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**US Step Worsens
Sino-US Ties**

**A MODEL OF REFORM—
ONE STATE-OWNED
ENTERPRISE**



A woman of the Hani nationality from Yunnan Province, south China, hand-weaving the cloth for her colourful clothing.

Photo by Zhou Zhongyao

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COVER: This eagle in flight symbolizes the beginning of the ten-year reform at the Shoudu Iron and Steel Co.

Bottom right: An area of the No. 2 Steel Mill affiliated to the company.

by Xu Xiangjun and Xue Chao

Jiang on China's Mass Media

● Party General Secretary Jiang Zemin told a seminar attended by editors-in-chief of Party newspapers that China's newspapers, broadcasting and television must play the role as mouthpiece of Party, government and people (p. 4).

Hong Kong Won't Be 'Internationalized'

● Taking advantage of China's quelling of the counter-revolutionary rebellion in Beijing in June, some people are attempting to "internationalize" the Hong Kong issue. This attempt, however, will get nowhere (p. 10).

Sino-US Links Deteriorate Further

● China strongly protests the passage of an emergency Chinese immigration relief act by the US Congress, pointing out that the US act runs counter to international norms and damages normal educational exchange between the two countries (p. 9).

Beijing's Educators Write to US Counterparts

● Ten presidents of Beijing-based universities have sent an open letter to their American counterparts expressing their concern over a bill adopted by the US Congress, which they say could harm Sino-US educational exchanges. They are calling on the heads of American universities to urge their government to adhere to Sino-US agreements on exchanges (p. 7).

A Model in the Reform of State Enterprises

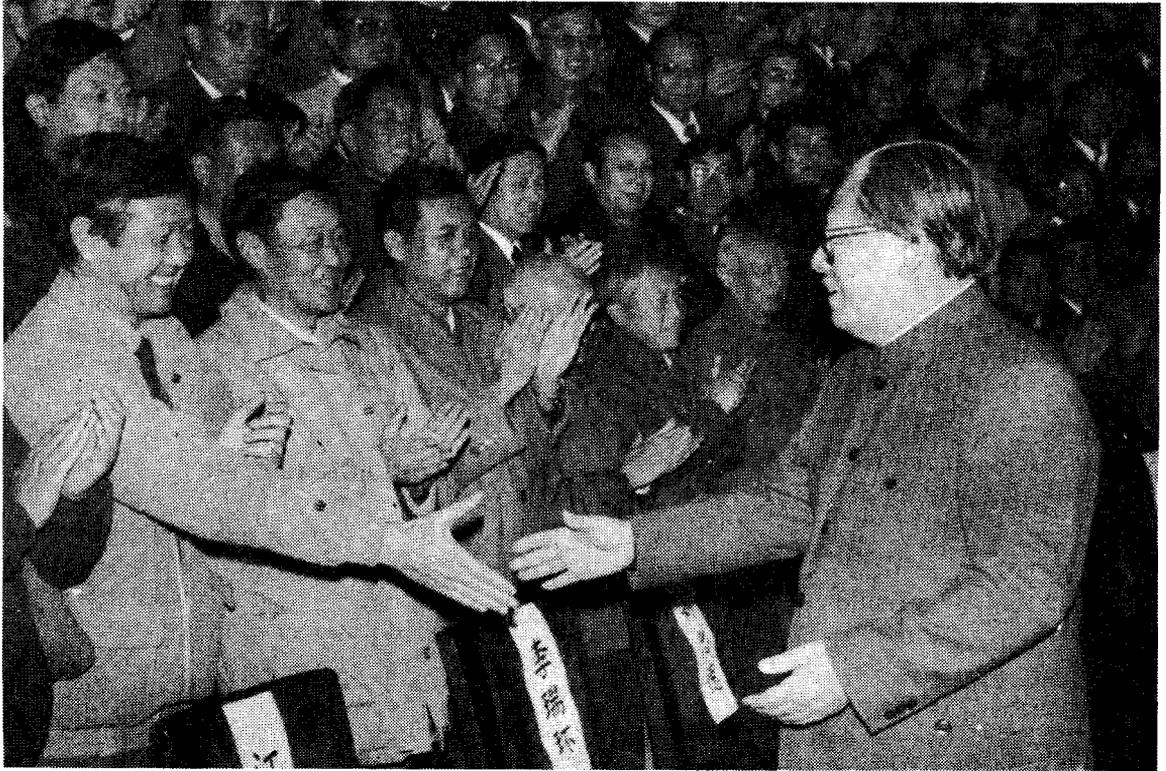
● The Shoudu Iron and Steel Co. was chosen as a test site for enterprise reform. The introduction of the contract responsibility system in management, demonstrating higher production efficiency and improved fringe benefits for the workers, proved to be a particular success. With this issue, *Beijing Review* begins a series describing what ten years of reform have done for the fifth largest steel producer in China (pp. 15-22).

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

General Editorial Office
Tel: 8314318
TLX: 222374 FLPDA CN
FAX: 8314318
English Dept. Tel: 8315599 Ext. 546

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China's Party leader Jiang Zemin meets with the editors-in-chief attending a seminar in late November.

LIU JIANGUO

Media Must Serve People, Socialism — Jiang

China's journalism must serve the people and socialism, said Jiang Zemin, general secretary of the Central Committee of the Communist Party of China (CPC), on November 28 in Beijing.

In the new historical period, Jiang said, Chinese journalists should give publicity to the Party's basic line; the Party's theories and principles for building socialism with Chinese characteristics, and achievements scored by people of all nationalities in China's modernization drive and reforms.

Jiang was speaking at a seminar attended by editors-in-chief of Party newspapers at the provincial, municipal and autonomous regional levels.

The Party has always at-

tached great importance to the role of journalism and regards newspapers, broadcasting and television as mouthpieces of the Party, the government and the people of China, Jiang told the seminar sponsored by the Propaganda Department of the CPC Central Committee.

The general secretary praised the role Chinese journalists have played in covering China's socialist modernization drive, reform and open policy since the Third Plenum of the 11th Party Central Committee in late 1978.

But there still exist many problems, including serious ones, in press circles, Jiang said.

When bourgeois liberalization ran rampant in the country over the past couple of years

and the anti-government riot took place in Beijing in June, some mass media departments provided a forum for the plotters and organizers of the unrest and counter-revolutionary rebellion, and added fuel to the flames. This caused great confusion among the broad masses of the people, Jiang noted.

This negative experience indicates that when the mass media departs from Marxism and runs counter to the people's interests, great harm results, he said.

Jiang urged mass media departments to learn from this experience and never repeat it.

He also urged journalists to educate the people in patriotism, socialism, collectivism and the spirit of self-reliance

and hard struggle so as to overcome the existing difficulties and push China's construction and reform forward.

Referring to implementation of the Party spirit in journalism, the general secretary said that journalism is an important part of the Party's work, so it should adhere to the Party spirit.

Jiang stressed that the news media should be politically identical with the Party Central Committee, keep close links with the masses of the people and fight persistently against bourgeois liberalization.

Regarding freedom of the press, Jiang said, there is no absolute and unlimited press freedom in any country. Freedom cannot but bear a class nature as long as there exists international confrontation between socialism and capitalism and class struggle in certain fields in China.

The Party general secretary urged Chinese journalists to follow the principle of seeking truth from facts, conduct social investigation, give full publicity to the achievements of the Party and the country, voice the people's demands and opinions, and expose the attempt to overthrow the People's Republic and the Communist Party, as well as mistakes and problems in the Party's work. Coverage of negative aspects should be followed up by results and remedial measures.

Jiang also stressed the necessity of the Party's leadership in journalism.

He called on Party committees at all levels to pay attention to the guiding principles of journalism and discuss with journalists measures to make China's news media more attractive and appealing. □

Unity Among Nationalities Stressed

Because a stable political condition is the guarantee for all endeavours, the Xinjiang Uygur Autonomous Region must strive to ensure the unity of all its nationalities on the basis of economic development, Premier Li Peng stressed during a recent inspection tour.

The Chinese premier inspected Xinjiang between November 21 and 26, following a visit to three South Asian countries, Pakistan, Bangladesh and Nepal.

In terms of area, Xinjiang is the largest among China's provinces and autonomous regions. During the inspection, Li trav-

elled thousands of kilometres, visiting major cities, oilfields, factories, villages and military installations. He made careful inquiries into conditions in industrial and agricultural production, oil exploration, railway construction, foreign trade and other aspects. Several local government, military and Communist Party leaders accompanied Li on the inspection tour.

Before he left Urumqi, the region's capital, Li made an important speech to local government, military and Party leaders, and listened to a work report by the region's Party committee and

During his inspection tour of Xinjiang Uygur Autonomous Region, Premier Li Peng visits a farmer's family of the Uygur nationality on November 22. LIU SHAOSHAN



government.

At a meeting on November 26 attended by 3,000 local officials, Li talked about the international and domestic situations, and the policies of the Party and the government. He also gave directives for the region's future work.

Li pointed out that further efforts should be made in the rectification drive and reform, so as to achieve a continuous, stable and harmonious development of the national economy. It is a guiding principle to be adhered to in the economic construction, he said.

The relations between rectification on the one hand and reform and the open-door policy on the other should be handled correctly, the premier said, and the control of inflation should be made the main task of the rectification drive.

Li stressed that special attention should be paid to agriculture, while the industrial structure should be readjusted to raise economic efficiency.

He said that Xinjiang has a

wide area and rich resources, while its population is comparatively small. The fertile soil and adequate sunshine provide advantages for agricultural development. The premier said he hoped that with the efforts of all the region's nationalities, Xinjiang will be built into one of China's major bases of agricultural products, providing more grain, cotton and sugar for the country.

Li stressed time and again the importance of agriculture. He said that the rural contract responsibility system should be stabilized while more attention should be paid to science and technology for the development of agriculture.

Xinjiang has the richest oil resources in China and Li paid special attention to this sector. He said that oil production is the leading industry in the region's economic development, and that he hoped that Xinjiang's oil workers would make even greater efforts to provide more energy for the country's economic development. □

sive development project to improve agricultural production mainly in the plain drained by the Yellow, Huai and Hai rivers in northern and eastern China, the basin of the Heilongjiang-Wusulijiang-Songhuajiang rivers and the Songliao Plain, both in northeast China. The project involves 18 provinces where most farmland is of low- or medium-yield.

Of the total farmland in China, about two-thirds is of low- and medium-yield, and there are lots of uncultivated land and wasteland to be developed. Most of the farmers are very enthusiastic about using all these new farming resources, Tian said.

Last year, the State Council established an agricultural development fund with taxes collected from the non-agricultural users of farmland. The funds total about 1 billion yuan a year and in a 1988-1989 programme, they were designed to be used to promote a total of 4 million hectares of low-yield farmland, open up 660,000 hectares of virgin land for agricultural production, plant 530,000 hectares of trees as wind-breaking belts and 100,000 hectares of grassland.

For the coming year in the agricultural sector, Tian said the central task is to strive for a good harvest while carrying out the policies of economic rectification and improvement. The agricultural sector must also further the reforms specified by the Fifth Plenary Session of the Party's 13th Central Committee, and promote the development of the rural economy in a stable and sustained way so as to achieve social stability in the countryside.

The vice-premier stressed that to resolve agricultural problems, particularly the increase of grain and cotton output, China must invest more materials and technology; pay attention to the eco-

Agriculture Takes Top Priority

The Chinese government will make agriculture a top priority in the development of the national economy and will speed up comprehensive development of agriculture.

Speaking at the opening session of the National Conference on Comprehensive Agricultural Development on November 27, Chinese Vice-Premier Tian Jiyun stressed that the Chinese Communist Party's fundamental policies formulated for the rural areas must be carried out consistently and firmly. These include the policy on the household contract system in production and the policy to encourage some farmers to become well-off before others. As well, reforms in the rural areas must be deepened

and improved.

"Only by carrying out the policies consistently and firmly, can we make the 800 million farmers rest assured," Tian said.

Further political stability lies in a well-developed economy, which should be based on steady growth in agriculture, and that, in turn, depends on farmers' confidence in Party policies, he added.

Some new modifications in agricultural operations that China has taken in light of changed conditions, he said, are by no means meant to alter those fundamental policies but to improve and deepen the reforms in the rural areas, Tian said.

Since last year, the State Council has launched a comprehen-

conomic growth of those developed areas while boosting the poverty-stricken areas' development; and take precautions against both droughts and floods. "We must strictly control the rapid growth of the population and check the practice of indiscriminate infringement on farmland," he said.

Tian urged various local governments to spare no efforts to

develop agriculture, especially increasing grain and cotton output to end the production stagnation of the past few years. The government will also continue to encourage healthy development of enterprises which are important to rural development. A policy favouring agriculture made by the central government must be carried through without a moment's hesitation, he said. □

Heads of Universities Write to US Counterparts

The presidents of 10 prestigious universities in Beijing wrote an open letter on November 29 to their counterparts in the United States, calling on them to urge their Congress and government to adhere to Sino-US agreements on educational exchanges and refrain from taking wrong decisions against the will of the Chinese and American people.

The adoption of the "emergency Chinese immigration relief act" by the US House of Representatives on November 19 and by the Senate a day later will undoubtedly constitute a great obstacle preventing government-sponsored Chinese students from returning to serve their home country, the letter said. It will also create enormous difficulties in the work of Chinese universities, it added.

Should this act be implemented, it will have harmful effects on the educational and friendly exchanges between Chinese and US universities. "All of us are very concerned over this," said the letter.

The immigration relief act was proposed in the wake of the quelling of the counter-revolutionary rebellion in June on the pretext of protecting the Chinese studying in the United States from so-called "persecution" by the Chinese government.

The presidents wrote that since last June, 236 Chinese students from their universities, who had been studying abroad, have returned. All of them were warmly welcomed and are being well looked after, they added. Those students who returned to China for a short time to spend their holidays, visit relatives or for other purposes were not only well received but had no problem in returning to the United States or other countries to resume their studies. Facts have shown that there is no such thing as "persecution" in China, they stressed.

Many Americans of insight and people from all walks of life in the United States who have recently visited China are aware of the real situation, which is obvious to all.

"Therefore, the basis for the bill proposed recently in the US House of Representatives and the Senate and the pretext used are utterly groundless," the letter said. "Over this we cannot but express deep regret."

In the past decade China has adopted the policy of reform and opening to the outside world, some Chinese and American universities have established friendly relations, and some have signed bilateral agreements. All this has contributed to deepening the friendship between the Chinese and American people

and promoting the two-way cooperation and exchange in the field of higher education, the letter said.

Training personnel jointly through the exchange of students and scholars is beneficial to both nations and is an established international practice. By adopting the bill, the US House of Representatives and the Senate have set a precedent in violating international agreements and interrupting normal cultural exchanges, the letter continued.

"Should this act become effective, it would seriously hurt the feelings of the Chinese people, and result in a strong reaction from the Chinese government," the presidents wrote. "The institutional links we have jointly set up would be undermined, and the bilateral agreements signed would meet with difficulty in their implementation, and this would undoubtedly incur great losses to both sides.

"It is not our wish to see events develop in a direction harmful to both sides, still less to see a suspension of the educational exchanges between China and the United States," they added. "Therefore, we sincerely hope that our counterparts in the United States will explain the pros and cons of the matter to members of Congress and people from all walks of life, as well as teachers and students in their own universities."

The 10 educators who wrote the letter are: Wu Shuqing, president of Beijing University; Zhang Xiaowen, president of Qinghua University; Shen Shituan, president of Beijing University of Aeronautics and Astronautics; Wang Run, president of Beijing University of Science and Technology; Qu Mianyu, president of Beijing Medical University; Shi Yuanchun, president of Beijing Agricultural University; Fang Fukang, president of Beijing Normal Univers-

ity; Luo Guojie, vice-president of the People's University of China; Wang Fuxiang, president of Beijing Foreign Studies University, and Zhu Hesun, president of the Beijing Institute of Technology. □

Marxism-Leninism Studies Renewed On Campus

Marxism-Leninism study groups have emerged on some Chinese campuses as students seen to improve their political and ideological awareness.

Beijing University, before the start of the autumn semester, held forums on how to strengthen the students' ideological work by learning Marxism-Leninism and combating bourgeois liberalization. Nearly 800 teachers attend political study sessions after work along with the students.

In the Beijing Institute of Technology, more than 1,000 students joined spare-time study groups. Students have become keen about the Communist Party's history and current affairs. Demand for works by Marx and Lenin has become so large that the university's library finds it hard to deal with the long waiting list.

Ma Weiren, a student at the university, said: "I actually don't know how to practise patriotism. I joined the study group to clear up my thoughts."

Some students think that the counter-revolutionary rebellion in June in Beijing exposed their immaturity, and therefore it was necessary to strengthen their political study.

In Jiangxi University in southeastern China's Jiangxi Province, 800 students have spontaneously set up more than 60 Marxism-Leninism study groups during the fall semester.

One student said that during the turmoil, he knew many of the arguments were wrong but he felt it difficult to produce a correct explanation. Only by studying Marxism-Leninism could he distinguish right from wrong, he said.

Forty-seven students at the university have applied for membership of the Communist Party since the beginning of the semester.

Students of the Hunan Traditional Chinese Medicine Institute view Marxism-Leninism and Mao Zedong Thought as their theoretical guideline and have organized study groups. A three-month course on the subject has been opened and those who pass an examination are given certificates.

Students in Shandong Province are also "looking for Marx."

Zhang Qing, a student of Shandong Industrial University, said that previously, he could not keep his hands off the books written by Jean-Paul Sartre and Sigmund Freud and believed Marxism was out of date. Now, he said, he has returned to Marx.

Another student Yan Xiouwen said that works of Marxism-Leninism are full of wisdom and philosophical theory of the subjective and the objective world, and by learning this, she could improve her understanding.

Many students involved in study groups believe that through learning Marxism-Leninism and Mao Zedong Thought, they can find the key to society and the world. □

Fund to Help Poor Dropouts

The China Youth Development Fund announced on October 30 a fund to help school dropouts in remote areas. The fund, the first of its kind, is called the "Hope Project," and is

intended to use financial aid from the Chinese society and overseas organizations to improve education conditions in China's backward areas.

Liu Yandong, director-general of the China Youth Development Fund, told a press conference that one-third of the 220 million school children in China have only received six years of education. Another one-third have junior middle school education, and less than 30 percent have completed senior middle school.

The average education level of Chinese citizens has yet to reach five years due to the low-per-capita education fund of 40 yuan (US\$11.20) each year, the director-general said.

Between 1980 and 1988, 37 million primary and middle school children dropped out of school, mainly because of poverty.

Liu said the "Hope Project" will help those dropouts with records of good character and marks, who had to leave school for financial reasons, to continue their studies.

At the same time, the fund will provide China's remote and backward areas with financial aid to build new schools and repair old ones.

Reports say that a total of 75 million square metres of school buildings are in need of repair, and some 45 million square metres are in even poorer conditions.

The fund will also help those schools where children need stationery, teaching aids, books and magazines, Liu said.

The China Youth Development Fund, set up in March this year, is jointly sponsored by the Central Committee of the Chinese Communist Youth League, All-China Youth Federation, All-China Students' Association and the National Work Committee of the Young Pioneers. □

A Move to Poison Sino-US Ties

"People's Daily" Commentary (November 26)

The US Congress recently adopted an emergency Chinese immigration relief act, which waives the two-year home country service requirement for all Chinese studying in the United States on J-1 visas. Earlier, the US Congress adopted an amendment to the State Department authorization bill on sanctions against China. Some members of the US Congress are attempting to exert pressure on China through economic and political sanctions, wantonly interfering in China's internal affairs and undermining Sino-US relations. The Chinese people cannot help but express their utmost indignation at the US actions and have lodged a strong protest.

These actions by the US Congress prove to be another serious blow in the deterioration of Sino-US ties. According to the US Immigration Act, if foreign students and scholars on J-1 visas want to change their visas and remain in the United States, they need to meet a two-year home country service requirement. They could not apply to change their nonimmigrant status before returning to their home countries to fulfil the two-year work requirement.

The home country service requirement for government-funded personnel studying abroad after completing their studies conforms to international practice. China and the United States reached an understanding on student exchange in 1978, and in 1985 both sides signed a

protocol on the issue. In 1987, the Chinese State Educational Commission chief visited the United States and held talks on Sino-US educational interactions with the US Information Agency. Both sides issued a press communique on Sino-US educational talks stating that they had discussed US laws and regulations referring to the home country service requirement and the necessity of ensuring the promotion of the basic goals of the Sino-US educational exchange. The US side held that American laws governing foreign personnel studying in the United States were applicable to all students and the laws included the provision that foreign personnel should return to their home countries to serve for two years after finishing their studies. The United States argued in the press communique that if people who completed their studies in the United States did not serve their home countries, the United States would fail to uphold its part of the international educational exchange. But the immigration relief act adopted by the US Congress runs counter to the spirit of the 1987 communique. This breach and the imposition of one's will upon others violates the international norms and reflects power politics.

For 10 years the two governments and the people of China and the United States have achieved desirable results through exchanges and cooperation in culture, scientific research and education. Numer-

ous facts show that the cooperation between China and the United States is conducive to the development and consolidation of their relations and helps promote scientific progress and cultural prosperity of mankind. Now, some members of the US Congress have violated the agreement. This is not only harmful to the interests of China but is harmful to the American people's interests.

While revising the bill, the US Congress argued that it was preventing the "persecution" of Chinese students who demonstrated in the United States after the quelling of the counter-revolutionary rebellion in Beijing on June 4. This argument is groundless and it is utterly absurd to take it as the basis for the legislation. After June 4, the Chinese government repeatedly reaffirmed that it would adopt a lenient policy towards those who supported or took part in demonstrations and hunger strikes and would not investigate their actions. Students and scholars abroad took various actions because they did not know the truth about what was happening in China. Therefore, there is no question of "persecution."

According to Chinese government statistics, more than 300 students have returned to China from the United States since June 4, and many students have returned to China for holidays to visit relatives or to travel on business. Upon their return home, they are warmly welcomed. The question of discrimi-

nation and persecution is utterly preposterous. As for the many students now abroad, they are expected to finish their studies and return to China to serve the four modernizations — agriculture, industry, national defence and science and technology. The Chinese government has again and again taken measures to improve their working and living conditions so that they can apply what they have learnt and display their intelligence and wisdom.

In the past 10 years a great number of students have returned to serve their country. This proves the policy of the Chinese government to send stu-

dents abroad to further their studies is entirely correct and also proves that overseas students have a close affinity to their homeland. But now the US Congress has attempted to unilaterally disrupt the agreement.

It should be seen that there are still some members of the US Congress who are hostile towards socialist China and treat Sino-US relations with prejudice. Since June 4 they have continuously created obstacles for Sino-US relations citing so-called "human rights" violations, trampling upon the norms of international relations and unjustifiably interfering in China. Their power politics and

hegemonistic actions have only served to reveal their arrogance and smallness.

If they consider that sanctions can bring the Chinese people to their knees, then they are ignorant that the Chinese nation has never succumbed to outside pressure. The Chinese people have known all kinds of sanctions. Sanctions have not worked in the past and won't in the future. The Chinese people hope the US authorities will study the situation closely, keep in mind the importance of Sino-US relations, let the US president veto the immigration relief act and not allow a few members of Congress to lead Sino-American relations astray. □

'Internationalization' of Hong Kong Gets Nowhere

by Gu Shiping

For some time now leading officials in the British government, capitalizing on China's quelling of the counter-revolutionary rebellion in Beijing in June, have made quite a fuss over the Hong Kong question. They energetically propagate a so-called "confidence crisis" in Hong Kong and, whenever possible, advocate "internationalizing" the Hong Kong issue.

Recently, this fuss reached new heights: Some people openly remarked that the internationalization of Hong Kong, either economically or politically, is an irresistible tide and that it is inevitable that the Hong Kong issue be raised during international discussions. Despite everything, it seems they still want to play the card of "internationalizing Hong Kong."

To realize their absurd attempt, those officials said the Sino-British joint declaration on the question of Hong Kong solved only the sovereignty question of Hong Kong and failed to arrange its future in full. Hong Kong is an international metropolitan city inhabited by citizens of many countries, and therefore, the officials said, it should become an international entity whose function is not purely economical. Hong Kong is "insulated" from the mainland, they argue. Some people go so far as to explore the possibility of Hong Kong becoming a member or an associate member of the Commonwealth after 1997, when Hong Kong is to return to the People's Republic of China. They even propose international supervision over the execution

of the Sino-British joint declaration.

Obviously, Britain is energetically persuading other countries and international organizations to interfere in the affairs of Hong Kong in an attempt to exert pressure on China to prevent it from exercising sovereignty over Hong Kong after 1997. This cannot but arouse serious concern from the Chinese people.

Indeed, Hong Kong is an international financial and trade centre with various countries. And should such a status be a reason for its internationalization, other international metropolises such as London would have to be internationalized as well. Common wisdom holds that an international metropolis is one thing and the "interna-

tionalization" of such a metropolis is quite another.

Hong Kong has been China's territory since ancient times and the overwhelming majority of Hong Kong residents are Chinese. China's sovereignty over Hong Kong is indisputable. The Chinese government has always stood for maintaining Hong Kong's prosperity and stability and its status as an international financial and trade centre. This, however, does not mean that Hong Kong's affairs can be interfered with or be dominated by the international community in the future. This holds true for any sovereign nation.

The view that Hong Kong's economic internationalization will inevitably lead to its political internationalization is ridiculous. The claim that Britain is entitled to submit the Hong Kong issue to international conferences for discussion is even more ridiculous. It is known to all that in 1984, the Chinese and British governments, after prolonged negotiations, reached a bilateral agreement on Hong Kong. It is entirely a matter between the government of China and that of the United Kingdom to implement the Sino-British joint declaration on the question of Hong Kong in the transition period before 1997. After 1997, Hong Kong will be a special administrative region of the People's Republic of China and all issues concerning Hong Kong will be China's internal affairs. No other countries or international organizations will have the right to interfere.

It is noteworthy that because of some British politicians' repeated and active persuasion for foreign countries to get politically involved in Hong Kong, politicians in some Western powers are ready to do so. In the United States, for example, some people

have openly said they should no longer be passive onlookers but should participate in the developments of Hong Kong.

It is common knowledge that British authorities have never allowed other foreign forces to be involved politically in the affairs of Hong Kong which they have controlled tightly. Yet, now they are eager to get other powers involved. Britain's intention of doing so, as some Hong Kong newspapers have pointed out, is to link foreign interests tightly with Hong Kong before 1997 and thereby check Beijing's influence over Hong Kong.

The Chinese and British governments reached agreement on Hong Kong following lengthy and difficult talks. During the talks the British government had raised many unreasonable demands in an attempt to keep its presence and influence in Hong Kong and tried to internationalize the issue. The Chinese government had refused these unreasonable demands and safeguarded the rights and interests of China in Hong Kong. After the Chinese government quelled the counter-revolutionary rebellion, some British officials decided it was again time to raise the issues of "confidence, people's will and internationalizing Hong Kong" to threaten the Chinese government and to achieve what they had failed to gain in the previous talks. All this has made people wonder whether some British politicians have truly given up their dream of turning Hong Kong into an independent or semi-independent political entity under the influence of Britain after 1997.

Hong Kong fell under British imperialism 100 years ago when the Chinese emperor (Qing Dynasty) was forced to sign an unequal treaty. The Chinese people have never recognized these unequal treaties forced on them by

the imperialists and in 1949 they won their national independence after a hard and unremitting struggle during which they made tremendous sacrifices. It is right and proper to return Hong Kong to the motherland and restore China's sovereignty. Any attempt to deprive China of sovereignty over Hong Kong and to separate Hong Kong from China is in vain. It should be remembered that the Hong Kong Special Administrative Region to be established after 1997 will not be a special administrative region of the United Kingdom or of the Commonwealth. Any plan to prolong the rule of Britain over Hong Kong after 1997 or to entice one or two Western countries to practise joint rule over Hong Kong will fail. Today, China is no longer weak as it was 100 years ago allowing itself to be trampled upon. The Chinese government and people will make no concessions over the principles of safeguarding the independence and sovereignty of the country.

The Chinese government has declared repeatedly that its reform and open-door policy will not change, and neither will its policy of "one country, two systems." China will strictly abide by the Sino-British joint declaration. China also hopes the British government, keeping in mind Hong Kong's prosperity and the long-term interests of the Chinese and British people, adopts a wise and realistic attitude in implementing the Sino-British joint declaration and avoid doing anything to jeopardize Sino-British relations and hurt the feelings of the Chinese people. Only in this way can Sino-British relations return to normal, the friendly co-operation between the two countries be restored and the future of Hong Kong be bright. □

US Adjusts Policy on Kampuchea

In an attempt to engineer a solution to the Kampuchean problem favourable to its interests, the United States is moving from behind the scenes to the frontline.

by Guo Xiangang

After moving into the White House, George Bush began to re-examine US foreign policy. Initial adjustments have been made to some aspects of the foreign policy, including the Kampuchean problem, in which Washington is deeply involved.

Containing the Khmer Rouge

In a major departure from its old policy, Washington is now providing military assistance to two factions of the resistance forces — the faction of Prince Norodom Sihanouk and that of Son Sann, prime minister of the Coalition Government of Democratic Kampuchea (CGDK) — with the Khmer Rouge excluded. During the presidency of Ronald Reagan, the United States mainly provided moral support and non-lethal military equipment and materials for the resistance forces, but the Bush administration has changed this practice. Last May, the United States presented a secret plan, under which Washington will supply rifles and other light weapons to non-Communist resistance forces with a view to strengthening the Sihanouk and Son Sann factions and countering and eventually eliminating the Khmer Rouge, thus laying the foundation for a non-Communist government to replace the present Vietnamese-backed Heng Samrin regime.

The US Congress held heated

debates on the plan. Though a few Congressmen worried that some of the aid would still fall into the hands of the Khmer Rouge and warned that the United States would be involved in the Kampuchean war, the Senate and the House of Representatives nonetheless passed an amendment that authorized the government to provide secret military aid to Kampuchean non-Communist resistance forces.

It seems that although Washington hopes to seek a political solution, it has prepared for the worst to happen. If a political solution is likely after the Vietnamese troop pullout, US military aid can consolidate the position of the non-Communist forces in the negotiations. On the other hand, if a civil war should break out, US weapons and equipment can at least strengthen the Sihanouk and Son Sann factions in their military confrontation with the Heng Samrin regime and the Khmer Rouge. In either case the United States can expect to expand its influence in Kampuchea. Therefore, regardless of whether the situation in Kampuchea evolves towards war or peace, the United States, under certain conditions, will probably increase its military aid both in variety and scale to ensure the expansion of the resistance forces excluding the Khmer Rouge.

In the past the United States

limited its prime targets of containment to Viet Nam and the Phnom Penh regime. With Hanoi announcing a withdrawal, however, the United States changed its attitude. According to a report in the *Los Angeles Times*, last June the US government decided to accept a compromise solution that allowed Sihanouk and Hun Sen, the "prime minister" of the Heng Samrin regime, to hold power together. In late July at the Paris International Conference on Kampuchea, US Secretary of State James Baker seemingly softened his attitude towards the Khmer Rouge, but in fact his attitude towards the Phnom Penh regime was even softer. He declared that the United States absolutely wanted no role for the Khmer Rouge in a future government and that US support for any future Kampuchean government would be inversely proportional to the degree of participation by the Khmer Rouge in the government. As for the Phnom Penh regime, Baker said that although the United States did not favour the further existence of the regime, it admitted that some people in the regime might be retained in a transitional coalition government. In mid-September, Assistant Secretary of State Richard Solomon disclosed that the Bush administration had formulated a plan that would guarantee no dominance by the Khmer Rouge in a future government.

Besides, the United States has asked China many times to halt assistance to the Khmer Rouge.

These signs indicate that the United States will be more stern and tough towards the Khmer Rouge and, when necessary, will turn to support a coalition by Sihanouk and Hun Sen.

Compared with the old policy since 1979, the new adjustment shows that Washington is now emerging from the background into the front stage to ensure that the solution of the Kampuchean problem is in its favour. It is attempting to capitalize on the current situation and re-enter Indo-China and thereby regain US strategic interests in this region.

Background on Kampuchea

Since the collapse of the Lon Nol regime in 1975, the United States has lost its dominant strategic position in Kampuchea and it has stayed behind the scenes because of various internal and external factors. But now that the entire international situation has changed, the United States considers it can return to the Kampuchean theatre.

The easing of US-Soviet tensions, clearly, is the key factor for the United States adjusting its Kampuchean policy. Although the United States still regards the Soviet Union as its main rival in Southeast Asia, it believes the Soviet Union's increasing domestic problems make it difficult for Moscow to take an expansionist policy in the region. Therefore the United States can speed up its activities in Kampuchea to contain the Khmer Rouge. With tensions eased with the Soviet Union, the United States also does not hesitate to distance itself from China on the Kampuchean problem.

As for the Kampuchean situation, the deadlock on a peaceful settlement has allowed the United

States to intervene further. The international community has promoted talks among all parties of Kampuchea and between Sihanouk and Hun Sen many times, but so far there have been no results. The failure of the international conference on the Kampuchean problem in Paris has made reaching a settlement even more complex. Sihanouk and Son Sann, in order to increase their strength, are urgently seeking military support, especially from the West. The United States considers it can play a role.

Moreover, the attitude of the Association of Southeast Asian Nations (ASEAN) also influenced US policy to some extent. In October 1988, a draft resolution raised by ASEAN countries and Japan to the United Nations Assembly included a provision for the first time preventing Pol Pot from taking power again. Since July 1988, the ASEAN countries have also promoted informal talks between Sihanouk and Hun Sen. The changes in the attitude of the ASEAN countries, the main allies of the United States, were naturally reflected in US policy.

The United States also has its own plans for the non-Communist Kampuchean resistance forces. The Sihanouk and Son Sann factions have increased their troops considerably. Sihanouk's troops are estimated to number between 12,000 and 19,000 and Son Sann has about 5,000. It is reported that they plan to increase their troops to 46,000 by the end of this year. Some US Congressmen also estimated that Sihanouk and Son Sann, if given US weapons, will double their troops. However, the Khmer Rouge is still noticeably strong, and the United States considers that it is likely the Khmer Rouge will regain Kampuchea. Therefore, according to the United States, it is

imperative that the Sihanouk and Son Sann factions be strengthened.

From a domestic perspective, now is the time for the United States to adjust its policy towards Kampuchea. The American public's confidence in the United States' ability to interfere abroad has been restored by the Soviet Union's retreat from international involvement, especially its withdrawal from Afghanistan. Media pressure objecting to US intervention in Indo-China has also weakened.

Influence on Southeast Asia

Washington's Kampuchean policy adjustments as part of its global strategy will naturally influence developments in Kampuchea and Southeast Asia, as well as US-Sino and US-Soviet relations to some extent.

Despite Viet Nam's announcement of a complete troop withdrawal from Kampuchea, tens of thousands of its troops and hundreds of thousands of Vietnamese still remain. The Kampuchean resistance forces still face a strong enemy. Although a political settlement may be reached, the possibility of war has not been eliminated. US military support will increase the resistance forces as a whole and exert more pressure on Viet Nam and the Phnom Penh regime.

The foreign policy adjustments are also favourable for the United States to restore its strategic superiority in Southeast Asia. The Soviet Union found a foothold in Indo-China after the Viet Nam War with the defeat of US forces. But now the Soviet influence in the region is on the ebb, and the increase of US military support will undoubtedly further weaken it. The United States considers that as long as a non-Communist government is established in Kampuchea, it can return to Indo-China.

On the other hand, the tough US attitude towards the Khmer Rouge coincides with the current Soviet policy. The American and Soviet foreign ministers met in Paris on July 29 this year for three hours of secret talks. Consequently, the United States

adopted a Kampuchean policy that excludes the Khmer Rouge, and the Soviet Union accepted US views that the United Nations should participate in settling the Kampuchean problem. The reasons for the Soviet turnabout are complex, but generally

speaking, it reflects an increased sharing of common views between the United States and the Soviet Union.

In general, the situation in Kampuchea has reached a crossroads and the effectiveness of the US policy remains to be seen. □

Debt Haunts Western World

by Sun Yi

The Western world is haunted by debt. And it is only natural to look at the figures for the United States first. American national debt has added up to US\$2,700 billion, or about 56 percent of the United States' gross domestic product, with an annual interest of US\$150 billion.

The debt burden of Japan, the biggest creditor nation in the world, is by no means lighter than that of the United States. A Japanese monthly publication disclosed in August that Japan's national debt will total 162,000 billion yen in fiscal 1989 and 21 percent of the taxes paid by nationals will be used to pay national debt interest. Another statistic shows that Japan's national debt has risen to 67.3 percent of its gross domestic product.

But there are other Western countries, besides the United States and Japan, that are pressed by a heavy debt burden.

Statistics published by an economic bulletin of Italian banks show that Canada's national debt is 69.5 percent of its gross domestic product; Britain, 46.1 percent; West Germany, 44.1 percent; France, 37.2 percent; and Italy, 96.5 percent.

It is a well-known fact that national debt derives from financial deficits. A moderate amount

of debt can help a government to enlarge its budget expenditure and increase its investment in public facilities. It can also stimulate enterprises to renew equipment as well as the expansion of private consumption. As a matter of fact, debts have promoted significantly most Western countries' economies.

However, with debts accumulating daily and the proportion of debts to gross domestic product increasing, the negative effect becomes more and more obvious. It has been realized that huge amounts of national debt are destructive to the conditions for a balanced increase of these countries' national economies. Some people warn that accumulating debts will place the Western economy in a dangerous situation and that the securities people now hold may lead to an economic crisis.

This is by no means sensational. With huge amounts of national debt, it is difficult for these countries' governments to shake off the embarrassment of shortages of funds. What is more serious, debts are destructive to Western countries' money markets and their normal economic mechanism.

First, the mushrooming debt burden sharpens the battle for funds between the government

and non-governmental units in the credit market. This will not only prevent the expansion of private investments, but also bring heavy pressure upon the money market. And interest rates will increase as a result. This is undoubtedly a potential threat to most Western countries that are currently taking measures to avoid a new economic decline.

Second, due to a constant increase in interest payments, it becomes difficult for the government to keep its financial budget under control. In this way, the role of financial policy—the most important means Western countries employed after World War II to regulate their economic activities—is diminishing.

At the same time, with a limited buying power of the private sector, a large number of government bonds will have to be purchased by the central banks. This will increase the chance of expanding the money supply. As a result, the role of the monetary policy—another important means Western countries employed to intervene in economic activities—is also diminishing.

Therefore, Western countries have determined to reduce their financial deficits and to prevent the mushrooming of national debts. This, however, is not an easy thing to accomplish. □



A bird's eye view of the Shoudu Iron and Steel Co.

CHU YUPING

SHOUDU IRON & STEEL CO. (1)

A Model in the Reform of State-Run Enterprises

Shoudu Iron and Steel Co., China's fifth largest enterprise owned by the whole people, has shown unprecedented success during the past ten-year reform and has been transformed from a backward plant with its out-of-date equipment and low efficiency into a modern enterprise which has full use of computer technology. The result of this change is that its labour productivity and economic returns have leapt into the trade's advanced ranks in the world. Beginning in this issue, we publish a series describing what the ten years of reform have done for the company.—Ed.

by Our Staff Reporter Li Rongxia

The Shoudu Iron and Steel Co.'s physical appearance, the old look replaced by a new one, has changed beyond recognition during the ten years of reform. Facing the gate, a huge statue of a flying eagle represents the progress made during the ten years of reform. Further along, a screen wall shows the motto "the Contract Responsibility System—the Lifeblood," beyond which one can see on the left the new workshops and on the right recreation buildings enveloped in verdant trees and plants. Beyond this, one discovers the changes

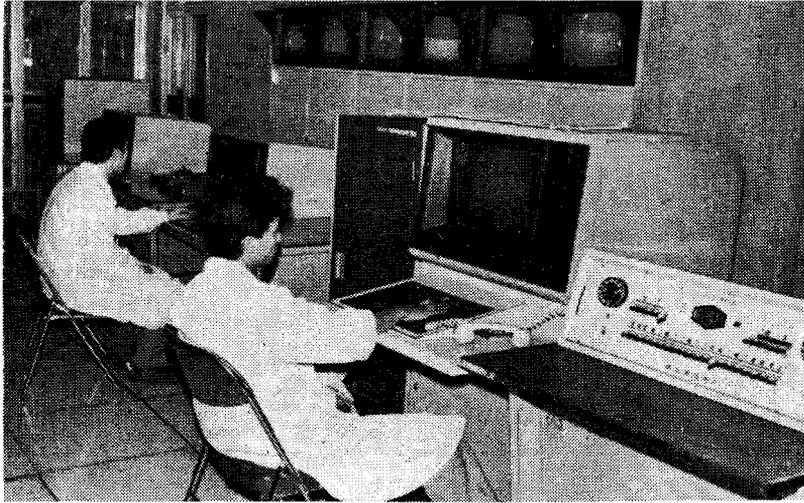
wrought in the company by its much improved balance sheet.

Shoudu Iron and Steel Co. is the one of the pilot enterprises for urban reform. Great changes have since taken place in the company. It now has a staff of 180,000 and fixed assets of 5.1 billion yuan.

Economic Returns

Since the onset of the reform and opening up in 1978, the company's net profit has, on the average, increased annually by a 20 percent to reach 1.61 billion yuan last year, 5.4 times the

1978 figure of 299 million yuan. The rate of taxes and profits on funds, an indicator of the overall efficiency, reached 66.69 percent in 1988 and represented a 41.02 percent increase over the 1978 rate of 25.67 percent. This placed the company first among the iron and steel enterprises in the country. Based on the price parities between steel products in the international market, the net output value per capita of the company in 1988 was US\$18,300 annually, 8 to 113 percent higher than US\$14,800 for the British Steel, US\$17,000 for Klockner of Federal Republ-



The computer room of the Sintering Plant.

XUE CHAO

ic of Germany and US\$8,600 for Usinor of France; it matched the level of such iron and steel companies as Krupp and Thyssen of Federal Republic of Germany. The per-capita profit of the company in the past decade increased 4.74 times at an average rate of 16.85 percent a year to reach US\$16,600 last year, 4.6 times FRG Krupp's US\$3,600, 2.59 times the Canada No.2 Iron and Steel Co.'s US\$6,400, and slightly less than that of five Japanese iron and steel companies.

The company's contribution to state revenue has doubled. In 1988, the company turned over 1.124 billion yuan of taxes and profits to the state, four times that of 1978, at an average annual growth rate of 11.7 percent a year during the ten years of reform. During the 30 years prior to reform when unified state revenue and expenditure was in effect, the total taxes and profits the company turned over to the state were 3.629 billion yuan. Allowing for the state's total investment in the company, the actual amount the state received from the company was 107 million yuan a year. In the past ten year, the company has delivered to the state 7.04

billion yuan in taxes and profits. At the same time the company did not receive allotted funds from the state. This has been the case since the adoption of the contract responsibility system, and added 2.576 billion yuan to fixed assets. The two combined to be 9.6 billion yuan, averaging 1 billion yuan a year, ten times the rate prior to the reform.

Steel output has also increased by a big margin. The output of steel products was 1.17 million tons in 1978 and up to 3.14 million tons in 1988, equal to an iron and steel plant capable of producing 1.97 million tons of steel products annually for the state. In addition, the quality of the steel products was raised, varieties enlarged and costs lowered. The company now manufactures 69.45 percent of its products according to international standards. The company now has four products awarded gold medal and 12, silver medal by the state; 89, fine-product citation by the Ministry of Metallurgical Industry; and 126 fine-product citation by the Beijing municipal authorities.

During the reform, the company established an independent operational and management system under the state's plan-

ning and formed a pattern of concentrating on iron and steel production while doing other businesses. In the meantime the company participated in international competitions. In 1988, the company bought 70 percent of the shares of the US Mesta, a company with 90-year history. With Mesta's design skills and its own machine production capacity, the company took advantage of the recovery of the world's iron and steel industry to enter bids for such projects as cold-rolling and hot-rolling mills in Iraq, the United States, Iran and Thailand. Moreover, the company developed products for export such as hardware which had good sales in the US markets. To date, the company has set up self-funded, and co-operative enterprises and commercial networks in the United States, Australia and some European countries while attracting foreign investment to set up co-operative enterprises in China.

Technical Progress

Ten years ago, the company's equipment was mostly out-of-date with some produced in the 1920s. The company has made a complete technological turnaround, however, by using its own funds. All major production facilities are now computer controlled, giving the company an internationally advanced standing.

The Sintering Plant, put into production in 1959, used the out-of-date Soviet equipment of the 1940s which caused serious dust pollution. In 1983, the company adopted, for the first time, internationally state-of-the-art control systems to computerize the production process of more than 800 machines and used large electric dust removers to deal with 134 dust-producing

sites in the workshop. After renovation, smog density from the chimney was brought down to 43.6 milligrammes per cubic metre, much lower than the state standard; and 93 percent of work posts have dust content lower than ten milligrammes per cubic metre.

The plant's output was also increased from the originally planned 3.1 million tons a year to the current 3.5 million tons.

The company's workers are innovative. The No.2 Furnace was first moved by the Japanese invaders from Pusan in Korea to the predecessor of the Shoudu Iron and Steel Co. in 1941 in an attempt to plunder its resources. The furnace was too old to work well until after renovation when the company adopted 37 new technology items to bring it up to the advanced world level.

Two items, the coal power injection in the blast furnace and the top combustion hot blast stove, got a state patent and were exported to Britain, the United States and Luxemburg. The company's gains from the furnace are greatly increased, as its utilization index is up to 66 percent and its output goes up by 5.87 times. After only 19 months, the company was able to recoup its capital outlay of 80.29 million yuan.

At the same time the company imported second-hand facilities from other countries, and transformed them into standard, advanced equipment of the 1980s. In 1983, the company turned out 3 million tons of iron but only 2 million tons of steel. If a 1 million ton steel plant were built, the company could have spent 400 million



The bread bakery of the Shoudu Iron and Steel Co.

XUE CHAO

yuan and three to four years using domestically made facilities or 1.2 billion yuan and four to five years by importing complete sets of equipment to bring them into production. Instead, the company spent 40 million

yuan buying revolving furnace equipment from the Seraing Steel Plant of Belgium and renovating it, thereby cutting two or three years off the lead time.

The revolving furnace of the Seraing plant has three patented

The continuous ingot-casting machine installed after renovation of the second-hand Belgian facility.
XINHUA NEWS AGENCY



technologies and technical measures up to the level of the 1970s. It has a designed capacity of 3 million tons. After being revamped on more than 20 important items, the furnace is technically brought up to standards of the 1980s; it is now a computer-controlled converter of compound blowing from both top and bottom and incorporated with an automatic dust remover and devices for gas recovery and continuous casting and hot rolling—all absent in the original.

Pan Jiazhen, head of the planning department, said the company has invested 2.6 billion yuan in 113 items of technical transformation and 1,400 measures for energy saving, environmental protection and profit increase during the ten years of reform. The technical updating has giv-

en Shoudu a shot in the arm. The output of ore has increased from 11 million tons in 1978 to the present 19.6 million tons; iron from 2.449 million tons to 3.36 million tons; steel from 1.79 million tons to 3.57 million tons.

Due to the continued expansion of its facilities and operational level, the company excelled itself in 34 of the 55 main technical and economic targets set for rating China's key iron and steel enterprises in 1988. The consumption of energy per ton of steel dropped from 1.247 kilogrammes in 1978 to 865 kilogrammes in 1988, and the rate of ingot that can be processed into steel products increased from 82.23 percent to 85.97 percent. The total of metal saved in the past ten years was 744,000 tons, and the energy saved thereby in terms of standard coal was 5.7 million tons (equal to the annual output of a large coal mine); the total of water saved was 600 million cubic metres (equal to the reserves of a large reservoir). The capacity factor

of an average blast furnace reached 2.2 tons per cubic metre per day, the coke ratio 413.7 kilogrammes per ton, and the capacity factor of an average revolving furnace 62,677 tons per day. The company had 31 patents with the state, the most among all enterprises throughout the country.

Improved Life of Workers

Since the company introduced the contract responsibility system ten years ago, its profit increased at an average annual rate of 20 percent, 7.2 percent of which was turned over to the state and the remainder used for production, wages and bonuses and welfare. The living standard of workers, thus, improved rapidly. In 1988, the average monthly income per capita was 208 yuan, 3.3 times the 1978 figure of 61.57 yuan. Some workers even have a monthly income of 300 to 400 yuan.

Welfare has also increased drastically. In 1985, a managerial committee for workers' live-

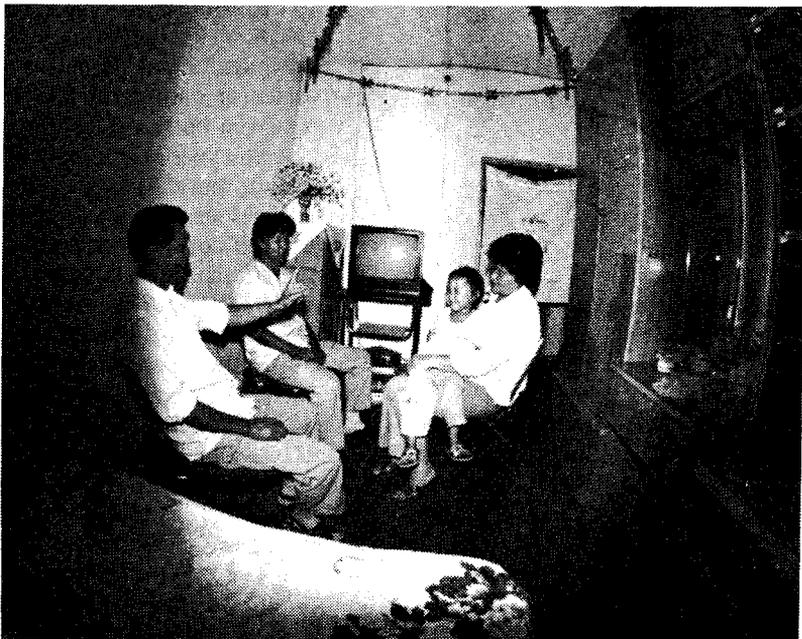
lihood was established to process food and sell cheap to workers. In addition, it set up a 1,500-ton cold storage and 14 food processing lines, and a 2.5-million-kilogramme beef and mutton base. It also has a 133-hectare shrimp-breeding ground. Now the workers can purchase all kinds of food and commodities within the company at prices lower than on the outside markets. Since 1985, the company brought benefits of 36.59 million yuan to the workers.

Living conditions have improved drastically. Houses of 11.18 million square metres have been constructed during the past ten years, 3.3 times the total area of the previous 30 years. Over 16,715 families have moved into new houses and 9,233 families have seen their living conditions much improved. The per-capita living space grew from 3.35 square metres before the reform to 6.21 square metres in 1988.

Furthermore, the company, in the living area, provided 130,000 square metres of such services as schools, kindergartens, hotels and clothing processing and 240,000 square metres for clubs, gymnasiums, libraries and swimming pools.

The workers beautified their living and production environments through their labour. 3.115 million trees have been planted and lanes of 778,000 square metres opened and 648.5 plants and flowers grown since the startup of the reform. The landscaped areas now cover 29.5 percent of the total, compared with 7 percent in 1978. It now has 200 gardens and 116.9 hectares of green vegetation and is a model making itself a trend-setter in environmental protection and beautification in the metallurgy industry throughout the country. □

Fang Jida (first from left), a worker of the Shoudu Iron and Steel Co., with his family. XUE CHAO



SHOUDU IRON & STEEL CO. (2)

Contract System Stimulates Enterprises

by Zhou Guanwu

The Shoudu Iron and Steel Co.'s experience with the contract system has demonstrated that when the labourers' status of being masters in a socialist enterprise is ensured and when their labour is closely related with their own material interests, their enthusiasm, wisdom and creative power can be fully optimized.

The Shoudu Iron and Steel Co., one of eight pilot enterprises for urban reform listed by the state in 1979, first tried out a profit-sharing system and then instituted, in 1984, a contract system based on the progressive increase of profits. Company profits handed over to the state were required to increase at an average rate of 7.2 percent annually, using the amount of profit submitted in 1983 as a base figure. Any profit over this amount could be kept by the enterprise. This stimulated employees to increase both production and income, and created an unprecedented and vigorous boost in company activity. By 1988, annual profits had increased at an average rate of 20 percent for ten years running.

During this time, the company turned over an aggregate total of 7 billion yuan of profits to the state, plus 2.6 billion yuan spent on fixed assets to increase prod-

uction, assets which still belong to the state, and the total reaches 9.6 billion yuan. This is ten times more than the original net value of the company's fixed assets in 1978.

The rate is still increasing. The profits gained in the first nine months of this year were 20 percent higher than the corresponding period last year. It's estimated that such growth can be maintained until 1995.

The fuel for such growth is the ability of the company to function economically and independently of the government. Over the last ten years, the company not only no longer has to ask for any state investment, but has been able to update its old equipment and production lines with its own accumulated funds. It has, for example, fully computerized main equipment and a complete iron and steel production line, with an annual capacity of more than 3 million tons. The company has thus played a key role in the strategy of "taking iron and steel production as the key link" within a diversified economy. By merging 37 factories in China and establishing some enterprises abroad, it became a conglomerate with 4.5 billion yuan of fixed assets and 185,000 workers and staff.

Such great changes in the company over the last ten years prove incontrovertibly that the cause of low efficiency in enterprises does not lie in their socialist, public ownership, but in-

stead is the result of a rigid managerial system which hampers development. By implementing the contract system, ensuring the controlling position of labourers and closely connecting their output with their own material interests, their enthusiasm, wisdom and creative power can be brought into full play and the management structure is alive and vital and the company is predisposed to rapid development. Basic experiences of the company made in the past ten years include the following:

1. All-round contract with all enterprise staff to ensure their status of masters.

The company's all-round contract system includes every worker and staff member, specifically all workers and staff contract with the state, unlike other enterprises which contract only with managers and factory directors. The reason for this is that the steel company believes in the state-owned enterprises, employees are both labourers and owners of the means of production as well as masters of the state and society. The exercise of their rights and duties as masters in managing enterprises and, by extension, state affairs is both the premise and the goal of reform. Under the old system, enterprises were, in fact, controlled directly by various levels of state organs, which asked the workers and staff to undertake leading responsibility without giving them concurrent rights.

The author is a well-known entrepreneur in China. He is now Party secretary of the Shoudu Iron and Steel Co., and a director of the factory committee.

The result was low enthusiasm and no sense of responsibility.

The current contract system has, thus, solved one basic problem. That is, based on the principle of combining labourers' rights and of assigning work duties in an atmosphere of cooperation, goals such as fulfilment of the enterprise's responsibility to the national economy, and the completion of the enterprise's operation objective, technological and professional targets are fulfilled among all the workers and staff. In support of this, awards and punishments are given according to actual work completed. For the enterprise, the more the enterprise makes above-quota profits, the more it can retain; and for individual workers, the more they work, the more they earn. In this way, the status and rights of the workers and staff are ensured and their sense of being the masters over the company's econo-

mic position strengthened.

The result of such an all-round contract system wherein the workers and staff become the mainstay of the enterprise's management is their participation in democratic decision making. The leading body and highest organ of power is the workers' congress while the factory committee exercises the functions of the congress when it is not in session. Major issues are decided by the factory committee, and when necessary, it will submit decisions to all workers and staff for discussion. In regard to implementing decisions, the enterprise manager is responsible for a unified leadership, while the Party committee, playing its role as the political core, is responsible for the enterprise's ideological and political work.

Practice shows that such a collective system does no harm to the managers and factory directors in the exercise of their du-

ties. Moreover, it can generate collective experience and wisdom, and avoid erroneous management decisions.

The company has also set up a democratic management system. This includes the election of enterprise leaders, the circular on the situation, discussions of major decisions by employees, a dialogue between factory directors and employees, acceptance of employee suggestions, recommendation, election and supervision of cadres, and announcements to employees of the results of leadership deliberations.

2. Mutual consideration of the interests of the state, enterprise and employees.

Under the socialist system, the interests of the state, enterprise and individuals should be on an equal footing. However, under the old system, there was a large amount of revenues and expenditures concentrated in the state's interest, the interests of

During the 1988 Spring Festival, Zhou Guanwu (first right) accompanied Premier Li Peng on an inspection tour of the Shoudu Iron and Steel Co. Qi Yuanqing (first left) is minister of the Metallurgical Industry.



enterprise and individuals were ignored and so workers and staff lacked the initiative to increase production. After the contract system was implemented, however, the innate mechanism was established among the state, enterprises and employees which bolstered mutual promotion of interests. This mechanism was based on the following facts.

1) Profits handed over to the state are required to increase at an average rate of 7.2 percent annually (the base figure was the amount of profit submitted the previous year) with the prerequisite that the state plan must be fulfilled;

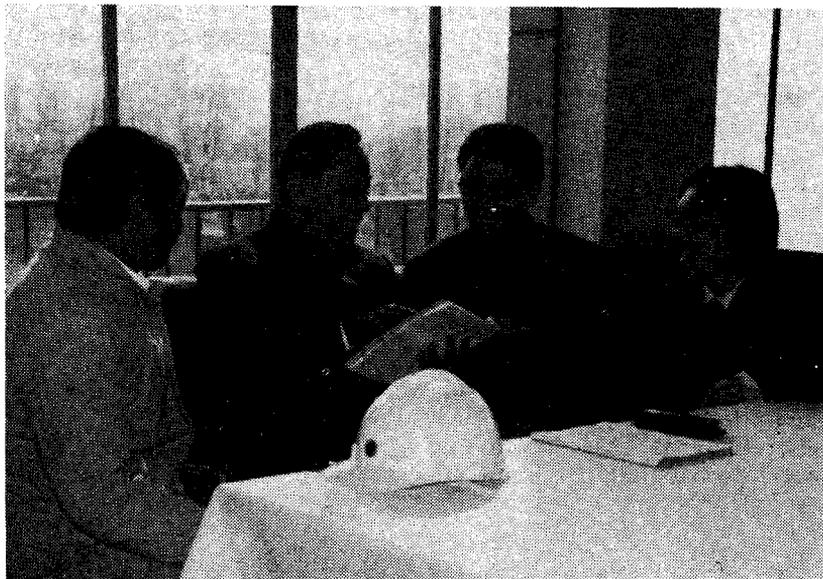
2) Real annual profits increase at an average rate of 20 percent over the previous year;

3) After taxes and the transfer of profits, 60 percent of excess profit is used for expansion, 20 percent for collective welfare, and the rest as employee bonuses;

4) The payroll is linked to profits, that is, every 1 percent increase in profit in turn means a 0.8 percent rise in the payroll.

Nearly every person in the company is aware of these four quotas and understands their inter-connection. In the contract system, increasing excess profit for the enterprise and the corresponding increase in state revenues generate an enthusiastic search by the enterprise for new steps to raise efficiency. At the same time, because every employee's economic interests are linked to the enterprise's economic performances and long-term development, they, individually, do their best for the enterprise.

The increase of benefits for the state, enterprises and employees is based on the sustained and increasing efficiency of the enterprise. It is necessary, therefore, to let the enterprise keep the major portion of its profits, each year increased by a percent-



Zhou Guanwu (second left) talks about reform with workers' representatives.

Photos by MA YUKUN

tage, for expansion. Only in this way can enterprises keep up with modern production and raise income. The ultimate goal is to diversify financial resources, increase contributions to the state and improve living conditions of employees.

The general principle of "to each according to his work" is one essential characteristic of socialism and in the Shoudu Iron and Steel Co. there's a four-point system which ensures the principle of more pay for more work: The first is the job wage system, by which employees are paid according to their job; second is a strict, annual examination of technical and professional standards based on which about 30 percent of employees receive a floating wage; third is the stipulation that all workers and staff who have fulfilled their tasks are given 10 to 11 percent of their original base wage (in line with the amount of work done beyond the required quota); finally, there is an assessment of the performance of both the enterprise and its employees and bonuses are given according to their

fulfilment of the contracted monthly task.

This kind of distribution method, linking wage payments with the quality and quantity of a person's work, has closely integrated the interests of each employee with that of the state and enterprise and promoted the sustained and rapid development.

3. Modern management system with an internal division of labour.

In order to strengthen enterprise management, the company in the past had a system of job responsibility and group business accounting, but there was no definitive standard of assessment, nor a link with income, and so it failed. Things are now much different. The contract system is based on a schedule, strict assessment of performance and a link between income and distribution. Everyone is concerned with and feels responsible for their own fruit of labour as well as the enterprise's performance.

With an expanding scale of production and management on the company's part, computers

are needed to maintain efficiency. Beginning 1982, the company, within two years, established a 3-tier computer information system by importing necessary computer hardware and designing their own software. The company now has 306 central machines, capable of performing various functions, linked together in a computer management network of office, factory workshops and mines. They are capable of completing 1,001 functions and cover such operations as cost accounting, profit forecasting, planning quotas, production guidance, accounting of raw fuel supplies, equipment forecasts, wage accounting, and personnel files. This system has raised managerial efficiency and supported the sustained increase in economic performances, by ensuring that labour, finance and materials are properly utilized.

The successful management of the company also lies in its persistent, strict management, examination programme and the system of reward and punishment. Every person, including the leaders at various company levels, must, without exception, follow the various regulations. Any person who violates such regulations, whether or not he or she causes a loss, is fined an amount equal to the monthly bonus. Incompetent leaders are dismissed from their position.

4. To strengthen ideological and political work, and build a socialist cultural and ethical civilization.

To cultivate a new generation of workers and staff who possess ideals, ethics, discipline and knowledge, and to uphold the socialist orientation in enterprise management is an important goal and a prerequisite for China's modernization drive. In the past ten years, the Party committee of the company, in addition

to providing Marxist theoretical education, carried out political work on the ideological basis of the contract system.

This education first pointed out the need for employees to fulfill their contracted task, a 20 percent annual rise in profit, despite the many difficulties encountered. The Party organization, however, made clear the mission of the working class, and the significance of reaching their goal. Everyone was needed, the Party organization explained, to combine their effort to fulfil the contract and achieve the triumph of socialism over capitalism.

The second facet of the educational drive noted the need to correctly deal with the relations between the parts and the whole. In the process of fulfilling the contract task, efforts have been made to let them know that each person is not only responsible for a particular field of work, but also to co-operate and form associations between the various divisions of labour. Only in this way can the enterprise perfect its optimum economic performance.

The third educational goal was designed to ensure the general principle of "to each according to his work," and encourage the workers to raise their income through hard work. Before the distribution of monthly bonuses and before announcing the increase of the annual floating wages, workers are reminded of the principle of "more work, more pay, less work, less pay and no work, no pay" and of the fact that only by continued improvement and higher economic efficiency can their wages and standard of living be raised. At the same time, competitions between workers to win the title of "advanced worker" have been instituted.

The fourth educational goal is to encourage workers to pool

their wisdom and efforts to overcome difficulties and problems in production.

In order to give people an understanding of culture and ethics, the company introduced a code of ethics and conduct. Various entertainment and stimulating cultural activities are organized to nurture a higher ideal of the "Shoudu Iron and Steel People," who sacrifice their own interests for the sake of others, find pleasure in helping others, and are ready to take up the banner for a just cause.

According to incomplete statistics, beginning in 1982, there have been more than 800,000 company workers cited for their energetic, altruistic behaviours.

To raise both the cultural and technical knowledge of the workers and staff, the Shoudu Iron and Steel Co. operates a full-time university and a vocational mine school. By 1988, it had developed 54 specialties in which 4,660 students had enrolled and 31 specialties in cultural education for 9,759 students. The company has trained 4,205 university graduates and the number of its computer personnel has grown from eight in 1982 to 3,100.

Looking back on the decade-long reform process and the dramatic changes in the company, it's clear that in the present stage the contract system is an effective way to stimulate socialist enterprises. There still exist, however, two problems in the company: The first is that the company has too little leeway in its investment rights. Any investment project that exceeds 3 million yuan needs to be approved at every level. The second is that although the company's managerial scope has expanded worldwide, it can make no independent decisions regarding foreign trade. Further reform is needed to gradually perfect the contract system. □

Marxism-Leninism Is the Banner of Our Times (III)

Following is the last of the three-part series written by Zhang Zhen, president of the China National Defence University. The first two parts which refute the so-called outdatedness and harmfulness of Marxism-Leninism were carried in our last two issues.—Ed.

by Zhang Zhen

Those advocating bourgeois liberalization have put forward the idea that the so-called "pluralism" is the guiding ideology and asserted that Marxism-Leninism is only one of many schools of thought; it should not and cannot, they assert, become the guiding ideology by simply placing itself above other schools of thought. If Marxism-Leninism must treat other sciences with an equal attitude, respect the independent developmental laws of each science, constantly absorb theoretical nourishment from the development of other sciences to enrich and develop itself, and refrain from playing the part of the all-inclusive "science of the sciences," then classical writers of Marxism-Leninism would be in agreement for they have always held this view. The Communist Party of China, as well, has always maintained such a stance. That is not where the divergence with the preachers of "pluralism" lies. The point of divergence lies, instead, in the question whether Marxism-Leninism will be used as the fundamental ideology guiding our work.

Those who propagate that "pluralism" should be the guiding ideology have ignored the basic common sense that in a society where classes exist, the ruling ideology of any country will naturally be the thought of the ruling class. In countries where slavery existed, the ruling ideology was the thought of the slaveowner class. In feudal countries, the ruling ideology was the thought of the feudal land-owning

class. In capitalist countries, the ruling ideology is the thought of the bourgeoisie. In socialist countries, the ruling thought is naturally the thought of the proletariat, that is, of Marxism-Leninism. The reason for this is clear to all. The class holding the dominant position in the socio-economic structure will naturally set up an ideology to protect its economic base. In other words, different ruling thoughts in different countries are the reflection and extension of the economic base of the country into the ideological realm. Marx and Engels pointed out in the *Manifesto of the Communist Party*: "The ruling ideas of each age have ever been the ideas of its ruling class."

The bourgeoisie has always hypocritically concealed the class character of the ruling idea and depicted capitalist society as a paradise in which any ideology can freely develop. Actually, the capitalist society has its clear guiding ideology. This ideology is the social and political theory of the bourgeoisie which has gradually taken shape along with the growth of the capitalist commodity economy and which has been fully implemented in the constitutions and laws of the capitalist countries. The bourgeoisie has always adopted an attitude of rejection of any ideology that may endanger the capitalist domination. When the ideology of scientific communism came into being, the bourgeoisie regarded it as a dreadful "spectre" and tried its best to destroy it. Early in the 20th century, the bourgeoisie took further

steps to formulate a global strategy for dealing with the "communist pestilence" and vowed to "terminate the terrible threat enshrouding the world."

Thus, it can be seen that the "ideological freedom" of the bourgeoisie has its rigid demarcation line. Given such a situation, is it fair and equitable to require that socialist countries allow bourgeois ideology to have "an equal footing" with Marxism-Leninism and to permit every hue of Western ideologies to overflow society?

The guiding position of Marxism-Leninism, however, is determined not only by its class character but also by its fundamental nature. Like other sciences, Marxism-Leninism cannot dissociate itself from the concrete problems of the times. Its focus of attention is the general law of nature, of social and ideological development, the general trend and law of development of the times and the fundamental method by which the proletariat can fulfil its historical mission; it is concerned with a global, society, state, class and revolutionary outlook. Compared with other scientific research aspects, these matters are of a fundamental nature.

This trait mandates that Marxism-Leninism should be of universal guiding significance. In man's multiple social and economic structures, a world outlook and methodology cover all of their aspects. There is no scientific research or any other kind of work that is not under the guidance of world outlook and metho-

dology. The point is whether it is the scientific world outlook and methodology or non-scientific ones that give guidance.

In the field of social research, apart from world outlook and methodology, the outlook of the society, the state, class and revolution also penetrates all structural aspects and so every step in scientific research and in other kinds of work should be subject to the fundamental viewpoints mentioned above. The question, again, is whether it is controlled by the scientific viewpoint or by the non-scientific one. In research of natural sciences, for example, so long as the researcher is a member of the class society, his research work will be affected by the outlook of the society, the state, class and revolution. Marxism-Leninism, on the other hand, assimilated and reformed all useful aspects of mankind's ideological and cultural development of the past several thousand years, founded the world outlook and methodology of dialectical materialism (the scientific outlook of the society, the state, class and revolution), and tested and verified, over a long period of time, the truth of such methods in social practice.

Those who advocate "pluralism" do not really intend to practise pluralistic guidance. Their real aim is to undermine our theoretical base and let the bourgeois ideology occupy the leading position. To attain their goal, they have adopted the trick of "hanging up a sheep's head and selling dog meat," flaunting the banner of "developing Marxism-Leninism" in order to negate it. Fang Lizhi, one representative of bourgeois liberalization, once said, "Leaders have said that Marxism should be developed, and I have made use of this phrase." He also asserted, "The form can be retained, but the content should be changed. Protestants opposed Catholicism and carried out religious reform. How-

ever, they still used the same Bible. We can follow suit in China and hang up a sheep's head and sell dog meat."

Marxism-Leninism does need to be developed. This is, first of all, required in its practice. The theory came into existence by its being put into practice and, likewise, is developed by its ongoing practice. Its vitality lies in its constant analysis and study of new situations and new problems which arise in practice, the ability to enrich and develop itself by the formulation of new theory as well as its ability to give guidance to its ongoing practice. Second, this is the essential developmental demand. An important mark that distinguishes Marxism-Leninism from other ideological systems is the former's disavowal of an ultimate truth for all time; and it is, in nature, revolutionary and critical. Marx, Engels and Lenin criticized those thinkers who frequently regarded their theories as the "ultimate truth." Lenin openly declared that if socialists were truly unwilling to lag behind the real life, they had to push science forward in all aspects. Third, the development of Marxism-Leninism requires the defence of Marxism-Leninism. It is currently being defamed and attacked, a situation to which no Marxist should remain indifferent. For this defence, however, we must continue its development. If we rigidly adhere to every sentence and word of Marxism and reject the theory's practical development, we will suffocate its vitality and create an ossified dogma. This, in itself, will provide an excuse for those who attack it. Only by developing Marxism-Leninism, enriching this scientific system with new theories and thus enabling it to have a clear and practical guiding significance, can we effectively answer those who defame and attack it on the pretext that the situation has changed.

However, developing Marxism-Leninism does not mean an ex-

cuse for discarding Marxism-Leninism, it means, on the contrary, a more strict adherence to its guiding role. While speaking of its development, we also mean adherence to it for without adhering to it, its development will be out of the question. Likewise, without its development, adherence will lose its real sense. Therein exists the conflict between the two views on development. Proceeding from reality, Marxists respect the dialectical law of cognition and regard the truth as a process, they not only oppose the absolutes of man's cognition of a certain period, but also oppose the view that the cognition of mankind's truth is a thing passing in a flash. That is to say, adherence and development are integrated in a dialectical way and unified on a practical basis.

The opposite view of development, proceeding from a subjective supposition, is that its representatives negate the linked chain of mankind's cognition and deny the fact that truth is itself a process. They substitute relativism for dialectics and fall into a quagmire by negating the objective truth. With regard to those who advocate bourgeois liberalization, as far as the source of their theory of knowledge is concerned, they treat Marxism-Leninism precisely with the developmental view based on relativism. Of course, to negate the guiding position of Marxism-Leninism in excuse of "developing Marxism-Leninism" is, first of all, not a problem of cognition, but of politics.

Advocating "substitution" in the name of "development," is a new form of struggle between us and the exponents of bourgeois liberalization. In recent years, they have peddled a great deal of mistaken ideas to the youth and to society as a whole by the appeal of such channels as the "multi-party system" in politics, "private ownership" in the economy and the "theory of pluralism" in guiding ideology. To rebut such ideas, we

must sum up the law of class struggle which takes special forms during the socialist period, enhance our ability to discern bourgeois liberalization and raise our level of struggle.

To sum up, Marxism-Leninism is the theoretical basis guiding our thinking. This is our firm and unshakable principle. The "outdatedness theory," the "theory of

harmfulness" and the "theory of pluralism" spread by those who advocate bourgeois liberalization are aimed at demolishing this theoretical base. In order to thoroughly foil their plot to undermine socialism, we must carry out the study, publicity and research into the basic theories of Marxism-Leninism among the cadres and young people in a

down-to-earth manner. Only by comparison can one distinguish. Truth also needs to be compared. Only if we study with a practical eye the works of Marx, Engels and Lenin while at the same time grasping their profound meaning, can we clearly perceive the insignificance of some currently fashionable "theories" of the West. □

Qingdao: An Open City

by Hai Ning

Situated in southeast Shandong Peninsula, Qingdao, with an area of 10,654 square kilometres and a population of 6.49 million, is among China's 14 coastal open cities, 15 urban economic centres and the more than ten cities enjoying economic autonomy at the provincial level. Its total industrial output value reached 21.02 billion yuan in 1988.

Economically, Qingdao is the

Qingdao's Export Volume (1984-88)

year	1984	1985	1986	1987	1988
million yuan	880	990	1,334	1,749	1,950

strongest city of Shandong Province. Before 1988, the profits and taxes it turned over to the provincial government equaled that of the total sum of Jinan, the province's capital, Yantai, Zibo and Weifang.

Qingdao is one of China's five major foreign trade ports. In 1988 it handled US\$4.75 billion worth of export goods; destined for more than 140 countries and regions.

Foreign Trade. The city's export volume has gone up annually since 1984 (see table above).

Textiles and light industrial products make up about 70 percent of the city's exports, while machinery and electronic products and other goods make up 10 percent and 20 percent respectively. In recent years, foreign

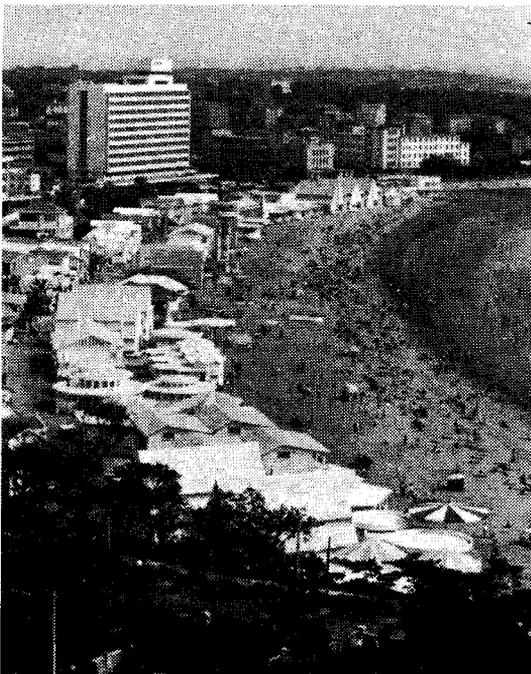
trade in suburban Qingdao has also developed rapidly. The total purchasing volume of farm produce for export in 1988 amounted to 200 million yuan, a 29.4 percent increase over 1987. Exports by township enterprises also increased at the same time, with export purchases in 1988 reaching 620 million yuan, a 102 percent rise over 1987. Qingdao now has 819 export-oriented enterprises, 24 of which each delivers goods at a value of over 5 million yuan.

The foreign trade in Qingdao faced temporary difficulties in 1989. As a result of the price rise, the cost of products manufactured has kept going up to the extent that local foreign trade companies were unable to purchase primary products. Consequently, the first quarter of this year saw a loss of 20 million yuan's worth of export goods purchased by enterprises from outside Qingdao.

Take Full Advantage of Foreign Trade. Qingdao established 25 projects using foreign investment (including processing with imported materials, designs and

Qingdao No. 1 Bathing Beach.

CHEN ZONGLIE



assembling with imported spare parts, compensatory trade, international leases, and international loans) during 1978-83, and earned US\$8.96 million. During the four years between 1984 and 1988, the city completed 186 projects using foreign investment worth a total of US\$490 million. This included US\$300 million of agreed-upon foreign investment.

By the end of 1988, Qingdao had 62 foreign-funded enterprises with a total investment of US\$331 million, including US\$197 million made by the foreign side, or 60 percent of the total. The foreign-funded enterprises in Qingdao are mainly involved in industrial production. For example, of the 29 Sino-foreign joint ventures and co-operative enterprises established in 1988, 26 or 89.7 percent belong to this category.

In the first nine months of 1989, 36 Sino-foreign joint ventures, co-operative and wholly foreign-owned enterprises were established in Qingdao, with a total investment of US\$57.08 million, an increase of 61 percent and 3 percent respectively over the same period last year. Today, 52 foreign-funded enterprises in

Qingdao are in operation. Three of them established earlier increased their investment by a total of US\$3.24 million this year.

Qingdao began with investment mainly from Japan and Hong Kong. In recent years, however, the number of its investors has increased to more than 20 countries and regions.

There have been rapid development in such trade forms as processing with imported materials and samples and assembling with imported spare parts and compensation trade. In 1988, the city undertook 52 projects, 30 of them using imported materials, designs and spare parts, and earned thereby a processing fee of US\$38.95 million. The remaining 22 were operated in the form of compensation trade, with their equipment price worth a total of US\$19.61 million.

Technology Import. From 1979 to 1983, Qingdao introduced 121 projects at a cost of US\$70 million. Between 1984 and 1988, another 452 projects were introduced at a cost of US\$349 million. By the end of 1988, 297 of these projects had been completed.

Acclaimed both domestically and internationally, six of Qing-

dao's famous brand household electrical appliances in recent years are made all with imported technology and equipment. They are: Qingdao coloured TV set production line introduced from Japan's Matsushita Electric, Qindao-Liebherr refrigerator from Liebherr GMBH of Federal Germany, Qingkong air conditioner from Japan's Hitachi Ltd., Qingdao Size-6 camera from Federal Germany's Agfa Aktiengesellschaft, and Qindao-Sharp washing machine and Qindao-Derby ice box respectively from Japan's Sharp Co. Ltd. and Denmark's Derby International A/S. Most of these are early 1980s products, but they are still among the best quality products of the same category at home and are sold in foreign markets.

Tourism. Qingdao is building a tourist industry with the characteristic of a coastal city.

Facilities such as the sealift seafood restaurant, park, club and stadium are under construction. Separated by a strip of water from the city of Qingdao, Xuejia Island, with an area of more than 20 square kilometres, is now the city's major tourist development area.

Shilaoren, another area under construction for tourism is located on the way to Laoshan Mountain, a famous sightseeing spot in the suburb of Qingdao. The area is represented by a rock in the nearby sea which has the appearance of an oriental old man. A hotel funded by Qingdao and Singapore and a huge labyrinth funded by Japan have been constructed there.

In 1988, Qingdao received a total of 60,000 overseas tourists, and earned a total of 60 million yuan in foreign exchange. Now the city owns seven jointly managed hotels, four of which are open to tourists. It will be able to accommodate about 200,000 to 300,000 tourists a year when all seven hotels are in operation. □

A workshop of the Sino-Japanese funded Qingdao Hirose Plastic Products Co. Ltd.

YUE HAITAO



An Introduction to 'China's Tibet'

China's Tibet (Chinese edition), a quarterly magazine published in China, is designed for overseas readers who have special interest in Tibet. Providing contemporary, well-documented and comprehensive information, the quarterly is presented in an easy-to-read style.

The quarterly has 64 pages, illustrated with dozens of photos in black and white and eight pages of colour.

Zhu Xiaoming, chief editor of the magazine, said, the differences between Oriental and Western cultures, historical estrangement and artificially imposed prejudices have restricted people's knowledge about contemporary Tibet. *China's Tibet* is a window through which readers can get an insight into Tibet, as well as a bridge which can facilitate the flow of information between peoples. In the magazine, readers can hear about the central government's policies on Tibet, the implementation of the system of regional national autonomy, its development and progress under the reform and opening policies, and problems and difficulties Tibet currently faces. The magazine is also a pleasure to read as one appreciates Tibetan religion, culture, and unique customs.

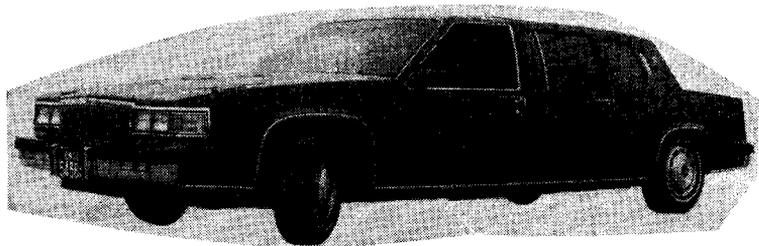
After glancing over the magazine, this reviewer was deeply impressed by its presentation in three areas. The first is its wide range of realistic themes on

Tibetan life and affairs, both current and historical. The magazine has long enjoyed the trust of domestic and overseas readers for its timely and detailed news and views on Tibetan affairs. Articles such as *On Negotiations Between the Central Government and the Dalai Lama*, *The Death of Bainqen Lama and Future Trend of Tibet and The Background and Essence of Human Rights in Tibet* answer the questions often raised by readers. The second is its academic and news presentation. With a wealth of background materials, the magazine helps readers to know the origin of current developments in Tibet. Third is the availability of a wealth of information across many fields. The magazine has such columns as "Forum," "Interview," "Exclusives," "Economy and Society," "Religion and Culture," "Tibetan Society," "Tibetan History," "Profiles," and "Letters." Its "Theses" and "New Books" are devoted particularly to the new achievements in the study of Tibet. In addition, the column "News in Brief" helps readers keep abreast of development in the various fields in Tibet.

"To meet the needs of overseas readers," said the magazine's Chief Editor Zhu, "the English edition of *China's Tibet* will be published quarterly in 1990."

by Tong Zhan

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Giant Panda's Origin Discovered

GUANGMING RIBAO
(Guangming Daily)

Chinese scientists have discovered that the giant panda evolved from an ancient bear. By studying bear fossils they have concluded that the giant panda belongs to the ursidae family, which includes bears, and is not a relative of the raccoon.

The shape and internal organs of giant pandas have similarities to both bears and raccoons. This has been the cause of disputes about its origin and classification since 1869 when it was named. The lack of fossil evidence prolonged the controversy.

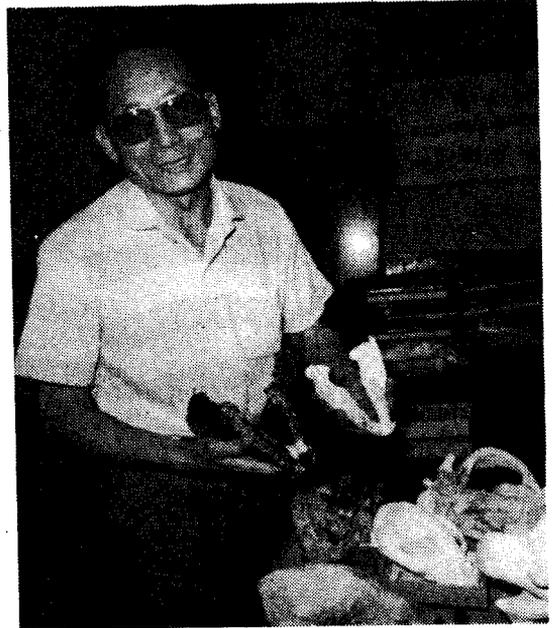
However, recently two scientists were in Lufeng County, Yunnan Province, near the site where Yuanmou Man was found, and discovered small bear fossils while studying the fossils of carnivores. Qiu Zhanxiang and Qi Guoqin, research fellow and associate research fellow from the Institute of Vertebrate Pathology and Paleanthropology of the Chinese Academy of Sciences, found that the bear fossils have features of today's panda. The tooth structure of the ancient bear and panda had similar characteristics.

Two other scientists, Huang Wanbo, an associate research fellow, and Ouyang Lian, an engineer, have also found evidence supporting the bear theory. They studied thousands of craniums, mandibles, teeth and skeletons and by using electric microscope scanning, compared the enamel structure of the giant panda, small panda, black bear and ancient bear.

Blood test performed by Pan Wenshi, a professor from Beijing University, also proved that the giant panda is closely related to the black bear.

Exactly which ancient bear the giant panda evolved from has yet to be pinpointed.

(September 6, 1989)



Huang Wanbo and his colleagues at the Chinese Academy of Sciences have discovered the giant panda evolved from an ancient bear rather than the raccoon after researching thousands of bear fossils.

TANG SHIZENG

More Seek Divorces

MINZHU YU FAZHI
(Democracy and Legality)

Divorce is becoming more common in China. Figures from Shanghai show 729 divorces there in 1985, 1,112 in 1986 and as many as 1,421 in the first half of 1987.

Those who divorce are among the younger couples. Of 349 divorce cases in six people's courts in the Beijing area, 75.9 percent of the people involved were under 35 years of age.

The shorter the duration of the marriage, the higher the divorce rate. The highest rate is among people married for five years or less and they make up 61.8 percent of the total. Those who divorce between six and ten years comprise 17.7 percent, those married for 11-20 years 15.7 percent, and those married for over 20 years is only 4.8 percent.

One important reason for divorce is that the sexual life of the

couple is not well-adjusted. Among 71 women surveyed, 58 percent complained of an unsatisfactory sexual life. Some of them were dissatisfied with their husbands' frequent demands for a sex.

The majority of divorce court proceedings are started by women. According to a survey of 1,000 cases in Shenyang, 81.9 percent were initiated by them. In another survey of 100 cases, 67 percent were started by women. Among 116 cases in Shijiazhuang, Hebei Province, 66.4 percent were started by women and in Tianjin, among 1,000 cases, the figure was 70 percent.

The number of people who divorce by means of an agreement reached through civil administrative organs has increased. In the past, the ratio of people who went to court and those who went to civil administrative organs was 3:1, but now it is 1:3.

(Issue No.7, 1989)

Popcorn in Beijing

RENMIN RIBAO
(People's Daily, Overseas Edition)

When the sun is going down, one can often hear loud popping noises in Beijing's back lanes. The sound draws an immediate crowd of people from nearby highrise buildings and rectangular compounds. Children run laughing and shouting towards the noise, oblivious to their parents' words of warning, "be careful, don't slip down." There is only one thing on their minds, their favourite snack—popcorn.

Quickly, the corn-popper is surrounded by a crowd. First, he puts an oval iron pot with a lid over a fire, linked to a bellows. He then shakes the pot with one hand and works the bellows with the other. After several minutes and lots of popping noises, white, fluffy popcorn overflows the pot.

"Oh, it smells good!" the people exclaim. "Look! Just a little while ago there were only kernels, but now it can fill a big basin."

Several years ago, the sound of popping corn was rarely heard in Beijing. But things have changed. Now the sound of popping corn can be heard spring, summer and autumn. Shrewd and diligent corn-poppers carry their equipment on their shoulders with a pole, or ride tricycles through every street and lane in Beijing.

In heavily populated residential districts, they find a place away from the wind and traffic to practise their trade.

First they call out for business, then they pop a sample batch as an advertisement before the Beijingers flock to the noise of the popping corn. The children bring rice, corn, peas or broad beans for popping.

And there are many questions.

"Where are you from?"
"How much can you earn each day?"

"Is the iron pot heavy? And do you feel tired carrying it the whole day?"

"Hey, please put in more sugar, I like it sweet."

The atmosphere is friendly and harmonious. What makes it even more pleasant is that nobody has to bargain with the corn-poppers, as is the usual practice in the free markets.

(September 2, 1989)

Calculating China's 1.1 Billion Population

BANYUETAN
(Fortnightly Forum)

The total population on China's mainland was 1.09614 billion at the end of 1988, or 3.86 million less than 1.1 billion, according to a sample census conducted by the State Statistical Bureau. The census also found that the birth rate in 1988 on the mainland was 20.78 per thousand, the death rate 6.58 per thousand and the natural population growth was 14.20 per thou-

sand.

It was estimated that the number of births in the first half of this year accounted for 43 per cent of the number for the entire year. Therefore, the population increases by 37,000 each day, or about 26 per minute. The calculated result showed that the population of China's mainland would be 1.1 billion on April 14, 1989.

(Issue No. 8, 1989)



An author with true feelings.
ZHENG XINYAO

Investment Association Founded in Beijing

The Beijing Foreign Investment Association, founded in early November in Beijing, admitted 235 foreign-funded enterprises into the association as enterprise members.

The main task of the association is to brief members on the policies of China's opening to the outside world, foreign investment and implementation of laws and regulations; co-ordinate and settle problems and difficulties in production, operation and management of enterprises; organize business exchanges, training, trade negotiations, exhibitions and other activities attended by both Chinese and overseas participants; and provide consulting services on the economy, trade and laws.

The association was founded because of the needs of foreign-funded enterprises in Beijing. Enterprises expressed an interest in exchanging information and experience, strengthening ties both within China and abroad to promote the development of the enterprises; expansion of publicity of foreign-funded enterprises and their products to raise economic returns and competitiveness as well as settlement of difficulties and problems encountered by the enterprises. It was for these goals that the organization was established.

Foreign-funded enterprises in Beijing have developed rapidly. By the end of September, the establishment of 559 foreign-funded enterprises had been approved with the negotiated value reaching US\$4.059 billion. Of this sum, US\$1.866 billion is in foreign funds. Of the 559 enterprises, 368 are productive enterprises involving US\$1.013 billion, and 191 are service enter-

prises covering US\$3.046 billion of investment. The majority of more than 200 foreign-funded enterprises currently in operation are enjoying positive economic returns.

by Li Rongxia

Shanghai Squibb's Bright Future

The Sino-American Shanghai Squibb Pharmaceutical Co. Ltd. is soon to be the first enterprise in China to export medicines to the United States after receiving the approval and certification by the United States Food & Drug Administration. Its pharmaceutical products will also be marketed in Britain beginning next year.

Established in October 1982, Shanghai Squibb mainly produces medicines for cardiovascular use, antibiotics and vitamins, including aseptic powder and suppository agents, in capsule and tablet forms. This year, Shanghai Squibb's sale's volume is estimated to be five times that of 1985, the year it began operation. Its market area includes all of China's mainland and Canada since last year's approval by the Canadian Ministry of Health.

Shanghai Squibb's good economic efficiency has bolstered the confidence of the American partner. This September, at the 12th board meeting, US board members moved that the period of joint operation be extended from 15 to 50 years. If approved, Shanghai Squibb will have the longest operating term among all joint ventures of China.

The company's general manager said that the United States had wanted to extend the joint

operation period to 100 years and that Squibb of the United States had decided to shift its US-based tetravalent hydrochloride capsule-production line to Shanghai. The raw material for production of coronary heart disease medicine, a patent product of the US firm, will be purchased in China but sold in the United States.

The company recently announced its 1990-1994 programme that includes plans to expand workshops, update the product mix and further develop its China line of products in order to increase this year's sale's volume four times over by 1994.

by Kou Zhengling

Co-operation Centre in Beijing

More than three years of preparations for the establishment of the Beijing Centre of International Industry Co-operation under the United Nations Industry Development Organization (UNIDO) will come to an end when, on January 1, 1990, the centre begins activities.

According to the agreement signed in Vienna in late November, the Beijing centre will serve as UNIDO headquarters in China and use the UNIDO investment information network to exchange international industrial co-operation and investment information; expand opportunities for China for the pooling of foreign funds; strengthen co-operation with different enterprises around the world, in particular with small and medium-sized enterprises. Meanwhile, the centre plans not only to seek foreign investment opportunities, industry co-operation and technological transfer for China's importation of foreign funds and advanced technology, but also to seek potential partners for the establishment of joint ventures, co-operative enterprises and wholly

foreign-owned enterprises.

The centre's activity will include various international co-operation programmes, projects and activities. Funds for the centre will come from China's donations and trust funds to UNIDO as well as contributions from Chinese and foreign enterprises and organizations.

So far, 820,000 yuan and US\$50,000 has been raised and according to the UNIDO official Domingo L. Siazon, Jr, Denmark has sent an expert to work in the centre. Also, enterprises from other countries have expressed interest in participating in the centre's work.

by Kou Zhengling

Co-operation to Develop Rock Salt

The recent formulation by east China's Jiangsu Province of a series of preferential tax, profit, land use and credit policies was designed to encourage foreign businessmen to co-operate with China in the development of rich underground rock salt resources through the formation of joint ventures and co-operative enterprises.

Exploration and examination indicate that some 227.6 square kilometres of rock salt are found in the Huaiyin area of northern Jiangsu Province. The reserves of the Huaian basin and Hongze basin (above the surface) are estimated respectively at 257.2 billion tons and 21.5 billion tons. The contents are 50 percent to 80 percent. They are verified to be the largest underground salt deposits in China and in the world.

Huaiyin City has already worked out a series of development plans including the construction of a 150,000-ton vacuum salt refinery, a crude salt centre capable of handling more than 1 million tons, a more than 100,000-ton soda factory and a 2 million-ton bittern pipeline from

the beach salt-sunning ground to the Lianyungang Soda Factory. Construction of all these projects will soon begin.

Officials of the province and Huaiyin City have invited business people both at home and abroad to invest and co-operate in the development of rich rock salt resources and assured them of protection of investment profit. □

Mainland's Taiwan Policy Unchanged

At the end of November, an official of the Ministry of Foreign Economic Relations and Trade restated the mainland's policy on economic and trade relations with Taiwan, and added that the policy would remain unchanged. His speech was directed towards some newspapers and magazines in Taiwan and Hong Kong which reported that the mainland authorities had adopted tight measures towards Taiwan and would prohibit Taiwan-funded enterprises in the mainland from importing raw materials from Taiwan so as to force Taiwan businessmen to withdraw their investment and give their enterprises to the mainland.

The Taiwan authorities still do not allowed business people from the mainland to enter Taiwan or do business directly with Taiwan businessmen, said the official. To protect the interests of both Taiwan and the mainland traders, the mainland has always stipulated that the enterprises and clients on the mainland must pass through foreign trade companies approved by the Ministry of Foreign Economic Relations and Trade to import products from Taiwan.

However, Taiwan-funded enterprises, like foreign-funded enterprises on the mainland, are allowed to import, with exemptions from customs duties and industri-

al and commercial consolidated taxes and import licencing, raw materials, fuel, spare parts and components used in producing for export.

As for the list of the companies permitted to engage in import trade from Taiwan, which was recently published by the mainland, the official emphasized that this was aimed at offering Taiwan businessmen an usher leading them to where investment is needed, not a new method to control investment in the mainland.

It is consistent with the policy of the past decade that foreign trade companies have the permission of the Ministry of Foreign Economic Relations and Trade to conduct business with Taiwan. It is not a new policy. During the beginning period of indirect trade between Taiwan and the mainland, for example, the mainland authority allowed only the country's specialized foreign trade companies to engage in import trade with Taiwan. With the development of reform and opening up and relaxation of relations between Taiwan and the mainland, however, those comprehensive foreign trade companies in provinces, autonomous regions and municipalities directly under the central government also undertook import trade with Taiwan. The two provinces of Guangdong and Fujian even have a freer hand to trade with Taiwan than other places. Fujian Province, for instance, allows five companies to engage in import trade with Taiwan. Dozens of small trading companies in Jiangsu, Zhejiang, Fujian and Guangdong as well as Shanghai are allowed to carry on trade with Taiwan fishing boats in line with stipulations.

Over the past ten years, although the Taiwan authorities have obstructed and controlled trade with the mainland, the indirect trade has rapidly developed. Export value to the mainland by Taiwan came to US\$2 billion in 1988. □

Artist Combines Styles Of East and West

Xing Jun is an ink and wash artist who draws on the painting styles of East and West and on traditional and modern techniques to create works of great originality.

A recent exhibition of his work at the China Art Gallery in Beijing displayed 40 ink-and-water colour paintings he completed over the past two years.

These paintings were mostly landscapes and dream scenes marked by Xing's unique use of colour and strange images. For example, *Imagination in the Sea Bed* displayed the fantastic world under the sea through the excellent use of dreamlike colours. In *Night Dream* Xing used bold, bright colours to present the deep thoughts of the artist. In *African Zoo*, he used exaggerated and deformed lines and strokes to paint the exotic animals of Africa. Other works such as *The Four Seasons* and *Mountain Cat* all won praise from viewers.

Some critics said the paintings resembled the non-programmatic classical music of the West and it was difficult to give appropriate titles to his works. Most of his paintings displayed only a certain emotion or psychological feeling, characterized by the combination of concrete and abstract images and the blending of realism and symbolism, the critics said.

"I always start my work under the strong influence of an inspiration to create strange and terrific images on the paper," Xing said. "The images form themselves into a unique universe in which sky and earth, day and night mingle together.

"Then I begin to put all my immediate impression of nature into lines and spots. After some

outlining and colouring work, a picture is finally finished."

Xing Jun, 49, is a translator in the French Department of the magazine, *China Today*, formerly *China Reconstructs*. He has received no professional training in painting. In the early 1950s, when he was still a primary school student, he attended a short training class in Shanghai, his birthplace, and learned some of the basic techniques of traditional Chinese painting. For

more than 30 years he practiced in his spare time.

He greatly admires the works of well-known Chinese masters such as Wu Changshuo (1844-1927), Qi Baishi (1863-1957) and Huang Binhong (1865-1955). He has made a comprehensive study of the works of the great Chinese artists Fu Baoshi (1904-1965) and Xu Beihong (1895-1955).

In August of 1985 Xing held a one-man show in some African countries and was well received. In recent years, his paintings have been bought by foreign collectors in the United States, Canada, France and Italy.

by Zhang Wei

'Jiaozi,' China's Dumplings

Strolling along the streets of Shenyang, the capital city of Liaoning Province, people expect to find many *jiaozi* (Chinese dumpling) restaurants. What they may not expect to see is that many of the *jiaozi* restaurants have the same name: Laobian.

The reason for so many Laobian *jiaozi* restaurants is that the Laobian dumpling has been one of the most famous local flavours for 150 years.

"So now in the competition we have to try our hardest to keep our restaurant on top, and the most correct one among so many rivals," said Yu Guangcai, manager of the Laobian *jiaozi* Restaurant located in Beishichang Street.

The restaurant was founded by Bian Fu, a chef from Hebei Province who created the famed cuisine of the Qing Dynasty. At the time almost everyone knew of the delicious filling in a thin pocket of dough.

That unique skill has been passed down to Kong Qingdong, who learned from Bian Lin, the

son of Bian Fu.

Kong, 59, now serves at the restaurant. He is teaching the skill to Bian Jiang, the son of Bian Lin.

"When my teacher Bian Lin died four years ago, he called me to his bedside and asked me to pass the skill down to his son. I promised," Kong recalled.

Now Kong and his colleagues are trying hard to develop the food while keeping its traditional flavour. The restaurant can offer more than 100 varieties of dumplings, with different stuffings selected according to seasons and people's desire.

For instance, Chinese wax gourd and celery are used in making dumpling stuffing in summer, which people say suits them on hot days.

Dumpling banquets are also added to its service. These are steamed, boiled, baked, and fried. The stuffings include chives, fish, mushrooms, shrimp or cucumber.

"But what makes our customers most impressed is the mini-dumplings boiled in a Yulong

Pot, a kind of small pot burning on the dining table. It is said that was once special food for the royal family," Kong explained. "The dumplings are so small that 50 grams of flour can make 25 dumplings."

In May, Kong went to Xian to take part in a dumpling competition there. He presented the mini-dumplings, which won the gold prize.

Although the dumplings in the restaurant are relatively expensive, the business thrives. Ac-

ording to Yu, the manager, the restaurant serves 1,000 customers a day, and last year the restaurant made 170,000 yuan (US\$46,000) in profits.

Many foreigners, especially Japanese, come to this restaurant to taste this local flavour. A specially luxurious dining room has been built in the restaurant to receive foreign guests.

The management has also opened dumpling restaurants in Japan.

by Zhang Xingbo

Farmer Painter—Peng Deyin

Peng Deyin is a farmer who first picked up a paint brush in 1984 when he was still a teenager.

Now 24, he is an accomplished painter whose works were displayed this autumn in a personal exhibition at the China Art Gallery in Beijing. The show was arranged with the help of the China Folk Art Museum, which purchased most of the works in advance.

Experts say Peng's paintings, like himself, are simple and neat with a down-to-earth style that reflects his rural background.

He takes his themes from the art forms of his native Guizhou Province, such as wax printing, wall hangings, embroidery, pap-

ercuts and gouache. Over the past few years he has created more than 300 works with distinctive local flavour and spirit of our times.

His *Ancient Song of the Miao*, of heroic proportions, shows the history of Guizhou's Miao people, how they battled with nature in ancient times, resisted foreign invaders, raised their children, tilled farmland and engaged in their traditional work of dyeing and embroidery.

Peng favours simple colours, which most Miao people are fond of, such as pink, green, yellow, deep red, blue and black. This kind of colouring, combined with his fantastic designs, make his works similar to some abs-

tract paintings, although he says he has never seen or even heard of abstract art. One example is *Hot Land*, part of a trilogy Peng created in 1989. It is composed of several large colour blocks dotted with figures, human heads on bird bodies, fish with animal limbs, flying birds and wild beasts. Some are purely imaginary, composed of only criss-crossing heart-stirring lines.

"I only want to find a kind of language to express my deep love for the land where I was born and brought up," Peng says.

That land is a mountainous area and early on his exposure to nature makes him a man with unique understanding of human life.

The Daughter of the Mountain and *A Frustrated Life*, two works he created in 1989, are imbued with this kind of feeling.

The Daughter of the Mountain contains three parallel mountain peaks set against a pale background. An owl stands on one of the peaks, enveloped by forests and fire as well as exaggerated woman's faces with sad eyes. In *A Frustrated Life*, a black ellipse stands out clearly against a pink base. Inside the ellipse is a man and outside a cow. They are linked with a thick bar. This appears to represent an abstract stone mill to illustrate the hard life in the countryside.

by Cui Lili

Peng's works



Aviation Museum Opens in Beijing

Some famous planes are among the displays at the Aviation Museum of the People's Liberation Army's Airforce, recently opened by the Beijing Tourism Administration Bureau.

Tourists and aviation enthusiasts can view the planes used by former Chinese leaders Mao Zedong, Zhu De and Zhou Enlai or the planes flown by Huang Tianming and Li Dawei when they defected from Taiwan to China's mainland.

Also on display is the TU-4 bomber which was presented to China by Stalin on Mao Zedong's 60th birthday. As well, there is the A-5 light supersonic fighter which dropped China's

first hydrogen bomb during nuclear tests, and an F-8 high performance supersonic fighter plane designed and manufactured by the Chinese.

The museum is a historical testimony of the rapid development of China's aviation industry and presents a history of the PLA Airforce.

Situated in northwest Beijing, the museum covers 48,000 square metres and features more than 140 planes. There are more than 70 different models of planes on display. Among them are fighter planes, attack jets, bombers, transport planes and helicopters, all equipped and used by the PLA Airforce at one time or another. There are also

500 different types of weapons and defence equipment on display including ground-to-air missiles, heavy artillery, air defence radar and bombs.

Since its opening in the summer of 1988, tens of thousands of Chinese tourists, foreign aviation researchers and aircraft fans have visited the museum.

According to the museum's chief curator, Xue Peisen, there are plans to build a glider training ground, a model of a UFO (Unidentified Flying Object), a flying practice hall, an underground shooting range and a parachute tower. Xue envisions a combination aviation, sports and amusement centre. To help in building the project, the museum welcomes the co-operation of foreign businessmen, he added.

by Li Ping

Restored Scenic Belt in Nanjing

The scenic Qinhuai River meanders for five kilometres through the southern part of Nanjing, one of China's ancient capitals.

Since the 11th century its banks have been a meeting place for intellectuals, merchants and tourists attracted by its traditional buildings and charming landscape.

Over time, however, the Qinhuai scenic belt was neglected and gradually lost its beauty. So at the end of 1985 the government in Jiangsu Province allocated funds for the restoration of the area. An indication of the success of the project came last year when an average of 250,000 tourists visited the area every day.

The Qinhuai scenic belt can be explored on foot or by boat. People can visit the Confucian Temple built in 1034 and experience a memorial ceremony for Confu-

cius (551-479 BC), the famous Chinese philosopher and educationist. Located in the temple complex was the Nangong Academy, which was the largest institute for students studying for the civil service examination during the Ming and Qing dynasties (1368-1911).

Near the temple complex is the Wangfu Garden, former home of Xu Da, a Ming Dynasty hero. It is laid out in typical south China style and features restored Ming era architecture, including typical city streets.

It is also possible to take a brightly painted pleasure boat along the Qinhuai River. The boatmen and women usually wear traditional costumes and passengers enjoy the passing view of running streams and tiled-roofed houses.

After dusk, lights along the riverbanks are reflected in the water, illuminating stage per-

formances taking place along the shore. While observing this charming tableau, boat passengers can sample the local cuisine, an added pleasure on this unique outing.

Along the eastern part of the river is the old city castle that dates back to 1360. It has four gates and covers an area of 15,168 square metres. Its wall is more than 21 metres high.

Within the castle there is a cave that can hold 3,000 soldiers and horses. Well preserved, the castle is a significant example of medieval architecture and military engineering in the world.

An official of Jiangsu's Tourism Administration has indicated that the work completed to date is only the first phase of the Qinhuai project. The second phase, to be implemented after 1990, will include opening up some newly discovered historical sites, cleaning the river and restoring the traditional temple fair.

by Zhang Wei

Pottery Handicrafts by Wang Ying

Born in Beijing in 1969, Wang Ying works at the Tianzi Art Palace, affiliated to the Beijing People's Art Theatre. Her works are often of black pottery in a simple and elegant style.

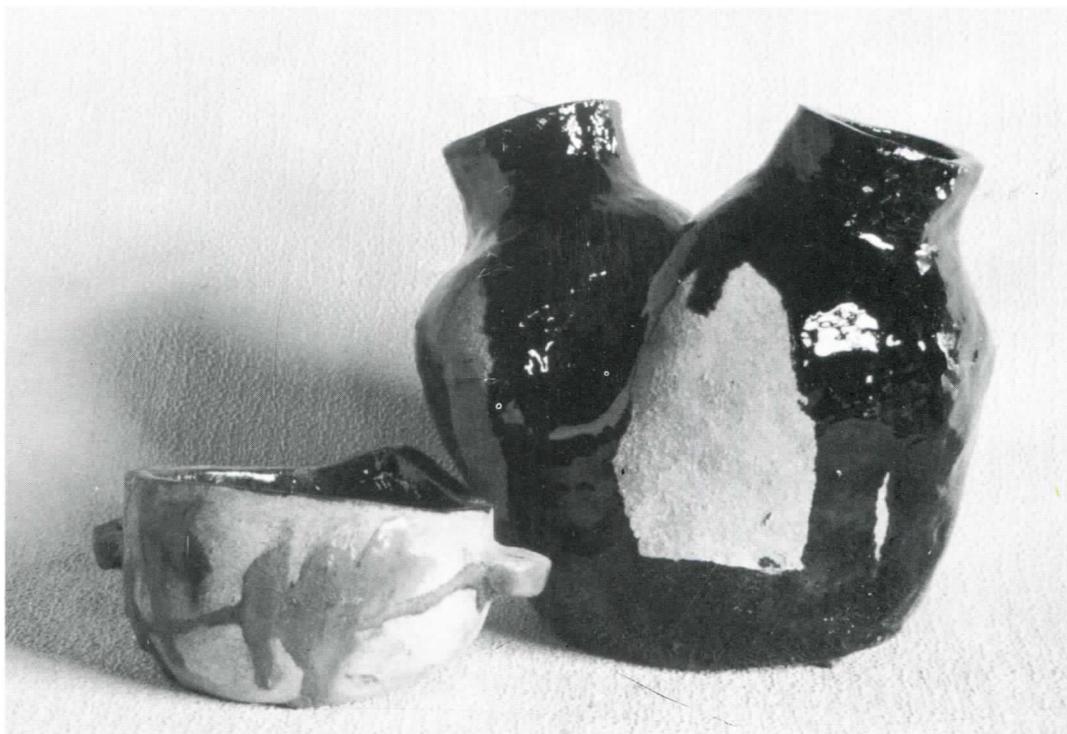


Flower Vases.



A Girl.

ART PAGE



Pot and Bowl.

BEIJING REVIEW

A Window on China



Beijing Review, China's only weekly foreign language current affairs magazine, was first launched in English in March 1958. It is now available in English, French, Spanish, German and Japanese. As well as the regular English edition, a North American edition is printed and distributed in the USA.

In January 1988, *Chinafrique*, a monthly in French, was published by *Beijing Review* for distribution in African countries.

The six editions are essentially similar in content but vary to cater for the readership in different regions of the world. The magazine aims to

- provide information on political, economic, cultural and social developments and trends in China;
- offer insight into the theories, lines, principles and policies of the Chinese Communist Party;
- acquaint readers with Chinese views on major international issues.

Beijing Review is an important source of information for overseas government officials, experts, scholars and business people interested in recent developments in China. It is often quoted by foreign media and is used by professors as a source of reference for students of overseas universities.

The back cover of *Beijing Review* carries colour advertisements.

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