

A CHINESE WEEKLY OF NEWS AND VIEWS

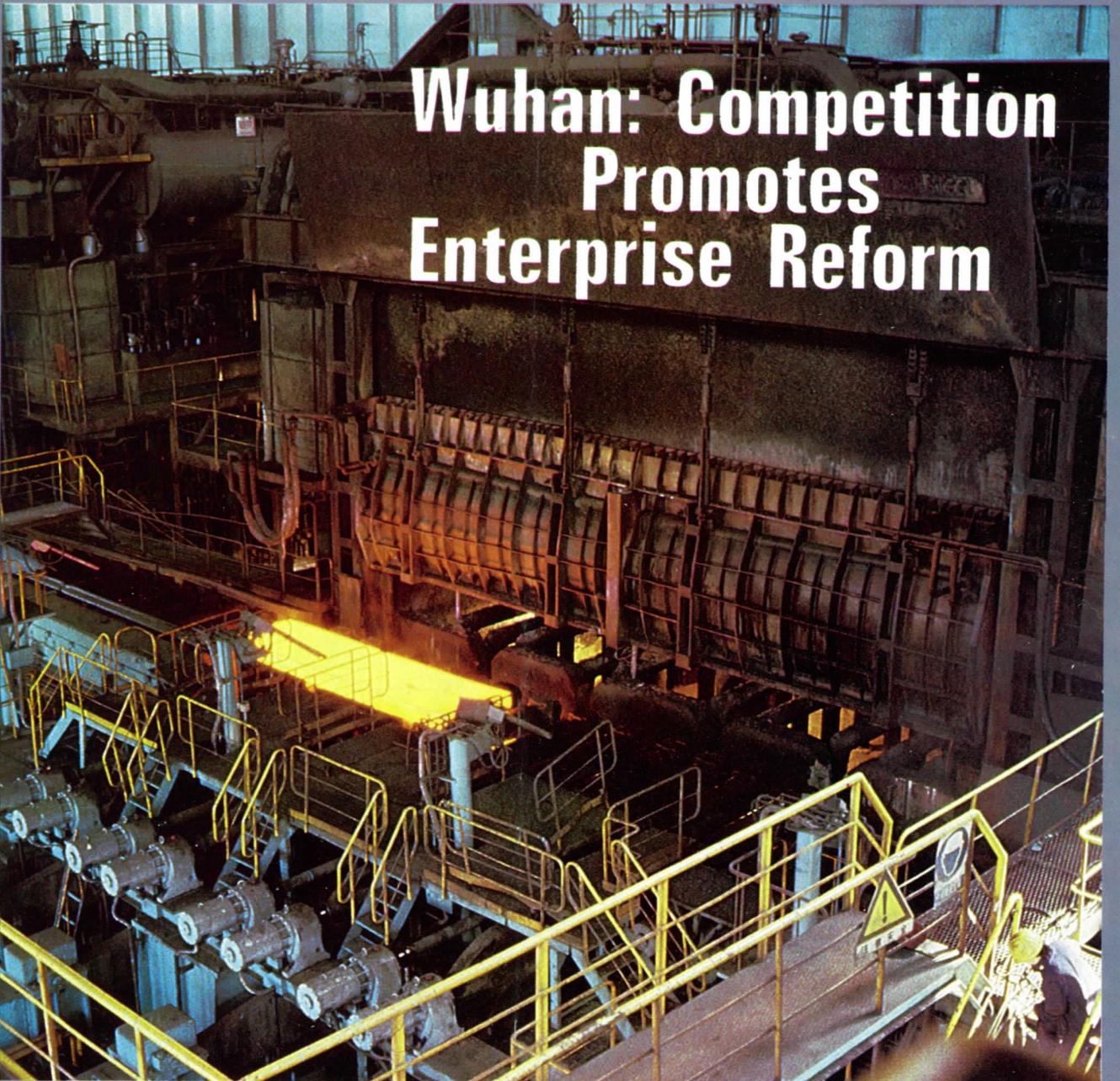
# Beijing Review

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## World Prospects for the Years Ahead



### Wuhan: Competition Promotes Enterprise Reform



A farmer evening party in  
their cultural palace.

*by Gu Xinsheng*

A farmer orchestra. *by Ma Ping*



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**Li Yang**

### Re-orienting Rural Education

■ Attention is being focused on the need for China's rural education to overcome its tendency to pursue solely the highest rate of admissions to a higher school, and shift its emphasis into training rural people for their localities (p. 4).

### Wuhan's Enterprises Thrive Through Competition

■ After Wuhan opened its door, commodities from other areas poured into the city, stimulating the local market, but also hitting the local industry. This forced local businesses to seek new ways of survival and strive to make their products more competitive (p. 20).

### Putting Law in the People's Hands

■ The CPC Central Committee's 1985 call for spreading knowledge of the law throughout the population in five years is seen as a major step in strengthening the legal system after the tumult of the "cultural revolution." This article examines the impact of this work in Shanghai (p. 24).

### New Period of Detente Is Forecast

■ The United States and the Soviet Union will probably follow up the signing of the INF treaty with actions aimed at further improving their relations. This development will likely lead to an extended period of detente. A noted Chinese expert on international issues makes this and other predictions about global political trends (p. 14).

### Eastern Europe Pursues Reform

■ The economic and political reforms of socialist countries are being followed with great interest by people around the world. Hungary, Poland and Bulgaria have advanced their theories about reform and have implemented reform measures that correspond to their own conditions. A review of their progress (p. 17).

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# Re-orienting Rural Education

by Ge Wu

China's rural education must overcome the tendency of pursuing the highest rate of admissions to a higher school and shift the focus to training rural people for rural economic development. That is an important topic of discussion in China's educational circles.

Since the founding of the People's Republic in 1949, China's agricultural colleges have trained 1.04 million university and secondary technical school graduates, of whom 630,000 quit farming, over 400,000 remained agricultural administrative departments and only 150,000 really continued to work in the forefront of agriculture (mainly in county-level agricultural organizations). On average less than one university or secondary technical school graduate is working on every 666 hectares of farmland.

In developed countries about 60-80 percent of the increase in agricultural production is due to new technology, whereas in China, the adoption of new technology accounted for only 30-40 percent of the increase during the Sixth Five-Year Plan (1981-85). About 70 percent of the country's scientific research results could not be applied widely, primarily due to the low sophistication and level of technological knowledge among agricultural workers.

In China's socialist modernization, agricultural modernization is the most complicated and difficult area. Of China's 1 billion people 800 million live in the countryside and depend mainly on hand tools for their living. The decisive factors in the modernization of agriculture will be more agricultural scientists and technicians, and the Chinese farmer's

higher level of sophistication. The issue affects not merely China's rural development but the destiny of the Chinese nation.

An educational network has been set up and a nine-year compulsory education system is being instituted in China's countryside. In the guideline for education, rural needs are generally overlooked in favour of higher admission rates into a higher school. Meanwhile, the number of students who can be admitted into

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***Socialist construction not only requires highly qualified personnel, but also primary and medium-level educated people; it calls for an improvement in ordinary farmer's scientific and cultural levels.***

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universities or secondary technical schools comprises only 5 percent of children who complete primary school. The overwhelming majority must work in the countryside. Because teaching is not geared to local needs, the many people who do have a basic education cannot use what they have learnt since it did not include agricultural production skills, technology and management.

The 1985 Decision of the Central Committee of the Communist Party of China on Reform of the Education System states that education must serve socialist construction which in turn must rely on education. This policy must be comprehensively implemented.

Socialist construction not only requires highly qualified personnel, but also primary and medium-level educated people; it calls for

an improvement in ordinary farmer's scientific and cultural levels. Rural education should indeed allow for gifted students to go on to higher schools, and should teach the less academically gifted useful techniques for local production.

Encouraging rural education to serve local purposes does not mean that regular middle schools should slash the curriculum in favour of specific skills. As long as schools set their orientation in the right way, the students should be able to learn a wide range of basic knowledge as well as what is specifically needed for local construction, such as local history, geography, resources and agriculture, sideline skills and certain techniques relevant to village and township industries. Some well-managed schools have already had experience in this.

A junior middle school in Qinglong County, Hebei Province, has a labour class which teaches students fruit tree cultivation in the school's two-hectare orchard. These lessons have boosted the output of fruit trees, and teachers and students help the local farmers to solve their technical problems. The school's rate of higher middle school admissions has not dropped. Some middle schools in Liaoning Province added to their curricula the teaching of vocational skills and changed the three-year school system into a four-year system. Classes teaching practical skills are also open to the graduates of some local primary schools.

In addition to regular middle and primary schools, vocational and technical schools in the countryside should decide their size, educational methods and curricula on the basis of local



needs. It is expected that by 1990 the proportion of vocational and technical education centres to senior middle schools will have reached 1:1.

Apart from three-year rural vocational middle schools, short-term technical training classes should be opened mainly for senior and junior middle school graduates who stay in the countryside. In underdeveloped rural areas, the farmers are calling for an end to their poverty. Long-term technical schools cannot help in time, whereas short-term training classes can yield quick results because they teach immediately applicable skills. Specialized skills taught stage by stage will help students systematize their knowledge. A bamboo-weaving class in a Sichuan mountain area helps students to master the technique of producing low-grade products in three months, medium-grade products in another six months to one year, and gives the qualification of bamboo-weaving technician to students who pass an examination.

In a successful rural education system, the school will be a rural education centre as well as a cultural and scientific centre. Rural cadres, farmers and people in different trades and professions, who benefit from education, will be sparing no money to make up for the shortage in state education allocations. An encouraging situation will appear in which rural education and the rural economic construction will promote each other.

## Draft Enterprise Law Discussed

**T**he factory director's full power over management has been specified in an important draft law which concerns hundreds of thousands of China's state-owned enterprises with millions of workers.

The 24th Session of the Standing Committee of the Sixth National People's Congress (NPC) on January 11 began to examine the Draft Law on State-owned Industrial Enterprises.

"The provision reflects the principle of giving the factory director powers compatible with his or her responsibility," Yuan Baohua, vice-minister of the State Economic Commission, said in his report to the session.

"As the state gives the director powers over policy-making, business and personnel management, he or she is held responsible for not only the operation and management of the enterprise but also the training, education and the use of workers," Yuan said.

The factory director can be appointed or chosen from applicants by departments empowered by the government as well as chosen from applicants or elected by the workers' congress, the draft says.

The deputies will be appointed or removed by departments empowered by the government with the director's nomination.

The draft describes the role of the Party committee in the enterprise as "guaranteeing and supervising the implementation of Party and state principles and policies and supporting the factory director in fully exercising power according to law."

The draft lays down the state's principle of separating ownership of the enterprise from its day-to-day management. The enterprise enjoys the right to use and dispose of the property that the state puts under its control.

The draft law was approved in principle on January 9 by the third meeting of the Political Bureau of

the CPC Central Committee.

Qiao Shi, a member of the Political Bureau's Standing Committee said on January 8 that China should gradually bring its enterprise management into the orbit of the law.

"This is the road China must take to develop its socialist commodity economy," Qiao told reporters when he met the nearly 400 participants in the six-day national conference on the spread of legal knowledge in enterprises.

Qiao said the enterprise law is "very important," for it will free enterprises from impractical and confused directions from administrative departments.

The law has been drawn up based on the experiences of the country's current economic reform, Qiao added, and it will surely be beneficial to extending the reform within enterprises.

He said that great efforts should be made to ensure its smooth implementation. The NPC Standing Committee meeting also discussed a law governing Sino-foreign co-operative enterprises.

In his proposal to the committee, Acting Premier Li Peng said that the law has been written to expand international economic co-operation and technological exchange, encourage foreign investors to start co-operative enterprises in China, and protect the legal rights and interests of co-operative ventures.

At the meeting, Li Lanqing, vice-minister of Foreign Economic Relations and Trade, explained the law, which gives more priority and flexibility to co-operative enterprises than other forms of foreign investment in China.

"The draft of the law offers co-operative enterprises flexible terms governing investment, profit distribution, management and the handling of property in case an enterprise is terminated," Li said.

## Gang of Four Still in Jail

The four principal culprits of the Jiang Qing counter-revolutionary clique—Jiang Qing, Zhang Chunqiao, Wang Hongwen and Yao Wenyuan—known as the gang of four, are still serving their sentences, a spokesman for China's Ministry of Public Security said.

The spokesman said the rumour that some members of the gang were recently reprieved or released on parole because of health problems is "utterly groundless" and "nonsense."

Another ministry official said none of the 10 main members of the Jiang and Lin Biao counter-revolutionary cliques has committed suicide, as another rumour goes, since they were sentenced in 1981 by a special court. All are alive and in jail except Huang Yongsheng, the former chief of general staff of the People's Liberation Army, who succumbed to a disease in 1983 at the age of 72, the official said.

It is true that some of these criminals are quite old and vulnerable to sickness, the spokesman said, adding that if they are sick, they can get normal medical treatment in prison, as other convicted criminals do. Jiang is now 74 and Zhang 70.

The gang of four were members of the Political Bureau of the CPC Central Committee before they were arrested in 1976. On January 25, 1981, Jiang and Zhang were sentenced to death with a two-year reprieve. They were also permanently deprived of their political rights. Later, their sentences were commuted to life imprisonment. Wang was sentenced to life imprisonment and permanent deprivation of political rights, and Yao was sentenced to 20 years imprisonment and deprivation of political rights for five years.

The gang of four were convicted of carrying out conspiratorial

activities aimed at seizing supreme Party and state power, and of bringing calamities to all fields of endeavour and all regions of the country during the "cultural revolution" (1966-76).

According to the judgement of the court, the fixed terms of imprisonment for those who were sentenced to such penalties will run from the first day of enforcement of the sentences, with the deduction of one day for each day spent in custody before sentencing.

by Li Haibo

## China Reports Fewer Quakes

China had fewer earthquakes in 1987 than in the previous year, officials of the State Seismological Bureau said.

The country reported 29 earthquakes measuring more than five on the Richter scale last year compared with 89 in 1986. Nineteen occurred on the mainland, and most of the others on Taiwan Island. In 1986, the mainland had 30 earthquakes with magnitudes above five on the Richter scale.

Liu Defu of the Seismological Bureau's analysis and prediction centre finds the sharp decrease puzzling because the country has been in a seismologically active period since 1985.

In August 1985 an earthquake measuring 7.4 on the Richter scale struck northwest China's Xinjiang Uygur Autonomous Region, marking the start of the new phase. The area was again hit in May 1987 by a quake with a magnitude of six.

Despite the hundreds of monitoring stations throughout China, communications problems have hindered the efficient flow of seismic information. To remedy this problem, the country is building a nationwide seismic observation and forecasting system supported by 36 satellite ground stations at an expected

cost of 28 million yuan (about US\$7.5 million).

An up-to-date digital seismic network, jointly sponsored by China and the United States, was put into operation in October. Technologically it is among the most advanced systems in the world.

A recent symposium on abnormal animal behaviour before earthquakes was told that China has several hundred stations monitoring such phenomena. The symposium, sponsored by the State Seismological Bureau, was the first in the history of New China, said Luan Yi, an official of the bureau.

Standards for monitoring seismic disturbances through the observation of domestic and wild animals were issued at the meeting held in Wuxi, Jiangsu Province, last December.

China began regular research into seismic prediction through animal behaviour in the mid-1960s. Dogs, rabbits, chickens, pigeons and about 10 other kinds of animals can be used for the purpose. It is one of the major areas of research into earthquakes being conducted in the country.

Experimental sites for observing abnormal animal behaviour before earthquakes have been established in Shandong, Hebei, Henan and Guangdong provinces. The findings are to be publicized across the country.

## Student's Injury Causes Concern

A Chinese Foreign Ministry spokesman expressed his sympathy on January 6 for a Mexican student, Francisco Reges, who was injured in a fall in Beijing after getting drunk late last month. The spokesman also expressed his regret over Reges's unfortunate accident since he is a student in China and comes from a friendly country.

In reply to reporters' questions

about whether Reges was beaten up and if he can get compensation, the spokesman said. "We have found through investigation that the question of the student's being beaten up by someone either before or after his fall did not arise. And at the moment, any compensation for the student is out of the question since the injury was self-inflicted."

The important thing about this accident is that the Mexican student was injured after getting drunk, he said. Other versions of the causes of his injury do not correspond to reality.

"Friendly relations exist between China and Mexico," the spokesman stressed. "I believe that along with Mexican friends, the Chinese side will arrive at a proper settlement to this unfortunate accident."

An official from the Mexican Embassy in Beijing told *Beijing Review* on January 9 that investigations were underway. It is an unfortunate incident, he said, adding that it has nothing to do with the relations between the two countries.

Reges's injury sparked a demonstration in Beijing by foreign students. On January 4, more than 60 foreign students gathered in front of the Ministry of Public Security, demanding an investigation into the alleged beating of the Mexican student. In a letter to the ministry, the students asked the ministry to deal seriously with the assailants who, they claimed, beat Reges in the early hours of December 30.

A spokesman from the Beijing Municipal Public Security Bureau said on that evening, "A hospital examination and police investigations have found that Reges's injuries were consistent with a heavy fall."

Reges, 34, is a graduate student at a fine arts college in Zhejiang Province. According to the police, he became friendly with Li Jixuan, 23, on the evening of December 29 at a Beijing food stall.

Reges invited Li to drink with

him and later they both went to Li's room in a local lodging house, where they continued drinking until at least 2 am the next morning. Li got drunk and Reges left the room alone after the compound gate had been locked. As Reges left Li's compound, he fell from a roof and severely injured himself, the police spokesman said.

Reges was taken to a nearby police station at about 4:30 am. Policemen borrowed an ambulance and took him to the No. 3 Hospital affiliated to the Beijing Medical College at about 10:30 am. The Mexican Embassy sent someone to the hospital at about 11 after being informed of what happened by the police. ■

## Family Industry Thrives in China

**F**amily industry is on the rise in China. And it is playing an important role in promoting rural economic prosperity.

Economists point out that while family enterprises are limited in comparison with modern indus-

tries, they help solve the problem of employing surplus rural labourers.

In one village in Anhui Province, 32 out of the 44 households manufacture nylon filters. Zhangzhai village in Lixin County has become specialized in making filters for industrial use, and its products are well-received in China..

China has more than 15 million rural enterprises, about two-thirds of them family run. In 1986 family-run enterprises produced 108.2 billion yuan (about US\$29 billion) in output value, or 30.6 percent of the total output value generated by rural businesses.

Chen Fudong, a senior official of the Fuyang Prefecture, where Zhangzhai is located, said rural family industry has developed since China started restructuring its rural economic system nine years ago.

Through the restructuring, farmers can enjoy more autonomy in production and management. While ensuring grain production, rural families are allowed to develop processing industries with locally available materials. Chen said that Fuyang, once an economically underdeveloped

**Xie Enwang (centre), a peasant in Yuexi County, Anhui Province, has set up a clothing and leather factory. His products such as leather bags and suitcases with wheels are sold in Shanghai, Nanjing and Wuhan.**

YU JIE



area, has 183,500 family-run businesses, or 98 percent of the prefecture's total.

Agro-economist Zhou Rili said China's rural economy historically featured a mixture of family weaving industries and small-scale farming. The newly emerging rural family businesses inevitably have some links with the past, Zhou said. But today's family enterprises are developing in the direction of commercialization and specialization, rather than producing only for the family's needs as in the past.

Along with this change has come a turning outward, Chen said. For instance, small commodities produced by family businesses in Wenzhou City, Zhejiang Province, are being sold to more than 80 countries and regions. A family enterprise run by Li Yanshou, a peasant in nearby Ouhai County, produced more than 6 million pairs of hiking boots for export in 1986.

Many family-run businesses are expanding. In Fuyang, more than 200 such enterprises can each generate more than 100,000 yuan in output value a year, and 32 can produce more than 1 million yuan worth of products.

However, there are also problems. Zhou Gang is an expert in making cakes in Hefei, the provincial capital of Anhui. In 1980, he opened a family cake bakery with only 14 yuan in capital. Because he paid close attention to market demand and his products were of high quality, by 1984 the family bakery had developed into an individual enterprise with a monthly output value of more than 60,000 yuan. From 1980 to 1984, Zhou paid 220,000 yuan in tax to the state.

Early last year, Zhou turned his bakery over to the neighbourhood where he lives for 14,000 yuan. On the basis of the bakery, a collectively run enterprise, Hefei Welfare Food Products Factory, was set up. Zhou was made its director, with a monthly salary of

172.5 yuan.

"Being the head of a collectively run factory is 10 times as difficult as running an individual enterprise," Zhou said.

Within a few months, he felt disheartened. "Our factory is small, but we have so many leading bodies. As the factory head, I could neither to decide how much I can pay a temporary worker nor give out bonuses. Yet, when the factory was badly in need of loans, no one in the leadership attended to the matter."

Late last year, more than 60 percent of the workers had to stay at home because of a shortage of raw materials. Zhou said that if things do not get better, he will have to leave the factory and set up his own baking again.

The example of the "cake expert" has caused concern among individual business people in Hefei. They are afraid that their neighbourhoods or districts will want to convert their enterprises to joint or collective ownership. Some officials of the Municipal Industrial and Commercial Administration Bureau of Hefei think that leading authorities at various levels should strengthen the management of individual businesses, but should not rashly change their ownership structure. ■

## Moving Population Hard to Control

**A**lthough China's rate of population growth has been declining, state demographers warn that another baby boom is just around the corner.

A survey conducted by the State Statistical Bureau last year showed that a total of 22.66 million babies were born in 1987, bringing China's population to 1.08 billion. Analysts say that if China is to limit its population to 1.25 billion by the end of this century, it will have to keep its annual birth rate below 20 million

and reduce the rate of population growth to 1.14 percent.

That, they say, could prove to be a very hard task. One of the difficulties is controlling the birth rate among China's increasingly large floating population.

It is estimated that some 50 million people have been moving around the country to make their fortune since China adopted its economic reform policy in the late 1970s. For example, in Shishi, Fujian Province, a town of 25,000 permanent residents, the floating population reaches 30,000 in the busiest seasons.

Of the approximately 200,000 people from other provinces staying in Gansu, 10,000 are women of child-bearing age. Most of these women ignore the requirement to use birth control measures, and many take advantage of their situation to have more children than allowed. Unplanned pregnancies and births are commonplace among them.

Each couple in China is encouraged to have only one child, and even with this strict policy, the total population is steadily increasing. But some migrant couples have been having up to five or six children. This clearly adds to the state's difficulties in its efforts to control population growth.

The problem of controlling the floating population has caught the attention of authorities at various levels. Municipal and provincial governments in many areas, including Beijing, Shanghai, Tianjin, Fujian, Zhejiang and Qinghai, have adopted regulations or measures to monitor family planning among migrant workers and travelling business people.

In Zhejiang Province, merchants from other areas who apply for business licences must produce their family planning certificates along with other documents. In Xiamen, Fujian Province, family planning violations can lead to fines.

Officials from the State Family Planning Commission said a

survey of the country's floating population will be conducted, supported by state funding of 100,000 yuan (about US\$27,000). Birth control regulations will then be devised for this section of the population.

But even with these steps, the problem is difficult to deal with unless people are sincerely willing to accept the concept of family planning, the officials said. ■

## China, USSR Exchange Views

China and the Soviet Union can learn from each other's reform measures, Chinese Vice-Premier Tian Jiyun said on January 9.

"Although the two countries are carrying out reforms in different ways based on their specific conditions, they face some problems of a similar nature," he said.

Tian made these remarks at a meeting in Beijing with a group led by S.A. Sitarian, first vice-chairman of the State Planning Commission of the Soviet Union.

Tian noted that the past few years have witnessed fast growth in Sino-Soviet economic relations and trade, but there is still great potential for more growth. China hopes that the two countries will make efforts to boost their economic co-operation to a new level, he said.

Sitarian said that the Soviet Union and China share many common points in their reforms, and should therefore exchange their views frankly in this regard.

He said that the development of economic relations and trade is just a start. He hopes that the two countries will further their economic, trade and technical co-operation in many areas.

Tian also remarked that China wishes to swap experiences with the Soviet Union in such fields as planning and economic construction.

Sitarian and his Party were in

Beijing for the first session of the working group for planning under the Sino-Soviet Committee for Economic, Trade, Scientific and Technical Co-operation. ■

## Weekly Chronicle (January 4-10)

### POLITICAL

January 5

■ The Shanghai Higher People's Court has decided to release from parole Gong Pinmei (Ignatius Kung), the former Roman Catholic bishop of the Shanghai Diocese, and to restore his political rights, Xinhua reports.

Gong, 87, who was appointed by the Vatican as bishop of the Shanghai Diocese in 1950, was sentenced to life imprisonment for high treason in 1955.

January 6

■ A Chinese Foreign Ministry spokesman says China condemns the Israeli authorities for their continued suppression of Palestinian residents on the west bank of the Jordan River and the Gaza strip and their attempts to drive the Palestinians from the region. These actions are contrary to world opinion and United Nations' resolutions, he says.

China demands that the Israeli authorities immediately end their cruel suppression and persecution of the Palestinian people.

January 9

■ The Chinese Foreign Ministry issues a press communique which says the governments of China and Portugal have decided to exchange the instruments of ratification for their joint declaration on the question of Macao in Beijing on January 15.

### ECONOMIC

January 5

■ Rural industrial output value surpassed agricultural output

value for the first time last year.

Rural industrial output value was estimated at more than 450 billion yuan (about US\$120 billion), almost 20 percent higher than in 1986.

About 85 million farmers, or one-fifth of the rural labour force, have left farm work to work in industry and the service trades since rural industries started to spring up in 1979.

### CULTURAL

January 5

■ The first world press photo exhibition to be held in China opens in Beijing.

On display are about 240 prize-winning photos from 30 years (1957-87) of international press photo contests sponsored by the World Press Photo •Holland Foundation and 39 photos of the Netherlands by Dutch photographers.

January 6

■ The Heidelberg-based World Cultural Council confers the Albert Einstein science award on Professor Liu Youfang for his outstanding contributions to science and learning.

Liu, 61, is the director of the department of urology at Guang'anmen Hospital in Beijing, which is attached to the China Academy of Traditional Chinese Medicine.

### SOCIAL

January 4

■ Zhang Shuxiang, 25, a farmer in the Danan Township in northeastern China, miscarried octuplets after five months' pregnancy at a hospital in Changchun, Jilin Province, last December 27.

Of the fetuses, weighing between one and 350 grams, four were boys, three were girls and the smallest could not be identified, doctors from the hospital said. ■

JAPAN

## Military Budget a Blow to Peace

*The Japanese cabinet's decision to keep its military budget above the ceiling of 1 percent of gross national product for the second consecutive year is a strike against world hopes for peace and development.*

The Japanese government approved an expansionary fiscal 1988 budget on December 28. The budget allocated 3.7003 trillion yen (about US\$28 billion) for defence spending, a 5.2 percent increase on the 1987 figure and 1.013 percent of Japan's estimated gross national product (GNP).

The 1 percent defence budget ceiling was set by the cabinet of former Prime Minister Takeo Miki in November 1976. It reflected the Japanese people's hopes for peace and the resolve stipulated in the country's constitution that Japan would not become a military power. Over the following decade, defence spending was kept within the limit.

However, with Japan's rapid growth as an economic power, the allocation for military spending has sharply increased. Defence spending doubled in the past decade even though the 1 percent limit was enforced. The US ambassador in Tokyo, Mike Mansfield, said no other country has shown such a large increase in defence spending.

One year ago, Yasuhiro Nakasone's cabinet scrapped the 1 percent limit and replaced it with a new method of calculating total military expenditure for a five-year period. The defence allocation for 1987 was 3.5174 trillion yen, 0.004 percentage points over the former 1 percent limit.

Nakasone's method involves deciding each year's defence spending in accordance with the total sum of 18.4 trillion yen

needed for the nation's 1986-90 medium-term defence buildup programme.

A national defence White Paper published in August 1987 said the new policy is reasonable. Prime Minister Noboru Takeshita, who assumed office on November 6 last year, also supports it. A defence agency chief said the removal of the 1 percent limit made it possible for his agency and the Finance Ministry to share the same stand on achieving Japan's desired defence capability. The Finance Ministry, for its part, said it understands the government's commitment to carry out the medium-term defence programme. The defence budget was passed without difficulty for the first time in nine years.

Japan's continued increases in defence spending have aroused concern and vigilance among neighbouring Asian countries, the victims of Japanese invasions in

the past. Although 1 percent of GNP may not sound like much, the absolute value is enormous. At almost US\$30 billion, Japan's defence spending is just below that of the Soviet Union and the United States. If this level of spending is continued without restraint, Japan will undoubtedly become one of the world's major military powers.

The medium-term defence programme supposedly provides for the maintenance of Japan's peacetime defence capability. The increased defence spending is reported to be aimed at establishing a maritime air defence system to guard Japan's sea transportation route as well as making large-scale acquisitions of advanced military equipment. Obviously such a grand defence programme far exceeds Japan's need to defend its territory.

Peace and development are major trends in the world today, and detente and disarmament are a concrete reflection of them. The Japanese government once said that as the only country in the world to suffer an atomic bomb disaster, Japan is keen to contribute to world peace. With these words still ringing in our ears, the Japanese government is once again increasing its military spending. The action obviously runs counter to the will of the Japanese people and all the people of the world.

by Liu Jun

BRITAIN

## Thatcher Diplomacy & East-West Detente

*The Thatcher administration has adopted an active diplomatic policy on East-West relations and is set to play a more important role in world affairs.*

Margaret Thatcher became Britain's longest consecutively serving prime minister of the 20th century this month.

Now the 62-year-old Conservative Party leader is preparing to lead Britain into the 1990s.

She has pledged to work over

the next three years towards accomplishing three important tasks — increasing the influence of the Conservative government, restoring traditional British standards and playing a leading role in world peacemaking.

Last year the new detente between the two superpowers culminated in their agreement to destroy all their medium- and shorter-range nuclear missiles. Washington and Moscow will not allow Britain to stand on the sidelines while they fly the flags of peace, disarmament and detente. The Thatcher administration, adapting to the new world situation, shifted its policy on the Soviet Union while maintaining close ties with the United States and West European countries. It adopted a vigorous foreign policy, which is known as Thatcher diplomacy.

The sound working relationship between Thatcher and Soviet leader Mikhail Gorbachev was highlighted when Gorbachev made a short sojourn in London on his way to Washington in December last year and spoke with Thatcher about British-Soviet relations. Both sides said they were satisfied with the talks.

Thatcher and her Tory government have long maintained a hard stance towards Moscow, calling the Soviet Union the world's No. 1 threat. Relations between London and Moscow deteriorated in 1985 with a spate of expulsions of each other's "spies." But Thatcher has recently stopped lambasting Moscow and praises its new policy of openness (glasnost).

The two countries have exchanged frequent high-level visits since Gorbachev's visit to London in 1984. That visit was repaid early last year by Thatcher and British Foreign Minister Sir Geoffrey Howe, the main engineer of Britain's new foreign policy. During Gorbachev's brief stay in London in December, he was invited by his hostess to pay a longer formal visit to Britain this year. Moscow and some East



**Margaret Thatcher, with her husband, greets her supporters after becoming Britain's longest consecutively serving prime minister of the 20th century.**

European countries are currently preparing for a visit by Howe.

The improved political atmosphere has produced a leap in trade between Britain and the Soviet Union. Moscow and London reached a number of economic and trade agreements during the past two years, including an economic and industrial co-operation pact. They have also agreed on a 40 percent increase in bilateral trade to 1990.

The development of British-Soviet relations has run parallel to the progress made in US-Soviet

relations. As a major West Europe an power and a strong supporter of most US foreign policies, Britain has been acting as a go-between for Moscow and Washington. While Moscow seeks to influence US policy by knocking at Britain's door, the Thatcher administration wants to take advantage of the opportunity to re-establish British influence in world affairs.

Britain's leading role is embodied in its position in the European Community, the North Atlantic Treaty Organization

(NATO) and the Western European Union. As one of the two nuclear states in NATO, Britain naturally has a say in nuclear disarmament and West European defence.

A stable economy will help the Thatcher administration even more. Britain achieved its 1987 economic growth target of 4

percent, the highest growth rate among the major European countries. With her qualifications and long service record, Thatcher will continue to pursue her brand of diplomacy and can be expected to play an even more important role in East-West detente and world peace.

by Xue Yongxing

## YUGOSLAVIA

### Fighting Back Against Economic Troubles

*Yugoslavia is striving to combat its political and economic difficulties by adopting a new anti-inflation plan and increasing the power of the federal government in running the country.*

On November 14, 1987, the Yugoslav Federal Assembly approved an anti-inflation programme. The plan represents a new step in the country's efforts to overcome its economic difficulties.

The Yugoslav economy has been sluggish for seven or eight years. The difficulties are most clearly reflected in an extremely high inflation rate. In November, inflation rose to 136 percent, more than double the federal government target. The Belgrade daily *Politika*, for example, sold for 100 dinars an issue at the beginning of last year. The price rose to 150 dinars by the middle of the year and to 200 by October.

Since prices rose so much more quickly than expected, the federal budget, which was planned at the beginning of the year, was consumed by the third quarter. The salaries of government employees, including the president of the Federal Executive Council, could not have been paid if there had not been a supplementary budget.

The economic crisis is also manifested in other areas. Foreign debt, which totals US\$20 billion,

is an unbearable burden. Every year 10 percent of the country's total output value or 45 percent of its foreign currency earnings are used to pay foreign debts and debt service.

Another sign of economic difficulties is the growing number of loss-making enterprises. Official statistics show that in the first half of last year, 3,645 enterprises, or one-eighth of the total, involving 900,000 workers, or one-sixth of the total, reported a loss.

Pensioners and the jobless suffered most from inflation. Pensions are based on the price indexes of the previous year.

Most of the unemployed are college and high school graduates. There are an estimated 1 million jobless youth in the country.

People with permanent jobs, especially in production, have been less seriously affected by inflation. This is because under Yugoslavia's principle of socialist workers' self-management, the wages of the workers in an enterprise are decided by the workers' council. Usually the wages are closely linked to the prices.

The roots of the economic crisis can be traced back to the mid-1960s, when a policy of promoting high consumption to stimulate production was introduced. The policy resulted in a rapid increase in consumption and a comparatively slow rise in production. Production could not meet demand.

The introduction of foreign capital also contributed to the country's economic difficulties. In the late 1960s, there was a surplus of international capital and interest rates were relatively low, making it easy to borrow money. The central investment control system was abolished and the power to expand production was turned over to the republics and enterprises. This gave rise to blind investment and borrowing.

The money borrowed was not appropriately used. A large proportion of the loans were invested in non-manufacturing projects. The capital spent on production projects went to the profitable processing industries rather than basic industries to develop resources. Within the processing industries, priority was not given to export-oriented enterprises.

In the 1980s foreign debts fell due and new loans could not be obtained. The production activities of many enterprises, which depended on imports for raw materials, could not be maintained. But while production slowed, the high level of consumption could not be brought down. Many factories had to increase their income by raising the prices of their products; even worse, some paid their employees' salaries by borrowing money from banks.

As Branko Mikulic, president of the Federal Executive Council, put it, "For more than 10 years our consumption has surpassed what production allows. The resulting void is usually filled by borrowing foreign capital and when this is impossible, inflation has to be employed."

Several past attempts to resolve Yugoslavia's economic problems achieved few results as the economic difficulties are connected with shortcomings in the country's political system. Since the 1950s, Yugoslavia has been practising workers' self-management. This system has proved to be very useful in curbing bureaucracy resulting from centralization of power, ensuring the participation of workers as masters of the country in running the country, and promoting the development of production. The problem is that the principle of self-management has not been fully carried out. According to the principle, the power to manage the economy has been handed down to the republics and autonomous provinces. But instead of delegating their powers to the grass-roots level, the republics and provinces have held on to them. Each has become an independent, parochial, nationalist and enclosed territory.

According to the constitution of Yugoslavia, any social plans must be made on the principle of consensus achieved through consultations. The presidium of the federal government and the presidium of the Central Committee of the League of Communists of Yugoslavia (LCY) are composed of representatives from the six republics—Serbia, Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, and Slovenia—and the two autonomous provinces—Kosovo and Vojvodina. Each republic and province, like a permanent member of the United Nations Security Council, has a veto right. The post of president is held in rotation.

The economic development of the republics and provinces is uneven, with the richest having a per-capita national income of US\$6,000 and the poorest US\$800. Given such imbalanced development among the constituent parts of the country, it is extremely difficult to reach a consensus on major economic

issues. Usually, if the rich agree, the poor disagree and vice versa. This has created difficulties in decision-making. For instance, to change the irrational economic structure, the 1981-85 social plan envisaged 44 capital construction projects. But the hard bargaining work of co-ordination produced decisions on only two projects in five years.

These shortcomings in the political system existed even before the death of Tito. However, since Tito was an indisputable leader enjoying a high prestige in the LCY and throughout the country, he could resolve problems when disagreements arose. With the principle of rotating leadership that was adopted after his death, there can be no second Tito. Therefore, many problems cannot be resolved like they used to be.

In view of this situation, there has been a national discussion since 1984 on how to develop the self-management system. The discussion is currently focused on how to amend the constitution and the country's labour laws.

An important feature of the amendments is the expansion of the power of the federal government. The new anti-inflation programme contains measures to increase the government's power to intervene in economic activities.

Under the circumstances, the presidium of the federal government acted decisively last October. It appointed the Ministry of Internal Affairs to take charge of security in Kosovo and dispatched police to the province. Shortly after this move, the Central Committee of the LCY decided to deprive the ex-leader of Kosovo of all his powers and expel him from the Party. This unusual action demonstrated to the people of Yugoslavia the determination and will of the federal government and the Party to directly intervene in the affairs of the republics and autonomous provinces.

by Lu Chaoqi

## Canada, US Sign Free Trade Deal

Canadian Prime Minister Brian Mulroney and US President Ronald Reagan signed the final text of the Canadian-US free trade agreement on January 2.

Mulroney signed a copy of the document in his Ottawa office, while Reagan did the same in California, where he was on vacation.

The mayors of several communities on both sides of the border held ceremonies to mark the occasion and demonstrate their support for the agreement. The international ceremonies brought together representatives of communities in Quebec and Vermont, Ontario and New York, Manitoba and Minnesota, and British Columbia and Washington.

Border demonstrations to protest against the deal were also held on bridges that link Windsor and Fort Erie, Ontario, and the United States.

The Council of Canadians also organized a demonstration in Ottawa to protest against the agreement. The council is a national organization that says it represents 7,000 Canadians who firmly oppose the trade deal.

The signing ceremonies by Mulroney and Reagan were essentially a formality to meet the January 2 deadline of a timetable set by the US Congress when trade negotiations began more than a year and a half ago.

The agreement will not be fully binding until after it is ratified by both governments and will not take effect until January 1, 1989.

The pact is designed to gradually tear down a wide range of trade barriers over 10 years, and create a panel to resolve trade disputes between the two countries. ■

# World Prospects for the Years Ahead

by Huan Xiang\*

I was attending the meeting of the Pacific Forum in the United States when the United States and the Soviet Union signed the intermediate-range nuclear forces (INF) agreement. Public opinion in the United States and throughout the world reflected the joy with which the news of signing was met. The summit also helped the American people to see Soviet leader Mikhail Gorbachev as an able and intelligent opponent who cannot easily be dismissed.

The INF treaty will result in the destruction of a number of nuclear weapons. But its major significance lies in the fact that it represents the first decision to destroy one type of nuclear weapon. The signing of the INF treaty has improved the atmosphere between the United States and the Soviet Union, and in the long term could lead to more relaxed relations between the superpowers. The relaxation would be different from the detente of the 1960s and early 1970s, because the conditions leading up to it are not the same.

First, the economic outlook for both sides is gloomy. They need to sit down and negotiate to gain a breathing spell during which they can shift their attention to readjusting their economies.

Second, the pace of the arms race has exhausted both countries. During Ronald Reagan's term of office alone the arms race has cost the United States US\$2-3 trillion, contributing substantially to the

huge US budget and trade deficits as well as enormous debts. The US economy is in difficulties and the conservative forces are weakened and divided. Most of them are unwilling to continue to argue for ever-expanding arms and an unyielding attitude towards the Soviet Union. Moscow also feels that after competing and reaching a balance with the United States in nuclear forces it is exhausted economically and it would be difficult to continue in the same way.

Third, the United States and the Soviet Union are making attempts to reform, improve and readjust their economies. Both face considerable internal difficulties and obstructions. Domestic political factors have made it hard for both sides to persist in their past inflexible policies, and they have had to adopt a new course to seize the political initiative.

These three factors led to the signing of the INF treaty, and I predict that the two sides will probably take further action to improve their relations in 1988. This will probably lead to the start of a new, extended period of detente. One distinguishing feature of this detente is that it started with the two sides getting down to work on a concrete issue—nuclear disarmament.

Dialogues between the United States and the Soviet Union have more often than not involved confrontation because of the fundamental differences between the two countries' social systems and many other factors which form the basis of their rivalry for hegemony. With the current relaxation, although competition between the two remains predominant, their rivalry is not purely military but rather a contest of comprehensive national strength.

As a result, some secondary military forces can be eliminated. Medium-range missiles can be destroyed and the number of strategic missiles will probably be reduced by 50 percent.

But the crucial US Strategic Defence Initiative (SDI or Star Wars programme) cannot, in my view, be cancelled, although the limitations on military expenditure may slow down its deployment. The Soviet Union cannot continue to develop its space defence programme as in the past and has had to be selective so as to concentrate its efforts on competing with the United States for comprehensive national strength.

The arms race will lead to the development of the most sophisticated and modern high-technology weapons systems. According to this analysis, I believe that in the future dialogues between the superpowers, there is a certain room for compromise, working around the fundamental issues involved in SDI. The understanding on observing the anti-ballistic missile treaty proves this.

The INF treaty will undoubtedly promote the development of multi-polarization in the world. The strength of the superpowers, particularly their economic strength, has been weakened, and they cannot keep trying to seek all-out hegemony. That is why they signed the INF treaty. The collapse of their own strength will reduce their control over their allies, and the already existing multi-polarization in global politics and economics will develop further.

As for the United States, its military presence in Europe will continue. Europe, however, is afraid of losing its joint defence partner and is considering the

\* On December 31, 1987, *Renmin Ribao* (People's Daily) published an exclusive interview with Huan Xiang, a noted Chinese expert on international issues and director of the Centre for International Studies under the State Council. By agreement with *Renmin Ribao* and the author, we present a translated adaptation of this interview.

question of developing an independent defence system. Europe will increasingly rely on its own strength for defence, and this will increase its independence, both politically and militarily. Clearly, the situation in Western Europe is complicated and there are contradictions among the West European countries.

In Eastern Europe, Soviet control has been weakened, and political independence there also will be strengthened.

For a short period—I estimate five years—the United States and the Soviet Union can maintain their present status in their respective military blocs. Longer than that, it is hard to say.

The world's economic multi-polarization began long ago; political multi-polarization is just starting. Military multi-polarization is unlikely to appear soon, but it will probably develop in the future.

One of the main global trends is that the position of the two superpowers will be further reduced. Another is that greater importance will be attached to economic, scientific and technological development since the world's turbulent economic situation requires that every country tackle the issue. Systematic structural reform will play a key role in raising national productivity.

In light of all this, although it cannot be said that the possibility of a third world war has been completely eliminated, it can at least be said that the chances of avoiding such a war have increased remarkably. It is almost impossible to launch a war when every nation is busy expanding its general strength. To be even bolder, I would say that a world war is unlikely to break out before the year 2000.

After the signing of the INF treaty, some regional military conflicts in which the superpowers are involved—directly or indirectly—are likely to gradually cease, although it will take some

time to resolve them politically. The Iran-Iraq war is an exception. That conflict—which involves historical, religious, national and other factors—is unlikely to end in the near future. But the intensity of the war may subside and there may be hope of a political solution.

With regard to the triangular relations among China, the United States and the Soviet Union, Sino-US relations in recent years have been comparatively stable, although there have emerged some factors in recent months that may lead to

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***The signing of the INF treaty has improved the atmosphere between the United States and the Soviet Union, and in the long term could lead to more relaxed relations between them. The two superpowers will probably take further action to improve their relations in 1988.***

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instability. For example, the US Congress and government have been attempting to interfere with China's internal affairs by imposing political pressure in the form of suspending the preparations for allowing more technological transfers to China. This move was indeed infuriating.

Sino-Soviet relations have improved, but the three main obstacles still remain (Soviet support of the Vietnamese occupation of Kampuchea, the Soviet invasion of Afghanistan and Soviet troops on the Sino-Soviet border). My forecast is that Sino-US and Sino-Soviet relations will not change drastically, as predicted by some people, as an

immediate result of the relaxation in US-Soviet relations. That is because China's strategic position, role and importance in the world will not change.

The major issue in Europe after the INF treaty is still disarmament. Negotiations are currently proceeding through three channels. They are very specific, complicated and time-consuming, and demand courage and wisdom. The situation in Europe, therefore, is unlikely to radically change in the short term.

Comparatively speaking, the Asia-Pacific area will experience significant transformation.

Japan has become the world's biggest creditor nation. Backed by its economic might, it has invested huge amounts of money in the United States, Western Europe and the Asia-Pacific region. This situation has made the United States uneasy. Washington and Tokyo have developed an economic relationship characterized by both friction and co-operation. As Japan steadily gains economic superiority over the United States, are political relations between the two countries likely to change as well? It seems unlikely for now, because Japan has not yet reached its full strength and must play the role of a junior partner of the United States. But the next 10 years will be critical for US-Japanese relations.

The Soviet Union does not play a major role in the Asia-Pacific region, because it does not—and will not for a long period—have strong economic influence in the region. Its only influence is its Pacific Fleet and military bases in Viet Nam. But in the context of peace, military influence cannot play a major role.

It is noteworthy that the four "little tigers" of the region (South Korea, Singapore, Hong Kong and Taiwan), and the countries of the Association of Southeast Asian Nations have realized the importance of development of their economies and

science and technology. With the relaxed international situation, Japan has increased its investment in these countries and regions. They—notably Thailand and Malaysia—are likely to join industrialized world by the end of the 1990s. By then, there could be five or six “little tigers.”

I think the times can be characterized as “one world, two systems; multi-polarization in politics and economics; competition and coexistence.”

In the larger context, it is the time to strive for peace and development. But today's reality consists of multi-polarization in politics and economics, and both competition and coexistence. Competition exists not only between the United States and the Soviet Union, and the East and the West, but also among various countries with the same social system, such as the United States and Japan, the United States and Western Europe, and Europe and Japan. On the one hand, the world economy is moving towards integration; on the other hand, countries think about problems mainly in terms of their national and state interests and not world integration. Therefore, I do not agree with those who say that world has entered a period of accommodation. Competition predominates. When everyone will be hurt by competition and lacks the means to compete, accommodation occurs. Not long afterwards, they clash again because of competition. Then the cycle of competition-clash-accommodation is repeated. For example, in the past two years, adjustments in the exchange rates between the US dollar, the West German mark and the Japanese yen reflect this process.

It should be said that if this situation had appeared some decades ago, it would have meant a war. But now people have realized that atom bombs have made the price of war too high. Moreover, people will not support

war—they detest it, as the situation in the United States in the 1970s showed. The current world problems cannot be resolved through war. Since war cannot break out, people must coexist; coexistence inevitably results in competition, so they have to compete and co-ordinate at the same time, avoiding war as far as possible. Comrade Deng Xiaoping said, the world is in a period of peace and development. I think that the implication in Deng Xiaoping's speech is that it is the time to strive for peace and development, not that it has been a time of peace and development.

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***Sino-US and Sino-Soviet relations will not change drastically as an immediate result of the relaxation in US-Soviet relations. That is because China's strategic position, role and importance in the world will not change.***

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Today there are more factors combining to guarantee the possibility of a more peaceful international environment. This will greatly facilitate our four modernizations (agriculture, industry, national defence, science and technology). Although there is still trade protectionism and financial turbulence in the world economy, China's importance as a potential market has become more and more obvious. China is a major market for the United States, Japan and Western Europe.

Our open policy and reform will enable us to take this opportunity to develop our economy. The US and Japanese limits on technological transfer are a disadvantage. But most critical for our economic

construction is our reliance on the policy of opening up to the outside world and reform, the Party's wise leadership and our traditional spirit of hard struggle and self-reliance. Reform or improving the domestic economy is currently regarded as the central task not only by the third world countries but the developed countries and the superpowers as well. Reform has become a powerful trend in today's world. The spirit of the recent 13th Chinese Communist Party Congress conforms fully to this trend.

Looking around us at the Asia-Pacific area, we should have a sense that it is a critical moment—a sense of weightiness and urgency—because some neighbouring countries have been developing very rapidly with the aid of US and Japanese funds and technology. It is possible that they will become newly industrialized countries at the end of this century. If we do not seize the opportunity and work hard to make China prosper, we will fall far behind within 10 years. To develop our country we need to make use of help from abroad, but at the same time we should realize that the United States, Japan and some other countries are still quite strict with China and attempt to control it. So we have to put heavy emphasis on hard struggle and the principle of relying on our own efforts to accelerate development. At the same time we should also try to attract foreign funds and technology and intensify our economic and political reform.

The 1990s will be the most critical decade. Many changes are likely to take place in the world situation. It will be dangerous for China if we fail to make the best use of those 10 years and to manage our affairs well. We must gain a clear understanding of international developments and rouse ourselves to work hard to build and modernize our economy so that we can occupy our proper position in the world arena and play our proper role. ■

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# Hungary, Poland, Bulgaria Practise Reform

by Chen Xueyan

**R**eform has become an irresistible trend of our times. The socialist countries are all examining the courses they have set out for social and economic development. And they have all reached the same conclusion: reform is key to a breakthrough. Hungary, Poland and Bulgaria are outstanding examples in this respect.

Despite the differences among the three countries, their views on reform have a lot in common. First, they all stress the necessity and urgency of reform. In terms of reform theory, they emphasize the importance of the market in regulating the economy within the overall context of socialist planning. They agree that private, collective and state ownership will coexist for a long period and collective ownership need not be transformed into ownership by the whole people. They believe in separating ownership from managerial authority and giving enterprises wider authority. They think economic reform should extend first to planning, regulation and organization. Management methods should gradually become less administrative and more economic. And economic structural reform must be organically combined with political structural reform.

**Hungary.** In Hungary economic structural reform began in 1968, earlier than in the other two countries. Hungary's economic structure since the reform has two basic characteristics. First, power is delegated to lower levels, that is, most economic decisions have been placed within the purview of enterprises' functions and powers so as to fully awaken the initiative of enterprises. Second, the market economy has been given wide room for manoeuvre.

Hungary's economic structure has three major aspects: planning, regulation and organization. The main characteristic of the structure is that it has done away with mandatory planning, in which the state directly assigns production quotas to enterprises. Apart from some strategic tasks which are prescribed by the state—such as some capital construction projects, national defence projects and co-operation with the Council of Mutual Economic Assistance—production and management activities are determined by the enterprises themselves. Enterprises also make their own production plans, which need not be submitted to higher authorities.

But state planning has not yet been eliminated. The main targets and priorities for economic development are stipulated by state. Thus, planning is still the basis of the central government's leadership. When there are contradictions between the state plan and enterprises' plans, the government does not use administrative decrees to make enterprises change their plans. Rather, the two sides reach a consensus through the economic means of the regulation system.

Hungary's regulation system has undergone substantial changes. Before reform, enterprises' investments were all made with funds allocated in the state budget. After reform, bank loans replaced state appropriation. Before reform, the kinds and amounts of products to be manufactured by enterprises were specified by the state. The state also allocated to the enterprises the raw materials and equipment they required. After reform, the

centralized system of allocation was replaced by a trading system. Enterprises now purchase the means of production that they need in the market. They can also sell their products for the domestic market directly to shops or run shops themselves. And they have the authority to conduct foreign trade.

Before reform, the prices of products were all specified by the state. Since reform, pricing has become more flexible. There are various pricing systems, such as fixed prices, negotiated prices and free prices, providing the possibility for competition among enterprises. Before reform, enterprises' profits would all be handed in to the state, without even a deduction for depreciation. This made it difficult just to maintain production. Since reform, enterprises hand in only a portion of their revenues and profits and retain the rest for their own use. Before reform, the wages of staff and workers in Hungary were also uniformly set by state. This strongly smacked of equalitarianism. Since reform, changes in workers' wages are related to their productivity.

As for the organization of Hungary's economic structure, its overriding characteristic is the three distinct ways in which leaders of enterprises are chosen. In the large enterprises under the administrative leadership of state, leaders are still appointed by the government. Other large- and middle-sized enterprises establish their own enterprise committees. These are the bodies which make the strategic decisions on enterprises' plans, production and management, and personnel matters. They consist of a director and leading cadres from the work-

shops and Party and trade union organizations. The committee is in charge of electing the factory director. Factory directors of some small enterprises are elected by a staff and workers' assembly or staff and workers' congress. The staff and workers have right to recall the factory directors whom they elect.

Hungary's economic structural reform is closely related to the country's political structural reform. The leaders of Hungary consider that the two are inseparable. At the beginning of the 1980s, Hungary introduced an electoral system for the national and local assemblies in which at least two candidates compete for each post.

Also in the 1980s, Hungary eliminated the district level of organization, which was between the county and village levels, so as to further extend the rights of village congresses and Party committees to act independently on local issues. In 1986, the Hungarian Socialist Workers' Party Central Committee passed an important resolution stipulating that leaders—including Political Bureau members, the secretary and members of the Party Central Committee and the leading cadres at all levels of the Party, government and mass organizations—cannot serve more than two terms in the same post (leaders of enterprises are excluded from the provision).

Hungary's structural reform has clearly encouraged economic development. But Hungary is a small country lacking in resources. About 50 percent of its national income has to be earned from foreign trade, and price changes on international markets in recent years have hurt the country's economy. National income grew only 0.5 percent in 1986; financial deficits mounted; and net external debt has now reached more than US\$7 billion.

In July, 1987, a plenary session of Party Central Committee passed a plan to revitalize

Hungary's economy. The plan, which aims to stabilize the economy in the short term and vigorously develop it in the long term, is a new point of departure for the economic structure. In order to realize its plan, the Central Committee passed one of its most novel and sweeping regulations in almost 30 years. The regulation is designed to let young and middle-aged cadres show their talents. Changes were made in seven major Party and government posts and most of those who were promoted are between 40 and 50 years old. The new secretary of Party Central Committee, Miklos Nemeth, who is in charge of economy, is only 39. The new premier, Karoly Grosz, is 57 and brings wide experience to the job.

**Poland.** Poland began its economic structural reform at the beginning of 1982, when its economy was in considerable difficulty. The guiding principle of the country's reform is that enterprises must become self-managing, independent and responsible for their profits and losses. In the first five years, although some major changes were made in the economic structure, the reform programme was not implemented fully for a variety of subjective and objective reasons.

The outline for the second phase of Poland's economic reform, which began in September 1987, involves a fundamental reform of the traditional managerial system in a socialist economy.

The reform has two main themes. First, based on the principle of enterprise independence and responsibility for profits and losses, the government will create an environment in which all economic units—whether state-run or collectively or privately owned—can assume their own risks. Second, the state will no longer interfere in the daily activities of enterprises or take responsibility for the financial status of enterprises. It will only formulate development strategy.

The outline stipulates that the government will ensure that state-run enterprises are really independent and that co-operatives have management freedom. The government will encourage the development of private enterprises, especially retail businesses, restaurants and other services, as well as those engaging in farm products' processing and building materials production.

Individuals or entities wishing to engage in economic activities will simply have to register in court—permits will no longer be required. The basic guideline is "everything is permitted as long as it does not violate the law." In line with the principle of enterprises being responsible for their profits and losses, the outline provides that enterprises can expand and wages for staff and workers can rise only if profits improve.

In the second phase of its economic reform, Poland will employ the market mechanism to gradually establish a pricing system in which the market prices of commodities correctly reflect the relation between supply and demand.

To reduce state interference in enterprises' operations, Poland will implement organizational reform, streamlining administration. The government wants to merge all of its central trade ministries into one industry ministry which will be in charge of industrial policy. Of the current 25 government ministries, 16 will be merged into 8. The number of cadres above the vice-ministerial level will be reduced to about 100 from the previous 194, and all ministries' permanent administrative staff members will be reduced by one-quarter, or a total of more than 3,000 people.

Poland's political reform is constantly expanding along with the economic reform. The core of Poland's political structural reform is the extension and development of socialist democracy. The priority is to strengthen the role of the people's representa-

tive organizations and the socialist legal system. In recent years, all important legislation in Poland has been passed after serious discussions in the Sejm (parliament).

The Polish United Workers' Party established "equal partner relations" with the United Peasants' Party and the Democratic Party, "to be jointly responsible for policies for the whole country."

In May, 1983, various mass organizations united to form the Patriotic Movement for National Rebirth, which has become an important force in the country's political life and often puts forward important proposals on affairs of state. Polish leaders also frequently consult on important issues with allied parties, mass organizations and consultative committees. Some especially important questions are detailed in the press before they are decided, to permit broad discussions and consultation. A public opinion research organization, which was set up at the end of 1982 and functions directly under the Council of Ministers, carries out frequent surveys of views on the domestic and foreign policies of the Party and government, and passes the results on to central policy-makers.

The Party itself has also carried out reform. Party leaders at all levels generally do not hold concurrent leading state or government administrative posts at same level. Poland has also eliminated the life-long tenure system; people can generally be elected to leading posts for only two terms of office.

**Bulgaria.** Bulgaria has made substantial progress in its reform.

Todor Zhivkov, general secretary of the Bulgarian Communist Party, pointed out emphatically at a plenary session of the Central Committee in July 1987: "The whole Party should pay special attention to the problems involved in reform. The current task is not simply perfection and improve-

ment; it is deep change. Otherwise, we will make a fatal mistake and the adverse consequences will be hard to assess." Zhivkov proposed changing Bulgarian society into an "autonomy system," saying, "We will set a historic task for ourselves, that is, to create all the conditions to turn our socialist society into an autonomy system that facilitates efficiency and development."

Bulgaria's reform has one major distinguishing feature: Based on the theory of separating ownership from managerial authority, the government announced that it would turn state-run enterprises over to labour collectives to manage and administer. The property of state-run enterprises is handed over to factories and other enterprises by the Council of Ministers or the executive committee of the people's assembly of each province. The enterprises, in turn, pass it on to basic labour collectives such as production teams, workshops and workshop sections to manage and administer.

The property transmission is done through contracts. The contracts are drawn up at a meeting of the enterprises and signed by representatives from the Council of Ministers or the executive committee of the provincial people's assembly and leading cadres of the labour collectives or organizations concerned. The labour collectives then become the managers of the socialist enterprises.

In agriculture, Bulgaria's main task is to expand the economic independence of the production team. Bulgaria has introduced a two-level organizational structure for agriculture, that is, the agro-industrial complex and the farm production team. Each production team has been given economic autonomy. It can make production plans in the light of market demand; decide on the number of team members and payment for labour; sell its own crops and animal products; and settle its financial accounts—all with the

aim of reducing the intermediate administrative levels and administrative methods in agricultural management and giving maximum play to economic mechanisms.

As for political reform, Zhivkov noted that Bulgaria's present political structure is "coming into contradiction with the new laws of Bulgarian social development." He also found that "some links of present political structure are the sources of bureaucracy and social abuses." As a result, the Bulgarian government decided to introduce the concept of community autonomy to replace the existing administrative units on the village level. Village residents were entrusted with the tasks of planning local economic development, putting local resources to rational use, ensuring the supply of commodities and services and developing comprehensive social services.

In 1987, Bulgaria made substantial reforms in governmental organizations.

Several committees—economic, social, cultural development, agricultural and forestry economy, state planning, and research and technology, and the ministries of public health, finance, foreign trade and education were eliminated. New ministries—economy and planning; foreign economic relations; culture, science and education; public health and social welfare; and agriculture and forestry—were established to replace them. The government also removed nine vice-premiers from their posts and appointed no new ones.

The Council of Ministers has become the executive and administrative organ of National Assembly, mainly devoting itself to analysing social conditions and changes in national production and formulating solutions to the problems it finds.

In local political reform, the government merged 29 provinces and cities into nine large economic administrative areas. ■

# Wuhan: Enterprises Compete and Thrive

*After Wuhan opened its door, the influx of commodities from other places hit local industries hard and compelled them to seek new ways of survival as we reported three years ago in "Wuhan Rebounds With Economic Innovation" (BR Nos. 28 & 29, 1985). We now return to examine how Wuhan has been faring. — Ed.*

by Our Correspondent Han Baocheng

To resume its position as the largest trading and communications centre in central China, Wuhan worked hard to open its doors to the outside in May 1984. Today trade in the city flourishes. Many downtown streets are lined with newly decorated shops and private magazine, clothes, fruit and food stalls. The people relish the improved shopping opportunities but complain about price rises.

Mayor Zhao Baojiang said, however, that in 1986 urban people's average per-capita income available for spending, 74.86 yuan a month, was 28.1 percent more than in 1983 in real terms. The per-capita annual income of the farmers on the outskirts averaged 549 yuan in 1986, up 24.5 percent over 1983. Between 1984 and 1986 the city's total output value rose at an average 11.2 percent a year. At the same time it saw a 12.7 percent average annual increase in its GNP, a 20 percent average annual increase in its retail sales and 11.2 percent average annual increase in its own revenues.

## Mayor on Reform

Immediately after the city opened its door, large quantities of commodities poured into the city from other places, exciting the local market, but also hitting local industry. The city's shoe-making and confectionary industries were the first to feel the blow. The new



Mayor Zhao Baojiang.

HAN BAOCHENG

township industries which were engendered by rural reform also challenged the urban state-run industries. The township-run Donghu Brewery stole the market of the state-run Wuhan Brewery with its cheaper, better drinks. The state enterprises turned to the mayor for help. The city government had foreseen the problem and had to tell these enterprises that the government encouraged competition and would not bail out those who fell behind. This attitude compelled these businesses to reform and strive to enhance their competitiveness.

Today, many of the city's products are known nationwide. Its electric fans, radio-cassette recorders and photo-copy machines sell well throughout the country, and some of its machinery products are exported.

Reform has also brought the shattered shoe-making and confectionary industries back to life. Between January and November 1987, the state-owned commercial businesses in Wuhan purchased some 4.73 billion yuan's worth of goods, of which, about 1.6 billion, or 33.9 percent, came from elsewhere. At the same time, its total sales value reached 5.5 billion yuan, some 1.15 billion yuan were sold to other places, accounting for 22 percent. Opening up benefited the city and other places as well.

Mayor Zhao said that with the opening up of the market, shortages of vegetables and other non-staple food were eased. Today, about one-third of the city's supplies of vegetables, fruit and aquatic food comes from its surrounding rural areas. However, there is still a lack of co-ordination in the reform. Inefficient market management has given some state and private businesses a chance to collaborate in reselling goods that are in short supply for profits, thus driving prices up. It seems communications are also a problem. Although the city set up a communications commission to oversee all transport and also opened specialized ports, railway lines and long-distance through transport to ease the strains and bottlenecks, it is still impossible for the city to completely modernize its transport in the short term due to lack of funds.

## New Leadership

Qin Shuyuan, secretary-general of the city's economic structural reform office, said the city began its reforms with commerce and communications, hoping to create a good environment for independent management and free competition. The central task of urban reform is to reform enterprises, larger ones in particular, so that they can make more of their own decisions, raise the quality of their products and improve their efficiency.

So the city first concentrated its efforts on separating Party leadership from administrative management of enterprises. By the end of 1987, over 1,500 enterprises in the city (80.6 percent of the total) had replaced Party committee leadership with the director (manager) responsibility system. A survey shows that most of these enterprises have made marked progress ever since.

The Wuhan Freezer Plant in Hanyang District is China's key freezer producer. In November 1980 its 1,900 workers and staff, in a secret ballot, elected 34-year-old Li Tao as their director. The deputy directors appointed by Li are also young and have all had college educations.

As soon as Li assumed office he began upgrading the factory's technology and equipment and developing new products. Market research persuaded him to replace the piston-type compressor, which the factory had been producing for 30 years, with the helical-lobe compressor—a new product on the world market. Compact, easy to operate and energy efficient, the new product easily found buyers, and its output has gone up several fold in the last two years. The factory has also imported advanced technology and equipment which helped raise its productivity and bring its quality control up to the most advanced levels. Today, the factory's new freezer is sold throughout China and Southeast

Asia. In 1986 alone, the factory's output value rose 36.7 percent, and its profits, 48.2 percent over 1985. Last year saw a 23.09 percent increase in its output value, and 39.21 percent in its profits.

All the managerial personnel at the factory are hired on contract. They are regularly subjected to the workers' appraisal, and those who are not qualified are replaced. Last year 10 people were deemed inefficient. The appraisal leading group, which is composed mainly of workers, gave them a warning and told them to improve their work in three months. Three months later there was still one who failed to improve his work, he was removed by the factory director on the recommendation of the workers' congress. The factory has also introduced a floating wage system to reward the good and punish the bad.

## Buying Management

Since late 1986, 12 state factories and six state shops in Wuhan have been practising the property management system on a trial basis, pushing the city's enterprise reform to new heights.

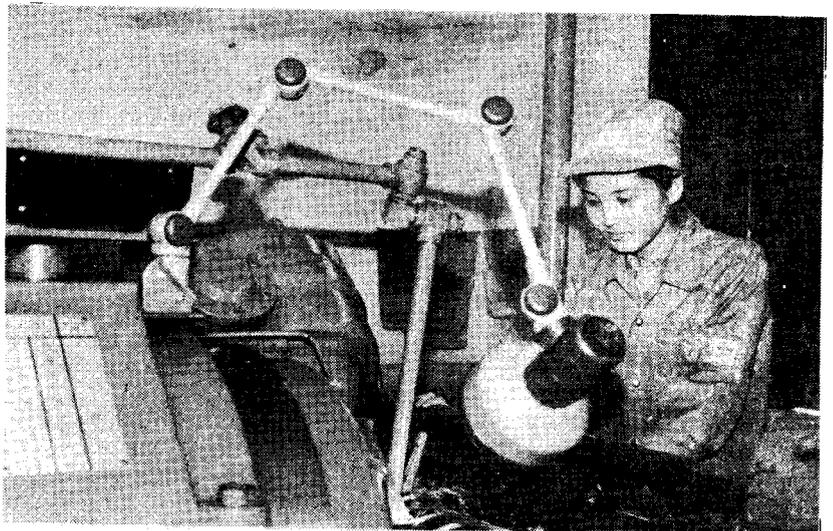
Under this system, the management of an enterprise goes up for public bidding on the basis of annual profit quotas set according to an evaluation of its assets. During the manager's term of office, if he or she fulfils the profit target set in the contract, the manager can get a bonus equivalent to a full year's salary. Otherwise, he or she has 5 percent deducted from his or her basic salary for every 1 percent short of the profit target. The wages of the manager's partners will also be reduced in proportion to their responsibilities. This system has separated enterprise ownership from management power, and ensures the independent management of enterprises.

The Zhongnan Department Store in Wuchang District is one of the commercial businesses practising this new system. With a business floor space of 16,000 square metres and 1,600 employees, the store saw a turnover of 130 million yuan in 1986.

In November 1986, the store was put up for management bids. Former deputy manager, 38-year-old Yan Guifang won the bidding in a field of 49. He appointed nine others to form the leading group. According to the contract, the ten put down 23,000 yuan of their

Work at the Wuhan Freezer Plant.

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private money as a pledge. Yan gave 4,000 yuan; his deputy, 3,000 yuan; and the others, 2,000 yuan each. The contract also stipulates that Yan and his assistants must deposit 50 percent of their bonuses in a bank, and deductions will be made from that money if the store fails to meet its set profit quota. Yan proceeded to invite bids for the management of 16 subsidiary retail stores and signed contracts with the winners. These managers, in turn, signed contracts with each of their employees in which corresponding rewards and penalties were outlined.

Yan said this new system has eliminated many drawbacks of the old system. Under the current level-by-level contract system, it is in no one's interests to employ unqualified workers and the chronic overstaffing suffered before is eased. As the performance of the business has a direct link with the personal interests of each employee, the workers have worked much harder and improved the service since the introduction of the new system. In the January-November period of 1987 the department store's sales reached 129.04 million yuan, 47.6 percent more than the same period of 1986, its profits amounted to 6.41 million yuan, 57.1 percent higher, and the turnover time of funds dropped by one-third. Yan said another new development is that the subsidiary shops now take the initiative in increasing their sales and the results are always greater than the department store's management plans. Estimated sales last June were 8 million yuan, in fact they equalled 9.01 million yuan. In June 1986, however, the figure was only 5.3 million yuan.

### Management Leasing

A more flexible policy Wuhan has adopted is to lease small state-run enterprises (industrial businesses with fixed assets worth under 4 million yuan and annual



ZHAO MINGQING

**Zhao Chongjian, general manager of Wuhan's first Sino-foreign joint venture.**

profits under 400,000 yuan, and commercial businesses with annual profits under 150,000 yuan) to individuals or collectives. Since 1985, 87 of Wuhan's 129 small state industrial enterprises and 67.44 percent of its small state stores have been leased.

Public bidding is invited after the basic profit and rent for a business have been set. The lessees will mortgage their private property as guarantees and sign a lease. To encourage leasing, the city government has ruled that the lessee can manage independently and his or her income can be two to five times the employees' average. The lessee is asked to promise some improvement in the business' assets and to guarantee the good condition of the equipment. Predatory management is forbidden. The economic returns of most of these leased businesses have increased. According to incomplete statistics, in 1987 the average profit increase was 11.05 percent over 1986, and the maximum, an amazing 39-fold increase.

The Wuhan Fountain Pen Factory is a 30-year-old state business. Before it was leased, the business was about to go into the red. In July 1986 its former

director Yu Zhiqiang won the lease and took over management of the factory and its 430 employees. Yu appointed three guarantors and the four of them put down 10,000 yuan as a pledge. After handing over a specified basic profit to the state, the factory keeps 70 percent of the remaining profits, and Yu, 30 percent. From his income, Yu must pay the rent and a risks dividend to his guarantors. He also pays assistants who have made outstanding contributions.

Yu said most of the people in his factory favour the management method, but some people are afraid of being dismissed. However, the past year's experience has proved that neither the workers' status nor the enterprise's nature has changed. The workers still exercise their legitimate rights through the workers' congress, while the lessee has taken on more of the power and responsibility for the enterprise's management. For a leased factory, the basic profits to be handed over to the state remain unchanged. The more profit the factory makes the more benefits will the factory and its employees gain. This has motivated the workers. Since the fountain pen factory was leased, the employees have made over 400

suggestions for improving its production and management.

The first ten months of 1987 saw a 58.57 percent increase in the factory's output value over the same period of 1986, and marked improvement was also made in its products' quality. At the same time, the factory's profits were up 5.35-fold.

## Foreign Experts

Werner Gerich is a news maker in Wuhan's urban reform. A year ago he finished his term of office as the director of the Wuhan Diesel Engine Plant and returned home to Duisburg, Federal Germany. Then, last autumn he came on a lecture tour of the Economic Management College under Wuhan University. This was his sixth visit to China. He felt China's reform and open policies were unchanged, but the pace had moderated.

Today, things in the Wuhan Diesel Engine Plant are quite different from what they were originally, and quality is a matter of common sense. The factory began to export its products in large quantities last year. Gerich said he was pleased to see his suggestions being accepted. Before he left the factory, he had drawn up a plan for the factory's development which was found to be of value in the reform of other enterprises. The city government has decided to put the plan into practice on a trial basis in the diesel engine plant and three other factories.

By the end of 1987 the city had invited 200 retired foreign experts to help it with its work, and they have all made contributions to Wuhan's economic construction and reform.

## Joint Ventures

Although it is far from the coast, Wuhan has already set up several dozen Sino-foreign joint ventures. Zhao Congzhao, 47, is

the general manager of the first joint venture in Wuhan.

In 1980, Zhao, engineer then, visited Matsushita, Sony, Toyota and other big companies in Japan and was impressed by their management skills and pioneering spirit. His decision to establish an industrial company in Wuhan was supported by the city government. In September 1982, he set up an electronics service centre in co-operation with a Hong Kong business. With a joint investment of 350,000 yuan, the centre had less than 20 staff members and 60 square metres of business floor space at the beginning. Its business was to repair imported electronic products with equipment and technology supplied by the Hong Kong partner. The business developed very quickly and the next year it made a profit of 510,000 yuan.

Zhao said the joint venture had difficulties at first. Although overseas business people often complain about the low efficiency of the administrative departments in charge, he and his colleagues were used to it. What upset them most was the reaction they received. People said the joint venture was practising capitalism and allowing individuals to make a pile. In fact, the Chinese side still feels the business is socialist. They pay their taxes and plough the retained profits back into the company. Zhao's personal income is more or less the same as the managers of other businesses. Fortunately, Zhao said, the business has always had the mayor's support.

In the last few years, the service centre has expanded considerably. Today it is called the Huaxing Electronics Co.—an economic entity which combines production, trade, and research. By November 1987 the company had produced an output value of 138.33 million yuan, made a profit of 18.69 million yuan, and handed over to the state 9.26 million yuan in profits and taxes.

Currently, Wuhan has 44 Sino-

foreign joint ventures (those funded by Hubei Province in the city are not included). An increasing number of overseas investors have seen the advantages of Wuhan's location and resources. Alfred Tong, general manager of the Changjiang Hotel, a joint venture between the city's tourist service bureau and Hong Kong's Frankwell Holding, said, "I believe more people are coming to Wuhan for business or pleasure. Hotels will be in great demand. I am glad that I have taken the first step."

## Business Groups

The opening of the market and competition have prompted enterprises to break the old management system and form mutually beneficial economic associations.

The more than 1,300 machine-building enterprises in Wuhan are separately attached to over 40 management departments under five levels of administrative leadership (the central government, the province, the city, the district and the neighbourhood committee).

Four years ago, the Wuhan Washing Machine Plant severed its relations with the factories which the higher levels had designated and began to choose its own partners for the supply of components. With their help the plant has lowered its production cost, improved product quality and expanded the market for its *Lotus Flower* washing machines. The factory and its partners have formed the Wuhan Lotus Flower Washing Machine Corp. The principle of equality and mutual benefit is adhered to among the corporation's member factories. While the production plan is formulated in a unified way by the corporation, each member factory has its independent accounting.

Currently there are 238 registered business groups in Wuhan which have co-operative relations with businesses in 28 provinces and cities throughout the country.

# Putting the Law Into People's Hands

In 1985, the CPC Central Committee decided to spread knowledge of the law throughout the population in five years. This decision is seen as a major step in strengthening the legal system after the tumult of the "cultural revolution." It means ordinary citizens will be able to acquire a greater sense of the law. This article examines the impact of the work in Shanghai—China's largest metropolis.

by Chen Maodi

Five-year-old Xu Chao never expected to be party to a lawsuit. One evening her father, a worker in Shanghai's Xinjian Machinery Factory, and her mother saw Xu Chao's photograph in a television advertisement—on the package of *Baoerjian* oral medicine for children produced by the Hangzhou No. 2 Traditional Chinese Medicine Factory.

"How can they use Xu Chao as an advertisement without our permission," demanded the angry young couple. They recalled that there was a stipulation in the General Rules for the Implementation of the Law of Civil Procedure of the People's Republic of China, which they had studied not long before, guarding against infringement on individual portrait rights. Therefore, as legal guardians of little Xu Chao, they entrusted a lawyer with the investigation and handling of the case.

It appeared that when the designer at the Hangzhou No. 2 Traditional Chinese Medicine Factory was designing the packaging for the medicine in question, he used the picture of Xu Chao from a 1985 calendar. One million packets of the tonic had been sold.

The lawyer informed the Hangzhou factory of their infringement of the law; the factory was told that the portrait of a citizen could not be used to make a profit without that person's consent. This was news to Feng Gensheng, the factory director.

But when he realized that his factory had violated the law, he expressed his willingness to compensate according to law. Through the mediation of the lawyer, the Hangzhou factory paid Xu 1,000 yuan as compensation.

Yuan Qizhong, president of the civil department of the Shanghai Intermediate People's Court, says that more and more people have acquired a sense of law, and they have gradually become familiar with protecting their dignity, their rights and intellectual and material property through legal means.

In 1986, says Yuan, the Shanghai courts handled over 17,000 civil cases, a record number, and 26 percent higher than in 1985. Since the General Rules for the Implementation of the Law of Civil Procedure were promulgated in 1987, the people's courts in the city have handled seven cases of copyright, 12 cases of individuals' portrait rights, 27 defamation cases and 12 others. So far, 25 cases have been concluded.

With the continuous improvement in China's legal system and the efforts to educate in knowledge of the law, a sense of law has gradually taken root in people's minds. Law is no longer something on paper, rather it appears in everyday life.

A construction unit did not refill a ditch they had dug to lay water pipes. Someone fell in and was hurt. He filed a lawsuit and

won compensation from the construction unit.

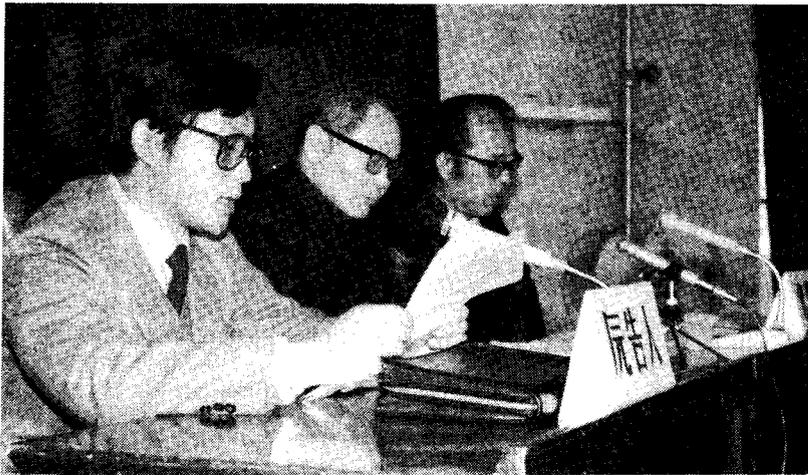
People disabled in the course of public duty appealed to the courts against their employers for no longer showing any concern for their livelihood and welfare. They too won their cases.

Long-distance bus passengers bought tickets and arrived at the bus station on time, but the bus had left early, causing them some financial loss. They had to turn to people's courts to demand compensation.

A construction team from Wuxian County, Jiangsu Province, built a road-side garden in Shanghai's Yangpu District. They put up a trellis for a vine, which, however, was not fixed firmly as required. A 14-year-old boy climbed it for fun, fell off and died. The boy's parents lodged an appeal with the district court against the construction team. According to Article 125 of the General Rules for the Implementation of the Law of Civil Procedure, which stipulates that owners or managers of buildings are responsible for damage or injury caused by those buildings or things dropping from them, the court ruled that the construction team pay the boy's parents a large sum of money.

The feeling used to be that to go to court was a disgrace and decent people are not involved in lawsuits. Today, a noticeable change has taken place in this mentality.

In October 1986, *Minzhu yu*



ZHENG SHUFU

Guo Qinghong (left), a coach in the Beijing Workers' Stadium, brings a suit against the Beijing Film Distribution Company for using his photograph in an advertisement without his consent.

*Fazhi* (Democracy and Legal System), a pictorial magazine in Shanghai, published a report entitled "Young Star—a Gold Mine." Cao Lei, the subject of the article, and her parents felt it was filled with damaging falsehoods. Despite the fact that the magazine is quite influential in China, they appealed to the court.

The court found that indeed Cao Lei was a talented singer and had won prizes in several competitions. For a time, she received many invitations to

perform, which adversely affected her study and health. The magazine attributed this to Cao's parents's greed.

The magazine's leaders acknowledged that the report did harm Cao's parents' reputation to an unexpectedly high degree. They decided to publish an apology.

*Xinmin Wanbao* (Shanghai Evening News), which reprinted the article in instalments, also apologized.

Zhang Xiufang and Cao Jingmei, both clerks in a fruit

store, had been very good friends. However, after Zhang was promoted to group leader and elected a model worker, Cao was jealous and spread rumours around the shop that Zhang was having an affair with a man. The rumours badly upset Zhang and undermined her relationship with her husband. Leaders of the store criticized Cao, but she refused to mend her ways. Zhang turned to the law.

The investigations of the court decided that Cao's action had damaged Zhang's reputation and she must make amends. Apart from apologizing to Zhang, Cao had to pay legal costs and compensate Zhang's financial losses.

Later Cao said with remorse, "The law helped me to see that only by respecting other people will I be respected." Zhang Xiufang forgave Cao's mistake and they are back on good terms.

Shen Zonghan, vice-president of the Shanghai Higher People's Court, says that cases involving people's dignity and intellectual property are something new in China, so they must be dealt with strictly according to relevant legal procedures.

(*Outlook Weekly*, Overseas Edition, Issue No. 42, 1987)

## THE ABC OF INVESTING IN CHINA (XI)

# Differences in Wage Systems

by Yue Haitao

China has a low wage system, it is one of China's advantages for the foreign investor. The wages of employees in joint ventures are usually higher than in state-owned enterprises, but are still less than in many other developing nations.

Only a half to 70 percent of what the investor pays for labour reaches the employees in their

wages. The investors have often thought this unreasonable, and asked for the full amount to be given to the employees to boost their motivation. These investors are showing a misunderstanding of China's distribution system.

Chinese employees in joint ventures are paid 2.5-2.8 times as much as in state-owned enterprises. In 1984 this represented an

average monthly income of 200 yuan. This has now increased by about 62 percent of the average wage in Hong Kong.

Remuneration for Chinese employees in state-owned enterprises comes in three forms: nominal wages (basic wages plus bonuses and allowances), labour insurance and welfare, and price subsidies.

The same goes for employees of joint ventures. The only difference is in the form of payment.

**Nominal Wages.** This is the main expense for joint ventures. According to the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment formulated in 1979, the basic wages and additional wages (including bonuses and allowances) of employees in joint ventures are allowed to be 20%-50% higher than those of employees of state enterprises within the same industry and locality.

The Chinese government worked out the policy for the following reasons. First, joint ventures use advanced foreign technologies, equipment and managerial methods, which call for efficiency and a high quality index. Therefore, the higher wage conforms with the principle of "more pay for more work." Second, the policy helps joint ventures recruit good workers. Third, limiting wages in joint ventures to 50 percent more than in state enterprises helps avoid too great an income disparity in the community. It also keeps China's advantage on the international labour market.

As to labour insurance, welfare expenses and price subsidies, foreign investors are often unclear about them.

In the West, enterprises only pay for work done, and need not concern themselves any further. Employees must make do with what they are paid. China's distribution is still informed by the idea of the state supplying many basic means of livelihood: Thus wages are only a part of people's actual income. A greater part of their remuneration is in the form of labour insurance and price subsidies.

Funds for subsidies, welfare and insurance payments are often levied as taxes, and handed over to relevant government departments who handle them in a unified way.

According to 1979 estimates, expenditure on these benefits was about 70 percent higher than the total wages bill for state-owned enterprises. In joint ventures, the non-wage remuneration in 1986 was 22 percent more than basic wages, according to estimates of the State Economic Commission.

**Labour Insurance and Welfare.**

Labour insurance and welfare payments are about 37 percent of the basic wages bill in state enterprises. As a kind of additional wage, labour insurance and welfare payments are part of the production costs. All employees in state-owned and collective enterprises enjoy free medical care. They only need to pay 0.10 yuan (about US\$0.03) for registration. All other medical expenses except for meals while in hospital are borne by the work unit. In joint ventures, employees also have access to the same public medical care, the joint ventures are asked to hand over the money for medical purposes to the state for unified arrangement.

**Price Subsidies.** The most controversial issue is the price subsidies. For a long time after 1949 China followed a policy of price control. Major agricultural and sideline products were all purchased and marketed by the state. The price system was rather unreasonable and is being reformed: To ensure city dwellers a supply of their day-to-day requirements, the government has to purchase cereals, oil crops, eggs, pork and coal, and sell them to city residents at a loss. This is covered by a state financial allocation. Besides food and fuel subsidies, employees are given allowances for visiting their close family members and daily commutes.

In cities throughout the country, houses are built and distributed by government departments and enterprises according to an overall plan, and rents are very low. For example, a two-room house, that costs 6 yuan a month (about US\$1.6), accounts

for only 2-4 percent of a worker's monthly wages.

The total cost of these subsidies makes up 85 percent of the remuneration in state enterprises. (The subsidies for housing alone make up more than 70 percent.) The money comes from taxes. For state enterprises this is about 55 percent, but for joint ventures, income tax is only 15 percent or less.

According to Chinese rules a joint venture hands over the labour costs to the Chinese side which then distributes them. Workers are paid after the cost of subsidies and benefits have been deducted.

There were many complaints. The investors felt China was playing a labour "price trick" and undermining their efforts to establish a wage and reward system. Then some Chinese in joint ventures felt that the Chinese employees should get the full amount paid by the venture. Last year, Chinese workers in a large Sino-US industrial joint venture in Beijing went on strike for several days, a rare event in today's China. The situation was clarified after the income-and-expenditure accounts were opened for inspection. Experience suggests that the principles guiding remuneration should be explained to everyone in a joint venture soon after it is founded, so as to avoid any unnecessary misunderstanding.

Last year, the Chinese government stipulated that export-oriented and advanced-technology enterprises could be exempt from handing over to the state the costs of price subsidies. This is a 30 percent reduction in a joint venture's costs. The Beijing Jeep Company which employs 4000 people, for example, can save several million yuan a year this way.

The Chinese government does not regulate about special increments or incentive schemes; individual boards are left to devise their own arrangements.

# 'Silk Road' Opens to Tourists

The "Silk Road," which has its start in the ancient capital Changan (present-day Xian) and traverses Shaanxi and Gansu provinces and the Xinjiang Uygur Autonomous Region, was opened to Chinese and foreign tourists in October last year.

The ancient road was opened in the Western Han Dynasty (206 BC-8 AD) as an important political, economic and cultural passageway to West Asia, Europe and Africa. Its several thousand kilometres are dotted with scenic spots and sites of historical interest, particularly in Gansu Province.

**Maiji Mountain Grottoes.** About 45 kilometres southeast of Tianshui city, these grottoes were carved into the precipice of Maiji Mountain in the late 4th century and early 5th century and were gradually developed by the following dynasties. With 194 caves housing 7,200 clay and stone statues and more than 1,300 square metres of murals, the Maiji Mountain Grottoes form a renowned museum of Oriental sculpture.

**Big Buddha Temple.** The temple in Zhangye town, constructed in 1098, houses a 34.5-metre long and eight metre-tall clay sculpture of the reclining Sakyamuni, the founder of Buddhism. It is the largest of its kind in the country. The world-famous traveller Marco Polo once visited the temple and expressed his admiration for it.

**Jiayuguan Pass.** A main pass at the west end of the Great Wall, the Jiayuguan Pass was built during the Ming Dynasty in 1372. Its inner city is 640 metres in circumference and the wall is nine metres high. With four corner towers, the grandiose Jiayuguan Pass on the "Silk Road" is

acclaimed as the "strategic pass under heaven."

**Mogao Grottoes.** Also known as the Caves of a Thousand Buddhas, the grottoes are 25 kilometres southeast of Dunhuang. Hewn in 366 and expanded and repaired by later dynasties, the Mogao Grottoes are one of China's three treasure-houses of Buddhist art. The existing 491 caves house 2,400 painted statues and more than 45,000 metres of murals. Mogao Grottoes are acclaimed as the largest classical art gallery in the world.

**Mingsha Mountain and Crescent Moon Pool.** Ten kilometres south of Dunhuang, the mountain and the pool constitute one of the eight scenic spots in the area. The mountain which extends to 40 kilometres is formed by quicksand. On its summit is a crescent-shaped pool. Even with the passing of hundreds of years the pool has not been filled with sand, a true marvel of an oasis.

## Immunity Radiometric Assay Service

Immunity radiometric assay (IRMA) tests are now available in the Beijing Clinical Medicine Check-up Centre. The department was recently opened on Wanquanhe Road in the western outskirts of Beijing. IRMA is a speedy check for hepatitis B, thyroid problems, macrocytic anemia, diabetes, liver cancer, and diseases of kidney and biliary tract.

IRMA has no bad effects, its inventor won the Nobel Prize and its diagnosis capabilities have been

acknowledged by many famous hospitals in the world.

The cost of the test is only one-fifth the cost abroad. Already over 200 foreign tourists have been examined there. Most had made a special trip for the purpose.

by Han Guojian

## International Studies

A quarterly in Chinese

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China's Foreign Relations: A Chronicle

## Developing Energy-Intensive Industries in Energy Centres

"GUANGMING RIBAO"

(Guangming Daily)

After an one-year study and investigation, Hong Huiru and Huang Zaiyao, associate research fellows at the Institute of Industrial Economy under the Chinese Academy of Social Sciences, recommended stepping up the development of energy-intensive industries in energy producing centres. They saw this as an important policy-decision for the development of the national economy.

The researchers said Shanxi Province, western Inner Mongolia, Ningxia, areas north of the Qinling Mountains in Shaanxi and western Henan are the country's main sources of coal. However, over a long period of time, many energy-intensive industries such as metallurgical and chemical industries have been established in the coastal areas which are poor in energy deposits. The volume of coal transferred from the coal producing centres to the coastal areas has consequently increased sharply from year to year.

At present, both the energy-intensive industries and energy producing centres cannot operate at full capacity due to transport problems. For instance, Shanxi Province now has 25 million tons of surplus coal, and coal output in Inner Mongolia and Ningxia is fixed according to transportation. But, in Liaoning and Jilin provinces, energy-intensive industries are operating 20-50 percent under capacity because electric power and coal are in short supply. At the same time, the demand for goods produced by these industries is rising rapidly. During the period of the Sixth Five-Year Plan (1981-85), China spent US\$29 billion on the import of these goods, exceeding the total

foreign exchange earnings from petroleum exports for the corresponding period.

Under these circumstances, one of the main tasks for the energy producing centres should be to utilize their coal resources to produce electricity, and develop energy-intensive industries in a planned way so as to replace coal exports with products from these industries. This would help the eastern coastland to concentrate efforts towards adjusting the structure of industry and making full use of its advantages in technology. It would also be conducive to the overall development of the economy in energy centres.

The experts said the five provinces and autonomous regions mentioned above abound in energy resources—their coal deposits account for 47 percent of the total in China, with a per-capita average of 3,460 tons. Their coal output in 1985 was 364 million tons, accounting for 41.7 percent of the country's total, and the net export volume to other parts of the country, 153 million tons, 88.2 percent of the total. The country's demand for coal has increased sharply and the transportation of this commodity is the most important consideration for energy centres. To support the country's economic construction, energy producing centres should draw up a plan for simultaneously transmitting electricity and transporting coal as well as goods produced by energy-intensive industries.

Since the founding of the People's Republic of China in 1949, industries with high energy consumption have been developed to some extent in the five provinces and autonomous regions, and some large and medium-sized enterprises have

been established. But compared to the distribution over the country as a whole, the number is still on the low side. The proportion of products from energy-intensive industries in the eastern part of northeast China and in east China, which have a short supply of energy, is much too high. This distribution needs some adjustment. While transporting large quantities of coal to other parts of the country, the five provinces and autonomous regions depend on other areas for the supply of products such as steel, caustic soda and soda ash. The transportation between these areas has resulted in heavy losses for the state in manpower and material resources. Take 1985 for example. The five provinces and autonomous regions exchanged about 10 million tons of coal for 3 million tons of products from energy-intensive industries.

The five provinces and autonomous regions have other rich mineral resources. For instance, bauxite reserves in Shanxi and Henan provinces account for 59 percent of the country's total; and iron ore reserves in the five provinces and autonomous regions make up 13.5 percent of the national total. In addition, there are rich reserves of chemicals and non-metallic ores. Although these areas on the whole have poor water resources, there are some water resources with utilization potential. Shanxi Province, for example, has 1.1 billion cubic metres of spring water which is difficult to tap for agricultural use. Therefore, the five provinces and autonomous regions offer many advantages for the development of industries producing electric power, coke, electrolytic aluminium, ferroalloys, calcium carbide, fertilizer and caustic soda.

(October 28, 1987)

## Deepen Reforms in Rural Areas

**"LIAOWANG"**

(Outlook Weekly)

**D**uring the second stage of reform in China's rural areas, there is a new question of interest to all Chinese people: How can the rural economy be shifted in an all-round way to the track of higher economic efficiency?

One important goal in readjusting the production setup in rural areas is to create more opportunities for farmers to take up other occupations, because the development of the economy in any society depends on the fluidity of the labour force. If the work force cannot be shifted, it is impossible to make rational use of resources and technology. If the surplus labour in the rural areas is not transferred to more profitable trades, the backwardness of the countryside will persist. An efficient production setup must be established in order to steadily develop agriculture. In this process, careful consideration must be given to the demands of the market. To be successful, the production setup must be flexible and capable of adjusting output to demand.

Close attention must also be paid to reforms in the distribution system at the heart of the second stage of reform in the rural areas. The contract responsibility system, with remuneration linked to output, puts the initiative for meeting the needs of the market in the hands of the farmers. Intermediate organizations can play an important role as a bridge between individual farmers and the market. But until now, these organizations have been unsound. Farmers have remained passive in the exchange of commodities, while the intermediaries made the profits. As a result, consumers feel they are paying unbearably high prices, while the producers

complain that they are not making a profit from their production. This situation must be changed through reform. A regular commercial system should be set up immediately by reforming state-operated commerce and supply and marketing co-operatives, and by organizing farmers to become involved in distribution. Through these measures, the commercial organizations will be linked to the farmers; distribution costs will be cut; the relation between supply

and demand will be stable; and farmers can avoid or reduce losses caused by the ups and downs of market prices.

While strengthening the contract responsibility system, economic and management organizations in the villages must be set up as quickly as possible. There must be a substantial development of production, but the system of contract responsibility must not be negated. Proceeding from their actual conditions, different areas must adopt different methods.

(Issue No. 23, 1987)

## Neighbourhood Committees in Cities

**"XUANCHUAN SHOUCHE"**

(Propaganda Handbook)

**I**n China's cities retired men and women wearing red armbands can often be seen in streets and free markets. They are either members of the neighbourhood committees or assigned by the committees to help maintain public order or check on environmental sanitation.

Under the support of subdistrict offices — organs of state power at the grass-roots level — neighbourhood committees share some state responsibilities and help residents overcome various kinds of difficulties, such as how to care for the aged. Neighbourhood committees in all residential areas are making efforts to establish recreation rooms for old people. To help young working couples solve the baby-sitting problem, the committees are organizing retired women in good health to set up kindergartens.

In addition, each neighbourhood committee has a mediation committee and a sanitation and anti-epidemic station. The mediation committee is responsible for settling disputes between neighbours and mediating in family

quarrels. The sanitation and anti-epidemic station is manned by retired medical workers and residents who have received some basic training. These medical personnel are largely active in propagating an understanding of the prevention and treatment of disease and illness, providing instruction in family planning and checking up on sanitation in local households.

Members of the neighbourhood committee, a self-run organization, are usually retired people or housewives; they are directly elected by the masses. The term of office is one year. The committee is characteristic of the Chinese socialist system.

(Issue No. 19, 1987)



## Registration of External Debts

The State Administration for Exchange Control is conducting its first registration of external debts and will release the results later.

The registration is being carried out according to the Provisional Regulations for Statistics and Supervision of External Debt, promulgated on August 27, 1987 by the administration. Thus far, 99 percent of debtors have registered their debts. The registration should provide full and accurate information about external debts and the use and repayment of foreign loans.

According to an official from the external debt section of the administration, the regular registrations and the release of results will help improve the management of external debts and the control of foreign loans, and increase the efficiency of foreign investment. It will also help oversee the timely repayment of foreign loans and protect the interest of foreign lenders. The regular registration of external debts will provide foreign businesses with information about Chinese external debts and about registrations.

by Yao Jianguo

## China in More Exhibitions

China is to participate in 26 international exhibitions and export goods fairs this year, according to the Overseas Exhibition Department of the China Council for the Promotion of International Trade.

The first is the textiles exhibition, January 13-16 in Frankfurt. At the exhibition China will display its high- and medium-quality hand-woven Persian and gold-thread carpets. Later China will take part in



Princess Margaret visits the China stall at the 1987 Daily Mail Ideal Home Exhibition.

exhibitions and fairs in Australia, Italy, the Soviet Union, Austria, Belgium and Japan. In addition China will hold export goods fairs in Austria, Japan and New Zealand.

At the Asian-Pacific Trade and Industrial Exhibition in April in Sydney, Australia, China will display its machinery and electronic products for the first time abroad. In the other exhibitions China will demonstrate its light industrial products, native and animal by-products, and craft items made using latest technology. China received US\$250 million worth of orders in 1986 and US\$300 million last year from international exhibitions.

The organizer of these overseas activities is the China Council for the Promotion of International Trade. Established in 1951 the council has organized the Chinese stands in 500 international exhibitions and fairs.

by Zhang Zhiping

## Hubei Holds Foreign Trade Talks

Hubei Province is holding its first foreign economic and trade talks in its capital city,

Wuhan, between January 18 and 27.

At the talks, the province will offer over 1,300 kinds of traditional and new goods for export and will propose 318 textile, machinery and electronics industrial projects to foreign investors and technology exporters. Hubei plans to put aside US\$50 million in foreign exchange for imports.

Located in central China, Hubei has rich resources and good transport facilities. It also has a good industrial and agricultural base. The province's exports have increased at an average annual rate of 22.6 percent for the past nine years. Last year its exports reached US\$950 million. The province has established 73 Sino-foreign joint ventures and co-operative enterprises involving a total investment of US\$178 million. It has imported advanced technology and equipment projects valued at US\$500 million.

The Province has formulated regulations to encourage foreign investment and will make them public soon.

by Yang Xiaobing

## PENAVICO Improves Its Service

In 1987 the China Ocean Shipping Agency (PENAVICO) served 30,000 foreign ships, handled 140 million tons of goods, received 238 tourist ships and hosted 100,000 tourists. Since its foundation its ship handling capacity has increased 24 times and its cargo capacity 56 times.

As sole agency handling international ocean shipping in China, PENAVICO's purview includes foreign ships entering and leaving Chinese harbours and territorial waters, declaration of import and export goods, the management of pilots and wharves, loading and unloading of goods, inspection of goods, hiring of crews, application for passports and visas, crews' medical treatment and organizing sailors' visits. Since 1953 the agency has served 470,000 foreign ships and handled 1.47 billion tons of goods.

In the hope of becoming one of the biggest ocean shipping agencies in the world, PENAVICO has expanded its scope to container shipping, international through transport, and packaging and transport of bulk goods. The agency has also signed agreements with 29 international through transport companies in Japan, the United States, Hong Kong and other places in Oceania and Europe, and established business relations with over 1,000 shipping companies and transport, trade, industrial and commercial, financial and insurance companies in 150 countries and regions.

The agency has 43 branches and eight sub-agencies and plans to open more offices in harbours which open to the outside.

by Zhang Zhiping

## New Orders for Bull's Computers

By the end of last year the Groupe Bull of France

received orders for four of its large DPS-7000 computers from two Chinese customers, considerably increasing its volume of business in China. One of the orders comes from the Hangzhou Rice Research Institute in Zhejiang Province, the other from the People's Bank of China for financial organizations in Beijing, Wuhan and Hubei Province. All four computers are expected to be delivered by June this year.

The DPS-7000 computers were introduced to Chinese customers at a special symposium held in Beijing last June. According to Mr. A.R. Pandey of the representative office in Beijing, Groupe Bull is holding business talks with the Chinese General Administration of Civil Aviation (CAAC), the Ministry of Finance, the Ministry of Agriculture, Animal Husbandry and Fishery and various enterprises; it is very optimistic.

One of the first foreign computer companies to enter the Chinese market, Bull was selling data processing systems in China in the early 1960s. Since then the company has concluded a series of agreements on co-operation and technology transfers with various Chinese departments and institutes, sold over 100 of its products in China and trained more than 50 computer technicians.

To maintain its advantage, the company plans to hold a symposium in China each year to keep Chinese customers up to date with its latest products.

by Yao Jianguo

## Non-Governmental Economic Co-operation

Over 30 projects will be set up this year with funds and technology provided by non-governmental organizations abroad. Most of these projects are in the less developed areas and

western China. For example, there is one for the diversification of agricultural processing in Yunnan and Guizhou provinces, using funds from Canadian local organizations.

With the help of the office of the UN Development Programme in China, the China International Economic and Technical Exchange Centre under the Ministry of Foreign Economic Relations and Trade in 1984 began establishing economic and technical co-operative relations with non-governmental organizations in foreign countries. Thus far, the centre has established co-operative relations with more than 20 non-governmental organizations including Agro-Action and Caritas of Federal Germany, NOVIB and Wild Geese of the Netherlands, Vesper and the Albert Kunstadert Foundation of the United States, FH of Japan, CAA of Australia, etc.

These organizations have signed contracts transferring US\$5 million to China. Half of this goes to 20 projects in developing farm and aquatic production, farm produce processing, water management, the use of natural resources and improving welfare, education and medical and health work in many places.

The centre handles the UN's assistance to China and any international economic and technical co-operation which goes through the UN. The centre also handles international organizations' aid to third parties, provides venues for small international conferences and new products exhibitions and offers consultancy services.

by Du Yuexin



## Televised Documentary on Military History

The 12-series television documentary *Let History Tell the Future* which deals with the military history of the Chinese People's Liberation Army (PLA) won wide public acclaim. China Central Television broadcast the film twice to the whole country in prime time. The viewing audience was estimated at about 100 million. The documentary even attracted younger members of the audience who usually prefer romances and foreign films.

This full length documentary film, compiled jointly by dozens of military historians and journalists, described the growing strength of the people's army since its formation on August 1, 1927.

Critics praise the film for its philosophical message, its epic momentum and artistic presentation of time and space, history and reality.

The pilot Li Dawei, who flew to the mainland from Taiwan several years ago and is now vice dean of a PLA air force school, said the film gave him an understanding of how the Chinese Communist Party and the People's Liberation Army grew in strength. "Compared to TV plays, it is more interesting," he said.

The far-reaching educational film avoids the use of a preaching tone and the heaping of praises and eulogies. It realistically relates the victories, setbacks and failures during the course of the revolution and some new historical facts are also brought to light.

The portrayal of great leaders was achieved without exaggeration. For instance, in the early days of the army, Mao Zedong was simply called "a village teacher from Hunan Province." After overcoming many difficulties and surviving the dangerous Long March, Chairman Mao

Zedong expressed his relief and thanks by repeating three times the prayer "Amitabha" just as any ordinary Chinese person may have done.

When the early Communist Party leader Qu, Qiubai was sentenced to death by the Kuomintang, the narration is limited to only a few deeply moving words: "Sitting on the plot of green grassland, he calmly lit a cigarette and said 'All right, I'm ready. Fire.'"

Describing Premier Zhou Enlai's joy on welcoming the return of the Chinese People's Volunteers from Korea, the narrator says, "That day Premier Zhou Enlai drank 37 cups of Maotai wine and was drunk." When Deng Xiaoping was persecuted during the "cultural revolution," the commentary describes, "an old man in his 70s, spending his time thinking in a poor hut not far from Nanchang. When the sun sets and evening approaches, he always walks around his small courtyard absorbed in thought. One day, he slipped and fell on the uneven road. Nothing was said but soon after the workers repaired the road." These pieces add a special attractiveness to the film. The realism brings the historical events closer to the audience. A woman soldier lost touch with her army during the Long March and for years after, she was no longer recognized as a Party member. She still set aside the 5 fen Party membership fee every month and 31 years later when she was reaffirmed as a Party member, she paid over 500 yuan in membership dues.

Describing the ideological changes undergone by Japanese prisoner Kagawa, Hisashi, during the War of Resistance Against

Japan, the documentary recalls the story as follow. At first the Japanese platoon leader wanted to commit suicide after his capture to pledge his allegiance to the Japanese emperor, but his studies of Chairman Mao's 'On Protracted War' left him impressed by such outstanding theory. He went to Yanan and saw Mao Zedong, and changed his attitude to war.

The growth of the Chinese People's Liberation Army is strikingly displayed with scenes of rows of powerful tanks slowly proceeding in military parade. The narrator explains, "The designer of this new type of tank is a slender, kind woman. People affectionately call her 'tank mamma.' When the scene moves to PLA naval warships, the narrator says, "Another woman also designed the improved propeller. Her name is Sa Benmao. Her grandfather served as a naval minister at the end of the Qing Dynasty (1644-1911). The military expenditure prepared by him to reinforce the navy was all spent on the Summer Palace by Empress Dowager Cixi, who built a stone ship which will never sail. Sa finally realized her grandfather's dream of a strong naval fleet."

The selected facts and events from the PLA's 60 year-history are concentrated into a four-hour programme. The documentary is in fact a film of modern Chinese history. It gives older members of the audience a chance to recall the years of frustration and war they experienced. It also gives today's youth an understanding of the cost paid in lives for the final victory. The narrator explains, "Yesterday has already become history, and should never be forgotten."

by Wei Liming

## Folk Dough Modelling Artist



Zhang Baolin moulding a dough figurine.

At a banquet to honour the Pittsburgh Symphony Orchestra, dough modelling artist Zhang Baolin sent a dough figurine to the famous conductor Lorrin Masser. Zhang made the figurine of Masser in one hour, after he had watched the orchestra's performance. When Masser accepted the gift he exclaimed, "It's marvellous! It looks just like me. You are simply a magician."

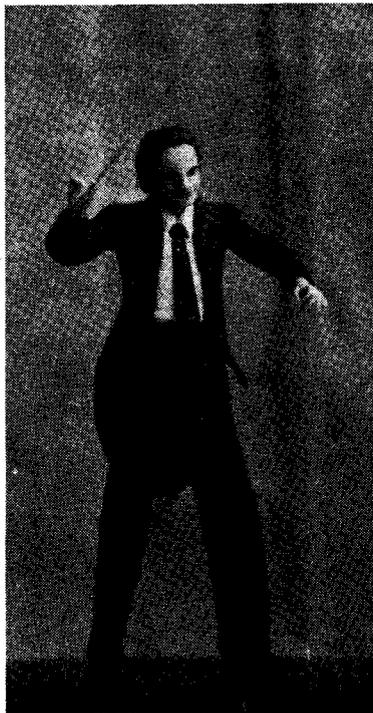
Zhang Baolin, a dough modelling artist in Beijing's Yanxiang Hotel is nicknamed "Dough Figurine Zhang" for his unusual talent for moulding. At a glance he can make a lifelike dough figurine of any person he sees. At the Yanxiang Hotel, a steady flow of people line up for Zhang's dough figurines. Zhang can even mould figurines from memory or a photograph for anyone who does not have the time to line up while he does the moulding.

Dough figurines are made of steamed glutinous rice flour and concentrated flour mixed with honey and preservatives. The pieces of moulded art are exquisitely small and detailed.

Zhang's father is an architect and his uncle a painter. The

famous dough modelling artists Zhao and Lang were old friends of his father. Nurtured in this artistic environment, Zhang from an early age started to build small houses and paint figures and horses. At the age of three or four he could

The dough figurine of Lorrin Masser.



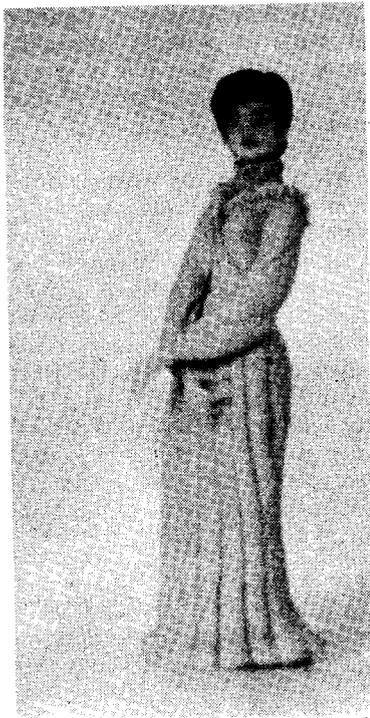
already mould dough figurines. Through his primary and middle school years and while he worked in a factory, he continued moulding dough figurines in his sparetime.

Most of his art work is drawn from Chinese traditional stories such as *Chang E Flies to the Moon*. According to the legend, when Chang E drank the elixir of youth she became a fairy maiden and flew to the moon. Zhang's dough figurine of Chang E keeps to the beautiful image of Chang E as depicted in the story. Wearing a long gown with streaming sashes she mounts the clouds and rides above the mist as she speeds across the sky.

The model "Chang E Flies to the Moon".



The dough figurines of the *Eight Immortals Cross the Sea* were also based on a Chinese fairy tale. It is said that the eight immortals each had a unique skill or power locked in a special talisman: a donkey, stick, *xiao* (a vertical bamboo flute), drum, clappers etc. To cross the sea, they threw their treasures onto the water and were carried to the other side through the power of their talismans. Zhang's figurines of the *Eight Immortals Cross the Sea* are vivid and lifelike in their portrayal of each



The Dough figurine of Momoe Yamakuchi.

immortal's own distinctive way of crossing the sea.

Zhang's talent extends to the representation of real-life subjects through his traditional art. After seeing the Japanese film star Momoe Yamakuchi on the screen, he moulded a dough figurine of her. The hair style, facial features, dress and posture are an exact likeness of Momoe Yamakuchi. The figurines of *Swan's Death*, *peacock Dance*, *Spanish Girl* and *Japanese Kabuki Artists* were

Models from the classic "Journey to the West."



The model "Swan's Death."

moulded from Zhang's impressions after enjoying the ballet and Indian and Spanish dances on the screen.

From June to December in 1986, when Zhang travelled with the Chinese Traditional Art Troupe to Dallas, Texas in the United States, his dough modelling attracted large audiences. A young girl who had seen Zhang perform in China, travelled with her parents all the way from her home in Florida to enjoy his

performance. A keen art-lover, one doctor offered to act as a guide for Zhang. To show his appreciation, Zhang sent her a dough figurine of the famous ancient Chinese physician and pharmacologist Li Shizhen, which delighted her. Collier, an American collector of art works, has collected dozens of Zhang's dough figurines of characters from the Chinese classics *The Dream of Red Mansions* and *Journey to the West*.

An Italian miniature sculptor visiting America expressed high praise for Zhang's *God of*

"Peacock Dance."



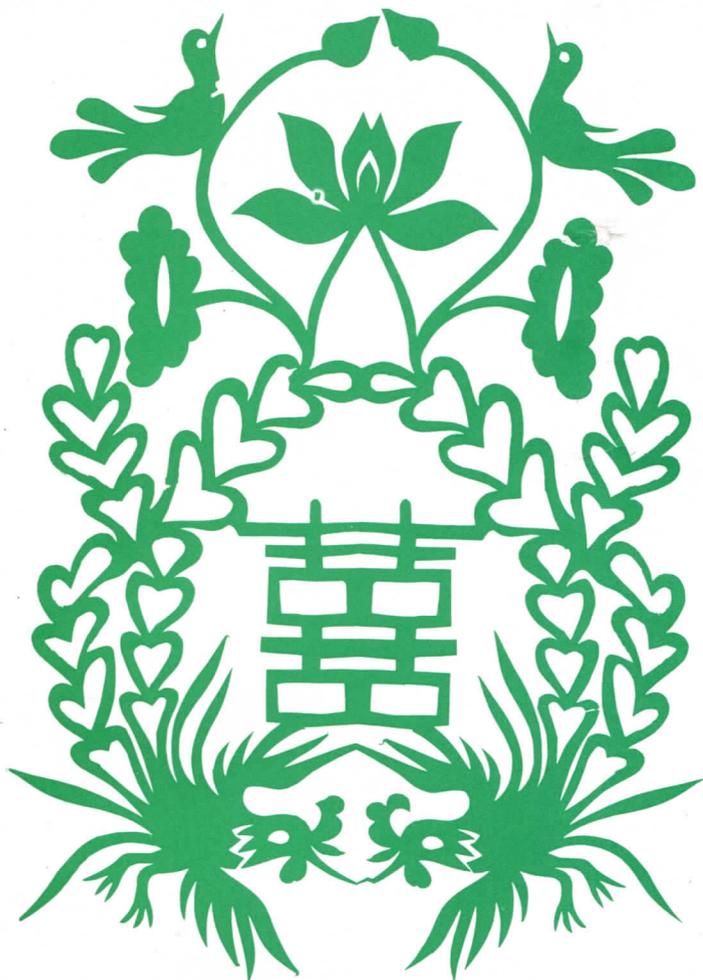
*Longevity* which is set in one half of a walnut shell. When an American circus troupe invited the Chinese Traditional Art Troupe to join a get-together, Zhang sent the circus manager a figurine of a clown. The circus manager warmly embraced Zhang and said, "I have never been to China, but when I look at this clown, I will feel I am in China, because China is the birthplace of the circus and acrobatics. You have brought China's art and culture to us and we enjoy it very much."

by Meng Gaoqing

## ART PAGE

### Papercuts by Li Ruie

Li Ruie was born in 1942 in Sishui County, Shandong Province. Li began to take interest in folk papercuts as early as she was exposed to the art when she was a child. Her papercuts are immensely popular with local people.





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