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Why China Will Not Practise Privatization



**FIRST HALF SEES STEADY
ECONOMIC GROWTH**



Children of the Dai nationality.

Photo by Zhu Yuhu

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| COVER: The weaving workshop of the Pingdingshan Nylon Curtain Cloth Factory in Henan Province, which is one of the three major factories of its kind in the world. The factory is making great efforts to absorb advanced technology from overseas and to strengthen its management. Production is running smoothly and there has been steady progress in the first half of this year. | |
| | by Xue Chao |

Economy Develops Despite Difficulties

□ China's economy developed steadily in the first half of 1989. But, owing to many problems which have piled up over recent years, it is difficult to attain the goal of improving the economic environment and straighten out the economy in a short time. Great efforts will have to be made (p. 15).

Economic Structural Imbalance: Its Causes and Cure

□ Based on facts and figures for 1978-88 provided by the State Statistical Bureau, this article outlines the causes of economic structural imbalance and proposes measures for its remedy. It stresses the importance of readjusting the economic structure in the current effort to improve the economic environment and straighten out the economic order (p. 18).

Why China Will Not Pursue Privatization

□ This article explains from the angle of history and reality why China cannot go in for privatization but must adhere to the socialist road based on public ownership. If China abandoned public ownership and practised privatization, polarization between rich and poor would emerge, the Chinese people would again be exploited and oppressed and China could once again be controlled, dismembered and partitioned by foreign powers. To avoid this happening, China must keep to the socialist road (p. 4).

Party Consolidation Urged

□ At a national meeting attended by directors of various organizational departments of the Chinese Communist Party, General Secretary Jiang Zemin called on local Party committees at all levels to concentrate their attention on strengthening Party building. He reiterated the necessity to punish the corrupt within the Party (p. 5).

Ninth Non-Aligned Summit Looks Ahead

□ The forthcoming ninth summit of the non-aligned movement in Belgrade will discuss a wide range of issues and formulate a common strategy. The Chinese people wish it success and hope that both it and China will strengthen their friendship and co-operation in the struggle for a better world (p. 11).

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

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Why China Will Not Practise Privatization

by Jin Qi

In his August 22 meeting with American guest Robert Abboud, Premier Li Peng said that China would give proper play to the regulatory role of the market in the process of economic reform, but its economy based on socialist public ownership must never be turned completely into a market economy. This is the latest government policy statement on adherence to the socialist road during the ongoing reform since the quelling of the anti-government riot in Beijing on June 4.

Plotters of the turmoil declared that "the attempt at socialism has failed," preaching the need "to sound the death knell of public ownership at an early date and to greet the Republic's tomorrow." However, they have never been able to present any convincing argument. In this short essay, we do not want to and cannot conduct related theoretical discussions. The scientific theory of Marxist classical works long ago presented incisive expositions on the inevitable replacement of capitalism by socialism. Despite changes in the subsequent situation, this general historical trend remains unchanged. Here, in the perspective of history and reality, we just want to deal with the question of why China does not go in for privatization, but rather will keep to the socialist path based on public ownership.

First, a basic fact is: China's following of the socialist road is an historical choice, an option taken by the people. In June 1949, on the eve of the birth of the People's Republic of China, Mao Zedong, in his article *On the People's Democratic Dictatorship*, described at length how, after China's defeat in the Opium War in 1840, progressive Chinese, from Hong Xiuquan of the Taiping Heavenly Kingdom to Dr Sun Yat-sen, forerunner of the democratic revolution, attempted to seek truth from the West and learn from capitalism, repeatedly failed. Finally it was the Communist that turned to socialism. Anyone who has learnt the history of more than one hundred years before the founding of the People's Republic can understand that under the oppression of imperialism, feudalism and bureaucrat-capitalism which weighed down on the Chinese people like three big mountains, not only did the labouring people live in dire poverty, but the existence and development of the national bourgeoisie was inhibited and their future uncertain. Therefore, to put it in clear and precise terms, the Chinese people were driven by merciless historical facts to embark on the socialist road.

Secondly, over the past 40 years since the birth of the People's Republic, although China has had many faults, made errors and suffered setbacks in its socialist economic construction, on the whole it has scored unprecedented achievements. In 1950-88, as its gross

national product grew at an average annual rate of 7.1 percent, China solved the problem of feeding and clothing its more than 1 billion people, providing them with necessary social security, and boosting the average life expectancy from 35 to 69 years. To date, China has established an independent and comparatively complete industrial system; its nuclear power, astronautics and other high-tech industries have made remarkable progress; and the growth of its economic strength has supported the state's political independence, so that the present government has become the only stable and efficient government of China within this century, and has won notable international standing. These achievements are not inferior to those of countries whose situation was similar to that of old China but which have been practising capitalism.

If we abandoned the economic foundation based on public ownership and practised privatization, serious polarization between the rich and the poor would inevitably emerge, a tiny handful of people would become millionaires or even billionaires, while the overwhelming majority of people would again be plunged into the plight of being exploited and oppressed. Nationwide political turmoil would occur, our independent international status would be lost, and it is not impossible that China would once again be controlled, dismembered and partitioned by foreign forces of aggression. People will come to understand this as long as they review this section of modern Chinese history.

Thirdly, reform of the economic structure over the past decade has injected fresh vigour into publicly owned enterprises which have a promising future and any defeatist theory is groundless. In recent years, influenced by the bourgeois liberalization trend of thought, some news media at home have shown little interest in reporting on, or have even played down publicly owned enterprises, as if state-owned enterprises were necessarily inefficient and incapable of remedy. Zhao Ziyang, who was recently removed from his posts, once openly called on state-owned enterprises (owned by the whole people) to learn from the management system of township enterprises. These views are inconsistent with reality.

By the end of 1987, China had 1.2 million industrial enterprises, of which 9,865 were large and medium-sized state-owned enterprises (0.8 percent) and 1.18 million were small collectively owned enterprises (99.2 percent) including 1 million (80 percent) rural industrial businesses. Judging from the major economic indexes based on state statistics for 1987, the economic results of state-owned enterprises were generally better than those of other types of ownership systems.



Jiang Zemin (third from left), general secretary of the Chinese Communist Party, is making a speech at the national meeting attended by directors of organizational departments.

LIU JIANSHEG

Intensification of Party Consolidation Urged

A national meeting by directors of various organizational departments of the Communist Party of China (CPC) has called on local Party

committees to strengthen Party building and for Party members to devote themselves to China's socialist development.

The meeting, held from Au-

gust 18 to 22, aimed at implementing the spirit of the Fourth Plenary Session of the 13th CPC Central Committee and discussing issues on strengthening Party building.

Speaking at the meeting, Party General Secretary Jiang Zemin said to strengthen Party building is to guarantee the success of China's reform and open policy and its socialist modernization. Therefore, he calls on local Party committees at all levels to concentrate their attention on strengthening Party consolidation.

Jiang said the CPC is a large party that has 48 million members and nearly 3 million Party organizations at the grass-roots level.

According to the Party chief, the recent struggle to check the turmoil and quell the anti-government riot in Beijing has proven that the Party cannot be shaken by any hostile force and almost all Party organizations

In summary these results were:

- Enterprises running at a loss—10 percent were large enterprises, 8.7 percent medium-sized, 14.5 percent small, 15.3 percent township-run; their respective rates of losses were 5 percent, 7.1 percent, 10.2 percent and 14.9 percent.

- Material consumption rate on every one hundred yuan's worth of industrial output value—63.6 percent for large enterprises, 70.4 percent for medium-sized, 72.8 percent for small and 71.8 percent for the township-run.

- Of all the profits and taxes earned by industries, 64.7 percent was from large and medium-sized enterprises, 35.3 percent from small enterprises (including the township-run); of the total profits and taxes handed over to the state, 69 percent was contributed by large and medium-sized enterprises, 31 percent by small enterprises (including the township-run); the profits and taxes created by each worker of large enterprises were 3.8 times those of a worker in small enterprises and 6.9 times those by a worker in township-run enterprises.

- Per-capita productivity—that of large enterprise was 87.3 percent higher than that of small enterprises and 1.54 times higher than that of the township-run; per-capita productivity of medium-sized enterprises was 54.2 percent and 1.1 times higher than that of the small and township-run enterprises respectively.

- Per-capita net output value—that of large-

enterprises was 1.6 times and 2.7 times higher, and the medium-sized enterprises was 71.1 percent and 1.4 times higher than the small and township-run enterprises respectively.

Among the large key enterprises, there have emerged some advanced ones such as the Shoudu Iron and Steel Company with more than 100,000 employees, which has undergone tremendous changes over the past decade. It is imbued with vigour, and has registered an average annual increase of 20 percent in profits and taxes. On the initiative of the present Chinese state leaders, Beijing will host an exhibition on September 21 to display the new achievements gained by large and medium-sized enterprises in the process of reform.

This article has not mentioned the individual and private economic sectors which have developed very rapidly over the past ten years, but whose percentage share in the national economy so far remains very small. As a useful complement to the publicly owned economy, they will continue to develop to a certain extent in the future. However, the central task of the socialist economic reform is to invigorate the publicly owned enterprises, especially the key enterprises. Reform is not aimed at changing their socialist nature, but instead at altering the rigid management system and methods and the authentic information about this process is really gratifying. □

and members stand on the side of the Party.

However, he noted, the turmoil has exposed severe problems within the Party.

"While analysing the situation within the Party," Jiang stressed, "we cannot underestimate the attempts by international hostile forces to change the system of socialist countries by means of peaceful evolution and the impact of that on China. We also cannot underestimate the damage on the Party caused by the unchecked bourgeois liberalization and the confusion Comrade Zhao Ziyang's mistakes brought to the Party."

The general secretary said that many Party workers had long expressed dissatisfaction with Zhao for his mistakes in trying to weaken the leadership of the Party.

Jiang pointed out that the reform of the political structure should be conducive to strengthening and improving the leading role of the Party.

Jiang stressed that it is necessary to punish the corrupt and build closer relations between the Party and the masses. He noted that the spread of corruption within the Party had seriously damaged the relations between the Party and the people and provided an opportunity for hostile domestic and overseas forces to subvert the Party's leadership and the socialist system. Jiang added that the Party Central Committee is determined to carry the struggle against corruption through to the end.

The meeting was attended by the leading officials of organizational departments in various provinces, autonomous regions and municipalities directly under the central authority and state departments.

In firm response to the central committee's call for strengthening Party building at this moment following the suppression

of the counter-revolutionary riot in Beijing, the participants said the measure is of great significance in ensuring the stability of the Party and the country and the success of China's socialist modernization.

Speaking at the meeting, Song Ping, a member of the Standing Committee of the Political Bureau of the CPC Central Committee and head of the Organization Department of the CPC Central Committee, said, "the recent struggle has made us see clearly that many problems, some quite serious, do exist in the Party organizations and the ranks of the Party."

The very cause of the turmoil, which later developed into a counter-revolutionary riot, came from within the Party, Song said.

Song said that Zhao made a mistake as general secretary of the Party in supporting the turmoil and splitting the Party at the critical moment when the fate of the Party and the state hung in the balance. Zhao has responsibility for the formation and development of the turmoil, he said.

According to Song, quite a number of the sponsors, organizers and commanders of the turmoil and riot were Communist Party members.

A small number of Party members from several major research

institutes played a disgusting role by running around on sinister errands and stirring up trouble.

Some Party organizations and Party officials wrote and spread anti-Party statements, leaflets and letters publicly opposing the CPC Central Committee. Some Party officials took the lead to back or participate in illegal demonstrations and support activities. Some created and spread rumours during the turmoil and riot and some even threatened to quit the Party.

What is more serious, Song said, is that even after the Fourth Plenary Session of the 13th CPC Central Committee, some Party organizations and leading officials of some units still continue to shield those who were guilty of serious misdeeds in the turmoil and riot.

Song said, to solve the shocking problems within the Party and to keep the Party clean, it is necessary to thoroughly scrutinize the ideology and actual behaviour in the struggle of leading officials at various levels so as to dismiss those who practise bourgeois liberalization from leading posts and select outstanding officials for more important posts.

Song said, to strengthen Party building it is also necessary to carry forward the Party's good traditions, eliminate corruption and strengthen the relations between the Party and the people. □

Campaign to Beat Down Pornography

The current nationwide campaign against pornography should be combined with efforts to reinvigorate literature and art and liven up the people's cultural and recreational life, a senior Party official said.

In a national tele-conference on cleaning up and rectifying the publishing and audio-video industry on August 24, Li Ruihuan, a member of the Standing Committee of the Chinese Com-

munist Party's Political Bureau, explained the campaign is mainly aimed at examining and banning publications and audio and video products full of pornography, violence and feudal superstition. The move is also aimed at curbing reactionary publications advocating bourgeois liberalization, a trend of thought that opposes the Communist Party's leadership and socialist road, he said.

He pointed out that the unchecked spread of pornographic publications and audio and video cassettes was a result of the rampant development of bourgeois liberalization and had in turn helped the development of bourgeois liberalization. Thus, he added, the battle against pornography is part of the struggle against bourgeois liberalization.

Li called on the Party committees and the people's governments at all levels to fully recognize the harm of pornographic publications and audio-video cassettes and firmly carry out the struggle against pornography.

He said that it was necessary to have a good grasp of the Party's policies during the struggle. He stressed the importance of giving different treatment, such as banning, sealing up, confiscation and destruction, to each publication, video and audio product according to its actual degree of social hazard.

He emphasized that those who produce or reproduce mass quantities of pornographic material are committing crimes and should be held legally responsible besides being fined. Pornography producers and marketers who have caused serious and evil social consequences should be dealt especially strict punishment.

He added that an authority should be established to check and appraise those publications and video and audio cassettes which were borderline porn cases.

Li demanded leading officials at all levels to heed the Party's policies from the very beginning of the struggle. Neither overdoing nor underdoing the battle is good, he said.

"However," he stressed, "when we have to weigh under-enforcement with over-enforcement, we prefer the former since too many past lessons have taught us that over-

enforcement in fact leads to under-enforcement.

"If we cannot achieve our goal immediately," he added, "we still have time to continue it. But if we make a clean sweep of all things indiscriminately, including banning those things which are not reactionary, eliminating those things which are not pornographic and even unreasonably interfering in people's personal daily lives and cultural interests, we will arouse dissatisfaction and censure from individuals as well as society as a whole.

Confessions Easier With Clemency Law

Five days after China issued a new policy encouraging economic offenders to turn themselves in, a county magistrate in the southwest province of Yunnan turned himself in to authorities August 20, handing over 16,000 yuan, a refrigerator and a colour TV he had received as bribes.

According to a circular jointly issued by the Supreme People's Procuratorate and the Supreme People's Court, economic criminals who surrender themselves before October 31 this year will be dealt with leniently. Clemency will be given to those who surrender after their cases have been investigated and checked.

A Supreme People's Procuratorate official said that 288 people who confessed before August 21 yielded more than 1.41 million yuan to police that they had illegally obtained.

Among the confessed cases, 76 were serious ones that each involved bribes amounting to more than 10,000 yuan.

In one case a purchaser in Shandong embezzled a total of 150,000 yuan over two years by receiving kickbacks.

Eighteen of the confessed are government functionaries at the

"If so, the problem will not really be solved and we will not be able to consolidate the results already achieved in the struggle."

Li also called on the entire mass media and all cultural departments to make efforts to fully propagate the great achievements of New China in order to celebrate its 40th anniversary and to provide more healthy and lively programming to meet the increased needs of the people's cultural lives. □

county level.

The confession campaign has had the added benefit of encouraging those already convicted by the courts, many still serving time, to detail to authorities other crimes they have committed but had concealed.

There was the case of Gao Shouxiang, the former head of a power station in Jiaying, Zhejiang Province, who, though put on probation with a two-year suspended sentence last month for profiteering, confessed even more crimes to the authorities after he came to know the new policy.

Some die-hard economic criminals who had refused to confess their crimes have begun changing their mind and owing up their crimes.

A criminal from Yixing, Jiangsu Province who had refused to own up to his crime made a clean breast of it by admitting his life of embezzlement and bribery and handed over illicit gains of 25,000 yuan and four gold finger rings soon after he learned of the state's approach of granting leniency to the confessed.

The spate of fresh confessions has led to the capture of many who had refused to come clean.

In Shanghai, 34 such confessions brought forth evidence to put police hot on the trail of 64 other suspects.

According to the circular, an economic offender who would normally receive the death penalty can beat the noose by coming clean before an October 31 literal deadline.

But, the circular also warns that those who do not give themselves up during that time will be subject to the full wrath of the law.

Nationally, a total of 440 offenders confessed during the first half of this year. Another 288 have confessed in the past two weeks since the August 15

clemency was declared.

Meanwhile, a new anti-corruption procuratorial office has been set up under the Supreme People's Procuratorate in a move to strengthen the fight against graft and bribery.

The new national anti-corruption centre's office, the procuratorial division on graft and bribery, replaces the procuratorial office for economic affairs and is said to show a new concern by government over corruption.

About 80 percent of the total economic crimes handled by the original procuratorial office for economic affairs involved graft and bribery. □

that they do not actually know what democracy is. They also neglect the two basic facts that China is a socialist country, and at the same time it is also a big developing country with a backward economy and backward culture.

Another is the correct recognition of the relationship between democracy and the legal process. The reality of the event has reminded us that the realization of socialist democracy should not be divorced from socialist legal structure. The process of democratic construction should be carried out within the limits of the law, and it should promote normal social order.

The third point is that the students should make a correct appraisal of themselves. In recent years, students have been praised and pampered in their surroundings and this has led many to become conceited and arrogant, with some even believing that they are the cream of the nation. Now it is time for them to rethink their shortcomings.

The editorial said that most students through political study will understand the nature of the turmoil and the harm it has brought, and that they will begin this term's study with quite new mental attitudes — but, of course, it takes time to change one's thinking, and some students may still have problems over the short run. But over time they can think it over.

However, the editorial stressed, we cannot tell whether there still are some students who want to create disturbances — if there are any students who do not heed the exhortations, it will only mean that they are exposing themselves. They will be expelled from universities if they do not want to study, and they will be dealt with according to law if they violate the law. □

A Word to Students

The *People's Daily*, the organ of the Chinese Communist Party, reiterated in an August 24 editorial that the Party and the government will not "punish students." It said only a very small number of organizers of the turmoil and the counter-revolutionary rebellion over the past few months will be punished according to law. However, those students who joined the demonstrations, hunger strikes or sit-ins, or simply uttered extremist opinions will not be held responsible.

The editorial, under the headline "A Word to University Students at the Beginning of the New Term," noted that both the Party and the entire society are thinking about the turmoil, and therefore university students should also quietly think over the past events and the future. This will be beneficial for their own maturity, for the restoration of an orderly campus life and for society as a whole.

Under the direction of the Party and the government, all universities and colleges will organize students to study documents re-

lated to the unrest at the beginning of the term. This will clarify the facts and help bring students to understand the truth so they can study with calm minds, said the editorial.

However, the editorial stressed that students should not take political study as a sort of punishment. There are complicated reasons for the involvement of students in the campus upheaval and the turmoil. The Party and the government have never blamed students for being the organizers of the turmoil — they were simply made use of by certain careerists and conspirators.

In order to help the students understand the nature of the event, the editorial spelled out several points for students to ponder.

One of these is the correct understanding of national conditions. The turmoil and rebellion revealed that many students know little about China's reality. For example, many students are too eager for what they call "democracy." They would like to have a high level of democracy overnight. This in fact shows

Anti-Corruption Rules to Plug Loopholes

Regulations that will outlaw state officials using loopholes for questionable purposes are being drafted by the Chinese supervisory and judicial authorities in a bid to stem corruption at its source.

The move is a part of the ongoing nationwide drive to tighten official discipline and fasten clean government.

A news release from the Ministry of Supervision revealed that 10,172 government workers have been given administrative punishment like demotions and a warning for their misconduct during the first half of this year and that 45 percent of those censured were ranking officials.

According to the news release, most of the punished government workers were blamed for having become involved in embezzlement, bribery, profiteering, dereliction of duties and abusing their power for personal gains.

Compared with last year, the number of cases received, filed and concluded by supervisory organs have showed significant increases.

One report tells of the head of a provincial commission from Shaanxi Province who was removed from his post for using public money to pay for lavish farewell banquets and asking for presents upon his transfer from a local post to take up his provincial appointment. In another case, three ranking Beijing bank officials were disciplined for decorating their houses and paying for it with public money.

However, despite this marked progress, a senior ministry official said that a much larger number of corruption cases remain unprocessed.

The regulations being drafted will stop employees in administrative bodies building their own

houses and decorating their own homes at government expense, ban government and Party officials and their spouses from engaging in business deals, and ban dinners and gifts that are given at public expense.

The drafting of such regulations is a direct response to the central authority's anti-corruption plan announced earlier.

Apart from giving corrupt officials administrative punishment, supervisory bodies have

Sci-Tech Group Probes Geo-Disasters

The three transportation arteries stretching through China's southwest regions, the Sichuan-Tibet Highway, Baoji-Chengdu Railway and Chengdu-Kunming Railway, are often cut by fierce landslides and mud-rock flows.

Meanwhile the nation's southwest and northwest regions are frequently struck by landslides, avalanches and mud-rock flows. Over the past decade Sichuan Province alone witnessed thousands of such disasters that have taken over 2,500 lives and caused losses of over two billion yuan.

Even the prosperous coastal areas are not immune from this spate of geological calamities. Land subsidence there is getting increasingly serious. The coastal cities are literally sinking. At least 20 of them including Shanghai, Tianjin, Wuxi, Changzhou, Ningbo and Jiaying are being affected by this. There is also over 1,000 earth rifts, telltale signs of the sinking, that have appeared in almost 200 cities and counties.

With the increased number of geologically-linked calamities the Ministry of Geology and Mineral Resources and the State Science and Technology Commission have jointly set up an association to study how to cope with the problem.

Experts at the ministry said that

suggested that 1,034 Party members also be punished in accordance with Party discipline. They have turned over the cases of 922 corrupt officials to the courts for prosecution under relevant laws.

The number of cases received was 64,584, exceeding the 1988 total.

In another development, the Ministry of Supervision unveiled a plan to give embezzlers and bribe-takers working in government organs lenient punishment if they turn themselves in and confess to authorities before October 31. □

such calamities are upsetting both the economy and people's lives by threatening farm production, communications and transportation, urban construction and even some important state projects.

Although geological activities and changing of weather conditions play a part in these calamities, said an expert, man's damage to the geological environment has aggravated it.

The expert pointed out that about 50 percent of the disasters were caused by excessive digging and felling of natural resources, indiscriminate use of underground water and other man-initiated activities.

Comprehensive surveys have already been conducted on some geological conditions in key regions, such as in the Shanghai Economic Zone and areas along the Yangtze and Yellow Rivers.

In recent years, the occurrence of geological calamities have become more frequent, said an expert of the Geological Environmental Department under the ministry.

The ministry earlier this year worked out a 10-year programme to establish a monitoring and information network and ways to prevent, forecast and control geological disasters. □

Shelterbelt to Guard Yangtze

China has started construction of a mammoth 15-year shelterbelt project along the middle and upper reaches of the Yangtze (Changjiang) River, with the approval of the central government.

First phase of construction, which has already begun in 145 counties in nine provinces where soil erosion is very serious, will have a 6.6 million hectare forested land area when it is complete.

The Yangtze shelterbelt is being erected as soil-eroded land has nearly doubled over the past three decades. Such land has grown to cover 560,000 square kilometres or 31.1 percent of the total Yangtze valley area from 360,000 square kilometres in the early 1950s.

The new shelter will help stop some 2.24 billion tons of soil from being washed from the land every year that brings further damage to the ecology.

The Yangtze watershed, which encompasses one-fifth of the nation's landmass, is a key resource that a third of China's 1.1 billion population inhabit who produce 34 to 40 percent of the nation's wealth.

The Yangtze shelterbelt, of which the State Council recently approved the first phase, is a general plan worked out in 1987 by the Ministry of Forestry that targets at reversing erosion at the middle and upper reaches of the river.

China's first large shelterbelt project reaches along China's northern provinces. Like this, the Yangtze project is also designed for water and soil conservation and will be the second large shelterbelt project developed by China.

The forested area in this region will be doubled at the finish of the first-phase of this project in 15 years. Along with soil erosion being brought under control in a 74,000 square kilometres area, vegetation will be increased to 39

percent of the land area from the present 19.9 percent.

The State Council, China's highest governing body, is using funds earmarked for agricultural development for this project. □

News in Brief

More Reform, Less Control

Reforms aim to improve China's over-centralized management and to loosen excessive control over the country's economy, said Chinese Premier Li Peng in Beijing on August 22.

In a meeting with Robert Aboud, the first US banker to visit China since the June unrest, Li said China will consider the market as it regulates its economy, but he ruled out the possibility of basing this country's economy completely on market forces. China is developing a planned economy regulated through the market, he added.

He explained that overemphasis on a market economy will not work in China, where many commodities are in short supply. He said a complete market economy would hasten inflation and economic instability. □

China Opposes New US Base

The Chinese government opposes the idea of a new US naval base in Southeast Asia.

Responding to a recent proposal by Singapore to permit a US naval base there, the Chinese government issued a statement on August 22 saying it opposes the establishment of a military base by one country in another one. □

Taiwan Policy Reiterated

Chinese senior leaders reaffirmed the "one country, two systems" policy guiding the future reunification between Taiwan and the mainland in Beijing on August 23.

Li Xiannian, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and

Cheng Siyuan, vice-chairman of the CPPCC, reiterated that the Chinese government will not change its policy towards Taiwan. They made the remarks during their meeting with a delegation from Taiwan. □

University President Replaced

Economist Wu Shuqing, 56, former vice president of the People's University of China, was appointed president of Beijing University on August 24, succeeding 62-year-old Professor Ding Shisun.

Ding, a mathematician, was appointed to a four-year term as president of the university in March 1984. Ding will continue to tutor mathematics at the university. □

Vice President meets Mrs A. Chennault

China's reform and opening will remain unchanged and the country will open more fully to the outside world. China will not be afraid of any sanctions imposed on it, Chinese Vice President Wang Zhen said when meeting with Mrs Anna Chennault, chairwoman of the US National Republican Heritage Groups Council, on August 23.

Wang said the quelling of the early June rebellion in Beijing is "an important guarantee to ensure China's stability in the years to come."

Anna Chennault said that the "June 4" event is China's internal affair and no foreign country should interfere. The Sino-US relations are very important and are of great significance to the stability in Asia, she said, hoping that both countries would continue to maintain friendly ties. □

Steady Unemployment Rate

With the unemployment rate standing at 2 percent in the past five years, China had 2.86 million people unemployed in its urban areas by the end of July.

According to the State Statistics Bureau, 1.48 million unemployed people found jobs in the first half of this year, accounting for 33 percent of all the unemployed. □

Non-Aligned Movement Aims at Modernization

by Liu Jiang

Heads of government or state of the non-aligned movement (NAM) will converge in the Yugoslav capital of Belgrade on September 4-7 to hold the ninth summit conference, in which a wide range of issues will be discussed and a common strategy for NAM formulated.

The conference, which is to be preceded by a one-day experts' meeting and two-day foreign ministers' meeting, will draw representatives from 100 member states and organizations. More than 50 nations and international groups will also attend as observers or guests.

This is the second time Yugoslavia has hosted a NAM summit. The conference, which involves about 5,000 participants and 1,500 newsmen, is the largest since the movement was founded 28 years ago.

On September 1, 1961, also in Belgrade, the late Yugoslav President Josip Broz Tito declared the founding of the non-aligned movement at its first summit conference. Twenty-five heads of state or government were present at the historic meeting.

In his opening speech, President Tito declared that "the purpose of this meeting is to make the great powers realize that the fate of the world cannot rest in their hands alone."

"The idea that non-aligned countries should participate, in one way or another, more effectively in international developments, particularly in those which are of direct and vital interest to them, stems from the realization of the fact that in our time the responsibility for the future of mankind cannot be borne only by a few states, irrespective

of how large and powerful they may be," he said.

"The conference," Tito emphasized, "is not intended to establish any kind of bloc; on the contrary, the division of the world into blocs is mainly responsible for the increasing tensions in the world, and it is time to end it."

The 27-point declaration of the Belgrade conference, adopted on September 6, 1961, "condemned all types of colonialism, neo-colonialism, and imperialist domination." It laid for the movement a solid cornerstone with such tenets as "non-bloc," "anti-bloc," independence and self-determination.

NAM's pioneers also called for an end to the "cold war," and urged the big powers to reduce armaments and use the money saved to help the developing countries in their economic and social construction.

They embraced as well the idea that all countries in the course of development should "co-operate effectively in economic and commercial fields so as to meet the policies of pressure in the economic sphere, as well as the harmful results which may be created by the economic blocs of the industrial countries."

Under the guidance of these and many other principles, the non-aligned nations have made tremendous achievements over the past 28 years in maintaining world peace, safeguarding national independence and state sovereignty, and in the struggle against imperialism, colonialism, neo-colonialism, hegemonism and racism, and against all forms of foreign aggression, occupation, control and interfer-

ence.

One of the striking evidences of NAM's viability is the rapid increase in its member states. In 28 years, NAM has expanded from 25 to over 100 countries and organizations, covering the four continents of Asia, Africa, Latin America and Europe with a total population of more than 1.7 billion.

The first two summits, held in Belgrade and Cairo respectively, were mainly devoted to such political issues as decolonization, the Berlin crisis, and nuclear disarmament.

It is noteworthy that from the very start, the non-aligned countries raised their voice loudly for ending the severe confrontation between the two military blocs, expressing the desire of all peace-loving and justice-upholding peoples throughout the world.

At the third summit in Lusaka in 1970, 53 NAM members highlighted for the first time the economic complement to the political platform of the movement. They agreed that no political progress can be made unless the outstanding economic problems of the third world countries are redressed.

At the fourth summit in Algiers in 1973, 75 member states set the solemn task of striving for a new international economic order, raising an inspiring battle cry that has rallied all developing countries in their struggle for economic and social development ever since.

Later on, the NAM countries put forward a series of new concepts concerning economic problems, such as "collective self-reliance" and "global negotiations." These proposals opened

up a vast vista for setting right the outdated economic order in the world.

Over the past three decades, especially since the mid-80s, great changes have taken place in the political and economic landscapes around the world. But the kernel of NAM's ideals and principles remains alive and vibrant, and even more so now in a world still faced with instability and unequal economic advancement.

As the enheartened citizens of Belgrade welcome the return of the summiteers after 28 years, the non-aligned nations are considering how to adjust their strategy to the changing situation and play an even greater role in world affairs.

One of the major themes expected to be discussed is an assessment of the world situation which many countries consider has undergone enormous transformation since the last summit in Harare, Zimbabwe, in 1986.

The past three years have witnessed a relaxation of tension between the two superpowers. After strenuous contention, Washington and Moscow reached an agreement in 1987 on the elimination of all medium- and short-range missiles. Talks on conventional forces between the Warsaw Pact and NATO have also made headway during the past six months.

In such "hot spots" as Afghanistan, the Middle East, southwest Africa, and Central America, head-on confrontations are giving way to direct or indirect negotiations, bringing about hopes for a peaceful settlement of some long-standing feuds that once posed threats to world peace.

For all the encouraging improvement of the world situation, detente is still fragile and unstable, vulnerable to elements intent on keeping the political and economic order of the old days. Besides, political, ethnic

and religious discords are so deep-seated in some trouble areas that no one could expect them to be solved overnight.

Compounding the political strains are the economic woes of many developing countries. At present, foreign debts worldwide have piled up to US\$1.32 trillion, with the third world countries bearing the brunt of the pressure.

Many developing nations are also suffering from the deterioration in the terms of trade. According to UN statistics, the real prices of primary products dropped 30 percent during 1980-1986, costing the developing nations more than US\$900 million in export incomes.

At present, quite a few NAM countries see that the world is at a crossroad, with as many opportunities as tests for all countries in the days ahead.

In face of the mounting challenges from a fast-moving world, the majority of the non-aligned nations have come to realize that it is imperative for NAM to "modernize and rationalize" its functions and performance, so that it may keep abreast with the needs of the changing times.

During a meeting last year in Cyprus, NAM foreign ministers reached a consensus on the necessity of carrying out an overhaul of the movement to make it more efficient and effective.

On August 17 this year, Yugoslav Foreign Minister Budimir Loncar reaffirmed the need to reform the world body, saying that the non-aligned movement has now reached a watershed crucial to its future destiny. The modernization of NAM, he said, would make the world community more willing to accept and approve its work.

In order to tap the great potentials of NAM in the new circumstances, the upcoming summit conference is expected to give all-out consideration to the

following tasks in the days to come.

The first and foremost task is to keep up the current momentum of detente and further reduce tension in the world through peaceful dialogue.

It is believed that the NAM countries, while reiterating their welcome of the reduced tension between the two superpowers, will press ahead with the call for overall destruction of nuclear weapons, and stress the need for all to take part in the disarmament process.

The second prominent issue is related to the global economy. The topic of the ever-widening gap between the rich and poor nations may have a greater weight in the summit debate.

Most members are sure to cry out for a fundamental change of the unjust world economic system so that their reform or readjustment efforts may be accelerated.

The human rights issue may also draw attention. The conference is expected to condemn racism, neo-colonialism and terrorism in all forms while stressing people's right to live in peace, freedom and dignity.

The protection of the environment, an issue that has transcended ideology, nationality and religion, also will command the attention of the summit. The representatives may try hard to forge a common strategy for combating the pollution of water, land and air, and desertification.

The last, but not the least point at the top of the agenda, may be a call for all member states to help reinforce the United Nations in its efforts to mediate peace among some warring parties and promote economic growth in the third world countries.

At the summit conference, more than a dozen documents concerning a variety of issues

will be considered, and members are expected to launch initiatives aimed at cutting some of the Gordian knots that are plaguing the present-day world.

It is not unusual, however, for differences to crop up on some issues among member states, but China is convinced that unity and solidarity will remain the leitmotiv of the conference, because most NAM countries share similar or identical views on ma-

ior world events and are bound by the common interests of independence, peace and social well-being.

China has long enjoyed close and friendly relations with the non-aligned movement and profoundly appreciates its role in international affairs. In the '70s, the late Chinese Premier Zhou Enlai spoke highly of NAM's policy of peace, neutrality and non-alignment, and of its contri-

bution to the worldwide struggle against imperialism and hegemonism.

China has unswervingly pursued an independent and peace-oriented foreign policy, which is in accord with the purposes of the non-aligned movement. We wish the ninth summit of NAM success and hope that China and NAM can strengthen their friendship and co-operation in the struggle for a better world. □

Mexico Benefits From Debt Accord

by Guo Weicheng

The Mexican government and the creditor banks agreed on July 23 on three options for dealing with Mexico's 54-billion-dollar foreign bank debt, including a 35 percent discount on principal and cutting interest rates to 6.25 percent.

Under the third option, commercial banks unwilling to comply with the reductions may grant Mexico new loans of US\$3 billion a year for the next four years, about 25 percent of the Mexican debt they currently hold.

Negotiations on the agreement began several weeks ago in light of the Brady plan on third world debt.

In March, US Treasury Secretary Nicholas Brady unveiled the strategy which sought to reduce a portion of the 1.3 trillion-dollar debt burden being carried by third world countries by offering various inducements to persuade commercial banks to forgive a portion of their loans.

It is the first significant concession that the creditor banks have made since the worldwide debt crisis broke out. Mexican President Carlos Salinas said that the accord has created conditions for Mexico's economic development in the next five years. However, it does not mean

that an overall solution has been found for the country's economic problems.

Mexico now has US\$107 billion in debt, and is the second largest debtor in the third world.

As early as December of 1988 when Salinas took office, he put forward new principles on debt negotiations. An important part of his strategy was to cut the country's interest payments to foreign banks and its bank-debt principal; also, to reduce the country's capital outflow and increase internal investments in order to boost economic recovery. After that, Mexico set out on an arduous course of debt negotiations from which it was seen as almost impossible to get any results. The Mexican government stated clearly that debt problems could not be solved through taking out new loans to pay old debts, but only through reductions of debt principal. This idea got recognition in the Brady debt strategy. In its later negotiations with the International Monetary Fund, Mexico maintained that debt problems could not be overcome through stagnation or recession and that the economies of debtor countries must be able to recover.

The International Monetary Fund, in an agreement with

Mexico on April 11, gave up its demand that Mexico and other debtor countries make adjustments that would lead to recession. It recognized Mexico's efforts in stabilizing its economy and in reforming its economic structure and admitted for the first time that debtor countries have the right to follow strategies of economic growth.

The negotiations between Mexico and the creditor banks that began on April 19 reached deadlock when Mexico demanded that the banks reduce Mexico's debts by 55 percent and interest rates to 4 percent and that a fresh loan of US\$4.5 billion be provided in the next five years. The demands were considered as excessive.

Mexico is the first country that has negotiated with the creditor banks after the Brady strategy was unveiled. Whether the plan can be implemented depends on whether results could be produced in the negotiating process. In an attempt to force the creditor banks to make concessions as soon as possible, the US government on June 23 threatened to amend its federal reserve articles if necessary. In mid-July, President Salinas was assured by the US government of definite support for the debt negotiations

in meetings with President George Bush and Brady when Salinas went to Paris trying to collect support from the heads of the seven major industrialized countries who were holding their annual summit there. Shortly afterwards, Mexico and Spain agreed that Spanish private banks would rebate Mexico's debts by 50 percent.

It is the first time that the

creditor banks have made such a significant concession to a debtor country. US government pressure has undoubtedly contributed greatly to the signing of the July 23 accord. It is thus seen that the creditor countries' attitudes are the key and that serious political dialogue must first be carried out between the creditor and debtor countries before the third world's debt problems can

be solved. Otherwise actual realization of the Brady strategy will be impossible; and it will be also impossible to achieve any new breakthroughs or progress in solving the problems. We hope that the July 23 accord reached between the Mexican government and the creditor banks will pave the way for the solution of the debt problems in developing countries. □

Summit Agreement Promotes Peace Process

Peace took a significant step forward when presidents of the five Central American countries agreed to a plan for the demobilization of the Nicaraguan contra force after a heated three-day debate in Tela, Honduras.

by Liu Song

On August 7 — two years after the second regional peace conference — the presidents of Nicaragua, Honduras, Guatemala, Costa Rica and El Salvador ended their fifth summit with a plan to dissolve the Nicaraguan contra force, the most important outcome of their three-day talks.

The Nicaraguan contras, about 12,000 in number, are mainly composed of the remnants of the former Somoza autocratic regime. For a long time, the contras, with much economic aid as well as military support from the United States, have engaged in activities to overthrow the Sandinista government. Owing to their sabotage, Nicaragua has lost 50,000 people and property worth US\$12 billion. The force, entrenched behind the Honduran border, also engaged in drug trafficking and other criminal activities. It disturbed peaceful life and legal order in Honduras and sowed discord between Honduras and Nicaragua. It has become the common hope of all the Central American countries that the force be disbanded.

According to the plan, an international committee in which

the secretaries-general of the United Nations and the Organization of American States participate will be set up in the coming 30 days to be responsible for supporting and supervising demobilization. Then, in another 90 days, the contras will be disbanded, disarmed and individual members relocated.

The plan has also helped to ease the tension among Central American countries. Honduras has decided to support the demobilization of the contras, while Nicaragua says it will withdraw its accusations against Honduras in disputes between the two countries at the Hague International Court. The five Central American presidents also called on guerrillas in El Salvador and Guatemala to hold talks with the authorities to seek proper ways to solve internal conflicts. The presidents decided to meet again at the end of this year to discuss and find measures to restore peace in the region.

The outcome of the summit has brought hope for peace in Central America. However, many negative factors still stand in the way of the peace process.

The United States has always

tried to prevent the countries in the region from solving their problems by themselves. After President George Bush took office, he preferred political means in his approach to the Nicaraguan problem compared to the military means of the Reagan administration. Before the Central American presidents' summit, US Vice-President Dan Quayle toured Central American countries except Nicaragua, canvassing US allies in the region, in an attempt to impose heavier pressure on Nicaragua and force it to make further significant concessions. The United States wants demobilization postponed until after free elections are held in Nicaragua. On the day before the summit, Bush met the leaders of the contras to reiterate US support.

The significant outcome of the summit shows that Central American countries have the ability to remove foreign intervention and solve their regional problems by themselves. Of course, as one of the world's "hot spots," many factors have contributed to the conflicts in the region. An overall solution to the problems will need lasting and arduous struggle. □

Economy Develops Amidst Snags

by Our Staff Reporter Li Rongxia

Since China adopted a series of measures to control demand and rectify economic order, every field achieved preliminary gains in the first half of 1989. Some overheated factors in economic development cooled down somewhat; total supplies increased; the tendency of the overall demand for commodities to expand too rapidly was brought under control; and the phenomenon of economic decline, of large-scale panic purchasing and of uncontrolled currency depreciation was avoided. China's economic development was relatively steady in the first half of 1989. But, owing to the many problems which have piled up in recent years, it is very difficult to accomplish the goal of improving the economic environment and rectifying economic order in a short time; great efforts will have to be made.

Economic Efficiency

Since the implementation of the guiding principles for improvement of the economic environment, rectification of economic order and deepening of reform, the high industrial growth rate dropped somewhat, while the social supply increased effectively. According to preliminary estimates made by the State Statistical Bureau, the gross national product (GNP) in the first half of 1989 topped 700 billion yuan; according to comparable prices, this was 5.7 percent over the corresponding period of last year; the total national income was 580 billion yuan, or 6 percent over the same period of last year.

● Agricultural output revived

after fluctuations, and bumper harvests have been reaped in summer grain and oil-bearing crops. This resulted from increased investment in agriculture and strengthened agricultural management since last year. According to advance estimates, the total output of summer grain amounted to 93.55 million tons, 2.57 million tons over last year, and 260,000 tons over the highest historical level of 1986. Except for Jiangsu, Anhui and Hubei, the grain output of all the grain-producing areas increased. The output of rapeseed topped 5.5 million tons, 500,000 tons over the corresponding period of last year. Areas sown to peanuts, sesame and sunflower increased somewhat and their outputs are expected to go up. Production of vegetables, meat and fruit rose steadily and shortages of these foods have been overcome to a degree. In the first half of 1989, the number of slaughtered pigs reached 133 million head, 2.9 percent over the corresponding period of last year, while the number of live pigs at the end of June was 337 million head, an increase of 2 percent. But owing to large stocks of pork, shortage of funds and unfavourable prices ratio between pigs and grain, the production of live pigs is expected to decrease in the second half of 1989.

Areas sown to early rice and autumn crops increased by 800,000 hectares over last year and the crops are doing well. With favourable weather, it is entirely possible for grain output in 1989 to top the planned figure of 410 million tons. Areas sown to spring cotton amounted to 4.69 million hectares, 190,000

hectares less than the corresponding period of last year, while the total area sown to cotton in 1989 will decrease by an estimated 330,000 hectares. The per *mu* yield of ginned cotton is expected to go up from 51 kg to 56 kg, but nevertheless it is very difficult to achieve an annual cotton output of 90 million *dan* (one *dan* is equal to 50 kg).

● The excessive growth rate of industry has been brought under control and the product mix of industry has taken a turn for the better. Owing to the credit squeeze, readjustment of the industrial structure and the reduction of investment in fixed assets, the hectic growth rate of industry has begun to slow down. In the first half of 1989, the total value of industrial output in the whole country amounted to 639.6 billion yuan, (10.8 percent over the corresponding period of last year), but the growth rate dropped by 6.4 percentage points as compared with the same period of last year. Of the total value of industrial output, light industry occupied 323.6 billion yuan (an increase of 11.3 percent), but the growth rate dropped by 6.8 percentage points; while heavy industry accounted for 316 billion yuan (an increase of 10.3 percent), the growth rate fell by 5.9 percentage points.

In the first half of 1989, the volume of energy production rose by 5.9 percent over the corresponding period of last year. Of this, coal reached 488 million tons (an increase of 7.2 percent); oil was 67.28 million tons (an increase of 0.3 percent); electric energy production reached 279.9 billion kwh (an increase of 6 per-

cent). The proportion between energy growth and industrial production went up from 0.27:1 last year to 0.55:1. In addition, the production of major raw and semi-finished materials has increased steadily. In the first half of 1989, the volume of 10 nonferrous metals amounted to 980,000 tons, an increase of 4 percent over the corresponding period of last year. Since March, the production of iron ore, pig iron and steel has begun to rise again after dropping; the volume of fertilizer was 9.05 million tons, a drop of 1.3 percent, but its total output in 1989 is expected to reach 17.67 million tons. The output of durable consumer goods increased by a big margin, and the production of cloth, silk, silk fabrics, sugar and fine aluminium articles for daily use picked up to some extent.

● Investment in fixed assets is now basically under control. The number of newly started projects was reduced by a big margin. In the first half of 1989, the investment in fixed assets in enterprises owned by the whole people was 71 billion yuan, 5.5 percent less than in the corresponding period of last year. Of this, capital construction occupied 44.2 billion yuan, representing a drop of 3 percent; expenses for technical renovation and transforma-

tion amounted to 19.3 billion yuan, 13.2 percent less than last year; funds for non-productive projects in capital construction came under strict restraint; and investment for developing energy resources rose by 5.7 percent. According to statistics, the number of newly started projects together with renewal and transformation projects dropped from 18,967 to 5,467.

● The tendency of retail prices to rise was somewhat moderated. Prices for major non-staple foodstuffs including meat, poultry, eggs and vegetables remained stable. In the first half of 1989, the total volume of retail sales reached 412 billion yuan, 18.3 percent more than the corresponding period of last year. But the growth rate dropped by 6.3 percentage points. The total volume of retail sales for the whole year of 1989 is expected to be 870 billion yuan, an increase of 17 percent over last year. The main reasons for market stability are: a great deal of work has been put into controlling prices; rising prices have been subsiding; market order has taken a turn for the better; and the people's fear of soaring prices has been somewhat allayed, and along with it, the surge in panic purchasing has dropped; the interest rate on bank deposit has been

raised and the number of social collections at high rates of interest has increased; consumption by enterprises and institutions has been brought down to 35.3 billion yuan in the first half of 1989, representing a drop from last year's growth rate of 18.6 percent to 12.1 percent; some commodities in great demand were in short supply and the rate of price rises for some goods was too high.

● The volume of banknotes recovered from circulation has increased and the scale of loans has been brought under control. In the first half of 1989, the net volume of banknotes recovered from circulation amounted to 5.3 billion yuan, while in the corresponding period of last year, the net volume of money supply topped 8.8 billion yuan. By the end of June, savings deposits in both urban and rural areas were 64.4 billion yuan more than that at the beginning of the year. Most of the money were in fixed deposits. This helps increase the volume of funds for production and construction and lightens the pressure on the consumer market. The excess of loans over deposits in banks and credit cooperatives was reduced by 18.4 billion yuan.

● China's economic relations with foreign countries are developing and foreign funding is expanding in scale. In the first half of 1989, total value of customs imports and exports stood at US\$50.3 billion, 16.9 percent bigger than the corresponding period of last year. The newly approved projects using foreign funds in the first five months numbered 2,569, a figure 66.7 percent higher than in the corresponding period of last year; they involve a foreign capital investment of US\$5.45 billion, an increase of 42 percent; the actual volume of foreign capital used topped US\$3.76 billion (an increase of 32.7 percent). The vol-

A bumper harvest of wheat in Luxi County, Yunnan Province.

LI YULONG



ume of foreign loans amounted to US\$3.1 billion, or 4.8 percent more than last year.

Problems

Since the beginning of this year, China's progress in improving the economic environment and rectifying economic order has been encouraging. Imbalance between social supply and demand, problems related to irrationality in economic structure, inefficiencies of the industrial economy and the weak foundation of agriculture are difficulties impossible to solve in a short period of time. So the national economy has not yet managed to extricate itself from these encumbrances and faces many obstacles in its development.

High price levels persist and it is very difficult to slow the rate of rises. In the first half of 1989, the price index of retail sales rose by 25.5 percent over the corresponding period of last year, 18.5 percent of it was caused by the price increases of last year. The actual price increase this year has been just 7 percent. The main reasons for market prices remaining at a high level are that prices skyrocketed and the prices of some raw materials increased by a big margin in the second half of 1988. But the prices of commodities that have a direct bearing on people's lives were stable. Therefore, although the general level of retail prices in the first half of 1989 was higher than that in the corresponding period of last year, it has not evoked strong repercussions among the people.

Progress in curtailing the scope of investment in capital construction has not been ideal. According to plan, the volume of funds for capital construction in 1989 should be reduced by 26.6 percent. In the first half of 1989, the volume of funds for capital construction should have been



A high-yield oil and gas well has recently been drilled in China's Yingge Sea.

LIN YIZHONG

cut down by 41.6 billion yuan, but in fact the volume of investment in capital construction in the units owned by the whole people decreased by only 5.5 percent, while investment in rural collectively and individually owned enterprises increased. The estimated volume of investment in fixed assets in units owned by the whole people will amount to 240 to 250 billion yuan, or 30 to 40 billion yuan more than the planned figure, while that in collectively and individually owned enterprises will be 150 to 160 billion yuan, or 30 to 40 billion yuan more than the planned figure. The total amount of investment in fixed assets in the whole country in 1989 will be 400 billion yuan, a figure of 50 billion yuan less than last year, but 70 billion yuan more than the planned figure. Major reasons for failure to reduce investment in capital construction effectively are: some projects which should have been abandoned are still under construction in some areas; construction of some suspended projects has been started up again; some problems related to decentralization, examination and power of approval have not been solved so that local author-

ities still have the power to examine and approve new projects; construction costs have increased; and investment in collectively and individually owned enterprises has not been brought under effective control.

The imbalance between budgetary revenues and expenditures is serious. In the first half of 1989, the volume of budgetary revenues amounted to 107 billion yuan, an increase of 7.5 percent over the corresponding period of last year, but the growth rate dropped by 2.7 percentage points. Meanwhile the volume of budgetary expenditures topped 106.7 billion yuan, a rise of 13.2 percent, and the growth rate increased by 2.3 percentage points. The main factor retarding the increase of budgetary revenues is the inefficiency of the industrial economy.

For the first half of 1989, the volume of budgetary profits and taxes was 76.6 billion yuan, 5.1 percent more than the corresponding period of last year; the costs of comparable products exceeded by 18.6 percent; the funds absorbed by finished products increased by 44.8 percent; the volume of income taxes, regulatory taxes and profits in ar-

rears amounted to 5.54 billion yuan, an increase of 49.6 percent; and the volume of losses from deficit enterprises topped 6.87 billion yuan, exceeding the total figure for 1988. In addition to the increased expenses for the development of agriculture, culture, education, science and public health services, reasons for the increase of expenditures mainly include a rapid rise in administrative expenses and in operating expenses for industrial, transport and commercial departments and price increases.

Exports increased slowly, while imports increased rapidly. In the first half of 1989, the customs export value was US\$22.3 billion, 6.5 percent over the corresponding period of last year,

but the growth rate was far below last year's 26.2 percent. The import value topped US\$28 billion, an increase of 26.7 percent, with a rise in growth rate of 7.6 percent over the corresponding period of last year. The adverse balance of foreign trade amounted to US\$5.7 billion, an increase of US\$4.5 billion. After deducting costs for processing supplied materials, donations and wholly foreign-owned enterprises' investments in equipment, the value of the adverse balance was US\$3.8 billion, while at the corresponding period of last year, China achieved a favourable balance of US\$800 million.

The main reasons for the reduction of exports are that supply and demand in domestic

markets were strained and the government reduced the export volume of grain, cotton, oil and nonferrous metals. Reasons for the rapid increase in value of imports mainly are that the prices of imported goods rose and some imported commodities which are strictly controlled for import by the state increased in volume by a big margin. For instance, the number of imported air conditioners, colour TV sets, video tape recorders, audio products, tourist buses, motorcycles and cameras increased by 100 percent to 200 percent and the number of imported sedan cars rose by 76 percent. The situation in exports is expected to take a favourable turn in the second half of 1989. □

Economic Structural Imbalance: Its Causes and Correctives

This State Statistical Bureau report analysing China's economic performance between 1978 and 1988 will be conducive to a better understanding of China's economic problems and its tasks of readjustment.—Ed.

From 1979 through 1983, China pursued a principle of "readjusting, restructuring, consolidating and improving its economy." This resulted in a gradual improvement in economic structure, sustained growth of agricultural production, accelerated development of light industry and some readjustment in the direction of service ability in heavy industry. In the field of distribution, there has been a reduction in the excessive rate of accumulation, thus making up more quickly the losses people suffered in living standards. However, because of our over-eagerness for quick success as manifested in our guideline for reform and development, the lack of supplementary policies and measures, and inefficient macro-control over the economy, in the fourth quarter of 1984 the economy

showed clear signs of being overheated as evidenced by the reappearance of an imbalance in the economic structure. Some proportional relations continued to deteriorate. This impeded the stable and co-ordinated development of the national economy, the improvement in overall economic results, as well as further deepening of the reform programme. Therefore, readjustment of the economic structure should be taken up as an important and urgent task in the process of improving the economic environment and rectifying the economic order.

Basic Structural Imbalance

Total supply and demand being unbalanced has further exacerbated the imbalance between supply and demand. The gap between supply

and demand in the whole society has further widened, from 26.5 billion yuan in 1983 up to 224.3 billion yuan in 1988. This represents a rise in the gap rate from 4.6 percent to 16.2 percent.

The proportion of state revenue to national income fell too fast. Along with the reform of the financial system, the state granted part of its financial power and interests to localities. This rectified the past over-centralization and over-tight control of financial power and stimulated the enthusiasm of localities, departments and enterprises. But over the past few years, the growth of revenue not covered in the state budget far exceeded that of budgeted revenue, while the proportion of financial revenue to the national income dropped too fast. Meanwhile the concentrated power over financial expenditure

was not correspondingly delegated to localities. This led to the situation described as "tiny public finance, big government." The state finance was in the red year after year. (See table A)

International statistical data show that the share of financial revenue in national income* in Hungary between 1980 and 1985 was 72.7 percent, 66.3 percent in the Soviet Union, 64.6 percent in Czechoslovakia, 51.7 percent in Poland and 46.3 percent in Romania, while estimates set the share of China's financial revenue to its national income during the same period only at 26.2 percent. In the Western world, the proportion of financial revenue to gross domestic product (GDP) in the United States stood at around 33 percent, and at more than 40 percent in the Federal Republic of Germany, Britain and France. These figures are all higher than the average level of 22 percent in China.

Serious imbalance between industry and agriculture. Since 1979, along with readjustment of the industrial structure, the Party has carried out a series of rural economic policies. In consequence, there has been an all-round development in agricultural production for six years running. Output of such staple products as grain and cotton has registered historical records, and the disproportion between industry and agriculture has been gradually readjusted.

However, after 1985, high-speed development occurred in industry and there was a tendency towards stagnation in agricultural production. In the four years between 1985 and 1988, the average annual growth rate of industry was 17.8 percent, while that of agriculture stood at only 3.9 percent. The growth ratio between industry and

*National income, as an index used only in socialist countries, refers to the total net output value created by various production departments, excluding the output value of tertiary industry.

| A | 1978 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|--|-------|-------|-------|-------|-------|-------|-------|
| Proportion of financial revenue to national income (%) | 37.2 | 25.6 | 26.0 | 26.2 | 28.0 | 24.1 | 21.3 |
| Budgetary state revenue (billion yuan) | 112.1 | 121.1 | 146.7 | 183.7 | 218.5 | 224.4 | 245.8 |
| Unbudgeted revenue (billion yuan) | 34.7 | 96.8 | 118.8 | 153.0 | 173.7 | 202.9 | 227.0 |
| Proportion of unbudgeted revenue to budgeted revenue (%) | 31.0 | 79.9 | 81.0 | 83.3 | 79.5 | 90.4 | 92.4 |

| B | (Total output value of industry and agriculture=100) | | | | | | |
|-------------|--|------|------|------|------|------|------|
| | 1978 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
| Agriculture | 24.8 | 29.9 | 29.7 | 27.1 | 26.4 | 25.3 | 24.3 |
| Industry | 75.2 | 70.1 | 70.3 | 72.9 | 73.6 | 74.7 | 75.7 |

agriculture rose steeply from 1.25:1 in the previous six years to 4.56:1 in 1988. In total output value from industry and agriculture the share of agriculture fell year by year, accounting for 24.3 percent in 1988, 0.5 percentage point less than that of 1978, the year before rural reform. (See table B)

Of course, with national economic development, the share of agriculture in the total industrial and agricultural output value will gradually diminish. However, the sharp reduction of agriculture's share over the past four years was abnormal. Particularly, in the case of grain, cotton and oil-bearing crops stagnations in output were reported successively in past years, but China's population has increased by 15 million every year. As a result, average grain output per capita dropped from 394 kg in 1984 to 362 kg in 1988, cotton output per capita from 6.1 kg to 3.9 kg, further sharpening the contradiction between supply and demand. If calculated at a growth ratio of 3:1 between industry and

agriculture, the share of agriculture in 1988 should not fall below 27 percent.

Imbalance within the industrial sector has become all the more conspicuous. Mainly the energy and raw materials industries were not in balance with other industries, and the situation was worsening.

1. The proportion of the energy industry to industry as a whole in 1978 was 14.1 percent, and has come down over the past few years and hovered around 10 percent. Besides, with the popularization of household electrical appliances and gas stoves in recent years, energy consumption for daily life has risen from 95.83 million tons of standard coal to 143.23 million tons, or an increase of 49.5 percent. The increasing use of energy in daily life came into ever sharper contradiction with the steadily growing need for energy in production. (See table C)

2. In heavy industry, the ratio between the raw materials industry and the processing industry rose from 1:0.96 in 1978 to 1:1.67 in

1988. Because of the shortage of raw materials, large quantities of raw materials have been imported. Every year, China spends US\$6-7 billion in importing iron sand, rolled steel, copper and zinc. (See table D)

Transport capacity more glaringly out of gear with economic development. Rail freight volume per km increased from 11 million tons-km in 1978 to 18.7 million tons-km in 1988 (an increase of 70 percent), and passenger turnover rose from 2.25 million persons-km to 6.17 million person-km (2.7 times as high as that of 1978). Though China has built more new railways and carried out technical transformation by laying many multiple-track and electrified railways and using diesel locomotives on all trunk lines, the added capacity still cannot meet the objective demand. For a long time, the railway transport system has been overloaded; its total capacity is adequate for only 60-70 percent of the freight volume which actually needs moving, while the key railways can handle only 30-40 percent of the goods prepared for shipment. According to international statistical data, the rail freight volume per km was 4.31 million tons-km in the United States, 2.86 million tons-km in India, 1.83 million tons-km in the Federal Republic of Germany and 1.36 million tons-km in Japan. China's rail load density was three times that of the United States, 4.9 times that of India, 7 times that of the Federal Republic of Germany and 9.5 times that of Japan.

China's highway load density also doubled and redoubled during the past five years. Though there was a rapid increase in the number of motor vehicles, the highway improvement and traffic regulation failed to make the corresponding necessary advances. Traffic jams and accidents became the order of the day. (See table E)

Investment structure becomes more irrational as new inflationary investment emerges. The demand for investment is incommensurate

| C | 1978 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|-------|-------|-------|-------|-------|-------|--------|
| Share of energy industry in the total industrial output value (%) | 14.1 | 11.5 | 10.9 | 10.4 | 10.2 | 9.6 | 9.0 |
| Ratio between energy industry and other industries | 1:6.1 | 1:7.7 | 1:8.2 | 1:8.6 | 1:8.8 | 1:9.4 | 1:10.1 |

| D | 1978 | 1980 | 1984 | 1985 | 1986 | 1987 | 1988 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Ratio between raw materials industry and processing industry | 1:0.96 | 1:1.18 | 1:1.40 | 1:1.49 | 1:1.47 | 1:1.53 | 1:1.67 |

to the ability to supply goods and materials. From 1979 through 1983, the growth rate of investment in social fixed assets was lower than the growth rate of the GNP and national income. For example in 1981 the amount of investment in units owned by the whole people was 10.5 percent less than that of the previous year. After 1984, a steep rise in investment occurred, far exceeding the supply of goods and materials. This was so especially in the case of unbudgeted investment, the growth rate of which far outstripped that of budgeted investment. The source of investment in capital construction was the financial budget alone, and grew to include budgetary funds, non-budgetary funds and bank loans. Among the total social investment between 1984 and 1988, the average budgetary investment increased by 3.5 percent and non-budgetary investment by 30.0 percent. (See table F)

2. The structure of investment has become more irrational. In investments for capital-construction projects owned by the whole people, the proportion of investment in small projects shows a contin-

uous increase, while that in large and medium-sized projects tends to be low. (See table G)

Taking into account that most funded enterprises in rural areas are mostly small in size and engaged in processing, investment lopsidedness appears all the more conspicuous. The productive capacity of a majority of the rural enterprises which have started up recently does not come up to a rational economic scale. Foreign experience in development indicates the minimum scale in the yearly production of major household electrical appliances to be: TV sets—200,000; refrigerators—200,000; washing machines—200,000; air conditioners—100,000; and electric fans—500,000. At present China's scale is: TV sets—61,000; refrigerators—22,000; washing machines—64,000; electric fans—70,000; and air conditioners—2,000. These figures are far below those of foreign countries.

The amount of money in circulation at odds with the quantity of commodities in supply. The ratio between the amount of money in circulation and the total volume of

| E | 1978 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|--|-------|-------|-------|-------|-------|-------|-------|
| Per-km rail transport: | | | | | | | |
| rail freight volume (million tons/km) | 11.00 | 12.88 | 14.02 | 15.60 | 16.70 | 18.01 | 18.70 |
| Passenger turnover volume (million persons/km) | 2.25 | 3.44 | 3.96 | 4.64 | 4.93 | 5.40 | 6.17 |
| Per-km highway transport | | | | | | | |
| highway freight volume (million tons/km) | | 0.118 | 0.166 | 0.180 | 0.220 | 0.267 | 0.300 |
| passenger turnover volume (1,000 people/km) | 59 | 121 | 144 | 183 | 206 | 223 | 254 |

| F | 1979—83 | 1984—88 |
|--|---------|---------|
| Annual growth rate of investment in fixed assets owned by the whole people (%) | 7.3 | 23.7 |
| Annual growth rate of rolled steel (%) | 6.8 | 8.9 |
| Annual growth rate of timber (%) | 0.3 | 3.8 |
| Annual growth rate of cement (%) | 10.7 | 13.4 |

| G | 1978 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|--|------|------|------|------|------|------|------|
| Capital Construction Investment in Units Owned by the Whole People: | | | | | | | |
| Share of investment in large and medium-sized projects | 51.0 | 45.1 | | 43.7 | 43.0 | 48.2 | 49.8 |
| Share of investment in small projects | 49.0 | 54.9 | 56.3 | 61.4 | 57.0 | 51.8 | 50.3 |

retail sales of consumer goods declined from 1:8.05 in 1978 to 1:4.4 in 1988; the ratio between the amount of money in circulation and the amount of retail commodities in stock dropped from 1:4.54 in 1978 to 1:1.60 in 1988; the ratio between surplus purchasing power and total retail commodities in stock declined from 1:2 in 1978 to 1:0.6. Of course, it is necessary to issue a certain amount of money in keeping with economic development and slow-down in the speed of currency circulation during the process of monetization of the national economy. Moreover, owing to the development of diversified economic forms and expansion of the scale of cash transaction, there are some factors which cannot be compared with the past, but nevertheless, the wide gap in the ratios mentioned above shows that the supply of commodities on guarantee is too low. (See table H)

An irrational proportion in distribution of national wealth leads to higher proportion of social consumption.

1. The proportion of residents' income to the gross national product (GNP) is expanding gradually, thus providing a condition for the rapid expansion of consumer demand. Comparing 1988 with 1978, the present price of GNP increased 4 times, while the income of residents increased 6.5 times. (See table I)

2. The proportion of social institutional consumption to the total volume of consumption remains high. Institutional consumption in 1988 was 4.7 times that of 1978, a bigger rise than that of the national income which was only 3.8 times as high in 1988 as in 1978. This intensified the strained situation in consumption markets. (See table J)

Consequences of Imbalance

The Biggest problem to reform and development which economic structural imbalance caused was the serious hindrance to a stable, co-ordinated development of the

national economy, and to the further advances in reform.

Overall imbalance in finance, credit, materials supply and foreign exchange aggravated.

From 1984 to 1988, the actual financial deficit (including internal and external debts) reached 98.7 billion yuan, far higher than the level of 71.1 billion yuan deficit incurred between 1979 and 1983. Gaps between bank deposits and loans expanded annually. Comparing 1988 with 1983, the gap widened by 240 billion yuan, while it had narrowed by 4.6 billion yuan between 1978 and 1983. The state spot exchange balance showed an increase of US\$ 8.7 billion over 1978, while there was a decrease of US\$ 5.5 billion in 1988 over 1983. The margin between the amount of goods available for retail sale and commodity purchasing power in 1983 expanded by only 13.8 billion yuan over 1978, while between 1983 and 1988, it had expanded by 74.4 billion yuan.

Set price hikes spiralling. On the one hand, owing to the imbalance in industrial development, the production of major agricultural and sideline products stagnated or even dropped, but the demand for agricultural products expanded continuously, thus, directly bringing on a rapid rise in the market prices of agricultural and sideline products. The production of industrial raw and semi-finished materials and consumer goods in short supply cannot meet rapidly growing consumption needs. All of this made for disorder in the sphere of circulation and encouraged the spread of other lawless and improper activities such as illegal buying and selling and jacking up price levels. And on the other hand, owing to excessive consumption demands and the fact that people put undue emphasis on high-grade or durable goods, prices of consumer goods are soaring. From 1984 to 1988, the general level of retail sale prices of social commodities increased 8.6 percent annually, 5.9 percentage points higher than the annual average increase of 2.7 per-

| H | 1978 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|--------|--------|--------|--------|--------|-------|
| Amount of money in circulation at year end (billion yuan) | 71.2 | 79.2 | 98.8 | 121.8 | 145.5 | 213.4 |
| Ratio between the amount of money circulation and the total volume of retail sales | 1:8.05 | 1:5.86 | 1:5.24 | 1:5.01 | 1:4.7 | 1:4.4 |
| Ratio between the amount of money circulation and the total amount of retail commodities in stock | 1:4.54 | 1:2.54 | 1:2.31 | 1:2.16 | 1:2.0 | 1:1.6 |
| Ratio between surplus purchasing power and the amount of retail commodities in stock | 1:2.0 | 1:1.02 | 1:0.91 | 1:0.82 | 1:0.69 | 1:0.6 |

| I | 1978 | 1984 | 1988 |
|---|------|------|------|
| Proportion of consumer income to the total value of gross national product: | 38.3 | 59.9 | 62.6 |

| J | 1978 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|------|------|------|------|------|-------|
| Amount of institutional consumption (billion yuan) | 21.5 | 51.0 | 63.9 | 77.5 | 86.3 | 101.3 |
| Proportion of institutional consumption to total volume of consumption: | 11.4 | 13.1 | 13.1 | 14.0 | 13.6 | 12.8 |

cent from 1979 to 1983. This has become one of the major economic problems.

The lowering of economic efficiency. Economic structural imbalance leads to difficulty in allocation of limited social resources, in making full use of manpower, finance and materials, and in taking advantage of the favourable conditions in some areas. Unavoidably this brings on a vicious cycle of more input, less output and low efficiency. Losses in the independent accounting industrial enterprises throughout the country rose from 3.4 billion yuan in 1984 to 10.56 billion yuan in 1988, an increase of 3.1 times; profit and tax rate on funds dropped from 23.5 percent to 20.5 percent. The material consumption in social gross output value kept rising. The material consumption rate of the national economy, calculated in terms of comparable prices, increased from 57.8 percent in 1984 to 62.7 percent in 1988, some 90 billion yuan more a year. The investment coefficients (amount of investment needed by newly increased unit of gross national product), calculated in terms of comparable prices, rose from 1.59 in 1984 to 3.09 in 1988. The role of equipment and production capacity cannot be brought into full play. According to an analysis of some large and medium-sized projects completed and put into production in recent years, more than one-third of them fail to reach 50 percent of their designed capacity. Owing to the shortage of energy, raw materials and strains on communications service, many enterprises cannot operate at normal capacity. At present, about 30 percent or more of the production capacity of the processing industry cannot be put into operation.

Delay in the further deepening of reform. The structural imbalance and total demand imbalance promote each other, leading to more severe fluctuations of the national economy. In the brief five years from 1984 to 1988, there appeared two cycles of over-heated economic development followed by re-

trenchment. As a result, it was difficult to carry out price reform.

Main Reason for Economic Structural Imbalance

There are many reasons for the economic structural imbalance. Among them may be cited disadvantages handed down from the old system, new contradictions arising in the process of reform; problems connected with objective conditions and faulty forming and implementing of policies.

Guiding ideology dominated by over-anxiety for quick results. In 1982, the 12th CPC Central Committee put forward "two steps": "to lay a good foundation, accumulate strength and create conditions in the first ten years, and then enter a new period of economic development in the last ten years." It also listed four focal points for development of agriculture, energy, transportation and education. However, in the practical implementation, owing to over-optimism in judging the situation, and to striving for ever-greater speed in production, investment was blindly expanded to the neglect of consumption until the economy overheated and the economic structure began to deteriorate.

Unsuitable measures of reform. Because at first the reform mainly concentrated on enlarging the decision-making powers, concession of profits and enlivening enterprises, the main cluster of interests was dispersed. This made for a marked increase in regional blocks, trade barriers and market division. Industrial structure within the regions took on similar characteristics. For example, various localities competed in investment, kept importing and blindly introducing production lines for luxury consumer goods, so that the production capacity far exceeded the available capital, foreign exchange, raw materials and energy resources.

The means of macro-control weakened. As local interests grew continuously stronger, the central

government's macroeconomic regulation and control became weaker and weaker, so that it is difficult to redress the imbalance in structure which has appeared in the course of economic development. Because the finance and materials concentrated under the state are proportionately low, in current expenditures, the ratio of financial allocations to capital construction shows a gradual decrease from 40.7 percent in 1978 to 23.2 percent in 1988. Among the 1988 total investment in the nation as a whole, the proportion of investment within the budget accounted for only 13 percent in 1988. Although most of the state investment has been used in the departments of energy, electric power and communications and transportation, most of the investments in society outside the budget are still used in the ordinary processing industry and non-productive construction.

Suggestions for Optimizing the Economic Structure

Curbing demand and striving to improve the economic structure on the basis of achieving a general balance in supply and demand. First, efforts should be made to adhere to the principle of respective balance and mutual balance with regard to finance, credit, foreign exchange and materials supply. Second, we must strictly control fast increases in consumer demand, promote various forms of savings on a wide scale, and encourage industriousness and thrift in all undertakings. Leaders at various levels must take the initiative and set good example in honest and clean government. Entertaining guests and presenting gifts at public expense are strictly forbidden; luxury and waste must be eliminated. We must conscientiously levy and collect individual regulatory taxes. Severe punishment should be meted out to tax evaders and tax dodgers. Third, greatly reduce unreasonable investments and gradually realize the optimization of investment scale and investment structure.

Strengthen adjustment and control, and raise the capacity for rational allocation of social resources. First, we must establish and perfect a scientific and democratic system of macro-regulation and control, including a policy-making organ, as well as consulting, executing, supervising, and information feedback institutions. We should define a complete set of procedures for implementing the scientific and democratic policy on the basis of law, and reduce errors in policy making. Second, we must strengthen the means of macro-economic control and make up our mind as soon as possible to raise the proportion of the state financial revenue to the national income, so as to strengthen the state's ability to adjust the economic structure. It is imperative to increase the independent role of the central bank in general financial control; and enable it through legislation to stipulate the maximum limit on overdrawing funds from the bank. Third, It is necessary to improve our measure of general control, mainly by regulating economic levers in conjunction with policies and law, striving for the separation of government func-

tions from those of the enterprise, eliminating the tendency of commercialization of power, and creating an environment of equal competition for the main micro-economic sphere. Also, according to industrial policies, we must adopt a method of dealing with each case on its merits through differential tax rates, tax exemptions, interest rates and discount, so as to guide rationalization of the economic structure.

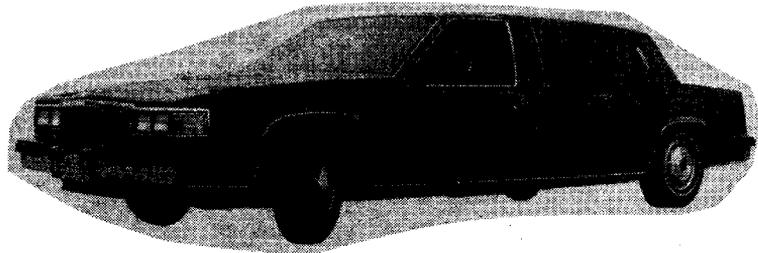
Conscientiously implement industrial policy. Preferential treatment (such as tax reduction and exemption, state subsidies, to grant loans by paying interest, and other methods) should be given to the departments of agriculture, raw materials, energy and transportation so as to attract local funds for speeding up their production and construction. With regard to products which are forbidden or restricted as to development, no enterprises involved (including joint venture, co-operative, sole proprietorships and township enterprises) may enjoy tax reduction and exemption, or be allowed to receive bank loans. At the same time, we will eliminate local trade barriers, encourage co-operation between regions, and support the develop-

ment of newly built and high technological industries along coastal areas, so as to improve the effective allocation of resources nationwide.

Base ourselves in China. We should properly use the international flow of elements of production and resources to alleviate "bottle necks." China will put due emphasis on quality instead of quantity in foreign trade, and try to raise the exchange rate of exports. Efforts will also be made to further expand the export of machinery and electronic products, so as to replace the resource-type products which are scarce in present domestic markets. We must increase the export of high-quality garments and, actively develop ways of earning foreign exchange other than trade, such as international tourism, labour services and foreign contracted products.

Deepen the reform. We will introduce competition mechanism and practise enterprise bankruptcy law and enterprise merger. We should establish a rational market operation system including a reasonable pricing system, just and fair transaction opportunities, an effective social security system and just arbitration courts. □

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Notes on a Trip to Shenzhen (3)

Establishing an Export-Oriented Economy

This is the third article about the Shenzhen Special Economic Zone. The previous two, "Fruit of the Open Policy" and "Progress and Problems in Attracting Foreign Capital," appeared in issues No.34 and No.35.—Ed.

by Our Staff Reporter Jing Wei

The term, export-oriented economy, is quite fashionable in Shenzhen. This reporter heard it dozens of times each day while talking with people there. Government officials speak about schemes to consolidate the export-oriented economy in the zone, progresses made and problems confronted. Managers of enterprises talk continuously of how they organize their production for export, what problems they have encountered and how to solve them.

The Focal Point

"Developing an export-oriented economy has been the

A modern workshop of the Shenzhen Scientific and Technological Development Co. Ltd.



focal point of the zone government's work over the last few years," said Mayor Li Hao. "We have mapped out a programme aimed at turning Shenzhen into an export-oriented special economic zone which engages mainly in industry and integrates industry with foreign trade."

Most of the enterprises which export more than half of their products were either set up after 1985 or were formerly domestically oriented.

The Kaifa Technology (She Kou) Co. Ltd., set up in late 1985, is a joint venture funded by China and armed with technology from the United States and Hong Kong. It makes mag-

netic heads for Winchester discs and other components, which are sold abroad through the marketing channels of the overseas partners. Thanks to their quality, its products now enjoy a good reputation internationally.

"Our company recouped all the investment as early as 1987," spokeswoman He Kaifan said. "We have received enough orders for the first three quarters of this year, and letters of intent for the fourth quarter have already been signed."

Another joint-venture silk enterprise was built and commissioned in 1987. Its products, soft and smooth, sell well worldwide. All are exported, but they are still in short supply.

The Shenzhen Zhonghua Bicycle Co. Ltd., put into operation in 1985, was formerly a joint venture between a Shenzhen factory and a Hong Kong firm. In 1987 an American bicycle company bought shares, becoming a third partner. In its first year, the venture turned out 42,000 bicycles, of which 24,000 were exported. The company later introduced advanced foreign equipment and adopted international standards in production. In accordance with the requirements of customers, it designed and produced various stylish, light and handsome bicycles of good quality. These include the hill-climbing bicycles developed to meet the needs of the European and American markets,



The SEG Group building.

and a new kind of bicycle with no welded joints developed to the specifications of a French company. They have become one of the most fashionable bicycles in Europe. Now the company exports its products to the United States, France, the Netherlands, Canada and Sweden. Compared with 1985, the company's production and exports have all increased more than 11 times.

The SEG Group, set up in 1986, has been particularly conspicuous in Shenzhen's endeavours to develop an export-oriented economy. It has established overseas branches and developed many new products which are in great demand internationally. Li Fenglin, the group's import and export manager, said that his company had made over US\$210 million from exports in 1988, a five time increase over 1985. "This year, our company's export earnings are very likely to reach US\$240 million," Li added.

The group has 158 member enterprises including 44 foreign-funded ones. With total assets of 2.2 billion yuan, it has become the biggest export-oriented enterprise group in Shenzhen's electronic industry.

With the rise of Shenzhen's export-oriented economy, the number of industrial enterprises

has increased from 609 in 1984 to 2,077 at the end of 1988. In the same period, total industrial output value rose from 1.81 billion yuan to 8.88 billion yuan. Meanwhile, the share of export goods in total industrial output value went up from 26 percent to 53 percent. Now Shenzhen exports more than 600 varieties of manufactured goods to more than 30 countries and regions including the United States, Japan, Britain, France, Canada and Hong Kong. Major export items include colour TV sets, radio cassette recorders, bicycles, printed cloth, toys, magnetic heads, plastic articles, processed textiles, digital telephones and printing machines.

Farm Produce

Another important aspect in setting up the special economic zone was to develop an export-oriented agriculture. Close to Hong Kong and Macao, Shenzhen became one of their farm produce and livestock suppliers ten years ago. But due to the old economic system and the less developed rural economy, exports were small in quantity. This situation continued until the establishment of the zone in 1980 when attention was paid to the construction of export-oriented agriculture and reform of the

old rural system. The gradual commercialization and modernization of the rural economy has greatly boosted Shenzhen's export capability.

By the end of 1988, it had set up some 1,000 export-oriented agricultural bases with an annual production capacity of 500,000 pigs, 25 million chickens, pigeons and partridges, 30,000 tons of fish and shrimps, 20,000 tons of fruit, 200,000 tons of fresh vegetables, and 20,000 tons of milk. These figures represent huge increases over those for 1979.

The rapidly increasing production has ensured the expanded export of farm produce and livestock. For example, Shenzhen exported 38,000 chickens in 1978 but exports more than 10 million annually today. It exported no milk in the past but exports more than 10,000 tons now.

It is estimated that in recent years Shenzhen's live chicken exports to Hong Kong have made up about 40 percent of Hong Kong's total imports. Shenzhen's bottled milk accounts for 70 percent of Hong Kong's total sales.

In 1988, the export value of the zone's farm produce and livestock came to US\$139 million, approximately 21 times 1978's US\$7 million.

Preferential Policies

Why has it been possible for Shenzhen to have developed an export-oriented economy in a few years? The reasons are many. But the most important is that the Shenzhen government has formulated and implemented preferential policies and measures, which give a fillip to the development of an export-oriented economy. Major policies and measures are as follows:

□ Export requirement. Since 1985, the zone government has

stipulated that projects to be established must export over 60 percent of their annual output. Otherwise they cannot be set up.

□ **Priority in construction.** Priority in arranging capital construction is given to export-oriented industrial projects to enable them to be completed and put into production as quickly as possible.

□ **Financial support.** Industrial enterprises which have advanced technology and great potential for exports but are short of working capital are entitled to financial loans. This is aimed at enabling them to produce and export as soon as possible.

□ **Reduction and exemption of land use fees.** Shenzhen exempts foreign-funded enterprises from land use fees for five years, and allows a 50 percent reduction for another five years.

□ **Reduction and exemption of taxes.** Shenzhen also stipulates that except for oil and oil products, exports of Sino-foreign joint ventures, co-operative and solely foreign-owned enterprises are exempt from industrial and commercial consolidated duties. Those, whose exports make up

over 70 percent of their total annual output value, enjoy a 10 percent reduction after the expiration of the income tax reduction or exemption period.

Under State Council regulations foreign enterprises in Shenzhen are required to pay income tax at the rate of 15 percent. Those involved in industry, transport, agriculture, forestry or animal husbandry, with a co-operation period of ten years or more, may apply to the local tax authorities for exemption from income tax in the first two profit-making years and a 50 percent reduction in the following three years.

□ **Foreign exchange service.** Shenzhen has set up a foreign exchange co-ordinating centre to allow enterprises to sell or buy foreign exchange among themselves at an appropriate rate. The centre's current US dollar-Renminbi rate is 1:7, as against the official state rate of 1:3.7.

The zone government also rewards people who make contributions to the export business and the establishment of export-oriented enterprises as well as offering Chinese staff the oppor-

tunity to travel abroad.

Problems.

In spite of the progress Shenzhen has made in recent years, it also faces with many thorny problems. Outstanding ones include:

—The export of some products is still subject to the state's quantitative restrictions, which makes it impossible for some enterprises to export all their products;

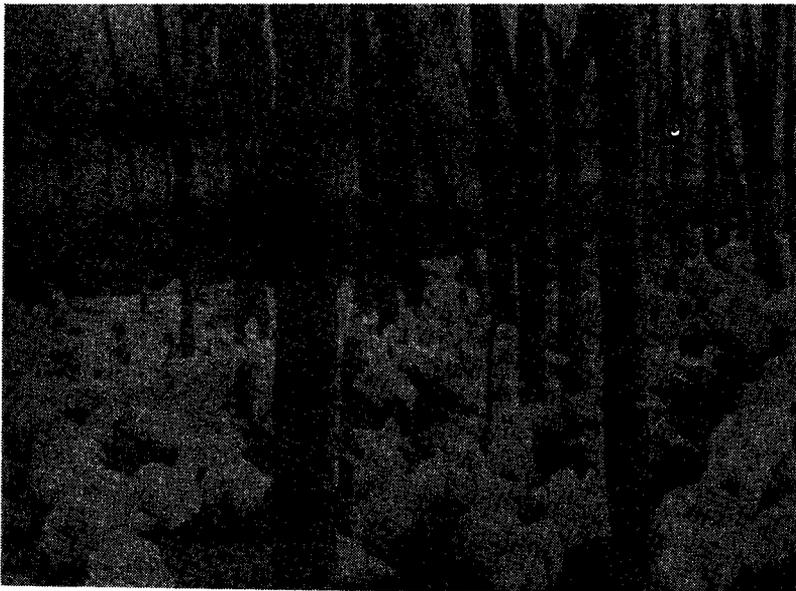
—Although Shenzhen has set up some agencies and marketing networks abroad, most marketing channels operate through foreign businessmen and this means additional costs to the special economic zone;

—The zone government facilitates the travel abroad on business of Chinese citizens of export-oriented enterprises. However, some enterprises still cannot send people abroad at short notice because of red tape and inefficiency.

—Although the Shenzhen government has in recent years made efforts to check illegal price hikes and charges, these still occur. This has increased production costs for some enterprises.

How can these problems be solved? The unanimous view is that Shenzhen should adopt more preferential policies and set up a new economic operational system according to international practice. Meanwhile, it should gradually open its doors to the international community, and keep aloof from the interior so as to reduce the impact of the inland's old economic system. It is also proposed that the zone government do a better job in production and management, overcome bureaucracy, raise efficiency and do some more down-to-earth work in the service of export-oriented enterprises. □

Ducks flocks at the Guangming Farm, suburban Shenzhen. Photos by CHEN ZONGLIE



China's Foreign Exchange Boosted in '88

China ran a surplus in its international payments last year, a spokesman for the State Administration of Exchange Control announced.

The spokesman said that the country's foreign exchange reserves grew from US\$15.24 billion in 1987 to US\$17.55 billion last year.

China's international payments in 1988 were at a deficit of US\$3.8 billion as compared with the US\$300 million surplus that was registered in 1987's regular items.

The surplus in capital items, including direct investments and international loans, totalled US\$7.13 billion last year.

Using the International Monetary Fund accounting procedures, China's exports totalled US\$41.05 billion in 1988, an increase of US\$6.32 billion or an 18.2 percent increase over the previous year. Meanwhile imports in 1988 came to US\$46.37 billion, a US\$9.97 billion or 27.4 percent increase over 1987.

He said that the foreign trade deficit stood at US\$5.32 billion last year, US\$3.66 billion more than that of the previous year.

The spokesman attributed export growth to reforms in the foreign trade system, the contract responsibility system being used by local governments and enterprises, the practice of the export agency system and the encouragement given to exporters.

He blamed excessive import growth on the state's loss of control over the import of some consumer commodities.

In the field of non-trade exchanges total income reached US\$6.33 billion last year, an increase of US\$920 million over the previous year or up 17 per-

cent, of which the income of tourism increased a total of US\$400 million, income from freight of goods US\$500 million and income of investments US\$490 million.

The non-trade exchange expenditures came to US\$5.23 billion, a US\$1.55 billion increase over 1987, up 42.1 percent. The total surplus in this field last year came to US\$1.09 billion, US\$650 million less than in 1987.

In addition, China received grants totalling US\$570 million and provided grants totalling US\$150 million with a US\$420 million surplus.

The volume of currency transactions with foreign countries in 1988 also increased. The total inflow of capital was US\$20.26 billion, a US\$1.09 billion increase over 1987, while the outflow of capital was US\$13.13 billion, almost at the same level as the previous year. The net balance was US\$7.13 billion, an increase of US\$1.13 billion over 1987. □

Bicycle Production Line Imported

A bicycle production line imported from the Federal Republic of Germany was put into operation in mid-July in Qingdao, Shandong Province.

In September 1989, the municipal government of Qingdao signed a contract for the import of bicycle production technology and equipment with the Federal Republic of Germany. Under it, 214 pieces of equipment, including facilities for the production of frames, fork blades and wheels, and assembling devices and quality test instru-

ments, have been bought in the form of compensation trade. Besides this, Qingdao was allowed to use the trade mark free of charge.

The production line with the internationally advanced technology of the 1980s can produce lightweight male and female bicycles as well as trail bicycles, sports bicycles and speed-change bicycles in 266 varieties of 24 types.

The production line has an annual capacity of 700,000 bicycles, with more than 200,000 of these being exported.

by Li Ming

Joint Venture Proposals

Co-produce Machine Screwtaps

The Hangzhou General Tool Factory, a specialized enterprise with fixed assets of 20 million yuan, can produce various kinds of tools for machine. The factory covers an area of 50,000 square metres and is armed with more than 400 pieces of equipment. To meet the requirements of expanding production, our factory has decided to invite foreign investors to co-produce machine screwtaps, helical flute screwtaps and other new products. The enterprise hopes foreign investors to contribute 50 percent of the total investment of US\$4 million that is needed to import grinding-ditch and-square machines and screwtap grinders.

Stainless Teapot Technology and Equipment Needed

The Hangzhou Aluminium Products Factory specializes in producing aluminium pots, teapots and other aluminium products. The factory already has fixed assets of about 10 million yuan including 260 pieces of key equipment. With an annual

sales value of more than 18 million yuan, the factory has a production space of 17,000 square metres. To expand its manufacture of new products, the factory needs to import stainless steel teapot technology and equipment. The factory hopes that foreign firms will provide welding and miniaturizing-mouth technology, butt welding, automatic polishing and sand light equipment to expand its annual output to 200,000 pieces of aluminium products. Arrangements could include joint-venture production.

Co-producer Needed for Cotton and Wool Knit Goods

The Hangzhou Cotton and Wool Knitting Mill, with more than 800 workers and staff, mainly produces woollen knit goods, artistic gloves and all kinds of caps and hats. Its annual output amounts to several million pieces with a sales volume of more than 30 million yuan. Foreign partners are invited to participate in a co-operative programme that requires a US\$2 million investment to increase the variety and improve the quality. We wish them to assist in the introduction of computerized knitting machines. The Chinese side intends to compensate investors with its products within three years.

Co-produce Hand Tools

The Linping General Tool Factory, a specialized monkey wrenches producer in Hangzhou, produces 65-375mm monkey wrenches in seven specifications and eight-piece sets of 6-24mm double-head solid wrenches. For example, our Liegou brand monkey wrenches have been cited to be among the best many times at national quality competitions. Our prod-

ucts, popular both at home and abroad, have been exported to scores of countries and regions in Asia-Pacific, Pacific areas and Europe. Foreign businessmen are welcome to discuss terms in a co-operative programme.

Joint Investors for Woollen Knitwear

The Baoying County Woollen Sweater General Mill in Jiangsu Province produces woollen, cashmere or synthetic fibre knit goods. Its annual output is 500,000 (sets) pieces that are exported to more than 20 countries and regions in Europe, Asia and America. The mill, the largest of its kind in northern Jiangsu, has a strong designing force, excellent test facilities and internationally advanced specialized equipment. The enterprise hopes that foreign investors will provide US\$500,000 in investment for the import of large-scale jacquard knitting machines. We are also willing to process for foreign clients imported materials according to their designs and samples.

Medium-Density Fibreboard Co-operation

The 30-year-old Ganzhou Timber Factory covers an area of 185,000 square metres and a production area of 55,000 square metres. The factory produces 20,000 cubic metres of plywood and 4,000 cubic metres of hard fibreboards, which have won the title of the state high quality products, with much of them exported. The factory, located near the forest zone of southern Jiangxi, has rich raw materials, energy and good surface and air transport facilities. Foreign businessmen are welcome to discuss terms for a co-operative management and provide advanced technology and equipment.

For further information

please contact:

China Co-ordinating Centre for Business Co-operation, Information Office.

Address: Room 716, Building 2, 19 Jianguomenwai Street, Beijing

Tel: 5002255 Ext. 4716

Fax: 5005908

Telex: 22942 CCBCC CN

News in Brief

● It could be the largest foreign-invested venture in the mechanical and electrical history of China. The Hubei No. 2 Motor Vehicle Works is joining forces with Citroen Co. of France to start the Dongfeng-Citroen Motor Vehicle Co. Ltd.

When completed, the company will have the capacity to turn out 300,000 cars and 400,000 motors annually.

The State Council formally approved 4.1 billion yuan for the centure's first-stage construction on August 20 for which a feasibility study had previously backed. Construction on the project is slated to start next year and finish by 1993.

● Baffled by where to turn to for accurate statistics?

Help is on the way. The China Statistical Information and Consultancy Service Centre has recently started offering its services to external and domestic firms caught in China's jungle of facts and statistics.

Besides sourcing China's authoritative statistics the centre is plugged into data banks giving comprehensive coverage of the central government, and provincial, municipal and autonomous region jurisdictions.

The centre which already provides statistics in several foreign languages to customers scattered throughout more than 20 countries and regions is considering the added role of being the nation's statistical library.

by Li Ning.

Women in the Tide of Reform

ZHONGGUO FUNU BAO
(Chinese Women's News)

The Shenyang Women's Federation recently conducted a sample survey of matters of public interest among 20,000 women. About 92 percent of them answered the questions.

According to the survey, women feel extremely anxious about discrimination in the optimization of labour organization. With regard to redeployment of redundant personnel, only 35.4 percent of the women agreed with the way it was carried out.

The optimization of labour organization, an important part of reform of the labour system, benefits from the reduction of redundant personnel and the raising of labour productivity. But in some enterprises, a large number of women, especially women during the periods of pregnancy, child birth and breast-feeding, have been sent home and their incomes severely reduced. As a result, there had been a marked drop in their family and social status. However, 25.3 percent of the women surveyed held a contrary opinion and 35.7 percent did not express a view.

To the question of what needs immediate solution, 41.5 percent of those who answered said prices; 19.5 percent, wages; 27.2 percent, corruption; 4.7 percent, theoretical-political work; 3 percent, public security; 1.2 percent, democracy; while 24 percent were unwilling to answer. Some women gave more than one reasons so the percentage total exceeds 100.

In addition, 60.43 percent said clearly that they could not bear the speed at which prices increased. And 32.1 percent said that while they could cope on their incomes, mentally the strain was excessive. In regard to price reform, two-thirds favoured making appropriate readjustments and steady progress, while 4.9 per-

cent favoured drastic reform.

The survey indicated that around half of the women were worried about human relationships and the vulgarity and materialism which were increasing day by day. When answering what could help a person change his or her social position, 31.2 percent said personal relationships; 11.9 percent said money; 19.5 percent, work units; and 34.2 percent, personal talents and achievements.

As regards social order, 2.61 percent thought it fine; 47.81 percent thought it neither good nor bad; 34.65 percent felt there was no security; and 13.61 percent thought it bad. In addition, over 60 percent of the women criticized local authorities for not taking vigorous measures to counter illegal activities.

Answering the question of what was the key reason for the lowered standards of social conduct, opinions varied. For example, 27.24 percent said it was the idea of putting money above all else; 18.25 percent said it was people taking the shortsighted view; 19.77 percent said it was reduction in moral standards; 9.6 percent said a lack of dedication and sense of responsibility; and 23 percent said bribery.

A large number of women said that they wanted to make a stand against unhealthy practices, but their abilities fell short of their wishes. They felt they had to pay greater attention to themselves and their families and to place hope in the Party and government.

In answering the question of what they paid great attention to, nearly half of the women chose social stability and the country's prosperity, while 30.4 percent said raising the family's living standard.

According to the survey, women hope to play a real role in society. Over 60 percent said that

their motive force while working was to serve the people, promote national rejuvenation and make achievements in their jobs, while 24.24 percent worked hard for reasons of personal gain.

Most of the women were eager to participate in government and political affairs and in economic and social developments in order to achieve something with their lives.

(May 24, 1989)

Early Marriage in Shandong

RENMIN RIBAO
(People's Daily)

The phenomenon of early marriage in Shandong Province is spreading. Statistics show that to date the number of people who have married before reaching the legal age is at least 500,000. The present Marriage Law stipulates that no marriage shall be contracted before the man has reached 22 years of age and the woman 20 years of age.

Most illegal marriages occur in the rural areas. The proportion of illegal young marrieds (men aged 15 to 21 and women 15 to 19) was 5.06 percent of these age group. Early marriage is a particularly serious problem among young men in rural areas. According to a recent survey, 30 percent of those aged 21 had married.

Moreover, child marriage which had been stamped out for a long time has appeared again in some of rural areas. A sample survey conducted by the Leling Women's Federation in Shandong shows that 642 of 3,107 children aged between 8 and 14 were engaged to be married while 1,152 of 3,840 people aged between 15 and 22 were betrothed. Among 40 pupils in a primary school class in Wuji Township, 31 were engaged. In addition, the number of young people who marry before the legal age without registering the marriage is increasing.

(May 31, 1989)

Confucius Gets 2,540th Birthday Honours

To mark the 2,540th birthday of Confucius, which falls on September 28, Qufu, the master's hometown in Shandong Province, will be conducting traditional worship ceremonies in his honour between September 26 and October 10.

The organizer behind Qufu's 1st Confucius Cultural Festival, the Shandong Tourist Bureau, quickly pointed out that their worship should not be construed as paying respect to the old master as past ceremonies did. Instead, they should be seen as a way to introduce and make traditional Chinese culture come alive for the foreign travellers.

Confucius (551-479 BC) is China's most famous ancient thinker and educator. His teachings made a great contribution towards the development of civilization and the Chinese cultural heritage.

It was Confucius and his followers who largely defined the pattern of social relations that have strongly influenced China's social development for over 2,000 years.

The main ceremonies at the Qufu festival will be a grand ceremony to worship Confucius, a grand song and dance performance of the Spring and Autumn Period (770-476BC) that will echo the tunes of that age. Qufu will also

host an international symposium on the scholar during the festivities.

Travellers to the Qufu site will be asked to wear Confucius-period clothing and to take part in the six artistic activities advocated by the master. Such cultivated leisure activities include the playing of the zheng (a 21 or 25 string instrument), archery, horsemanship and calligraphy.

Ancient music and dance in front of Qufu's Confucian Temple.

LI WEIYU



Construction of Qufu's Confucian Temple started in 478 AD and travellers can still walk through the grand structure with its large expanse of woods that was owned by his descendants.

The Qufu temple along with Beijing's Palace Museum and Chengde's former Summer Mountain Retreat for emperors comprise the nation's three largest ancient architectural structures.

by Han Baocheng

Terracotta Site Goes Public

Many people are anxious to visit a newly uncovered section of Emperor Qin Shi Huang's terracotta horses and warriors which will open this September 27 and experts say it is even more attractive than the previous ones that millions of tourists have viewed since they went on display in Shaanxi in 1979.

The new site contains 68 terracotta warriors still covered with the ten shining colours of paint that covered them when they were buried during the Qin Dynasty (221-207 BC).

"The colour of a warrior head has been uncovered in perfect condition. Its hair, beard and eyebrows which were drawn in gongbi (a traditional Chinese technique involving delicate lines and fine detail), appear like the real thing,"

says one expert.

Experts are now worried that these specimens, located only 25 metres northwest of the first terracotta display area, will lose their shine since they lack a technique to keep the ancient paint job from peeling.

The main challenge they face in preserving them is how to get the warriors to dry out evenly so as to keep their paint intact.

Since being uncovered two years ago, it has proved difficult to keep the colours fast and the new sight, that was discovered in 1973 and officially approved for excavation in 1973, has been surrounded and covered by a 2,000-square-metre powder-grey marble hall that will assist in its protection.

Archaeologists say the initial display site was previously struck

by a fire which faded the colours of the warriors there. According to the decoration of the chariots and warriors' attire unearthed at the new site, to be opened to the public on World Tourist Day, they are better than those discovered previously. In this command office there is no chief commander. The chief commander may have been Qin Shi Huang himself who was buried in the mausoleum.

The new formation of warriors like earlier displays will show visitors the level of sophistication of the warriors and China's ancient technology and social organization had reached.

by Li Weiyu

CORRECTION:

On the back-cover advertisement of 1st International Mechatronics Fair published in issue No. 33, 1989, the address of exhibition should read: "Beijing Exhibition Centre, China," and the Telex should read: "Fax: (01) 2024561."

Sage's Birthday to Be Celebrated

September 28 will be the 2540th birthday of Confucius, a man who has influenced the way of life in China more than any other teachers of religion and morals.

Celebrations are already in store that will include exhibitions and ceremonial performances at Confucian temples in several cities, and a commemorative conference in Beijing followed by an international symposium.

The conference will be held in the Great Hall of the People on October 7, one week after the National Day. Government leaders and foreign guests will attend the conference.

At the symposium, to be sponsored by the government-funded China Confucius Foundation and the United Nations Educational, Scientific and Cultural Organization (UNESCO), scholars from several countries will discuss the historical role of Confucius and the Confucian influence on modern society.

At the same time, special tours have been arranged by China International Travel Service (CITS) to Confucius' hometown Qufu in Shandong Province.

Idolization

The celebrations, aimed at renewing national pride in one of the world's most powerful traditions and spurring tourism, are bound to arouse controversies among thinking Chinese, because since the turn of this century, Confucius has repeatedly come under fire.

Born of an impoverished aristocratic family, Confucius set himself to safeguarding the virtues and rites of the early Zhou Dynasty. He travelled from

court to court in search of a ruler to implement his ideas for a good society, but failed. So he turned to teaching as another way to propagate his ideas.

Apart from advocating benevolence, devotion to parents, and decorum, Confucius valued the observance of the social hierar-

chy. His teachings suited dynastic rulers and led to his idolization for more than 2,000 years.

Because Confucianism served the interest of the ruling class, progressive Chinese of this century regarded it as an obstacle to their struggle for democracy, so they made Confucius a target in

Influence of Confucianism Abroad

The influence of Confucianism is so strong that if any one is asked to characterize in one word the traditional Chinese life and culture, the word would be Confucian.

But the Confucian influence is not confined to China. Nearby Japan, Korea, Viet Nam all embraced Confucianism in their national life and culture.

The economic success of Japan, South Korea, Taiwan, Hong Kong and Singapore also seems to refute the saying that Confucianism is incompatible with modern industries.

Records show that Japan began to import Confucian ideas and institutions around AD285 during China's Jin Dynasty (265-420), under the patronage of emperors and princes.

But Confucianism was adopted only selectively and it coexisted with Shintoism and Buddhism. The most emphasized Confucian virtue was loyalty to the emperor.

Korea ushered in Confucianism much earlier than Japan. It outranked Buddhism as a controlling force in Korean life and culture. Even the design of the South Korean flag shows this influence. The most imposing Confucian Temple outside China stands today in Seoul.

Viet Nam has also been strongly influenced by Confucian ideas. As a tributary state of imperial China for hundreds of years, Viet Nam adopted the Confucian education and examination system. Many Confucian temples can still be found there.

Confucianism among modern Europeans can be traced to Roman Catholic missionaries in China in the early 17th Century.



Scholars themselves, these missionaries Latinized *Kung-fu-zi* into Confucius and sent many reports about Confucian China to Europe.

The most notable missionary among them was Matteo Ricci who came to China from Italy in 1582. Well trained in Chinese, he was the first to translate Confucian works for European readers.

Some leading figures of the European Enlightenment developed an overwhelming admiration for Confucian thought. They include eminent German philosopher and mathematician Gottfried Leibniz, German poet Goethe, French encyclopaedist Alexander Pope, and Charles Lamb of England.

by Max Wang

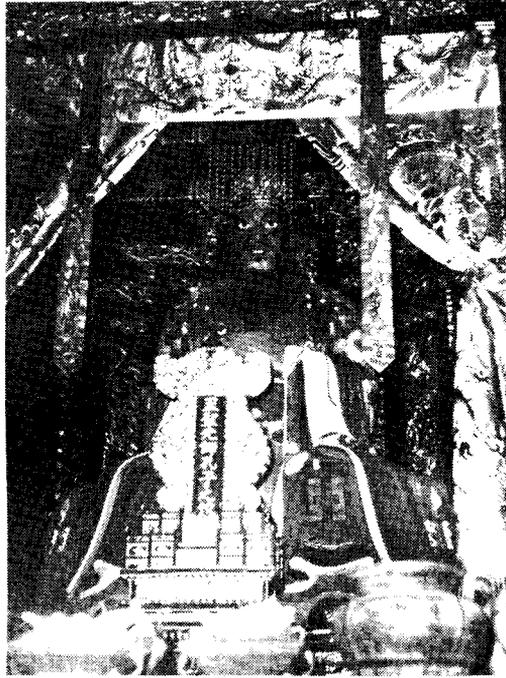
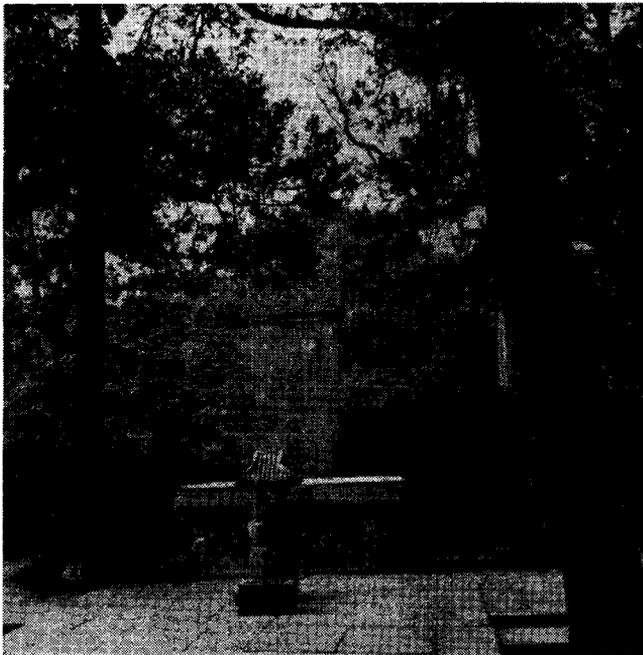
the historic May 4th Movement of 1919.

Chen Duxiu (1879-1942), a leader of the movement and a founder of the Chinese Communist Party, said, "Confucianism and monarchism are inseparable by nature. Confucianism thrives on the support of the monarch and the monarch relies on Confucianism to secure its rule."

He observed that those who upheld Confucianism, aimed to restore dynastic rule against the course of history.

Chen was referring to Yuan Shikai (1859-1916), first president of the Republic of China, who in 1915 claimed himself emperor but his reign was short-lived. As a prelude to his coronation, Yuan led civil and military officials to the Temple of Confucius in Beijing in September 1914 to celebrate the sage's birthday. A similar memorial service was held throughout the country following a government decree.

Confucius' tomb at Confucian Temple in Qufu.



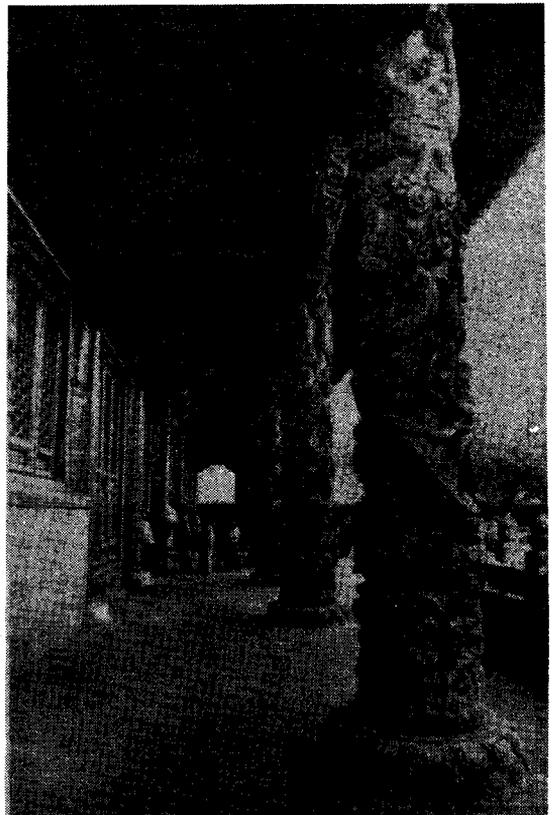
A temple statue of Confucius in the master's hometown of Qufu in southern Shandong.

Doctrine

Commenting on this, renowned Chinese writer Lu Xun (1881-1936) said, "Confucius had had bad luck since the beginning of the 20th century. But he was remembered again in the era of Yuan Shikai, who not only revived his memorial service, but also made funny ceremonial clothes for people to wear. After this came the dynastic rule."

Li Dazhao (1880-1923), another May 4th Movement leader and Communist leader, said, "Confucianism is not forever a truth. Confucius along with other ancients cannot be mentors for all ages. His ideology has prevailed in China for 2,000 years,

Dragon carvings slither around the pillars at Qufu's Confucian Temple.



largely because China's agricultural economy remained unchanged, and his doctrine suited such an economy. Now the changing economy has shaken his doctrine for it does not belong to modern Chinese society."

The first anti-Confucian movement was aimed at abolishing the feudal hierarchy and traditions, said Li Chaoying, director in charge of Beijing's Temple of Confucius. But the second one waged in 1974 during the "cultural revolution," he said, had different motivation.

The Gang of Four staged this political farce in a vain attempt to get rid of Premier Zhou Enlai and to boost their "revolutionary" image. They dogmatically believed their foes were like Confucius who held fast to the old way.

For example, the Gang of Four termed Lin Biao a "contemporary Confucius" hoping to restore old society. Lin, the hand-picked successor to Chairman Mao, died in a plane crash after an abortive coup in 1971.

Li said the criticism of Confucius was full of irrelevant curses, such as Confucius was a blood sucker, a shameless cur, a

Replicas of carriages used during the Confucian period more than 2,000 years ago are used to carry visitors through the Confucius Forest.

Photos by CHEN ZONGLIE



Both Chinese and foreigners visiting the Confucian Temple's Dacheng Hall at Qufu.

double-dealer, a ruthless despot. It in no way resembled a serious ideological debate.

Criticism

Interesting enough, because the Gang of Four made such an absurd farce about Confucius, no one wanted to touch the issue again, and the criticism of Confucianism was hushed since.

In the past ten years, academic circles wanted to re-evaluate Confucius in his original perspective. Six seminars and an in-

ternational symposium have been held. A Confucius research institute was set up in the sage's hometown Qufu in 1983 and the China Confucius foundation was set up in 1984.

Many people agree that Confucius is a great educator and thinker in world history. He contributed enormously to Chinese culture. Many of his theories in teaching are still valuable in modern times.

But they could not ignore the negative influence of Confucianism which hinders the development of a changing society. Some think Confucianism is an antithesis of democracy.

Li Chaoying, director of Confucius Temple in Beijing, said total denial of Confucian ideology was wrong. "I would say the ratio of its goodness to badness is 4 to 6," he added.

The self-taught researcher admitted that he had gone through the stages of worship, doubt and negation in Confucian study.

Despite his academic stance, Li is at the moment occupied in preparing the 2540th anniversary exhibition and the ceremonial performance at the temple, which lies to the west of Yonghegong Lamaist Temple in Beijing.

by Wang Ningjun

ART PAGE



Quail.



Egret.



A Prosperous Farmer Family.

Chinese Paintings by Guo Cai and Ji Ma

A Mongolian couple, Guo Cai and Ji Ma, are artists who live in Baotou in the Inner Mongolian Autonomous Region. Guo was born in Shaerqin in 1937 and his wife in Bailingmiao (Bat Halag), also Inner Mongolia, in 1941. They specialize in flower-and-bird Chinese paintings. Using fine brushwork and paying close attention to detail, they pursue simple and natural beauties in their work.

Han-Type Bagged Tianlun Tea

Han-Type Bagged Tianlun Tea is highly refined from the natural leaf according to a secret palace recipe of the Yuan Dynasty (1280-1368).

It is acclaimed as a specially nutritious tea, characterized by its treatment of yin deficiency through reinforcing body fluids and nourishing the blood. By drinking the tea at normal times, you can restore sexual function, regulate other organs of the human body, stimulate the brain, heighten the memory faculty and rapidly regain physical strength after intense athletic activity. You can build up your resistance to normal or abnormal effects of the ageing process through the long-term drinking of this tea.

1 x 4 x 10 packages

Feiyan Fat-Reduction Tea

Feiyan (Flying Swallow) Fat-Reduction Tea reduces human body fat, clears up constipation, eliminates sediment, acts to reduce fever and as a diuretic, and stimulates the appetite. By drinking this tea frequently, you can reduce weight, dispel fat deposits in the abdomen and improve looks and health.

Taking one or two packages a day for a month, you can reduce body weight by 1.5-2 kg, and in some cases by 3-3.5 kg.

According to legend, Queen Zhao Feiyan of Emperor Chengdi (32-8 BC) of the Han Dynasty, one of the four beauties of ancient China, drank the tea often. As a result, she had a slender waist and her body weight was as light as that of a swallow on the wing.

1 x 4 x 10 packages



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