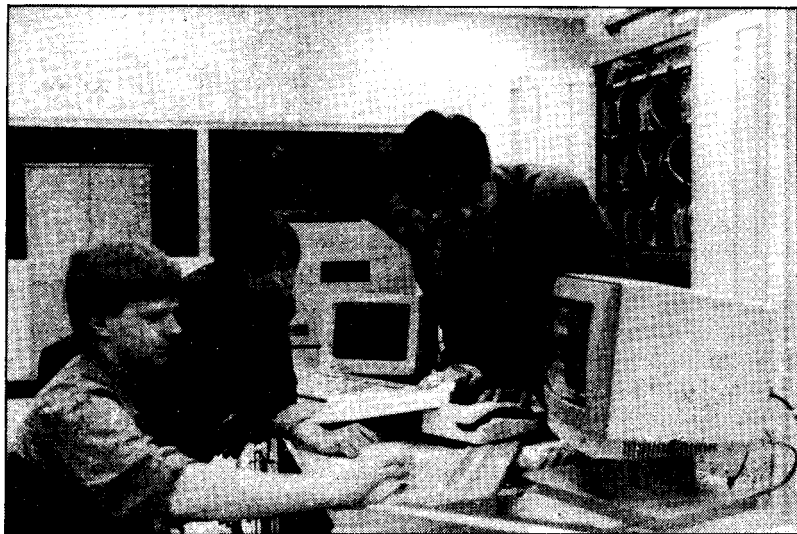
Greater variety. Fixed assets loans are included to finance construction, technology and equipment purchases, and installation. They will take the forms of medium and short-term loans; buyers' credit; syndicated loans; and project financing. For the convenience of the customer, the Bank of China will provide overdrafts on current accounts, stand-by loans and Renminbi loans against mortgage.

Flexible interest rates. Foreign currency loan interest will be worked out in light of international market conditions, including the fixed and floating rates. For Renminbi loans, the People's Bank of China rate for state-owned enterprises will apply.

The Bank of China will grant loans to enterprises with foreign investment which qualify for BOC

A Belgian expert and Chinese technicians debugging an international telephone exchange imported from Belgium.

SONG LIANFENG



loans. Export-oriented and advanced technology enterprises will enjoy priority in getting loans.

Loan agreements signed between the Bank of China and enterprises before the promulgation of the regulations shall go through according to their original provisions. ■

Olivetti Repair Shop Founded in Beijing

The Beijing Maintenance Station, a joint venture between the China National Aero-Technology Import and Export Corp. and Italy's Olivetti Co., was established in early April in Beijing.

The station will repair Olivetti's micro-computers and electronic typewriters for Chinese users and offer technical and consulting services.

The station is in the Great Wall Scientific Instrument Factory. This factory develops aviation precision testing devices.

Olivetti is well-known for its technology and information resources. Its products include computer-aided office stationery, data processing system, EF of ETV series electronic typewriters.

More Foreign Funds for Power Projects

This year, China will use foreign funds to build more power stations. They include the Shanghai Wujing Thermal Power Plant, the World Bank-funded Ertan Hydroelectric Power Station in Sichuan Province and the Japan loan-funded Tianshengqiao Hydroelectric Power Station in Guizhou Province, each with an installed capacity of 600,000 kw.

China has also signed contracts for importing equipment for six power stations with a combined installed capacity of 3.4 million

kw. The Dagang Power Station in Tianjin will be equipped with two 330,000-kw generators from Italy; the Jiangyou Power Station in Sichuan with two 330,000-kw generators from France; the Huangdao Power Station in Shandong and the Zhangze Power Station in Shanxi, each with two 210,000-kw generators from the Soviet Union.

In addition, China has concluded a contract with Italy on importing microwave DC power transmission equipment for the line between Hubei's Gezhouba and Shanghai, and another with the Soviet Union on importing part of the equipment for two 500-kv transmission lines. The two projects are valued at US\$950 million.

By the end of last year, China had completed 10 power stations with foreign funds including US\$1.419 billion from the World Bank. It has also signed contracts on importing 212 generating sets.

Trade News in Brief

■ On April 24 the Bank of China issued US\$200 million floating-rate notes on the Singapore money market for the first time. The Daiwa Securities Ltd. of Japan acted as the lead manager of the issue, working with six other banks from Japan, France, Singapore, the United States and the Federal Republic of Germany. All the bank notes were bought up by 30 foreign banks and securities companies.

This is the ninth time the bank has issued bonds in a foreign country and the money will be used for construction projects in and around Shanghai.

■ On April 26 China and Czechoslovakia signed a contract in Beijing on establishing the China-Czechoslovak Ocean Shipping Corporation, the first joint venture between these two countries. The corporation will ship goods, serve to exchange information on shipping between the two countries and ensure the supply of

goods for the bilateral trade. It has a general office in Prague and a branch in Beijing. Shared equally by the two sides the corporation has a 5-year co-operation period which will be extended if both sides agree. Each side has put up a 10,000-ton-class ship for the corporation.

■ The Shanghai Jiaotong University and the Canadian International Submarine Project Company recently signed a contract to develop jointly a remote control automatic underwater device. According to the contract this co-operation will take place in order to help China exploit offshore oil and provide new technology for its salvage work.

Before this the two sides also concluded an agreement on opening a China-Canada underwater research centre.

■ A MD-82 passenger aeroplane jointly manufactured by the Shanghai Aviation Industrial Company and the US McDonnell Douglas Aircraft Corporation will be given its test flight in early July and will be delivered to the Shenyang Civil Aviation Administration. Three MD-82 aeroplanes are being assembled at the Shanghai Aircraft Manufacturing Factory, and by 1991 the factory will produce 25 such planes for CAAC.

■ In Mid-April in Beijing, China and Chile signed a contract for the joint founding of a new company, the Beijing-Santiago Copper Pipe Ltd. The first Sino-Chilean economic co-operation project, this joint venture has a total investment of US\$9.93 million and a co-operative period of 15 years.

Chile will provide the raw materials for a preferential price. Production equipment will be imported from Britain and some will be provided by China. The company is expected to be ready for production in 1989 and will produce 5,000 tons of copper pipe in the first year. The production capacity should increase to 8,000 tons, and half will be for export.

'Unknown' Professor of Vocal Music

The voice of nationalities," a recent concert held in Beijing's Cultural Palace of Nationalities (the Minzugong), brought together singers, ranging in age from 17 to over 50, from more than ten of China's many diverse ethnic groups, including Tibetans, Mongolians, Hui, Miao, Uyghurs, and Hans. Although the singers came from different cultural traditions, they had one thing in common: they were all students of Wang Pinsu, and they gathered in Beijing to celebrate her fortieth anniversary as a teacher of singing.

The 64-year-old Wang, a native of Kaifeng, Henan Province, is a graduate of the Shanghai Music School. She has been teaching

traditional Chinese music and folk singing at the Shanghai Conservatory since 1946. Over the years, Wang has developed a unique approach which blends Western and Chinese singing styles. "Every nationality has its own singing style which should be developed," says Wang. "I require my students to sing their own folk songs in their own languages. This can give the songs an original quality, and this has been the fundamental aim of my teaching."

"We also borrow from Western singing styles," Wang explains. "The purpose is to keep the larynx in a more steady position, to make breathing easier and consequently making the singing smoother. This

also can alleviate pressures on the chin and tongue muscles."

Wang's students, many of whom have gone on to become star performers and competition prize winners, can be found all over the country. Caidan Zhoima, a 50-year-old Tibetan, is probably the best-known. She was accepted into the Shanghai Conservatory in 1958, when a group of professors from the institute went to Tibet for an open enrolment competition. When she first registered in Wang's class in 1958, she did not speak a word of the Han language. In order to help her to get through the course, Wang taught her some Han language so that she could understand musical terminology. In return, the pupil taught her professor Tibetan language and Tibetan singing. Caidan reached stardom in 1964 with her appearance in China's first song-and-dance epic "The East Is Red." She has remained popular ever since, and has been invited to perform in several countries. Among her domestic appearances in recent years was a performance in Tibet in 1985 to mark the twentieth anniversary of the founding of the autonomous region.

Tenor Fu Zuguang is another of Wang's prize students. Fu, a member of the Tujia nationality, studied with Wang in 1981. In 1984 he was selected as one of the 10 best singers in Hubei Province, and in 1985, he won the top prize in China's first national vocal music contest of ethnic groups.

The Beijing concert was a tribute to Wang's teaching career. At the end of the concert, all her students vied to have their pictures taken with the grey-haired professor. This showed their respect for Wang who has produced many stars while she, herself, remains unknown to the public. ■

Fu Zuguang: one of Wang's prize students.

XU XIANGJUN



Beijing Relishes Its Restaurants

Eating in Beijing has become a pleasure for the city's residents and foreign visitors.

In recent years, more than 150 local-cuisine restaurants and a dozen foreign-cuisine restaurants have opened in Beijing offering over 2,000 famous dishes. Some of them are run by established rather fancy managements including the Shanghai Gongdelin Vegetarian Restaurant, the Guangzhou Da Sanyuan Restaurant, the Hangzhou Zhiweiguan Restaurant and the Suzhou Pine and Crane Restaurant. Also, Beijing has many regional delicacy snack bars such as "Goubuli" steamed dumplings from Tianjin, Shanghai's rice flour cakes, Sichuan's laitangyuan (stuffed dumplings made of glutinous rice flour served in soup) and Hangzhou's small steamed dumplings.

In bringing the flavour of other cities and towns to Beijing, some of its own traditional refreshments have revived after many years of lying dormant, Zhengyangxi market which started up during the 1987 Spring Festival provided over 100 kinds of snacks. Over 600 snack bars in Beijing offer snacks including Muslim, Korean, Manchu and Inner Mongolian dishes.

With so many joint-venture hotels being built, French-style, American-style and Japanese-style restaurants have also appeared. The Mingzhu Sea Food, a Beijing-Hong Kong joint venture, provides fresh sea foods to diners in Beijing.

The fast food business has also appeared. At present, Beijing has 25 fast food emporia including the Xinqiao Sapporo, a Sino-Japanese joint venture. California's King of Beef Noodles, and Kentucky Fried Chicken will open soon. ■

Nanjing Rebuilds River for Tourists

The scenic spots along both sides of the Qinhuai River which passes through the ancient capital of Nanjing are being repaired and rebuilt. There were over 30 projects which started last year.

There are more than ten scenic spots along a 5 km stretch of river bank including the Yuyuan and Zhangyuan Gardens, the Chaotiangong Palace, the Confucian Temple, Zhonghuamen Castle. They will all be renovated.

On the southern bank of the river, a one kilometre promenade and two rows of traditional houses have been built recently. ■

Folk Tour On Offer

A folk-custom tour has recently opened in Weifang city, Shandong Province. Centred on the city, the trip includes the "Yunmen Fairyland in Qingzhou city and China's biggest fossil collection in Linqu County. The tour covers over 700 kilometres. People visiting Anqiu County may stay with the farmers and join them in flying kites and riding

donkeys.

In Weifang, in addition to the unique fireworks and lantern fair, tourists may see the art of the calligrapher Zheng Banqiao in the Qing Dynasty (1644-1911), and buy the beautiful kites and the woodcut New Years pictures. ■

Tailpieces

■ The Hall of Majesty (Daxiong Baodian) of the Shaolin Temple at Mt Songshan has been completely restored and opened to the public.

The Hall of Majesty was built during the Jin Dynasty (1115-1234), and rebuilt during the Ming and Qing dynasties (1368-1911). Badly damaged during the war in 1928, there remained only 14 stone pillars and rubble which has now been used in the rebuilding.

■ The Yanqingguan Temple in Kaifeng city, Henan Province, has opened to the public after being renovated. It is well-known in China's Taoist history. Other attractive tourist spots in Kaifeng includes Daxiangguo Monastery, Dragon Pavilion and Iron Pagoda.

■ The Memorial Hall of Wang Anshi, political reformer in China's ancient times, was recently completed on the Dongqian lakeside in Yinxian County, Zhejiang Province. Wang once served as the county magistrate and achieved notable results in harnessing the Dongqian Lake. During the Ming Dynasty (1368-1644), people built the Zhongying Temple in his memory, but it was damaged during the "cultural revolution."

The Gongdelin Vegetarian Restaurant in Beijing.

XUE CHAO



What Marxism Means: One Student's View

Many readers, I am sure, were interested in this article, as I was. I would like to give my opinions about it as a spectator who is neither a socialist nor a capitalist.

Shi Ling raises questions about China's situation, especially its future. Was she putting questions which are common to a majority of young Chinese people? As always, we are optimistic, and hope that an objective answer will soon be given.

Shi Ling writes that many new, West European things have recently come to China, and that she was bewildered when she saw "modern life" as it appeared on her television. She fell into a dream, like a person from the countryside seeing the big city for the first time. This made her start to think along absurd lines.

Ms Shi Ling should know that Marxism is seen as a real, scientifically worked out theory. It has proved itself through the great progress which many socialist countries, including China, have made.

Shi Ling should remember, that it was two centuries of struggle which brought the USA to its position as the world's economic giant, while it took the Soviet Union only 40 years to become a

military and economic superpower.

Shi Ling should also keep in mind that through the socialist planned economy, China, the Soviet Union and other countries made great progress, and we are sure that if the socialist mode of production is strengthened consistently, China may be able to do in 80 to 150 years, what it took the United States two or three centuries to do.

We all felt that Shi Ling and with her probably many other young Chinese people, did not fully understand socialist countries' scientific development. While Europe is suffering a crisis of unprecedented gravity, Shi Ling is bewailing what she calls "Marxism in crisis." Although there are difficulties in Marxist countries' road of advance, they are relatively minor.

Shi Ling mentions the confusion of politics and economics in certain socialist countries. Yet, she does not know the problems in capitalist countries' armies of unemployed people, terrorism, violence, invasions, interference in other countries' internal affairs, turbulence in the Middle East, Namibia's lack of independence and apartheid in South Africa. Shi Ling should know that Marxism

does not oppose co-operation between countries with different social systems.

One of the capitalists' strategies was to isolate China economically. They tried to pressure China into changing direction. The Chinese people chose to be masters of their own destinies.

Today, China stands as a strong economic country. It will not let anyone seek to destroy its economy through trickery. Economic co-operation with capitalist countries does not mean that the achievements of socialism are put to the service of the capitalists.

Finally, I would ask Shi Ling to do some reading about the world economy before contributing any more articles to the press. She is too young to be blamed by history. But Marxism was founded by a great historical thinker—Karl Marx and developed by two other great thinkers, Engels and Lenin, after that the proletarian vanguard continued to enrich Marxism.

The optimism of Marxism is built on the belief that as the working class develops the consciousness of its historical mission, and proceeds to lead the masses, it is invincible.

J.L. Tamba
Liberia

(continued from P.27)

Regulations

supervision of the local foreign exchange control departments.

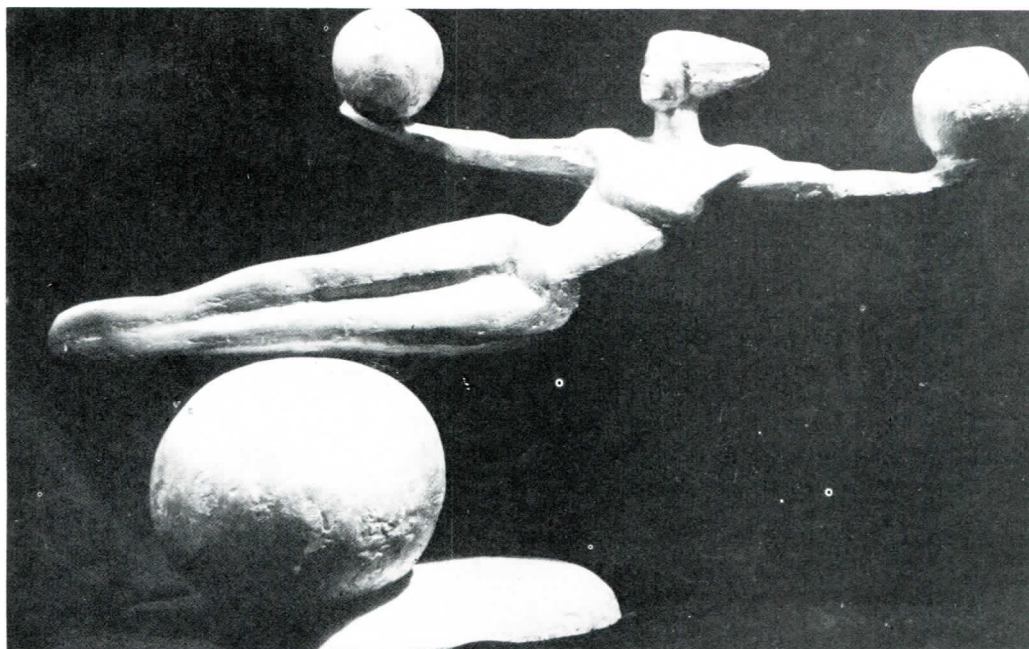
Article 9. With regard to the products to be purchased and exported by enterprises with foreign investment as mentioned in Article 3 of the provisions, and those to be exported by people's governments of provinces, autonomous regions, municipalities and cities with independent plans as mentioned in Article 8, the purchase and export of those commodities which require state export licences or are subject to export quotas should be approved by the Ministry of Foreign Economic Relations and Trade. That of other commodities

should be approved by provincial-level departments of foreign economic relations and trade and then be submitted to the Ministry of Foreign Economic Relations and Trade for record.

The above-mentioned approving departments should give replies for the applications within one month beginning from the date of receiving them. Among the approved export products, the export licences required for those that should be exported with licences should be issued in accordance with the procedures of the Ministry of Foreign Economic Relations and Trade on applying for export and import licences by foreign investment enterprises.

Article 10. These provisions shall go into effect on the date of issue.

Humanity and the
universe.

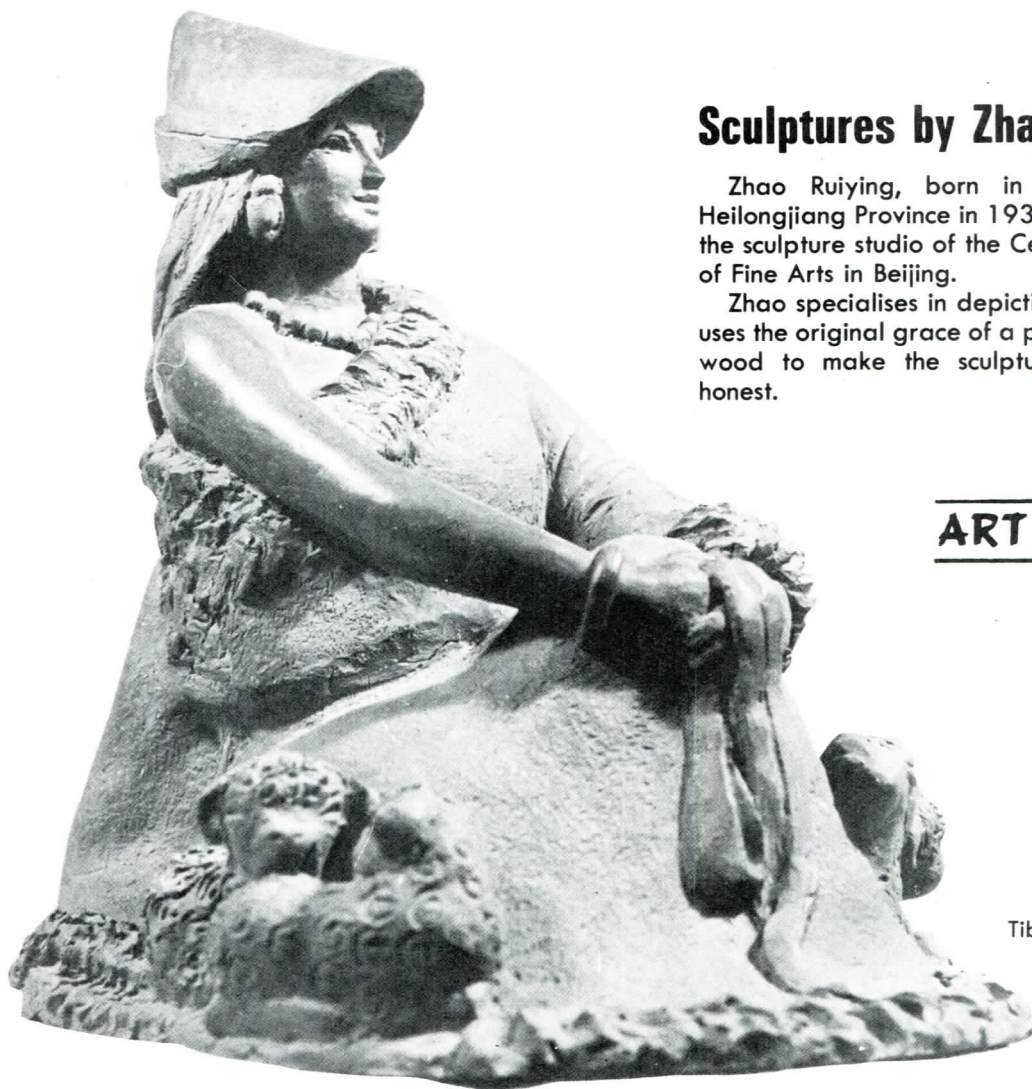


Sculptures by Zhao Ruiying

Zhao Ruiying, born in Qiqihar City, Heilongjiang Province in 1930, now works in the sculpture studio of the Central Academy of Fine Arts in Beijing.

Zhao specialises in depicting women. She uses the original grace of a piece of stone or wood to make the sculpture simple and honest.

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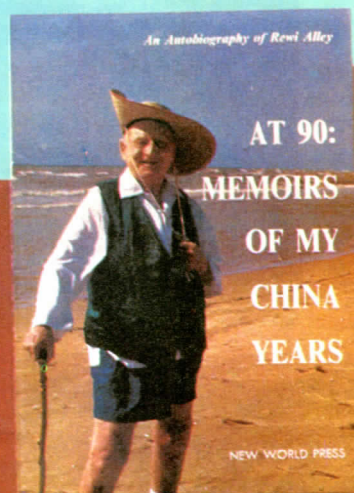


Tibetan Shepherdess.

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