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Government Speaks Out on Issues of Common Concern



**LEADING BANKER ON FINANCE**



Qingliu County in Fujian Province has developed the export of wood and bamboo commodities. *Top*: Wooden bowls from the wild jujube tree are both consumer goods and handicraft articles; *Below*: Craftswomen weaving wooden-bead door curtains.

*Photos by Li Kaiyuan*

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**COVER:** Li Guixian, a State Council-  
lor and president of the People's Bank  
of China, being interviewed by a *Bei-  
jing Review* reporter.

by Xue Chao

## Discussing China's Key Issues

□ In an interview with the Japanese news agency Kyodo, State Council spokesman Yuan Mu answered some perceptive questions about the situation in China, including the economic, political and diplomatic aspects (p. 8).

## Anti-Porn Drive to Clear Eyesores

□ With initial success in confiscating pornographic books and video tapes, Li Ruihuan, who is in charge of China's anti-porn campaign, calls for continued perseverance in ridding the country of undesirable material (p. 4).

## Retrenchment and Economic Growth

□ In a recent exclusive interview with Beijing Review, Li Guixian, president of the People's Bank of China, talked about China's current financial situation and policies, measures to be taken in the next step of financial reform and whether China can afford to repay its foreign debt, particularly during the peak repayment year of 1992 (p. 17).

## Building China's Legal System

□ China's socialist legal system has gone through four stages—establishment, initial development, destruction and rapid advancement—since 1949. Beginning in 1979, the National People's Congress and its Standing Committee have enacted, revised and supplemented a total of 147 laws and regulations covering various aspects of state and social life. A socialist legal system with Chinese characteristics has taken shape, the judiciary strengthened and the people's sense of responsibility to the law enhanced after years of nationwide publicity and education about the legal system (p. 13).

## China's Stock and Bond Market

□ Although the main purpose of China's issuance of stocks and bonds is to generate funds for national construction, it is also an important step in the reform of its financial system. A product of the planned commodity economy, China's stock and bond market is developing under the prerequisites of public ownership and adherence to the socialist orientation (p. 20).

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

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## Anti-Porn Campaign Off to Good Start

**M**ore than 30 million copies of pornographic books and magazines and 400,000 obscene audio and video tapes have been confiscated throughout China in the ongoing campaign against pornography.

Statistics also show that by the end of September, 300 centres for making and distributing obscene publications were shut down and 1,800 people involved in such activities brought to justice.

The national committee in charge of the campaign sent teams to the coastal provinces of Guangdong, Fujian, Zhejiang and Hainan to close the loopholes through which pornographic publications entered China.

Some provinces have even established regular inspection organizations in the anti-porn drive.

Earlier in September, Li Ruihuan, member of the Standing Committee of the Political Bureau of the Chinese Communist Party Central Committee, said that although the campaign had produced satisfactory results initially, some areas had been actually overlooked.

A pressing matter of the campaign, he said, is to continue to promote it and prevent it from going from a fine start to a poor finish.

Li noted that some senior leaders, including Deng Xiaoping, have been greatly concerned about the campaign. The Party's Central Committee and all the members of the Standing Committee of the Political Bureau of the Party Central Committee are determined to make the campaign a success, he said.

The major priority, he added, is to heighten the people's understanding of the campaign. Ever-

ybody should know, Li warned, that one of the important means foreign hostile forces are using to push China into "peaceful evolution" from socialism back to capitalism is to use pornography, gambling and drugs to poison the Chinese people.

He urged leaders of all work units to devise plans, take measures, assign concrete tasks and supervise and speed up the fulfil-

ment of the assigned tasks.

In dealing with any case, he stressed, the policy of being lenient to those who confess their crimes and harsh to those who refuse should be followed.

It is also necessary to carry out sentences swiftly so as to assuage popular indignation, he added.

While promoting the anti-pornography campaign, work should be done to encourage wholesome culture and invigorate the people's cultural life with healthy publications, Li said. □

## China and India for A New International Order

**C**hina and India have expressed their willingness to establish a new international political and economic order.

In a meeting in New Delhi on October 12 Chinese Vice-Premier Wu Xueqian and Indian External Affairs Minister Narasimha Rao exchanged views on bilateral relations and international problems.

Wu noted that the Five Principles of Peaceful Coexistence initiated by China and India in the 1950s have great vitality. He hoped that all nations concerned will work to build a new international political order on the basis of the Five Principles and a new international economic order on the basis of equality and mutual benefit.

China wishes to improve and develop relations with India on the basis of the Five Principles, Wu said.

Rao stressed that India and China have similar and identical views on many problems. India wishes to work together with China to establish a new international political and economic or-

der.

The Five Principles of Peaceful Coexistence are not only applicable to the relations between India and China, but also suitable to international relations the world over, he said.

Both statesmen noted with satisfaction that Sino-Indian relations have improved in recent years and they hope the momentum continues.

The two countries, Rao said, are facing a hopeful stage of development in bilateral relations. The 40th anniversary of the establishment of diplomatic relations between India and China in 1990 will be a historical opportunity for both two countries to promote their relations.

Indian President Ramaswamy Venkataraman also met with Wu and stressed that there is wide scope for co-operation in various fields between the two countries.

Friendly relations between China and India date back thousands of years, Venkataraman said, expressing the hope that Wu's week-long visit would strengthen Indian-Chinese relations.

Wu briefed the president on China's achievements in the 40 years since the founding of the People's Republic in 1949. He reiterated that there will be no change in China's independent foreign policy of peace or its policy of reform and opening to the outside world.

On October 14 Indian Prime Minister Rajiv Gandhi met with Wu. He said it is important to maintain good relations between India and China.

The two leaders had sincere and friendly talks on a wide range of bilateral and international issues.

Gandhi said as the two countries are confronted with new challenges, India and China should strengthen co-operation in various fields and complement each other by drawing on each other's strength.

In response, Wu expressed the hope that friendly contacts can be expanded, mutual understanding increased and bilateral co-operation enhanced between the two populous, developing countries facing common problems.

Later, Wu gave a speech on "Sino-Indian relations under the current international situation" at a meeting of political figures, social celebrities and other Indian friends. He stressed that broad prospects for the growth of Sino-Indian relations exist.

"We can not only strengthen our co-operation and make up for each other's deficiencies in many areas, including economy, science, technology, culture and education, but also enhance our consultations on the North-South dialogue, South-South co-operation and a number of other international issues," Wu said.

Referring to the Sino-Indian boundary question, Wu said the Chinese government sincerely hoped to see a fair and reasonable settlement of the issue.

"I believe that as long as the

two sides conduct friendly consultations in a spirit of mutual understanding and mutual accommodation, a mutually acceptable solution can be found."

China supports South Asian regional co-operation and appreciates the progress made in this respect through the joint efforts of all the countries in the area, he added.

Wu emphasized that if all countries in the world strictly

abide by the Five Principles of Peaceful Coexistence — mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence — and if there are new international political and economic orders established on this basis, it will be entirely possible to achieve durable peace in the world. □

## Fresh Term for the Freshmen

**M**ilitary and political training for Beijing University freshmen is an experiment in exploring ways of nurturing qualified college students," said He Dongchang, vice-minister of the State Education Commission.

He was speaking at the opening ceremony October 12 at Shijiazhuang Army Academy of the year-long military and political training course for freshmen from Beijing University.

Wearing new uniforms, 748 freshmen from 27 of China's provinces, cities and autonomous regions attended the ceremony. This is the first time that Chinese college students have undertaken a full year of military and political training.

"Compared with speciality teaching, ideological education has been weak in recent years," he said.

Military and political training was one of the ways to improve the ideological standards of students and their understanding of the nation's circumstances, the vice-minister added.

Army academies have a long history of carrying out ideological and political education and local schools should learn from them, he said.

Wu Shuqing, the newly-

appointed president of Beijing University, expressed his hope that the freshmen would recognize the kind of personnel needed by the state and learn the best way to make themselves useful.

"Military and political training will give you a fine environment to grow up in," Wu said, "so, you should value the opportunity and train yourselves to be of high political consciousness."

Founded in 1977, the Shijiazhuang Army Academy is China's best cradle for junior officers. It covers an area of 360 hectares with an enrolment of 3,400, and is equipped with up-to-date teaching facilities.

During the nine-month-long military and political training period, the students will also study Chinese, English and other general knowledge courses. The remaining three months are winter and summer vacation.

There are 60 teachers of whom 26 are regimental commanders and the others are professor, associate professors and lecturers.

The 748 students are divided into six squads with women making up two of the squads.

Recently, the academy conducted an opinion poll in one of the six squads which has 120 students from such departments as mathematics, geophysics, sociol-

ogy and Russian.

The results of the survey, done anonymously, show that 98 students consider the training necessary while the other 22 thought it unnecessary.

The survey also asked three questions: "What did you worry about most after entering the academy? What do you want to know most and what are your suggestions about the training?"

The majority of the freshmen worried about the prospect of not being able to handle tough training and that their studies might be affected.

More than half of the students cared most about how to fulfil their training tasks, while 40 of them cared most about their diet.

"People can't survive without food," one student wrote. Another student said, "I care most about the government's attitude toward college students and China's political situation."

More than 60 percent of those surveyed wanted more recreational activities and more time to themselves. More than 20 students suggested more time for their own special studies.

"Military training is good for the willpower and health," said Ye Haidong, a student of mathematics from Beijing. "Whoever you are and whatever you do, you should have the brave and staunch quality of a soldier."

An official of the State Education Commission noted that military and political training for college students has been China's consistent policy. Beijing University freshmen carrying out the practice is by no means a punishment, he said.

"As a key university directly under the State Education Commission, graduates of the prestigious Beijing University should be fit for socialist construction," the official added. "They should have a clear political orientation



Zhao Peng, a student with Beijing University, speaks on behalf of the freshmen at the opening ceremony at Shijiazhuang Army Academy. ZHANG XIAOJUN

and sound morality, intelligence and be physically strong."

He disclosed that this year an eight-week military and political training course is being carried out at 143 colleges and universi-

ties nationwide. Some students are sent to military camps, while others go to military academies. In some cases officers are invited to the campuses. □

## China's Population Still Faces Yellow Light

China's population is expected to surpass 1.11 billion by the end of this year as the number of childbirths exceeds last year's by a worrisome margin.

In the first six months of 1989

about 510,000 more babies were born than the same period last year for an increase of more than 5 percent.

More than 23 million babies are expected to be born in China this year, about 1.18 million

more than in 1988, said Peng Peiyun, Minister of State Family Planning Commission.

This year's birth rate is expected to exceed 21 per thousand and *natural population* growth, 15 per thousand, an increase of 0.8 per thousand in both cases.

China's population passed the 1.1 billion mark last April.

"One must keep a sober mind over the country's serious population issue and make greater efforts to publicize the importance of family planning," Peng told the National Conference on Family Planning Publicity and Education on October 14.

She said the birth rate rose in 1986 and 1987 but declined last year.

However, another population growth peak is looming because 360 million people who were born during the second birth peak from 1962 to 1975 are approaching marriageable or child-bearing age. Every year from 1986 until 1997, between 11 million and 13 million women will reach childbearing age -- almost double the number of either of the two earlier birth peaks, Peng said.

Family planning at the grass-roots level has lagged behind, she said, noting that in some rural areas, families are allowed to have a second child if their first was a girl.

"Family planning is one of the country's basic policies, while publicity and education are pivotal in implementing the policy," Peng told the conference in Hongzhou, capital of Zhejiang Province. About 140 officials from 29 of China's 30 provinces, municipalities and autonomous regions attended the conference.

Peng said strict control of population is essential to balance population growth with social and economic development and to coordinate utilization of resources with the natural environment.

She pointed out that publicity and education should be given top priority and use of contraceptives encouraged.

In addition, administrative, legal and economic measures should be adopted to make sure people comply with the national programme.

Peng acknowledged that many peasants want to have more children because of the feudal belief of "more children, more happiness," and the desire to have more working hands in the family.

Basic family planning education courses, integrated with scientific knowledge and health care for women and children, have been organized in at least 650 counties and more than 2,000 towns since last August.

A publicity and education network has been established across China. Some 27 provinces have

set up publicity and education centres. Of the 27, 23 have video and tape making projects. This has helped bring about changes in old concepts about marriage, but much more work needs to be done, she said.

In many rural areas, especially where poverty is high, family planning is still weak. In some areas, administrative measures remain the chief way to implement family planning because of a lack of understanding of the importance of publicity and education. Rural officials often think that work can only be done through tough policies and fines.

"Yet experience has shown that family planning can be well implemented in villages through better publicity and education," Peng said. "It will help people to get rid of poverty faster and the country to prosper." □

## Real Estate: A Rising Industry

China's real estate industry is growing more and more prosperous along with the development of the country's commodity economy, according to the Ministry of Construction.

The industry is playing an important part in the national economy and urban development, a ministry official said.

The urban residential area on the mainland of China now totals 5.5 billion square metres, valued at 1,600 billion yuan, he said.

After 1949, a state-run housing system was practised in China, whereby the state built apartments and distributed them through work units. It was not until the early 1980s that the state decided to begin a system of buying of urban property.

The real estate industry has boomed in recent years. Incomplete statistics show that there

are now more than 300 real estate exchanges and 3,000 property development companies across the country. In large cities such as Shanghai, Shenyang and Tianjin, the annual volume of such trade is tens of millions of yuan.

The scope of the market has expanded from mere housing transactions to property information services and trust buying. An auction exchange has been set up in Shanghai and mortgage loans are being provided by banking organizations in Wuhan.

The official said that housing reform is now well under way and last year 36 million square metres of urban residences were put on the market.

In the last decade of the century, the official said, China will invest 1,000 billion yuan to build 3 billion square metres of urban housing. □

# Questions of Interest About China

On October 15, State Council spokesman Yuan Mu was interviewed by a group of reporters led by Tadashi Ito, director of the Beijing branch of Japan's Kyodo News Agency, and answered some questions that are of keen interest both inside and outside China. Full text follows.—Ed.

**Kyodo:** It is said that the Fifth Plenary Session of the 13th Central Committee of the Chinese Communist Party will be convened soon. Could you give us some further information?

**Yuan Mu:** As far as I know, the Fifth Plenary Session will probably convene at the end of October or early in November. The main topic of the meeting will be economic questions. Important decisions will be made on further straightening out the economic order and improving the economic environment and the steady development of the national economy. Economic stability is the foundation of political and social stability. This session will surely draw attention from people both at home and abroad.

## Economic Situation Better Than Expected

**Kyodo:** China at present is faced with some grave economic problems. Could you predict on the prospects of the economic situation?

**Yuan:** China's economy since the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party has seen remarkable progress. Over the past year or so, efforts to straighten out the economic order, improve the economic environment and deepen reforms have also scored initial success.

During the first nine months this year, China's industrial production increased by 8.9 percent over the same period last year. In agriculture, this year's summer crops have set a record and early-season rice has seen a good

harvest. Together, the yield of this year's summer crops and early rice is 3.51 million tons more than last year's yield. The rate of price hikes has been brought down monthly and inflation is now basically under control. The scale of investment in fixed assets has also been brought under control and the recovery of money has been relatively smooth. Generally speaking, the national economy is steadily developing with the rectification and improvement campaign and the situation is better than previously expected.

However, the economy today is still beset with great difficulties, which have been piling up for several years, not just the last year or two. Since the latter half of 1984 overheated economic development had caused severe distortions. The main problems were that the scale of capital construction was too large, the speed of development too fast and the economic structure irrational, unbalanced, inefficient and wasteful.

While it was right to rejuvenate enterprises, we neglected to strengthen over-all control and management. It is right to simplify the government and decentralize power, but necessary central controls have been neglected. This has led to chaos in the economic order, especially in the commercial sector. In light of this, the Central Committee of the Party and the State Council have decided to spend three years or more rectifying and improving the national economy, with emphasis on controlling the total volume (of money in circulation), and reasonably adjusting the eco-

nomie structure. At the same time, the various reform measures must be deepened and perfected and the policy of opening to the outside world must continue. As long as our work is well done, China's economy can be expected to develop continuously, steadily and harmoniously. I'm optimistic about the prospects of the development of China's economy.

## Political Situation Stable

**Kyodo:** The *People's Daily* has recently run an article stressing stability and solidarity. Does this mean that there still are some destabilizing factors in China or that the Zhao Ziyang faction is still very influential?

**Yuan:** My view is that it is remarkable that social order has been rapidly restored, people's minds calmed, the political situation stabilized and the economy is steadily developing only a few months after the quelling of unrest and the counter-revolutionary rebellion in June. This has more than shown that the overwhelming majority of the Chinese people trust and support the Party. This is because they understand from their personal experiences that during the 40 years since the founding of New China, the upholding of the socialist road, especially the modernization drive and the reform and opening up during the past decade, have gradually made their country prosperous and powerful, achieving what old China could not have achieved under the exploitative system. Therefore, they support the leadership of the

Communist Party and socialist system. The unrest and riots that were aimed at overthrowing the Communist Party and subverting socialism are unpopular. Now we stress the consolidation and development of a stable and united political situation. We mean by this that everybody should cherish the hard-won stability and unity, and safeguard the fruits of socialist construction.

The Party's renewed emphasis on stability and unity by no means indicates that Zhao Ziyang or what you called the "Zhao Ziyang faction" has any powerful influence on the current situation in China. However, the influence of bourgeois liberalization has not been completely eliminated because Comrade Zhao Ziyang supported and indulged the trend. Moreover, those who created the turmoil and further instigated rebellion have not given up their vicious aims and some criminals who were involved in the riot have not been caught. Consequently, some unstable factors still remain, but it should not be exaggerated. Only one example is clear enough to support my view. When Zhao Ziyang was stripped of his post as the General Secretary in the Fourth Plenary Session of the 13th Central Committee of the Communist Party of China, the resolution was adopted unanimously. And this decision has been widely supported through various channels by the Communist Party organizations from top to bottom and people of all walks of life.

### No One Can Isolate China

**Kyodo:** What is your comment on the relations between China and Western countries, especially the United States, and what is the prospect of improving these relations?

**Yuan:** Sino-US relations have, on the whole, developed smoothly since the two countries established diplomatic links, though

some problems have existed. As to the problems in the current relations between China and the United States, the reason is that some Western countries, led by the US, refuse to understand the measures China took to deal with the purely internal matters of checking the turmoil and putting down the counter-revolutionary rebellion. Rather they choose to openly interfere in China's internal affairs through "economic sanctions." The US has admitted that this is partly due to misled public opinion. Therefore, in order to improve Sino-US relations, it is up to the United States to take initial steps to remove the obstacles. The improvement of relations depends on the US stopping its interference in China's internal affairs. There is no difficulty on the Chinese side.

China relies mainly on its own efforts in its modernization drive. At the same time, it also needs foreign assistance, including developing economic and trade relations and technological co-operation with developed Western countries. But economic and trade relations must be developed on the basis of equality and mutual benefit. In my opinion, China's relations with Western countries, including the United States, and its economic and trade exchanges with them will develop sooner or later. The most important fact is that the Chinese Communist Party's leading role is firmly established and the political situation in China is stable. No country in the world can deny the fact that socialist China, with a population of 1.1 billion, under the leadership of the Communist Party, stands like a giant in the East. It is impossible for anyone to isolate China.

We note that the "economic sanctions" have recently eased but are far from being eliminated, and economic relations have not yet returned to normal. The Chinese government has repeatedly stated that it fears no sanc-

tions and never submits to foreign pressure interfering with China's internal affairs, and that it will continue to wage struggles on just grounds, to our advantage, and with restraint. Although economic sanctions will bring about some temporary difficulties, they will fire the Chinese people with great enthusiasm to be self-reliant and strive for prosperity. Those who imposed sanctions on China will suffer from their actions.

### Optimistic About Sino-Japanese Ties

**Kyodo:** Do you have any expectations for Sino-Japanese relations?

**Yuan:** China and Japan are close neighbours separated only by a strip of water. The governments and peoples of both countries hope that China and Japan can have friendly relations from generation to generation. This is consistent with the basic interests of the Chinese and Japanese peoples, and the interests of the peoples of Asia and the world as a whole. Since the restoration of diplomatic relations, the two countries have made fairly rapid progress in developing a relationship of friendship and co-operation. But nowadays, because of factors on the Japanese side, there are certain unsatisfactory aspects of the bilateral relations.

However, China has also noticed the fact that certain Japanese policies are somewhat different from those of some Western powers, and that Japan has expressed its willingness to gradually change the current situation for the better. I hope that, from the historical perspective, the unpleasantness in Sino-Japanese friendly relations will be short-lived. As for hopes for Sino-Japanese relations, politically I hope the two countries will forge a long-term friendship on the basis of the Five Principles of Peaceful Coexistence. From the aspect of economics, I hope that bilateral trade will continue to increase

and China's trade deficit with Japan will be further reduced, and the two countries' agreements on financial co-operation will continue to be implemented. In the matter of technological transfer, I hope there will be fewer obstacles and more openness on the Japanese side. I am optimistic about the future of Sino-Japanese relations.

### Firmly Opposing Taiwan's "Elastic Diplomacy"

**Kyodo:** Could you comment on the "elastic diplomacy" of the Taiwan authorities?

**Yuan:** The government of the People's Republic of China is the only legal government of China and Taiwan is a part of China's sacred territory. No change will be permitted to this policy. We firmly oppose any words or actions that may lead to the separation of Taiwan from the motherland. China's suspension of diplomatic relations with Grenada

and Liberia has again shown that China will never change its solemn and just stand on the matter of the reunification of the motherland. The Taiwan authorities' attempt to pursue an "elastic diplomacy" and to create "two Chinas" or "one China, one Taiwan" will have no future and will be opposed firmly by us. China will persist in pushing forward the cause of the peaceful reunification of the motherland in accordance with the concept of "one country, two systems." The Taiwan authorities should adapt themselves to the trend of history and make enlightened decisions that will help to reunify China.

### Chinese People Will Never Forget the Past Lessons

**Kyodo:** China recently emphasized maintaining the Four Cardinal Principles and strengthening ideological and political education. Does this mean that the "cultural revolution" has come back?

**Yuan:** The basic line of our Party is "one centre, two basic points," that is, economic construction is the centre, and that both openness and reform and the Four Cardinal Principles must be maintained. The failure to firmly and consistently maintain the Four Cardinal Principles and not enough ideological and political education in the past are the major internal causes to the recent turmoil and rebellion in Beijing. Now we have summed up the experiences and learned a lesson. Our stress on maintaining the Four Cardinal Principles and on strengthening ideological and political education is aimed at promoting China's modernization and reform and openness more effectively and healthily. It is a completely different concept than that of going back to the "cultural revolution." The Chinese people have suffered too much from the "cultural revolution" and will never forget it. □

## Political Crisis in South Korea

**The demands in South Korea for Roh Tae Woo's resignation have never stopped since he took power. In the coming years, Roh will face a still more difficult situation and whether he can survive will be decided by how he deals with the present problems and those which arise in the future.**

by Yu Shaohua

**W**hen Roh replaced Chun Du Hwan and took power in South Korea one-and-a-half years ago, he vowed that he would open up a new era in South Korea. However, the situation has developed contrary to his will. The present reality indicates that he is now facing a difficult situation.

### The Problem of Chun Du Hwan

A political storm swept across

South Korea after the Olympic Games ended last autumn. Six months before the Games, the South Korean public had demanded a thorough investigation into the illegal acts of Chun and his family when he was in power. Having a majority in the National Assembly, the opposition parties organized a parliamentary investigation. According to its results, some members of Chun's family were found guilty of bribery.

Along with the summoning of

witnesses to the Assembly's ad hoc Committee, the public began concentrating attention on Chun. How to deal with the problem has become a headache for Roh because of his close relations with Chun's regime. It is considered that Roh is linked with some of its illegal activities, such as suppressing democracy and the persecution of innocent people. Some of Chun's ministers still remain in Roh's cabinet.

Roh knows clearly what the struggle is directed at. He wants

to protect his rule and, at the same time, he has to prevent Chun from suffering the hardship of imprisonment which would probably enrage Chun's trusted followers in Roh's cabinet as well as hardliners in military circles and bring disaster to Roh's regime. Because of this, Roh elaborated a solution separated into three steps. First, he arranged a telephone talk with Chun for half an hour during which he persuaded Chun to agree to apologize to the public, hand over unlawfully seized property and live in seclusion in the countryside. Then he came out himself to appeal for a political pardon for Chun. As the last step, he reshuffled his cabinet and dismissed seven former members of Chun's cabinet so as to appease the public indignation.

Roh promised that after the amnesty to Chun, the political prisoners arrested in Chun's time would be given a general pardon and the victims in the Kwangju uprising would be compensated. He also promised to adjust the national and social security laws and to legalize and make public the use of political funds. However, he failed to obtain the results he had hoped for. The opposition parties indicated that they would not give up their investigation and the public maintained that the political amnesty to Chun would in no way help the investigation into the unlawful use of political funds during Chun's "fifth republic." On January 31 this year, the South Korean police authority published results of an investigation into irregularities committed by Chun with which the public generally showed dissatisfaction. Every opposition party as well as non-governmental groups made declarations and some even demanded renewed investigations into Chun's misconduct.

From February 25, one year after Roh took office, the strug-

gle for investigating the irregularities during the "fifth republic" and finding out who was responsible for the murder of people during the Kwangju uprising has quickly developed into a large-scale struggle to topple Roh. He had promised to the public in his campaign for president that people could make an "interim evaluation" of him through polling a year after his election and he would decide to remain or leave according to the result. However, people were disappointed with what Roh had done during his one-and-a-half year tenure, and he found himself in an awkward situation. He realized that his promise would not allow him to survive the struggle. As a result, he went back on his promise and said that the "interim evaluation" was not a vote of confidence but only meant the evaluation of his policy. His attitude of defying public opinion in order to protect his position as president had of course met with strong opposition and protests from the people. Within a few days, the level of the struggle to topple Roh in the form of mass action, strikes and student demonstrations had risen sharply. On March 16, 4,000 workers of the Seoul subway went on strike paralyzing the system with its capacity to move 2.4 million people a day. On the same day, the prime minister ordered 15,000 police to suppress the strike and some 2,800 workers were arrested. On March 20, Roh made a broadcast speech declaring he was postponing the "interim evaluation" indefinitely with the excuse of avoiding the reappearance of the confusion in last year's presidential election. The changes in Roh's attitude towards the "interim evaluation" means that following the defeat of his soft policy he will adopt a tough policy, and spare no efforts to maintain his ruling position by means of suppression and arrests. However, what Roh is doing will

put him in a still more difficult position and cause the situation in South Korea to become even more unstable.

## National Reconciliation

In the less than two years since Roh Tae Woo came to power, South Korea's attitude towards reunification of Korea has undergone great changes. This has mainly involved a big readjustment in its policy towards the North, issuing the July 7 Declaration, re-assessing the northward policy, slowing down the process of reconciliation and even brazenly arresting those democrats who visited the Democratic People's Republic of Korea (DPRK). At the same time it has declared that South Korea will join the United Nations separately. What the South Korean authorities have done in this period is contradictory, proving that they have used reunification as a subterfuge to win the people's support, and that in working out and readjusting their policy, they have not taken the fundamental interests of the whole nation into account.

The reunification of Korea is a matter for the whole nation and people's efforts to promote its realization are right and proper. However, the South Korean authorities seek to control reunification through monopolizing exchanges and not allowing anybody else to express opinions or take action. Two examples are typical.

The first is the case of clergyman Mun Il Hwan. He is adviser to the Alliance for a National Democratic Movement and has committed himself to it, enjoying high prestige. From March 25 to April 3 he paid a private visit to Pyongyang in the interests of reunification. Upon alighting from the airplane on his return he was arrested by the South Korean authorities for violation of the

"state security law." His persecution by the Roh regime has not only drawn strong protest from the broad ranks of the people and students, but has also been denounced by world public opinion as action not favourable to the relaxation of tension on the Korean Peninsula. The opposition parties have criticized the South Korean authorities for both implementing the security law and lacking consistency in their policy towards the North. On May 31 the local court in Seoul publicly heard the case of Mun Il Hwan. The lawyer defending Mun pointed out that the accusation was not only against the trend of the times but also violated the spirit of the constitution. As a result the hearing was quickly ended among the protests of people from all circles. However, the South Korean authorities have not learnt from this, but, using the Mun Il Hwan case as a pretext, declared that henceforth South Korea would move cautiously because the north side had not taken corresponding action towards initiatives shown by Seoul. Actually it is the DPRK that has issued proposals and drafts for discussion at different levels and of varied content from early this year. To let the dialogue which started last year make progress, the DPRK was ready to continue the dialogue on some subjects with South Korea even when military exercises were being jointly conducted by South Korea and the United States. However, disregarding opposition from the people in both South and North, the South Korean authorities persisted in conducting the military exercise "team spirit 89" and spoiled the atmosphere for talks. The government of South Korea created the Mun Il Hwan incident, condemned the North, and repeatedly refused to resume the dialogue. All this proves that the South Korean authorities have not hes-

itated to create disturbances in order to destroy the dialogue with the North and prevent reunification.

The second example is the case of coed Rim Su Gyong. The 13th World Festival of Youth and Students was held in Pyongyang on July 1-8. To make arrangement to attend the festival in Pyongyang, the South Korean National Council of Student Representatives (Chongdachyop) set up a preparatory committee which began work in February. However, the South Korean authorities frustrated the people's desire and turned the invitation down. At the same time they declared that anyone who went against this decision would be dealt with by judicial organs. Under these circumstances Chongdachyop decided to send a representative secretly to Pyongyang. As the delegate of 1 million students in South Korea, Rim Su Gyong, a fourth-grade student at the Seoul Foreign Language University, overcame many obstacles and spent 10 days travelling through four countries to Pyongyang. On July 28 she was ready to walk back through Panmunjom to Seoul. The South Korean authorities brazenly declared that Rim Su Gyong would be arrested upon arrival. She went on a hunger strike in Panmunjom in protest against the perverse actions of the South Korean authorities. More than 100 representatives of students of various countries fasted together with her, supporting her action and condemning the South Korean authorities. On August 15 when she returned to the South, they put her in prison for breaking the state security law and attempted to kill her. She had sincerely cherished patriotic sentiments and had taken her own action as a contribution to the promotion of reunification. Such a good person is considered by the South Korean authorities to be criminal. It can be seen that

according to them ordinary people cannot demand reunification of the fatherland or work towards it without being considered as representing some unpardonable evil.

The words and deeds of the South Korean authorities in the cases of Mun Il Hwan and Rim Su Gyong have disappointed the South Korean people and those of the international community who show concern for and support the reunification of Korea. Besides this, South Korean Foreign Minister Choi Ho Jung, when he visited the United States not long ago, said in a speech that South Korea had made preparations to apply for separate entry into the United Nations. This shows that South Korea has retreated from the position it has always upheld in the past, namely the South and North's simultaneous entry into the United Nations, a policy opposed by the North. This further proves that the South Korean authorities have acted against the nation's fundamental interests on the issues of North and South dialogue and reunification. In essence, South Korea continues to follow a policy of two Koreas and maintain the tension and confrontation. With dialogue and exchange on its lips, it attempts to divide Korea permanently.

Roh Tae Woo's term in office is four years. During the time he has been in power the demands for his stepping down have never stopped. In his remaining time Roh's position will be more difficult. All the contradictions will be sharper and those which have been ignored or covered up will again emerge. In addition, new contradictions may cause new events at any time. Whether Roh Tae Woo can escape from his predicament will be decided on how he faces up to these contradictions. □

# Construction of the Chinese Legal System

by Xiao Xianfu

Since the founding of the People's Republic of China on October 1, 1949, the socialist legal system has undergone four stages—formation, initial development, destruction and rapid advancement. The period between 1949 and 1952 was a time of democratic transformation and rehabilitation of national economy during which China abrogated the Kuomintang's illegitimate authority, formulated laws to meet immediate needs and initially established the people's legal system.

In September 1949, The Common Programme of the Chinese People's Political Consultative Conference (hereinafter referred to as Common Programme for short) was adopted at the First Plenary Session of the CPPCC. With its nature that of a provisional constitution, it provided the basis for the nationwide construction of a legal system.

Under the Common Programme, the Central People's Government, the Government Administration Council and various ministries and commissions under the council promulgated a series of laws, regulations and stipulations. These included the General Organizational Rules of the People's Procuratorates, the Marriage Law, the Trade Union Law and the Agrarian Reform Law of the People's Republic of China. They also launched a judicial transformation movement to rectify and purify the people's judicial organs politically, organizationally and ideologically. At the same time, some special regu-

lations concerning enterprise administration were issued.

The period between 1953 and 1965 was a time of socialist transformation and the beginning of economic construction, during which the Chinese legal system experienced initial development.

On September 20, 1954, The Constitution of the People's Republic of China was adopted at the First Session of the First National People's Congress, the supreme organ of state power. The session set the goals for the building of socialism; defined the general line for transitional period to achieve China's socialist industrialization and the socialist transformation of agriculture, handicraft and capitalist industry and commerce; determined the nature of the state, that is, the People's Republic of China is a socialist country led by the working class, based on worker-peasant alliance, and under the people's democratic dictatorship; it stipulated the state's political system and declared that all state powers of the People's Republic of China belonged to the people and that the National People's Congress and the people's congresses at all levels were the organs by which the people exercised state power; defined the state economic system and declared that the state ensured the elimination of the system of exploitation and the building of a socialist society step by step; prescribed that China was a united, multi-national state with the national regional autonomy as the basic policy for solving nationality problems; and stipulated the basic rights and duties of citizens. This was the first so-

cialist constitution in Chinese history.

Based on the Constitution, the National People's Congress also adopted the Organic Law of the National People's Congress, the Organic Law of the Local People's Congresses and Local People's Councils at All Levels, the Organic Law of the People's Courts and the Organic Law of the People's Procuratorates. Thereafter, central and local state organs of all levels were established and perfected step by step in accordance with the provisions of these laws.

During the same period, the government also enacted a series of laws and regulations. Agriculture and handicraft industry were guided to develop from private and individual management to that of mutual aid cooperatives and collectives.

China's capitalist industry and commerce were basically transformed into joint state-private ownership in early 1957 in compliance with the regulations promulgated by the Government Administration Council in early 1954.

In order to carry out state economic construction and ensure fulfillment of the national economic plan, the National People's Congress and its Standing Committee, the State Council and its ministries and commissions issued the Agricultural Tax Regulations and the Industrial and Commercial Consolidated Tax Regulations (Draft) along with many other administrative laws and regulations regarding economic planning, capital construction, industry, communications, post and telecommunications, industrial and commercial admin-

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Wang Hanbin, director of the Commission of Legislative Affairs under the National People's Congress, answers reporters' questions on law enforcement on March 29, 1989. WANG JINGDE

istration, finance and banking, trade, agriculture and forestry, water conservation, meteorology, labour and wages, culture, education, science, technology, public health and sports.

In order to strengthen administrative organs, army building and the management of public order, the National People's Congress also adopted the Military Service Law, and the Standing Committee of the NPC adopted the Regulations on Appointment and Removal of State Personnel at and Above the County-Level People's Councils, the Organic Regulations of the Urban Neighbourhood Committees, the Regulations on People's Policemen, the Regulations on Penalties for Those Who Disrupt Public Security and the Frontier Health and Quarantine Law.

During that period, the legal system experienced initial development, it played a positive and leading role in state and social life. However, there also existed some serious problems. Beginning in the summer of 1957, some important principles of the socialist legal system were wrongly criticized under the guidance of "Left" ideas. For instance, the principle that ever-

yone was equal before the law was regarded as something transcending class and was thus criticized and negated; in legal practice, the principles that "people's courts independently conduct the administration of justice" and "the local procuratorates at all levels independently exercise their functions and powers without interference by local governments" were ignored and weakened; in legislation, legal studies and education, all historical and foreign materials were excluded or negated and criticized as erroneous without analysis; some basic laws, including the Criminal Law and the Criminal Procedure Law, could not be worked out as they should; and some judicial organs, including the Legal Administrative Bureau, the Ministry of Supervision and the Ministry of Justice under the State Council were dissolved instead of being further strengthened, and some had never been established.

The legal system was seriously damaged during the "cultural revolution" (1966-76). Government departments and judicial organs were obstructed while the Constitution and laws were ignored. Except for some revisions

to the Constitution at the First Session of the Fourth National People's Congress in January 1975, nothing was done towards the construction of China's legal system during that period.

In December 1978, the Third Plenary Session of the 11th Central Committee of the Communist Party of China broke the shackles of the long-term influence of the "Left" mistakes, corrected the Party's guiding ideology and shifted the focal point of work to socialist modernization, ushering China to a new historical period. The Third Plenary Session of the 11th Party Central Committee summed up experience since the founding of the People's Republic of China and made the strategic decisions to develop socialist democracy and strengthen the socialist legal system. It clearly pointed out, "In order to safeguard people's democracy, it is imperative to strengthen the socialist legal system so that democracy is systematized and written into law in such a way as to ensure the stability, continuity and full authority of this democratic system and laws; there must be laws for people to follow, these laws must be observed, their enforcement must be strict and law breakers must be dealt with." The political report to the 13th Party Central Committee held in 1987 repeated the message that "Socialist democracy is inseparable from a socialist legal system. Without stability and unity throughout society, we can succeed neither in economic development nor in the reform of economic and political structures. In exercising democracy and dictatorship in all spheres of activity — political, economic and social — we should see to it that there are laws to abide by, that laws already enacted are observed and enforced to the letter, and that violators are brought to justice." Under the guidance of these cor-

rect ideas, China has made great achievements in the construction of its socialist legal system over the past ten years.

**Establish and Perfect the Legal System**

In 1978, two years after the smashing of the "gang of four" counter-revolutionary group, China revised the Constitution. Owing to the limitations of the times, however, the experiences and lessons of the 30-year socialist revolution and construction were not fully summed up nor were influences of "Left" ideas on the Constitution thoroughly cleared away. The 1978 Constitution, consequently, still retained erroneous stipulations of the 1975 Constitution. Since the Third Plenary Session of the 11th Party Central Committee, great changes have taken place in China's political, economic, cultural and social fields. In order to meet the needs of the new situation, it was necessary to revise the 1978 Constitution. After two years and four months of effort, the Fifth Session of the Fifth National People's Congress adopted the present Constitution



Self-employed workers pay taxes at the No. 8 Tax Office of the Chongwen Tax Bureau, Beijing.  
YUAN RUXUN

on December 4, 1982.

Based on the guiding ideology of the four cardinal principles (upholding the leadership of the Communist Party, the socialist system, the people's democratic dictatorship and Marxism-Leninism and Mao Zedong Thought), the Constitution fully embodies the idea of one centre (economic construction) and two basic points (upholding the four cardinal principles and reform and open policy). As the general

statute for management of the country and for providing the people with peace and security in a new historical period, it clearly lays out the orientation for development of the socialist legal system.

By prioritizing legislative work as decided at the Third Plenary Session of the 11th Party Central Committee, the National People's Congress and its Standing Committee speeded up the enactment of legislation and achieved unprecedented success. Since 1979, some 83 proposals have become law, 64 regulations have been revised or supplemented. Involving state and social life, they include the following:

—Laws involving state organizations and departments include the Electoral Law of the National People's Congress and Local People's Congresses of the People's Republic of China, the Law of the People's Republic of China Governing Regional National Autonomy, the Procedural Rules of the Standing Committee of the National People's Congress, the Procedural Rules of the National People's Congress, and other organic laws on the National People's Congress, local people's congresses, central gov-

A staff member of Tianjin Industrial and Commercial Bureau exposes a pedlar's illegal methods.  
ZENG ZHIJIAN



ernment, local governments, courts, and procuratorates.

—Laws concerning administration include Food Hygiene Law, the Law on Maritime Traffic Safety, the Law on Administration of Medicine, the Regulations Concerning Resident Identity Cards, the Law on Control of the Entry and Exit of Aliens, the Regulations for Penalizing Those Who Disrupt Public Security and Frontier Health and Quarantine Law.

—Laws on criminal sanctions include the Criminal Law, the Criminal Procedure Law, the Regulations on Punishment of Servicemen Who Commit Crimes Contrary to Their Duties, the Resolutions Regarding the Time Limit for Handling Criminal Cases, the Supplementary Regulations for Punishment of Smuggling, and the Supplementary Regulations on Punishment for Embezzlement and Bribes.

—Laws on civil cases include the Marriage Law, the Inheritance Law, the Civil Procedure Law and the General Principles of Civil Law.

—Laws in the economic field include the Law on Chinese-Foreign Joint Venture, the Income Tax Law Concerning Chinese-Foreign Joint Venture, the Individual Income Tax Law, the Economic Contract Law, the Income Tax Law Concerning Foreign Enterprises, the Law on Sino-Foreign Economic Contracts, the Law on Foreign-Capital Enterprises, the Statistics Law, the Accounting Law and the Law on Enterprise Bankruptcy.

—Laws concerning natural resources and environmental protection include the Forestry Law, the Law on Environmental Protection, the Law on

Marine Environmental Protection, the Law on Water Pollution Prevention and Control, the Grassland Law, the Fisheries Law, the Law Governing Mineral Resources and the Land Administration Law.

—Laws concerning culture, education, science and technology include the Law for the Protection of Cultural Relics, the Patent Law, the Compulsory Education Law and the Regulations on Academic Degrees.

In order to meet the needs of socialist modernization and to effectively implement laws, the State Council published the Provisional Regulations on Drawing-up Procedures of Administrative Laws and Regulations in 1978. According to initial statistics, some 500 administrative laws and regulations have been promulgated since 1979. They involve economic structural reform, industry, agriculture, finance, taxation, banking, commerce, customs, foreign econo-

mic trade and technological cooperation, forestry, energy resources, goods and materials, railway, communications, civil aviation, rural and urban construction, environmental protection, labour and personnel, public security, judiciary, civil administration, education, science and technology and medicine and health. The government has also sorted out the many administrative laws and regulations published since the founding of the People's Republic.

Moreover, more than 11,400 laws, regulations and rules have been formulated by both central and local government departments.

## Strengthened Enforcement

While strengthening its legislation, China has also paid attention to implementation of laws.

—Rebuilding judicial administrative organizations. Since the Fifth National People's Congress

re-established the Ministry of Justice at the 11th Session of its Standing Committee in July 1979, local judicial departments and bureaus above the county level have been set up. In 1983, the Ministry of Security and its local branches were established and given the responsibility for gathering information on espionage cases. In order to supervise the work of government departments and their personnel, the Ministry of Supervision was re-established in 1986 while supervisory departments above county level under the local people's governments have been or are being established. In addition, in recent years, the government has set up auditing departments to supervise financial affairs

The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (Draft) was adopted at the Sixth Session of the Seventh National People's Congress Standing Committee on February 21, 1989. CUI BAOLIN



and strengthened the supervisory departments concerned with industry, commerce and taxation.

—The judiciary has been perfected. The revised Constitution of 1978 restored the establishment of the People's Procuratorate that was cancelled in 1975; it restored and perfected regulations first written for the 1954 Constitution which allowed the people's courts and procuratorates to independently exercise judicial and supervisory authority and to be free from the interference of administrative departments, social organizations and individuals; in handling criminal cases, public security organs, people's procuratorates and courts act under the principle of a division of labour, with each having specific responsibilities and working in co-ordination with each other to guarantee the correct and effective law enforcement.

—Widespread dissemination of legal knowledge. The nation's adherence to the Constitution and the law, adherence by both the leaderships and the masses, is an important part of the legal

foundation. In November 1985, the Resolution on Disseminating Legal Knowledge Among Residents was adopted at the 13th Session of the Sixth National People's Congress' Standing Committee. The focal point is to spread knowledge of the Constitution, the Criminal Law, the Criminal Procedure Law, the General Principles of the Civil Law, the Civil Procedure Law (For Trial Implementation), the Marriage Law, the Inheritance Law, the Economic Contract Law, the Military Service Law and the Regulations for Penalizing Those Who Disrupt Public Security.

Over the past few years, leading cadres at various levels have participated in law classes. According to statistics, in the first two years of the campaign to spread legal knowledge, the number of leading cadres of provincial level who took part in legal study was nearly 1,200 or 94 percent of all cadres; at the prefectural or city-level leading cadres, over 20,000 or 95 percent of all cadres; at the county-level leading cadres, 450,000 and ordi-

nary cadres, 6.5 million. Legal knowledge has also spread widely among the masses. About 95 percent of all primary and middle schools have offered legal courses; some 85 percent of colleges and universities have given students legal education; the Party and Youth League schools at all levels, various types of cadre schools and television universities have all begun giving legal courses; in enterprises, about 73 percent of workers and staff members of state-owned enterprises have learnt the basics of the law; and in rural areas, 30 percent of farmers have received legal education.

In short, since 1976, China's construction of its legal system has developed rapidly and achieved great success. Now, major laws highlight the fact that the socialist legal system with Chinese characteristics is taking shape; the judiciary has been strengthened and the people's legal consciousness raised. Taken together, these facts show a prosperous future for the legal system as it continues to be improved. □

## Retrenchment and Economic Growth

**Li Guixian, state councillor and president of the People's Bank of China, in a recent interview with our staff reporter Han Guojian, talked about China's current financial situation and policies, measures to be taken for ongoing financial reform and repayment of foreign debt.—Ed.**

**Question:** How do you assess the current financial situation in China? Can the retrenchment policy bring about expected results?

**Answer:** This year the economy has developed smoothly and the financial situation is better than anticipated. We see this, for example, in the fact that the amount of recalled over-issued

money is higher than last year. In the first six months of this year, a net total of 5.294 billion yuan was recovered, while during the same period last year, a net total of 8.861 billion yuan was over-issued. The scope of national loan has also been brought under control and loan structure restructured. For example, loans

granted by all the nation's banks in the first half of this year increased by 21.2 billion yuan, a drop of 34 billion yuan from the same period last year. On the other hand, bank savings by both rural and urban residents have risen steadily. From January to June this year, the total increase was 64.4 billion yuan,

up 22.4 billion yuan from the same period last year. Foreign exchange earnings are slightly higher than expenditures and this has resulted in a marginal increase of total foreign exchange reserves.

The retrenchment policy is correct because it's fulfilling expectations. It has played a positive role in eliminating economic over-heating, holding down swelling investment and consumption and promoting market and financial stability. Moreover, it has not given rise to stagflation.

**Q: What specific measures have been adopted for the retrenchment? Is their impact on the economy good or bad?**

**A:** In the process of retrenchment, we have put in place a loan policy intended to "control the overall amount of loans to be issued, readjust the structure of loans to be issued and guarantee the construction of key projects." This policy can be readjusted, as needed, in a timely manner. Major measures for the implementation of the retrenchment policy are:

—Strengthening planned management. A system of "quota management and responsibility" in the granting of loans was introduced for specialized banks. At the same time, a society-wide credit programme was instituted to project all financial institutions' loan-granting activities, such as the issuance of stocks and bonds and fund-raising activities and to bring the overall loan amount under strict control.

—Adjusting loan structure. Loans which would have gone to some projects have been pared down and the funds saved have been funneled into areas of more need, such as financing the production and purchase of farm and side-line products, the purchase

of goods for export, and the production of large and medium-sized key enterprises. No more loans will be given to those enterprises whose production is out of tune with the state's industrial policies and whose products are of poor quality, high price and without market outlet; loans already granted to them have been and will be called back without hesitation.

—Ensuring a steady growth of urban and rural residents' bank savings by opening long-term inflation-proof deposit services, raising their interest rates, increasing categories of saving deposits and improving banking services.

—Cleaning up enterprises' arrears and, in accordance with the state's policies towards industry and credit, increasing investment of funds to promote the development of enterprises' production.

—Strengthening the central banks' management of funds so as to grant timely short-term loans in strict accordance with prescribed quotas and range of use; and bolstering reserves requirement for use in savings withdrawals, specialized banks' reserve funds and government deposits.

—Strengthening management of foreign exchange and foreign debts; actively supporting export trade; and devising satisfactory arrangement for repayment of all foreign debts so that China's heretofore good reputation in the world financial markets will not be damaged.

—Launching a thorough clean-up and consolidation drive of companies established by financial institutions, localities and government departments; and increasing management over the inter-bank money market so as to ensure a positive financial order.

—While speeding up the for-

mulation and modification of financial laws and regulations for insurance, securities, negotiable instruments, and foreign exchange management, strengthen regulatory oversight and implementation of the existing laws and regulations.

All these measures have produced positive results as well as some new problems. For example, such measures as the opening of inflation-proof deposit services and the raising of interest rates have proved satisfactory in attracting residents' personal savings. However, these savings deposits, actually part of over-supplied money, can be converted into cash at any time. Once a bank run occurs, financial stability is affected. Generally, such deposit services have increased banks' costs. All of these problems are now under study.

**Q: At present, many large and medium-sized enterprises are handicapped by fund shortages. Does this mean the retrenchment policy will soon be lifted?**

**A:** The imposition of retrenchment is bound to influence enterprises' financing and reduce the supply of funds. This is inevitable and so enterprises have to adapt their production and management techniques to the new policy. They have to try and tap their internal potential, make their products more commensurate with the needs of society and be more competitive in the market. Retrenchment thus is a process of readjusting the industrial make-up and spurring enterprises to reshape their product mix.

As for the problem of fund shortage confronting enterprises, it is caused partly by reduced supply of money and partly by overstocking of products, reduced working funds and failure to use their increased income from higher priced finished

products to offset the shortfall in funds caused by higher raw materials prices. So, to alleviate large and medium-sized enterprises' fund shortage, a package solution has to be instituted. Banks will continue to respond favourably towards large and medium-sized energy, transport and raw materials enterprises in granting loans in accordance with the state's industrial policy. Simply put, this readjustment of the loan structure will be used to transform the industrial make-up.

**Q: What measures will be taken to deal with the overstocking of products and the phenomenon of "external circulation" of funds outside of the bank system? Will the interest rates of bank savings and loans be further raised?**

**A:** Some overstocking of products is caused by the unreasonable product mix, poor marketability and poor quality of products. Of course, overstocking also appeared for products with a good market. This is caused partly by the weakened desire for some products and partly by the forced rise of prohibitive prices, both a result of last year's buying spree. As for "the external circulation" of funds, quite a large amount of funds can be brought back into the bank system through the ongoing clean-up and consolidation of companies and the clean-up of arrears among enterprises and by strengthening the management of the financial market. In addition, banks will formulate new regulations, improve banking rules and services to reduce the drainage of credit funds.

As to whether the interest rates of savings deposits and loans will be raised or not, that will be determined by the overall needs of the economy. As things now stand, merely relying on higher interest rates for saving

deposits and loans won't solve the current problems.

**Q: Do increased production costs and the consequent reduction of profits of some industrial products have something to do with the increased loan interest rate?**

**A:** To put a hold on inflation as soon as possible, the People's Bank of China adjusted upwards the interest rates for savings deposits and loans, respectively in September last year and February this year. Overall, a higher interest rate for loans has pushed up, to a degree, enterprises' costs of production. Initial calculations indicate that before loan interest rates were raised, interest payments represented some 2.85 percent of the production costs; after the interest rates were raised, this rose to 3.57 percent. The increase is high in itself, but it is still quite low when compared with the general rise in prices. In our view, though, the major contributing factors to increased production costs and reduced profit rates are the drastic increase in prices for raw and semi-finished materials, the irrational product mix, sluggish sales caused by a fluctuating market, increased backlogs and slow circulation of funds. At the same time, consumption funds are growing faster than production.

**Q: What is the next step for financial reform, say, the stock system, the financial market and the transformation of banks into enterprises?**

**A:** Financial reform has been going on for ten years. Although the orientation is correct, many problems have surfaced in the process. Last year's inflation, in particular, accentuated the difficulties still to be overcome. The major problem was that the operation of financial institutions grew too fast and their numbers

became too large. Business competition among banks, compounded by delayed management modernization, has caused some confusion. To deal with this, the central banks' macro-control measures need to be improved. The specialized state banks are also still bothered with some problems which call for immediate solution.

The goal of financial reform during the next phase is, while invigorating the financial system, to establish a complete regulatory system, with stress on strengthening the central banks' macro-regulating functions and giving further play to the leverage of credit and interest rates.

As for the stock system, it will continue to be experimented in a few pilot areas in accordance with the State Council's decisions. In co-ordination with this, the banks will study and formulate the relevant management measures.

The development of financial markets has played a positive role in stimulating the circulation of funds. The current problem is loose management. During the period of rectification and consolidation, financial markets should be developed more steadily; and the relations between the banks' distribution of funds and the raising of funds through the markets dealt with in a proper fashion. Financial markets now effectively co-ordinate the adjustment of funds among enterprises.

Our country adheres to the principle of combining a planned economy with market regulation. Specialized banks as state banks must implement the state's principles, policies, laws and regulations. They should not operate only for the sake of profits. Therefore, in the next step of financial reform, specialized banks should establish and improve the credit responsibility

system, strengthen risk management of assets and improve the various forms of economic responsibility system.

**Q: Next year is the peak year for debt repayment. Will repayment of such a large amount of debt adversely affect the development of the national economy?**

**A:** Calculations indicate that the peak year for foreign debt repayment will be around 1992. Even in the peak year, however, foreign debt repayment is still manageable, so there will be no adverse impact on the development of the national economy. This is because, first, the structure of our country's foreign debts is essentially rational. Of all medium- and long-term foreign debts, those funds used for energy, communications, heavy industry, chemical industry and other basic industries comprise a large proportion. This will prove extremely beneficial in promoting development of the national economy. Second, judging from

the various measurement indicators of a country's debt repayment capacity, China is well within a margin of safety. Even around 1992, the peak year for debt repayment, the repayment rate for our country's total foreign debts will be lower than internationally accepted limits. Third, China boasts strict and comprehensive rules for foreign debt management. Except for direct foreign investment, all borrowings by different localities, departments and enterprises are incorporated into the state plan as a guarantee to control the state's overall foreign debts. Fourth, the central government has made arrangements for debt repayment and is fully prepared for 1992.

**Q: Compared with last year what about this year's borrowing and its impact on the economy?**

**A:** By the end of June this year, our country's borrowings from foreign banks and financial institutions increased 34 percent

over the same period last year. Allowing for capital and interest repayment, this year's borrowings basically come up even with those at the end of last year. Since the anti-government turmoil and rebellion in Beijing, some foreign banks and financial institutions, influenced by rumours created by news media in the West, have postponed or suspended the granting of new loans to China. This has affected, to varying degrees, the smooth management of China's foreign investment. However, our country can afford to repay all foreign debts. For example, Tianjin, Dalian, Changchun and some other cities have paid back on schedule all capital and interest due since July.

In my opinion, some financial institutions in the West should be more far-sighted. I believe, however, as time goes by, more and more foreign financial institutions will continue to cooperate with China on the basis of equality and mutual benefit. □

## China's Stock and Bond Market

Although the main purpose of China's issuance of stocks and bonds is to generate funds for national construction, it is also an important step in the reform of its financial system.

by Jin Jiandong



Jin Jiandong.

China's stocks and bonds are issued mainly by state-owned businesses under the unified guidance of state planning and subjected to strict control and supervision.

In 1981, when China began to issue state treasury bonds, it was using the credit of the state as a direct means to raise funds. Some enterprises were later allowed to issue stocks and bonds

while banks were permitted to issue bank bonds. At the same time, bonds were also sold to foreign countries to raise foreign exchange funds.

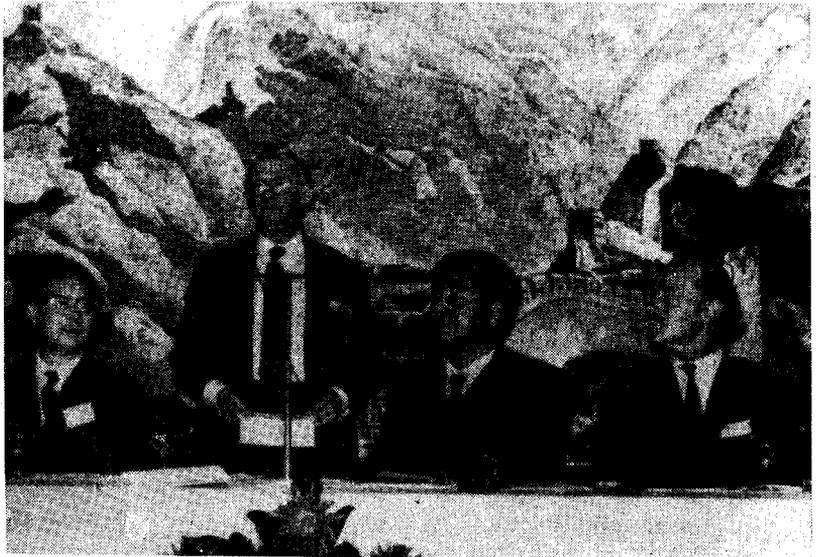
By the end of 1988, China had issued 86 billion yuan Renminbi (RMB) bonds, including 40 billion yuan of state treasury bonds, 5.5 billion yuan for special construction, 3.2 billion yuan for general state construction, 8 billion yuan for capital construction, 6.8 billion yuan for fiscal bonds, 8.5 billion yuan for

\* The author is director of the Financial Administrative Department of the People's Bank of China.

bank bonds, and 14 billion yuan for enterprise bonds. By the end of February 1989, some US\$5.057 billion had been issued in various foreign currency bonds. For 1989, the state planned to issue 41.5 billion yuan of various RMB bonds, 5.5 billion yuan of which would be state treasury bonds, 12 billion yuan for value-proof bonds, 5 billion yuan for special state bonds, 5.5 billion yuan for capital construction bonds, 7 billion yuan for bank bonds and 6.5 billion yuan for enterprise bonds. There are also plans to issue foreign currency bonds.

Issuance of stocks in China is still in a trial stage. By the end of 1988, an aggregate total of 3.5 billion yuan had been issued, 2.13 billion yuan of which, or 61 percent, to the public. The remainder was issued to joint-stock units and each enterprise's own workers and staff members.

China first allowed enterprise stocks and bonds to be transferred on the market in 1986, and on April 1, 1988, state treasury bonds were openly traded on an experimental basis in five cities—Shanghai, Guangzhou, Wuhan, Chongqing and Shenyang. As of now, more than 90 cities and 410 financial institutions throughout the country have established securities' transaction counters, by which either individuals or agencies may buy and sell a variety of securities in cash transactions. By the end of 1988, the annual volume of transactions had reached 2.74 billion yuan, 2.5 billion yuan of which, or 91 percent, were state treasury bonds. The price of such transactions fluctuates with market conditions though the annual return rate of the state treasury bonds bought over the counter has been running at between 10 to 20 percentage points higher than savings deposits in the same period.



The Bank of China signed an agreement in October 1987 in London to issue its first batch of European bonds valued at US\$200 million to 30 international banks.  
XU RUYUAN

### Backgrounds and Aims

While China's issuance of stocks and bonds is intended to raise funds, it must also ensure that the needs of the economic and financial reform are met.

First among these needs is the requirement of the public to have a choice of financial assets. The form of financial assets was limited to bank savings deposits. The people have no alternative but to deposit their money in banks. These, however, were few in number and those in operation were inefficient and offered low interest rates. The public's enthusiasm, therefore, was understandably low. Although stocks and bonds do have some risks, their rate of return is generally higher than that of savings deposits and so they can attract more idle capital. A further advantage is that with a securities' transaction market, bondholders can, at any time, exchange their bonds for money whenever needed.

The second need is to resolve the problem of deficit spending and halt the practice of using

overdrafts from the bank to cover the government's deficits. Between 1979 and 1985, when production increased rapidly and capital construction was continuously expanding, deficit occurred for several years' running. To make up the deficit, overdrafts from the bank was resorted and the People's Bank of China was forced to issue more money, an action which resulted in inflation and price hikes. In 1986, instead of continuing this process, the financial deficit was finally resolved by issuing state treasury bonds.

A third function of the new financial market is the reform of the bank credit system so that enterprises will be able to raise funds themselves. Beginning in 1984, the state allowed enterprises to raise funds directly from the public through issuance of stocks and bonds instead of allocating circulating funds to them.

Lastly, to facilitate China's opening to the outside world, foreign currency bonds are issued to raise foreign exchange funds. This, however, is strictly controlled by the state.

## Features

China's stock and bond market is developing under the prerequisites of public ownership and adherence to socialist orientation. It is a product of the planned commodity economy, the open policy and financial reform. As a result, it possesses the following features.

### **Public Economy Is the Mainstay.**

Floaters, or issuers of bonds, are principally the central government, state banks and state-run enterprises. Bondholders are both individuals and units, including state-owned enterprises, institutions and banks. The joint-stock system practised by China is principally based on public ownership, with the state, state-owned enterprises and banks possessing most of the shares. This is the major difference between stock and bond market of China and of Western countries. For this reason, China's system of public ownership will not be changed by issuing stocks and bonds or by experimenting in the share systems. The practice of a few financial oligarches monopolizing the market and creating speculation will not appear.

**Acceptance of State Planning.** Issuance of all bonds, including state treasury bonds, bank bonds, enterprise bonds and stocks in China has been incorporated in a unified plan formulated by the State Planning Commission to strive a balance between various needs of the economy. The unified plan is intended as a micro-economic control over the issuance of various bonds by the state. State treasury bond issues, for example, are organized by the Ministry of Finance according to the plan approved by the State Planning Commission and, in regard to bank bonds and enterprise bonds, the People's Bank of

China will consider and approve the issue volume based on the unified plan. State planning is also evident in their insistence that bonds used for investment in fixed assets be included in the loans to be used as the state's investment in fixed assets and considered as a part of the national overall investment scale. This is obviously different from the West where issue and transfer of stocks and bonds are guided mainly by markets.

### **Practice of a Clearly Defined Industrial Policy.**

In addition to state treasury bonds which are used to make up for a shortage of general finances, other bonds, such as bonds for the special state construction and general state construction, special state bonds and value-proof bonds, are all used to resolve the shortfall of funds for energy resources, transport, raw materials and other infrastructures. Bank bonds are mainly used to solve the shortage of circulating funds in the state-run, large and medium-sized enterprises. Enterprise bonds are mainly used to solve the shortage of investment resources in the technical transformation of central and local key enterprises.

**Central Bank's Role.** On behalf of the state, the People's Bank of China brings stocks and bonds under unified administrative control and supervision. In Western developed countries, generally speaking, the central bank, as a monetary control authority, buys and sells state bonds to regulate and control finances through open-market operation with the aim of bringing the money supply under control. As for the administration and supervision of banks' stocks and bonds, these are generally implemented by a special administrative commission or agency established by the state. In China, however, they are under the uni-

fied control of the central bank. This is because China's economy has been in short of investment for quite some time and so the unified control of the People's Bank of China is conducive both to preventing local governments and enterprises from blindly expanding investment in fixed assets, and to effectively controlling and regulating the money supply.

## Function

Judging from the experience to date, stocks and bonds have produced the following positive effects in regard to China's economic development and the reform of the nation's financial system:

—Raised a large amount of stable funds for the state, a situation which is conducive to recovery of paper money and the control of inflation.

—Promoted the rational readjustment of the economic structure. First, most issues of stocks and bonds are put into industries whose products are in short supply, such as energy resources and raw materials, as well as transport and communications, so as to promote a reasonable readjustment of the industrial structure; secondly, many bonds, especially the special state bonds, bonds for key construction and capital construction, are purchased by localities, departments, enterprises and institutions with their surplus funds and post-tax profits. This has alleviated difficulties for central finance on the one hand, and on the other, prevented various localities, departments, enterprises and institutions from unreasonably expanding investment collected on their own in fixed assets, thus, playing a positive role in the structural readjustment of central and local finance. This also has transformed

the situation wherein the banks bore a long-term investment in fixed assets with short-term savings deposits funds.

—Strengthened enterprises' vitality. Enterprises are allowed to issue stocks and bonds, so as to stimulate their circulation of funds. On the other hand, enterprises, facing thousands of stockholders, will direct shoulder economic responsibility if they fail to repay them in time. This is different from state bank loans, the repayment of which can be postponed. This encouraged enterprises to improve their fund management by every means possible and has improved their own management as well. At the same time, the high interest rate slowed down inefficient investment projects and helped to cool overheated investment.

—Promoted reform of financial system. The issuance of state treasury bonds has helped solve deficits caused by continuing expenditures and inadequate investment in economic construction and encouraged the state treasury to keep an eye on its ability to repay debts, to strive to increase revenue and reduce expenditure, and to maintain a balance between revenue and expenditure. A system which combines direct finance with indirect finance, with the latter as a main means, has thus been established, and the channels by which banks supply direct credit and loans to enterprises has changed.

—Promoted the experiment with the joint-stock system. It has promoted the separation of property rights from managerial rights within enterprises and given an impetus to horizontal ties between enterprises.

—Multiplied the channels to raise and absorb foreign funds.



A bond certificate issued by the China Gold-Cup Automobile Co. Ltd. in Shenyang. HAN GUOJIAN

## Problems

Owing to lack of management experience, there exist the following problems in the stock and bond market.

1. There is little variety among stocks and bonds. The state treasury bonds, bank bonds and enterprise bonds all have one, long-term fixed interest rate. This lack of variety is especially true for state treasury bonds, the term of which is more than three years, a situation clearly not suitable for periods of fluctuating prices. This, of course, influences the issues' attractiveness to buyers. Some enterprises have publicly issued bonds without due appreciation as to the value of their properties.

2. The methods used for buying and selling do not lend themselves to the needs of the market, especially when there is excessive administrative interference. State bonds, in particular, are subjected to administrative apportionment. This influenced the reputation of both current state bonds and future issues. The selling range of other bonds is also too narrow. They are mainly issued with banking institutions acting as the sole agent, a method which lacks the attraction of commercial techniques. At present, only retail counters conduct stock transactions and all are limited to cash trades. Their networks also are few and scattered, leading to

large differences of price between regions, and creating the opportunity for illegal speculation.

3. Lack of intermediate transaction agents and supervisory organs, such as security broker agencies, security rating institutions, asset assessment institutions, information consulting services and investigative institutions to oversee

the market. Functional organs within stock administrative units are incomplete either.

4. Lack of effective macro-control. Regulations and rules are not fully established and daily supervisory and managerial work is done poorly, so that the issuance and transfer of unapproved stocks and bonds, as well as other indiscriminate and arbitrary collection of funds, have occurred. This interferes with the normal financial order.

5. Recordkeeping, mostly done by hand, is backward. Because of a lack of computers and other modern, sophisticated tools, information is unavailable and the quality of workers is low.

China will continue to develop its stock and bond markets based on the requirements of economic development and deepened reform. In regard to recent problems, overall clean-up and improvement will be made in line with the improvement and rectification of the economic and financial order, retrenchment and tightening of the money market and the strengthening of the micro-economic control. On this basis, laws and regulations will be formulated, and daily supervision strengthened so as to gradually bring the stock and bond market under comprehensive legal control and give more play to its role in China's modernization drive. □

# Foreign Trade Increase in Dalian

by Our Staff Reporter Han Baocheng

**B**etween July 1 and 10, the third export commodities fair in northeast China and Inner Mongolia since 1987 was held in Dalian, the southernmost port city on the Liaodong Peninsula in Liaoning Province. The fair was unexpectedly successful with total volume of export business amounting to US\$494.3 million, an increase of 42.5 percent over the last fair.

Before opening, there was some concern that the fair might be a failure because of the rebellion in Beijing in early June. To eliminate the adverse effect caused by distorted reports made on the events by Western, Hong Kong and Taiwan mass media, the fair organizer issued a second invitation to clients, patiently explaining China's situation especially in Dalian and reaffirming the fair schedule. The result was quite successful. Among the 1,982 business people from 36 countries and regions participat-

ing in this fair, 833 were from Hong Kong and Macao, 692 were from Japan and 86 from the United States, while quite a number came from Taiwan, South Korea, Singapore, Malaysia and the Federal Republic of Germany. Around 2,600 people representing 337 Chinese companies also attended. The Chinese participants came not only from the northeast and Inner Mongolia but from Xinjiang Uygur Autonomous Region, the provinces of Gansu, Qinghai, Guangdong and Jiangxi and cities such as Wuhan, Luoyang and Shenzhen.

Fu Yudian, secretary-general of the Dalian municipal government and a fair organizer, said the fair's success showed China's policy of opening to the outside world had not changed and that there were large numbers of foreigners doing business with China.

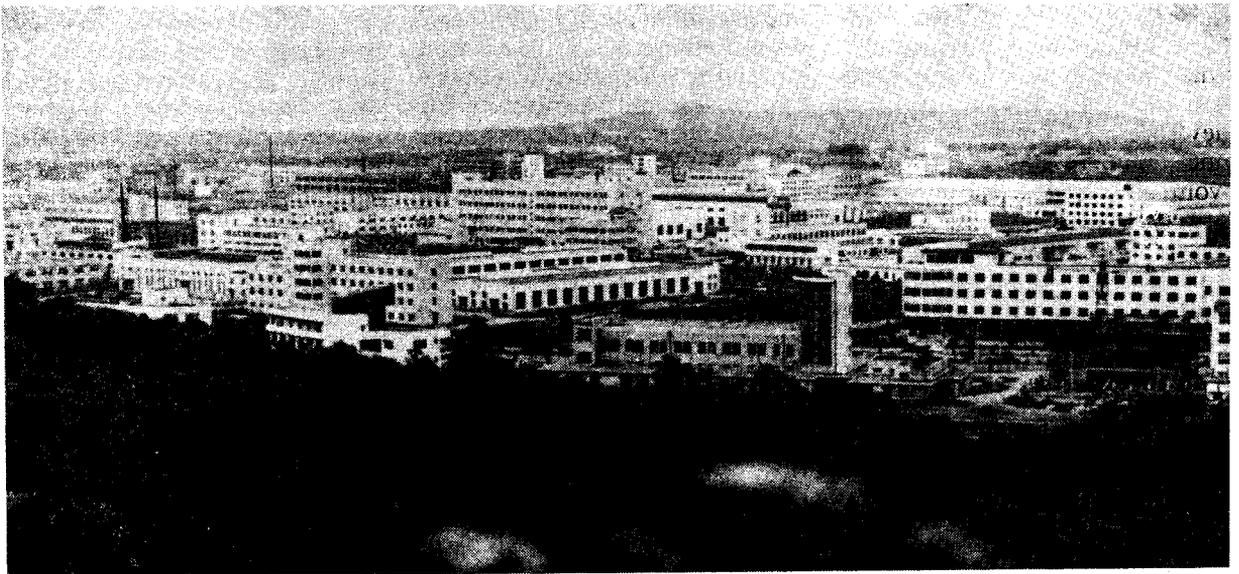
According to Fu, the fair will be held in Dalian annually be-

tween July 1-10. In contrast with the Guangzhou's spring and autumn export commodities fairs, the Dalian fair has its distinctive regional character. Its aim is mainly to serve local enterprises by promoting the export of their products, thus providing opportunities for them to enter the international market.

The mix of export commodities also carries a strong local feature. Corn and soybean, metal and non-metal mineral products, mechanical and electronic products, petrochemical products, clothing, light industrial and medical products, animal products and other farm and sideline products are all transacted in large volumes in the area.

At present, Fu said, the city has a dozen comfortable guesthouses and hotels suitable for foreigners, which can accommodate more than 10,000 foreign businessmen and tourists. In recent years, the city's transporta-

A factory district in the Dalian development area.



tion and communication facilities have also notably improved. With these services in place, Fu said he was confident of Dalian's ability to make the future fair more successful.

The fair's importance is based on the substantial returns it brings to the city. The most obvious benefit to Dalian lies in export trade. The fair has earned Dalian's foreign trade companies US\$125 million and has enhanced Dalian's reputation at home and abroad. The fair has helped train large numbers of foreign trade personnel and enhanced local companies' sense of participation in international market competition. Furthermore, the fair brings Dalian each year a number of investment contracts signed with foreign companies.

### Self-Managed Export

Before economic reform, Dalian had no independent control on export trade despite its status as a port city with 3,000 industrial enterprises. Its import and export business was managed by the Liaoning Provincial Foreign Trade Corp., an arrangement under which municipal initiatives were quite constrained. For a long time, Dalian's purchase volume did not exceed 100 million yuan. In 1985, when the state granted Dalian the provincial-level right of economic management, the independent export volume reached US\$18.6 million that year. Since then, the export volume has dramatically increased and, in 1988, reached US\$415.7 million. In the first half of this year, the city registered an export volume of US\$316 million and its annual US\$500 million quota of export volume is expected to be easily fulfilled.

An example of the benefits of independent decision-making is the Dalian Chemical Industrial



A workshop of the Harada Industrial Co. Ltd., in Dalian, a wholly Japan-funded enterprise.

Corp. which has its own organized import of raw materials and export of products, putting an end to the former state in which it could barely bring its production capacity into full play because of the shortage of raw materials supply at home. In the first half of this year, it reached US\$5.62 million in independent export volume, the figure is estimated to exceed US\$10 million this year. Granting Dalian decision-making power has encouraged enterprises to quickly edge their way onto the world market.

Up till now, Dalian's 12 foreign trade companies, each operating independently in their export business, have established steady business relations with more than 1,000 clients. Qin Xiaotang, deputy director of Dalian's Foreign Economic Relations and Trade Commission, said that Dalian's export is very promising and its export situation generally good. Since last year, however, because of the economic retrenchment policy, the tight money market and difficulty of obtaining loans, foreign trade companies have been short of purchasing funds. Although such measures as clearing up storehouses and collecting outstand-

ing credit have been taken, the most pressing matter at the moment is still the lack of funds. He said that even now Dalian does not have a bank to help it in this regard, which limits the development of foreign trade. He hopes the problem will be resolved with the deepening and further development of reform.

In its capacity as a port city, Dalian provides trade services for the inland towns. It currently has 71 permanent offices set up by governments in the northeastern provinces, in the Inner Mongolian Autonomous Region and in China's other areas. Additionally, 96 business offices set up by foreign companies, Hong Kong and Macao are operating. Among these, Japan has 52, Hong Kong 22 and the United States ten. Each year, tens of thousands of foreign businessmen along with stream of Chinese businessmen come here for trade talks. The development of foreign trade has promoted the flourishing of urban commerce, the catering trade and tourism in Dalian.

### Foreign Investment Increases

The number of examined and

approved projects with foreign investment increased by 15 percent in the first half of the year when compared with the same period last year. June figure accounted for 30 percent of the total, the highest among all the six months. The Dalian-Huaneng-Onoda Cement Co. Ltd., a Chinese-Japanese joint venture whose establishment was approved on June 23, was of particular note. It is China's biggest joint project so far in the field of building materials, with a total investment of US\$188 million and for a co-operation period of 33 years.

Between January 1984 and June this year, Dalian approved 291 foreign-funded enterprises with a total foreign capital of US\$410.6 million. Among these, 164 have already begun operation and are doing well enough to have earned a surplus in their foreign exchange balance.

Additional signs of the area's economic development is evident to the city's north. Dalian's Economic and Technological Development Area, covering 20 square kilometres, is located 27 kilometres northeast of the urban district. Since October 1984, construction of its first-phase projects in an area of some five square kilometres has been under way. Planners are aware, however, that central to the development area's future is the continued improvement of the investment environment. So far, a transformer substation, waterworks and liquified petroleum gas station have been built and 4,000 programme-controlled

telephones installed, while an industrial district, residential area and commercial tourist district have taken shape. Highway networks have been built, most impressive of which is the 12-kilometre-long express highway that crosses the sea, connecting the development area and the Shenyang-Dalian express highway that has been opened to traffic.

On top of the Fort Hill, located within the development area, one has a wide view of the surrounding area. To the east is the Bohai Sea, backdropped by Dalian's satellite town of Jinzhou. Dajiao Bay port area and a power station with an installed capacity of 700,000 kw, currently under construction, can also be seen from Fort Hill along with the Zhou-shuizi Airport, suitable for use

by Boeing 747, only 24 kilometres away.

Yu Huaijiang, senior official of the development area, noted that the administrative committee of the development area has established bureaus for economic development, labour, planning and construction, supervision and auditing, finance and taxation, industry, commerce and price. Compared with committees of the same level in China's other towns, however, the committee keeps its management structure quite simple.

Their regulations favour efficiency, Yu said, and in order to make it easier for foreign businessmen to invest and build factories here, the administrative committee has established a service centre for project promotion so that all formalities can be finalized in one place.

This positive investment environment has brought a healthy return. By the end of June, there were 106 foreign-funded enterprises set up under contract, of these, 58 have begun operation or trial production. Among the city's 11 foreign-funded ventures, nine are situated in the development area.

At the foot of the Fort Hill, there is a uniquely designed Sino-US hotel, Inn Fine Hotel, which, according to Hu Hongqiang, assistant to the hotel's general manager, was just completed and is not yet formally opened. However, they have already begun to accommodate guests. He worried that the hotel, after it was formally opened,

The finish product workshop of the Dalian-Pacific Printing Circuit Factory, a Sino-US joint venture. XUE CHAO



would not be able to meet the demand for hotel accommodations with its 200 guest rooms.

**A Busy Port**

Fast-growing trade and economic development has led to unprecedented harbour construction and, since 1984, the Dalian Port has undertaken a series of projects to suit its rapidly expanding trade needs. In 1988, the port handled up to 48.5 million tons of cargo, of which exports made up 70 percent and the total import and export value reached US\$8.19 billion, second only to Shanghai. Now, the Dalian Port handles more than 2,000 vessels every year with the opening of new business routes to more than 140 countries and regions.

Shen Chun, deputy director of the Dalian Port Office, said Dalian boasts favourable natural conditions such as broad and deep water and an ice- and silt-free sea as well as connections with the vast hinterland. The port now has 58 berths, including 26 for 10,000-ton ships. Special

operation zones dealing in petroleum, coal, grain and sundry goods have taken shape, and 95 of them have been mechanized. Beginning in 1980, the port upgraded its management markedly by gradually introducing computer-controlled techniques, industrial television and optical fibre communication monitoring system. But even after such improvements and the renovation of the old port facilities at Heshang (Monk) Island and Xianglujiao Harbour, it still needs expansion. Construction of the Dayao Bay Harbour began last year.

Dayao Bay Harbour area, Shen said, is endowed with a wide land area and a rocky seabase, and by filling in the seabase the docking facilities can be extended 100 metres longer into the sea where the harbour depth reaches 13 metres. For the first stage, two 30,000-ton-class container berths and two 25,000-ton-class multi-purpose berths were to be completed by the end of 1991, and the World Bank

loaned US\$96 million and China invested 267 million yuan. Ultimately, there will be 80-90 deep-water berths in the Dajiao Bay Harbour, and as a first step towards this goal, ten 100,000-ton-class berths are scheduled to be completed by the end of 1995. At that time, the annual cargo-handling capacity of Dalian Port will amount to 80 million tons.

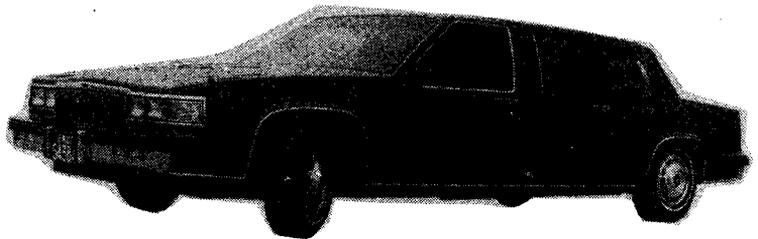
Dalian hopes, Shen said, to build the port into a modern, multi-functional harbour, a hub for container shipping and grain trade in Northeast Asia. Future development of Dayao Bay will be geared towards a free-trade port, administered by customs, with up-to-date warehouses, loading and unloading equipment, and serviced by commercial and industrial processing centres, as well as trade and information service centres.

Shen Chun said he does not worry about future prospects of China's foreign trade. China will continue to be an open country, and inevitably increase its reciprocal trading with foreign countries. □

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李大钊

Comrade Peng Zhen's inscription  
for the title of the album.

## Historical Picture Album of Li Dazhao

—In commemoration of the centenary birthday of Li Dazhao,  
a pioneer of the Chinese communist movement

This picture album, compiled by the Li Dazhao Picture Album Editorial Committee, will be available in November 1989. During compilation, the editorial committee received the concern and support of veteran comrades of the Central Advisory Commission and the National Study Society of Li Dazhao.

The album, 35 cm x 25 cm, 220 pages, is printed on imported copperplate paper in a de luxe edition. Peng Zhen, former chairman of the Standing Committee of the National People's Congress, inscribed the album's title. It contains 277 historic photos of Li, his manuscripts, calligraphy and articles of daily use, all of which were examined and approved by the Party Literature Research Centre of the Chinese Communist Party Central Committee and specialists in the research of Li Dazhao. Chairman Mao's appreciative inscription to Li Dazhao is also in the album.

The album is published and distributed by the Literature and Art Press of the People's Liberation Army. Price: 68.50 yuan. For mail order, add 6 yuan per copy for packaging and postal charges.

Subscription Welcomed

Contact: Wang Xia, Huang Guorong  
Address: 3A Diwu Lane, Xishiku, Beijing 100034, China  
Tel: 6736722

## China Announces Foreign Debts for the First Time

In order to clarify China's standing in international financial markets, the State Administration of Exchange Control (SAEC), made public on October 7 for the first time the country's outstanding foreign debts for the 1985-88 period (see table).

Year	Year-end foreign debts	Unit: US\$ billion of which	
		Mid- and long-term debts	Short-term debts
1985	15.8	9.4	6.4
1986	21.5	16.7	4.8
1987	30.2	24.5	5.7
1988	40.0	32.7	7.3

An administration official said that the announced debt statistics were calculated according to internationally accepted methods of measurements. They are borrowings from international financial institutes, foreign governments, banks and financial institutes, credit purchases, foreign companies, as well as foreign exchange bonds, finance leasing, extended payment, and other debts required to be repaid with foreign exchange in compensatory trade.

The official also said that in light of the development of the economy and import and export, China can afford to repay the US\$40 billion in foreign debt and even more. Even though during the peak period of debt repayment in the 1990s, China can afford to bear the burden, and there will be no difficulties, whatever. Reasons for this include:

□ The rational structure of China's foreign debts. By the end of 1988, China's mid- and long-term foreign debts accounted for 82 percent of the total while

short-term made up the remaining 18 percent. Most of the mid- and long-term loans were spent on energy, transportation, chemicals, and such foreign exchange making sectors as textile and other light industries and tourism. In addition, the fact that China's foreign debts have been raised from different currencies and through various forms helps avoid risks in exchange rate fluctuation and difficulties in repayment.

□ Judging from the various indicators for measuring a country's debt repayment ability, China is comfortably within the safety line. Internationally, the debt repayment rate (principal and interest to be repaid in a year as percentage of that year's total export and non-trade foreign exchange earnings) and debt rate (year-end debts as percentage of that year's total export

and non-trade foreign exchange earnings) are usually used to measure a country's debt repayment ability. The warning line is 25 percent for the former and 100 percent for the latter. In recent years, China's debt repayment rate has hovered around 15 percent and its debt rate has been less than 90 percent. Some departments have estimated that China's debt repayment rate will not exceed 20 percent even during the peak period of debt repayment in the 1990s.

□ China has a strict management system to control the scale and structure of its foreign debts. The fact that the proportion of China's short-term debts in the total was reduced from 41 percent in 1985 to 18 percent in 1988 indicates that China's macro-control over its foreign debts is effective.

In all, the official said, China can afford to repay all its foreign debts—principal and interests—in due time.

by Yao Jianguo

## Pingdingshan Seeking Co-operation

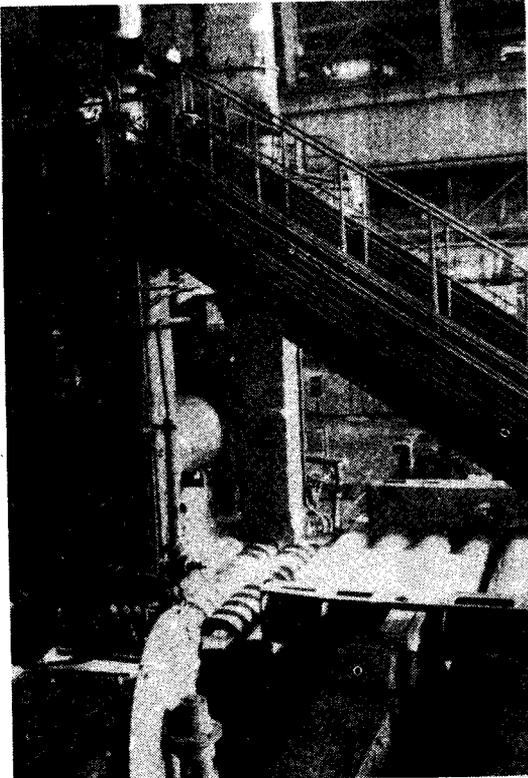
Having begun with the coal industry and now equipping itself with coal, electricity, textile, steel, chemical and light industries as well as building materials and food industries, the city of Pingdingshan in Henan Province is gradually opening its doors and seeking co-operation for further development.

As one of the most important coal production bases in China, Pingdingshan turns out 28.88 million tons of coal a year, making itself the biggest coal producer in the country. With advantages of coal and water resources, the city has been assuming an increasingly important position in the country's power industry. In 1988, the total installed capacity reached 1.325 million kw, with an annual output of 8.175 billion kwh. The

500,000v extra-high voltage transformation and transmission network, hooked up with the Gezouba Hydroelectric Power Station on the Changjiang (Yangtze) River, constitutes the hub of the electricity network in central China.

The city's Wuyang Iron and Steel Co. has China's first 75-ton arc furnace and 4.2-metre rolling mill which is capable of producing steel plates in special width and thickness. Last February, the company signed a contract with Austria's Voest Alpine to import a super-power 90-ton electric furnace. By 1991, the company will be able to produce 500,000 tons of steel and 400,000 tons of steel plates a year.

The city's textile industry started comparatively late. However,



The steel-rolling workshop of the Wuyang Iron and Steel Co. in Pingdingshan City.

XUE CHAO

the industry has now developed into a comprehensive system capable of producing synthetic fibre, cotton, flax, silk and wool for the full process of spinning, weaving and dyeing as well as clothes-making. Last year the textile industry's output value accounted for 14.6 percent of the city's total industrial output value. The Polyamide Fibre Cord Factory, set up in 1984 on Japanese technology and equipment, is the only enterprise of its kind in China.

The machinery industry has also grown steadily because of the availability of rich energy. The city now has six big and medium-sized machine-making factories. At the same time, it has also registered a steady growth in chemicals, building materials, light industry and food processing. Its pottery, porcelain and wine have entered the international market.

Located between the mountain area of south Henan Province and Huanghe River-Huaihe River Plain, the city has 44 kinds of

mines, of which reserves of 22 have been verified, such as coal, steel, salt, bauxite, refractory clay, limestone, silica, graphite and marble. All these provide a solid material foundation for the development of energy, metallurgical, iron and steel, chemical and building materials industries.

The city turned out a total industrial and agricultural output value of 7.9 billion yuan last year. It has established economic and technical links with the United States, Japan and the Federal Republic of Germany.

To attract more partners, the city is giving more attention to urban construction

while continuing to boost its agricultural and industrial production. Public facilities have been or are being built, and a highway network has been established throughout the city. Water supply and sewerage systems have been updated. In addition, the city has imported a programme-controlled telephone system from France to expand its telecommunications network.

As a new city, Pingdingshan finds its development is handicapped, to varying degrees, by the shortage of talented personnel, technology and funds. To counter this, the city has put forward favourable policies to attract foreign investment.

by Zhang Zhiping

## BTU Service Centre in Beijing

The BTU International Inc. Technology Service Centre of Jianzhong China, jointly set up by the United States BTU In-

ternational Inc. and the Beijing Jianzhong Machine-Building Factory, started business in Beijing on October 9.

The centre specializes in servicing all products marketed to China by BTU, including diffusive furnaces, CVD equipment and sintered furnaces and providing technical consulting services and signing contracts with the mother company on behalf of clients.

In the past few years, BTU, a producer of electronic equipment, has sold several million US dollars worth of its products to China. The centre is BTU's channel to China's market.

BTU's President Paul J. Van Der Wansem noted this point at the opening ceremony, and said that in order to co-operate with China in business, the company is willing to build a bridge between the United States and China. The establishment of the centre, he added, will serve as the foundation of the bridge.

At present, BTU is now discussing on further co-operation in technology and production with its partner in the hope of carving out a bigger share of the Chinese market.

by Yao Jianguo

## 4 Foreign Trade Companies Dissolved

The Ministry of Foreign Economic Relations and Trade (MOFERT) reported that as a result of the economic rectification and consolidation four foreign trade companies affiliated with the ministry had been dissolved. They were the China National Gulf Trading Corp., the China National Africa Trading Corp., the China National Latin America Trading Corp. and the China National Foreign Economic Relations and Trading Management Service Co. The first three's businesses will be incorpor-

ated into the China National Overseas Trading Corp. and the last one's into the China National Foreign Economic Relations and Trading Consulting Service Co.

A MOFERT official said that the reason for the dissolution is structural duplication. Although these companies were dissolved, he said, their agreements or contracts signed with foreign countries will continue to be honored.

The MOFERT now has more than 30 subordinate companies. Since rectification and consolidation began more than a year ago, some companies have been found having done businesses in a scope bigger than was stipulated for them, evaded taxes, conducted illegal dealings in foreign currencies or violated state laws and regulations. Some administrative personnel have already resigned their jobs they simultaneously held in companies. Some of these companies will be dissolved or merged with other companies, according to Gu Yongjiang, aide to the MOFERT minister.

In recent years, many foreign trade companies have been set up to meet the needs of opening to the outside world. From the second half of 1986 to the first half of 1988, more than 1,000 companies had been set up. The ongoing rectification and consolidation will help improve China's reputation in the foreign trade world and promote the development of trade with other countries. □

## Symposium on Combating Unfair Competition

**T**he International Symposium on Combating Unfair Competition is to be held from November 3-6 in Beijing. The symposium is proposed by the World Intellectual Property Organization (WIPO) and United Nations Development Programme and jointly sponsored by the Chinese Research Association for Econo-

mic Legislation, the State Administration for Industry and Commerce and the State Council Legislative Affairs Bureau. At the symposium, world-famous experts from the Federal Republic of Germany, Italy, Spain, Switzerland, Britain, France and the United States will read their papers on the fight against unfair competition in foreign trade, services, and technology. They will also take the opportunity to conduct academic exchanges with their Chinese counterparts. Officials from India, Malaysia, Pakistan, the Philippines, South Korea, Thailand and Viet Nam are also invited to the symposium by the WIPO.

Since China began economic reform and opening its doors to the outside world ten years ago, some unhealthy trends in competition have become apparent along with the country's economic development. This has disrupted the economic order and damaged the interests of the country, its enterprises and consumers. This increasingly serious problem has attracted the government's attention. Since China's first economic law against unfair competition was formulated by the Wuhan municipal government, Hubei Province, other provinces and cities, such as Jiangxi, Heilongjiang and Shanghai have devised similar controls. Relevant departments of the National People's Congress and State Council are drafting national laws of similar nature in light of China's domestic situation and other countries' experiences.

by Yu Meishun

## Products for Foreign Markets

**I**n recent years, Changly-trademarked electronic connectors have enjoyed brisk sales in Southeast Asia, Europe and the United States as well as Hong Kong and Taiwan. In the first

eight months of this year, the export value reached US\$608,000 and is expected to exceed US\$1.1 million by the end of the year.

The China Changly Enterprise Co. Ltd. is a joint venture co-sponsored by the Changzhou Relay Factory, Jiangsu Province, on the one hand and the Hong Kong Hollyland Co. Ltd. on the other. The venture has a total investment of 2.88 million yuan (about US\$780,000), with 70 percent contributed by Changzhou and the remainder by Hong Kong.

The venture produces mainly TV set antennas, connectors and socket power ties for TV sets' radios and washing machines. Socket power ties of DT1, DT2, DT3 and DT4 were given the UL endorsement by the United States in September 1988.

The company's General Manager Xu Huanlin said that since his company began operations in October 1985, it has earned altogether US\$2.312 million in foreign exchange. An annual breakdown is as follows:

Year	Total Output Value	Sales Income	Foreign Exchange Income Unit: US\$ million
1984	0.4346		
1985	2.023	2.028	0.055
1986	2.22	3.026	0.118
1987	5.023	9.118	0.529
1988	13.419	16.224	1.002
1989 (Jan.-Aug.)	17.907	16.347	0.608

The company is now developing vehicle connectors and telephone plug connectors, and has applied for approval of international safety standards. Meanwhile, the company is also negotiating on the establishment of the joint venture Lijia Wire Co. Ltd. with Singapore's Epan. Currently, a delegation led by Xu is in the Federal Republic of Germany, looking for new clients and the possibility for expanding export.

by Li Ming

## Beijing Hosts China's First Film Festival

**M**ore than 300 film artists from all parts of China gathered in Beijing recently for the country's first ever film festival.

The week-long festival in late September featured 40 films shot over the past two years—films that represent the latest developments in the industry in China.

Artists portray familiar faces of the past at the opening ceremony of the First China Film Festival.

Established artists like Xie Jin and Xie Tieli, who have been in the film business for more than four decades, and new rising stars like Huang Jianzhong, Wu Ziniu and Liu Xiaoqing were just a few of the prominent artists attending the First China Film Festival.

"In the 40 years since the

founding of the People's Republic of China, China has set up and developed an independent and complete film industry system and produced many films which have taken a large part of the domestic market," said Chen Haosu, vice-minister of radio, film and television, during a speech to the festival.

"Every year China's film industry provides healthy entertainment for hundreds of millions of Chinese," he added. "At the same time Chinese films, rich in national characteristics, have won more and more international acclaim."

Artists at the festival also discussed the achievements and shortcomings of China's film industry and further confirmed the policies of serving the people and of serving socialism, and "let a hundred flowers blossom and a hundred schools of thought contend."

The 40 films included 20 feature films and 20 documentary, scientific and animated films. The films varied in subject and style, and gave a comprehensive view of China's today and yesterday. Among them were historical films about the revolutionary period, such as *The Great Kunlun Mountain* and *The Grand New China Founding Ceremony*. Films reflecting present day life including *Rock 'n' Roll Youth* and *Crazy Dancer of West China*.

Awards were also presented at the festival. The China Film Festival Awards were given to such films as *The Grand New China Founding Ceremony*, *The Great Kunlun Mountain*, *The Baise Uprising*, a film depicting Deng Xiaoping's early revolutionary career in leading the Baise Uprising and *Unforgettable Days*, a





A scene from the film "The Grand New China Founding Ceremony" shows Chairman Mao Zedong on October 1, 1949 on the Tiananmen Rostrum.

documentary film recording the happy time Chinese artists shared with such great Chinese leaders as Mao Zedong, Liu Shaoqi and Zhou Enlai. Veteran film directors Xie Jin, from the Shanghai Film Studio, Xie Tieli and Ling Zifeng, both from the Beijing Film Studio, were also given awards.

During the festival, artists

went to the factories, countryside, army camps and scientific research units in suburban areas to listen to comments from the audience. Some of the artists said that although China's film industry has made remarkable achievements, there is a long way to go to meet the demand of the common people. One of the main problems is the lack of films fo-

cusing on today's life in China. In the future, films must focus on the lives of the common people, the artists said.

Chen, who was also director of the organizational committee of the film festival, announced that the China Film Festival will be held every two years.

by Zhang Wei

## Magazine Names 10 Top Film Stars

China's 10 top actors and actresses, as selected by the magazine *China Film Weekly*, were honored during the recent First China Film Festival. The magazine said the film stars are to be praised for their outstanding work in film over the past 40 years since the founding of the People's Republic of China in 1949.

Selection of China's top 10 per-

forming artists in films is not only designed to acknowledge the artists for their success after long years of hard work but also to commend them for contributing to China's film industry, which is now flourishing.

The artists honored included: Zhao Dan, Sun Daolin, Yu Lan, Bai Yang, Wang Xingang, Cui Wei, Xie Fang, Liu Xiaoqing, Pan Hong and Jiang Wen.

**Zhao Dan** is perhaps best remembered for his vivid portrayal of a Communist Party member in the 1940s named Xu Yunfeng in the film *Eternal Life in Raging Flames*.

Always popular with the audience, Zhao is remembered for his distinctive character roles. In the 1930s, Zhao performed both on stage and in films. He starred in *Crossroad*, *Mission on Streets*,

*Crows and Sparrows* and *The Life of Wu Xun*.

After the founding of New China in 1949, Zhao played roles in *Li Shizhen*, a noted physician and pharmacologist in the Ming Dynasty (1368-1644); *Lin Zexu*, a national hero in the Qing Dynasty (1644-1911), and *Nie Er*, a famous Chinese musician in the 1930s.

Zhao died in July 1980. But the screen figures he presented will remain in this world forever.

**Sun Daolin** graduated from the philosophy department of Yanjing University and became a bright star both on screen and stage at the beginning of the 1940s.

After 1949, Sun starred in *Reconnaissance in Crossing Changjiang River*, *Electric Wave Never Dying Away*, *Early Spring*, *Li Siguang* and *An Unfinished Game of Chess*.

Sun is particularly remembered for his portrayal in the *Family* of a Chinese intellectual in the late 1920s who wanted to seek the truth but was hopeless in finding which way to go. Sun's performance was genuine.

**Yu Lan** was born in Liaoning Province, northeast China. After 1949 she played leading roles in such films as *Red Flag on Green Hills*, *Dragon Beard Ditch*, *Revolutionary Family*, *Lin Family* and *Eternal Life in Raging Flames*. Her portrayal of Sister Jiang, a revolutionary heroine in *Eternal Life in Raging Flames* was highly praised. Yu is noted for her portrayals of working and revolutionary women.

**Bai Yang**, born in Beijing, started her film career at the age of 11. She became famous before 1949 after she played Li Sufen, a gentle and faithful but tragic woman worker in *The River Flows East*.

Later Bai acted in *For Peace*, *New Year's Sacrifice*, *Spring Is in the World* and *Winter Plum Blossom*, presenting var-

ious beautiful and moving women characters. In *New Year's Sacrifice*, adapted from Lu Xun's novel of the same name, Bai played the wife of Xiang Lin, a tragic character, a role which demonstrated her talents as an actress.

**Wang Xingang**, winner of the 1982 "Hundred Flowers Awards" for best leading actor, acted in more than 10 films including *Silent Forest*, *Son of Herdsman* and *Electric Wave Never Dying Away*. He usually plays handsome military men, like Zhang Min, a Kuomintang officer in *Sea Eagle*; Yang Xiaodong, a man responsible for the Chinese Communist Party's underground work in *Battling Inside and Outside an Ancient City*, and Red Army commissar Hong Changqing in *The Red Detachment of Women*.

Among all the characters that **Cui Wei** played, the peasant hero Zhu Laozhong in *The Red Flag* was the most successful. Cui won the 1961 "Hundred Flowers Awards" for best leading actor. He played leading roles in *Song Jingshi*, *Soul of the Sea*, *New Story of an Old Soldier*. Cui died in 1985.

**Xie Fang** distinguished herself in 1958 by playing Lin Daojing, a revolutionary woman intellectual in the 1930s, in *Song of Youth*. Later, Xie played a village teacher Tao Lan in the 1920s in *Early Spring* and Zhu Chunhua, an opera singer struggling in old China in *Stage Sisters*, which also brought her high

acclaim. Xie is beautiful and sedate, and is good at playing women intellectuals with complicated life experiences.

**Liu Xiaoqing** won the 1980 "Hundred Flowers Awards" for best supporting actress and both the 1987 and 1988 "Hundred Flowers Awards" for best leading actress. Since she started her film career in 1973, Liu has had roles in several films including *Xiao Hua*, *Look at This Family*, *Hidden Network*, *Xu Mao and His Daughters*, *The Wilderness*, *Hibiscus Town*, *Spring Peach* and *A Dream of Red Mansions*. Liu can play various types of women and her performances are vivid and lively.

Nicknamed "Star of Tragedy," **Pan Hong** mostly plays tragic characters. She has acted in such films as *A Bitter Smile*, *At Middle Age*, *Du Shi Niang*, *Well*, *The Bitter Cold Night* and *The Last Aristocrat*. Pan won the 1989 "Hundred Flowers Awards" for best leading actress.

**Jiang Wen**, at 26, is the youngest among the 10 film stars. He won the 1987 and 1989 "Hundred Flowers Awards" for best leading actor. After graduating from the Central Drama Institute in 1984, he played leading roles in *The Last Empress*, *Hibiscus Town*, *Red Sorghum*, *Spring Peach* and *The Year of One's Own Animal*. Jiang is particularly noted for his portrayal of a young rebellious peasant in the 1940s in *Red Sorghum*. He has the talent to portray a wide range of characters. □



## Sculptures by Sun Jiyuan

Sun Jiyuan, born in Xian, Shaanxi Province, in 1932, is today the director of the Maiji Mountain Grotto Art Research Institute in Tianshui City, Gansu Province. He has long been engaged in traditional Chinese sculpture research, and he likes to use traditional methods in his own work. Most of it expresses the lifestyle of northwest China in all its richness and simplicity.



Woman Playing the *Pipa* (a plucked string instrument with a fretted fingerboard).



Woman Road Maintenance Worker.



A Little Girl Welcomes Winter's Snow.

# Tianquan Refrigerators

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gerator won a quality product title from the Ministry of Light Industry and Fujian Province in 1988.

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