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TORCH PROGRAMME: A BOOST TO HI-TECH INDUSTRY



Li Peng Meets
The Press



To each person his own interest.

Photo by Li Jincheng

HIGHLIGHTS OF THE WEEK

Li Peng Meets Chinese and Foreign Reporters

□ On April 9, Premier Li Peng and three vice-premiers of the State Council met Chinese and foreign reporters at a press conference. They answered a total of 27 questions covering a wide range of subjects from China's domestic and foreign policies to international issues (p. 15).

Torch Programme: A Boost to Hi-Tech Industries

□ The "torch programme," begun nationwide in August 1988, aims to commercialize new hi-tech research results. The programme has become a dynamic new tool for developing the nation's hi-tech industries (p. 39).

Tibet's Population Grows by 1 Million in 40 Years

□ Tibet's population increased by only 150,000 in the 200 years between 1737 and 1952. Since the democratic reform in 1959, however, the region's population has risen by over 1 million. This is a result of the region's rapid economic and social development and the central government's special population policy for Tibet which does not encourage family planning (p.44).

Reports on the Economy and Budget

□ At the Fourth Session of the Seventh National People's Congress on March 26, 1991 Zou Jiahua, state councillor and minister in charge of the State Planning Commission, delivered a report on implementation of the 1990 plan for national economic and social development and the 1991 draft plan. Wang Bingqian, state councillor and minister of finance, delivered a report on implementation of the state 1990 budget and on the draft state budget for 1991. Excerpts of the two reports (pp. 25-38).

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Workers of the Shanghai No. 17 Cotton Mill examining the quality of products. ZHANG LIUREN

First Quarter Industrial Production Up

China's total industrial output at the township level and above registered a 13.7 percent rise during the January-March period this year compared with the corresponding period of last year, according to the State Statistical Bureau. These industries have turned out 514.2 billion yuan worth of products during the past three months.

Of the total industrial production, light industry output grew by 15.9 percent, while heavy industry output rose by 11.6 percent.

In January-March, the output value of the state-owned industries reached 342.8 billion yuan, a 9.6 rise over the same period of last year.

Thanks to growing market demand for consumer goods, rapid growth was recorded in light and export-oriented industries. The first quarter witnessed sharp increases in the production of most consumer goods, including colour TV sets, radios, tape recorders, electric fans,

washing machines, refrigerators, air-conditioners and woolen goods.

The past three months have seen overall increases in the production of coal, electricity, crude oil and natural gas. But the increases were small.

By the end of March, the production of coal, China's major source of energy, was about 232.29 million tons, a 2 percent rise over the same period of 1990. Of this, the output of coal under central planning was 122.54 million tons, a 3.28 percent rise.

The output of steel production in the January-March period was 16.48 million tons and that of iron was 15.67 million tons, 5.2 percent and 10 percent respectively more than the same period of last year.

However, there were also some problems in this encouraging industrial production picture. The main problem is that low economic efficiency and slow capital turnover have not noticeably improved.

Therefore, continuous efforts were called for to develop new and marketable products to avoid production regardless of market demand and to prevent stockpiles. ■

China Continues Fighting Corruption

China's top judicial officials pledged to continue their crackdown on corruption, bribery and other crimes to ensure social stability vital to the national economic targets.

Fighting corruption and bribery is the top priority of the procuratorates, Procurator-General of the Supreme People's Procuratorate Liu Fuzhi said at the recent session of the National People's Congress (NPC).

Liu revealed in his report to the session on April 3 that about 94,600 cases of embezzlement and bribery were handled by China's procuratorial organizations last year, and 51,000 were investigated. And some 1,180 officials above the county level were proved guilty of involvement.

These cases included 11,295 serious ones each involving more than 10,000 yuan (\$1,923), and another 1,100 major cases each involving at least 50,000 yuan.

Procuratorates have also looked into cases of dereliction of duty and fraudulent practice committed by officials, the chief procurator said.

He suggested at the NPC session that an anti-corruption law be enacted to guarantee continuing crackdown on corruption.

While combating corruption, Liu noted, the procuratorial authorities have paid great attention to protecting citizens' rights. Last year procuratorial



XUE CHAO
President of the Supreme People's Court Ren Jianxin.

offices turned down police requests for 51,000 arrest warrants and launched investigation into 3,509 cases of alleged unlawful detention, 472 cases of alleged interrogation under torture, and 461 cases of trumped-up charges.

In his report to the NPC session, Ren Jianxin, president of the Supreme People's Court, also called on courts at all levels to "conscientiously" protect citizens' democratic and other legitimate rights, as well as their interests when handling civil cases.

Ren noted that civil cases account for 60 percent of all cases handled so far by the courts.

The chief judge said that the proper handling of the anti-government rioters has contributed to the stability of the country and won the support of the public.

Ren told the meeting that the adjudication was conducted in full accordance with the legal procedure, taking facts as the basis and the law as the criterion. And all the legitimate procedural rights of the defendants were ensured, including the rights to ask for withdrawal, to defend and to appeal.

"We made great efforts to educate student offenders and tried our best to give them len-

ient treatments," he said.

The leading judge expressed the mainland's willingness in recognizing the validity of civil actions by Taiwan residents in Taiwan and recognizing civil rights granted by local laws and statutes, if only they are in accordance with the basic principles of the People's Republic and not de-

trimental to public interests. The same principle may be applied to the civil judgements made by Taiwan.

Conveniences should be provided for residents of Taiwan who take legal proceedings during their stay on the mainland. Such cases should be handled as quickly as possible, he said.

Referring to cases involving parties from Hong Kong and Macao, Ren said, they should be handled strictly in accordance with the Chinese laws. The local laws of the two regions are applicable if they are in agreement with the general provision of China's civil law, and the application should be within the limits of not going against China's public interests.

In handling cases involving foreign parties, he said, the Chinese courts will continue to persist in the principles of sovereignty, reciprocity and judicial immunity, observe international treaties to which China is a party, and consult internationally accepted practices. Fair judgements will be based on facts in handling such cases.

Last year, mainland courts handled a total of 2,800 criminal, civil, economic, maritime and administrative cases involving overseas parties, including those from foreign countries,

Hong Kong, Macao and Taiwan, according to the chief judge. ■

MFN Status Important To Sino-US Ties

Whether the United States will continue China's most-favoured-nation (MFN) status is of great importance to furthering Sino-US relations, said Premier Li Peng April 10 at a meeting with a Hong Kong economic mission led by Quo-wei Lee, chairman of the Hang Seng Bank Ltd.

Li pointed out that Sino-US economic and trade relations are a basic part of Sino-US ties. As MFN status is the key link in bilateral relations, he said, China is most concerned about this issue.

At the meeting, the Hong Kong economic mission members, including Warren Williams, president of the American Chamber of Commerce in Hong Kong, said that economic circles in Hong Kong strongly hope that the United States would continue China's MFN status.

Hong Kong will be the first to be affected and sustain great losses if China's MFN status is cancelled, they said.

Should the American side suspend China's MFN status or maintain it with conditions, it will cause harm to bilateral relations between the two sides, especially the economic and trade ties, said Li.

Then, the premier said, China will not be the only one who will suffer losses because a large number of American enterprises and investors have economic and trade contacts with China. In addition, he said, Hong Kong and some other regions will also be heavily struck.

Li said, "We appreciate President Bush's decision of last year to extend MFN treatment for China. We hope that both sides will continue their efforts to avoid anything that would be unfavourable to either side. We also hope that the United States will, proceeding from the overall situation of Sino-US relations, adopt a prudent and fair attitude to this issue."

On the deficit in US trade with China, the premier said that the Chinese and Americans hold different views on the issue because of the different statistical methods they employ.

The Chinese side is willing to study this issue together with the American side so as to work out an acceptable solution, he added. ■

Chinese Leaders Meet Peruvian President

General Secretary of the Chinese Communist Party Central Committee Jiang Zemin met with visiting Peruvian President Alberto Fujimori and his party in Beijing on April 10.

Extending a warm welcome to Fujimori, Jiang said that he is the first president of Peru to visit China since the establishment of diplomatic ties between the two countries.

Peru has a long history and civilization, he said, adding that the country's culture has made significant contributions to the development of mankind.

Jiang said that as citizens of an important country in South America and an important member of the world's developing countries, the Peruvian people have achieved great success in safeguarding their state sovereignty and in building their

country.

Peru has also played an active role in Latin America and the international community, he added.

This November will witness the 20th anniversary of the establishment of diplomatic relations between China and Peru.

In the past two decades, the two nations have cherished the continued development of friendly relations and co-operation in all fields, Jiang said, adding that they have also co-operated well in international affairs.

"We can say that we are friends of mutual trust and partners of mutual co-operation," Jiang said.

On the difficulties Peru is now facing, Jiang said that he believes they would be overcome through efforts of the Peruvian people.

Fujimori, who arrived in Beijing on April 9, expressed his belief that the developing nations would surely achieve their goals. He added that their people need to do a good job in the economic work through efforts, honesty and technology in a bid to combat the backwardness that exists in their countries.

Premier Li Peng, meeting with Fujimori the same day, said that the current international situation is complicated and unstable, and China handles various problems in its external relations in line with its peaceful independent foreign policy.

The continuous expansion and strengthening of friendly relations and co-operation between China and other third world countries, including those in Latin America, is the foundation of China's diplomatic work, he said.

He stressed that the core of a new international order is that all countries, whether big or small, strong or weak, rich or

poor, should be independent and on an equal footing in the international community.

The friendly relations between Peru and China, he continued, have gone a long way, and there is still great potential for furthering these relations.

Li briefed Fujimori on the just-closed session of the National People's Congress which had approved the outline of the Ten-Year Programme (1991-2000) and the Eighth Five-Year Plan (1991-1995) as well as his work report.

Also on the same day President Yang Shangkun met with the Peruvian president.

Yang noted that frequent visits by high-ranking officials have been exchanges between China and Peru since President Fujimori assumed office last July. "These visits helped promote mutual understanding and friendship," he said.

Fujimori told his host that Peru has adopted a series of readjustment policies to overcome its present difficulties.

He expressed the hope that, in overcoming its difficulties, Peru would get support and aid from friendly countries.

He said he has brought with him a programme for the development of friendship and co-operation between Peru and China, and expressed his belief that through his three-day visit the relations between the two countries would grow further.

A communique between China and Peru was issued on April 12. The Peruvian side restated that Peru strictly abides by the principle of the communique on the establishment of diplomatic relations between the two countries. It persists in a one-China stand, which means the government of the People's Republic of China is the sole legitimate government representing the whole of China. ■

Top Leaders On Human Rights Issues

China's Party General Secretary Jiang Zemin told the visiting former US President Jimmy Carter on April 14 that the Chinese Party and government attach great importance to human rights.

Jiang explained to Mr and Mrs Carter, who arrived in Beijing the day before as guests of the Chinese government, that as far as China is concerned the most important human right is the right of existence.

More than 1.1 billion Chinese people now have enough food and clothing, he said, adding that it is a great achievement which could never be made in old China.

The Party chief told the US guests that the second most important issue in China is development. And it is a common desire of the Chinese to modernize their country.

Though with different social systems and values, Jiang hoped China and the United States would increase their contacts and understanding.

He said he saw no reason not to gradually restore and develop Sino-US ties, for the two countries share "common interests" in which they established their relations in 1972.

Jiang noted that the overseas Chinese students are patriotic, adding that they will be welcomed if they return.

Last year, he said, more than 2,000 students who studied abroad returned to China to work, and 3,000 others came back to visit their relatives and went abroad again.

Premier Li Peng told the Carters when meeting with them on the same day that China and the United States have similar size

of territories, but their conditions are different. China's farmland accounts for only one-eighth of its land and its population increases by 16 million yearly.

For this reason, Li said, he is most concerned with the livelihood of the 1.1 billion Chinese people.

Without people's rights to live and the country's right of independence, the premier said, there will be no human rights.

Carter told Li that there are, too, serious human right problems in the United States, citing homeless and jobless people and 50,000 such people in New York alone.

Li mentioned the establishment of diplomatic relations between the two countries during the Carter administration. "It is an important contribution of yours," the Chinese premier said. ■

Five-Year Plan for Science and Technology

Deputy Minister of the State Science and Technology Commission Li Xuer recently said that the commission had outlined five-year goals for the advancement of China's science and technology. The plan covers key projects associated with high technology, basic research and the application of science and technology to agriculture.

Speaking at a national conference attended by local officials in charge of science and technology March 4, Li said that by the end of the Eighth Five-Year Plan (1991-1995), efforts would have been made to raise the proportion of the state's allocations for scientific and technological development from the current 0.7 percent to 1.25 percent.

The state input into basic research, he added, will increase gradually from 6 percent to 8 percent of the total funds for research and development, so that Chinese scientists can engage in 20,000 optional subjects and several hundred key subjects.

Today some 100,000 scientists and technicians throughout the country are engaged in basic research, doubling the number ten years ago. Since 1984, the state has built 63 key laboratories; and 70 more will be built during the next five years.

The deputy minister noted that during the Eighth Five-Year Plan period major efforts will be made to tackle crucial technical problems. In agriculture, priority will be given to the development of high-yielding crop strains and fine livestock breeds and comprehensive transformation of medium- and low-yielding farmland, he said, adding that new products, materials and energy, biological engineering, computer software, experimental centre of engineering technology, and the development of new products will be on the agenda for China's industrial promotion.

Li stressed that the "Spark Plan," which is designed to regenerate rural economy by disseminating scientific and technological knowledge among the farmers, will be continued. The purpose is to train 2 million scientists and technicians, popularize at least 100 scientific results on a large scale, and establish factories and enterprises in some 300 trades and professions that may play a vital role in rural economy.

Talking about a national plan for high-tech development, Li said that by 1995 the annual output value of hi-tech industry will top 50 billion yuan.

by Staff Reporter Wei Liming

Gulf War Challenges Japan's Foreign Policy

by Yang Bojiang

The Gulf war ended six weeks after it was launched, ushering in an era of political settlement. As a member of the West, Japan was involved in the conflict only indirectly by providing money as aid to the multinational forces. US newspapers blamed Tokyo for its "too little contribution" and being only an "ally on paper." It should be noted, however, that the Gulf war will exert a significant, far-reaching influence on Japan. Perhaps it will mark a watershed in Japan's diplomacy since World War II.

A Test

The Gulf crisis posed a grave test for Japanese diplomacy, but at the same time brought waves of shock to Japan's domestic political life.

Last autumn a "United Nations Peace Cooperation Act," proposed by the Toshiki Kaifu cabinet, was aborted. The Gulf crisis dealt another blow to the popularity of the government, dimming the political future of Prime Minister Kaifu, who belongs to a minority faction in the ruling Liberal Democratic Party (LDP).

The war also exposed the ineffectiveness of Japan's diplomatic decision-making mechanism. Lacking a unified leadership and mutual coordination, it is very slow, if not feeble, in responding to outside events.

The Gulf conflict also heightened the controversy which has been running high recently in Japan over "how Japan makes contributions to the world" and "what role Japan should play in the world."

The last point is especially important for Japan's future diplomatic manoeuvres since the controversy serves as an opinion basis for the government's diplomatic policymaking. It seems that the Gulf crisis will prompt Japan to gradually renounce the policy of "passivity, neutrality" and "non-involvement" in international conflict that Japan has been pursuing since World War II. As Taizao Watanabe, spokesman for the Foreign Ministry, put it, "The Gulf crisis has changed the Japanese people's way of thinking."

For the ruling LDP, this situation is favourable for its efforts to press ahead with a planned national strategy.

For the past decade the Japanese government has been attempting to make Japan a major political power in the world. In an essay titled "The Turbulent 1990s and the New Progress of Japan's Diplomacy," Vice-Foreign Minister Takakazi Kuriyama elaborated on this idea. Based on an acknowledgement that the proportion of gross national product among the United States, Western Europe and Japan is 5:5:3, he said, "In the future, Japan must safeguard its own security and prosperi-

ty through actively establishing a new international order. In this sense, Japan's diplomacy must immediately shift from that of a medium-and small-sized country to one of a big power." The vice-foreign minister contended, "The responsibility of establishing a new international order in the 1990s must be jointly borne by advanced democracies such as Japan, the United States and Western Europe."

The Gulf crisis, in this sense, greatly stimulated Japan. The fact that Japan donated US\$13 billion during the war — the biggest donor in the Western allies — makes Japan secretly complacent for its unmatched economic might, but censure from Washington that "simply writing checks is not enough" makes Japan acutely aware of the gap between its contribution and the "demand of the world." At the same time, the fact that the United States won the war only by sharing the financial burden with its allies makes Japan realize the US weakness in establishing a "new international order" because it was unable to act alone.

Naturally, in the new phase of "political settlement" of the Gulf crisis, Japan will more enthusiastically press its "big-power diplomacy strategy" and try to combine its efforts to become a political power with US President George Bush's call for a "new international order," thus ultimately

establishing itself as a power in a par with the United States and Western Europe.

Active Participation

The United States viewed the armed intervention in the Gulf crisis as a breakthrough point in establishing a new international order under its leadership. Japan, on the other hand, regards the political settlement of the crisis as its starting point in building that order. The Japanese government is reportedly formulating a "comprehensive Middle East policy" that spells greater contribution by Japan for the reconstruction and stability of the region. The main content is: Japan will help establish a regional security system; provide aid needed for the reconstruction; and contribute to peace in the region.

Helping the reconstruction of the the Middle East region with its economic power is still Japan's strong point. At present the world economy is beginning to show a lack of capital, and the reconstruction of the Middle East region needs huge amounts of money. Kuwait alone needs US\$60-100 billion. Although the Japanese government has warned the business circles to be cautious and discreet in accepting orders, Japan's position as the world's No. 1 creditor nation and aid provider cannot but guarantee its share in the reconstruction project.

Prime Minister Kaifu, when explaining on March 12 the use of the US\$9 billion donation fund, said, "The increased financial aid is for the restoration of peace and stability in the Gulf. The money can also be used for post-war reconstruction."

Signs indicate that apart from the previous US\$2 billion aid provided to Gulf nations, Japan may further increase its aid to those countries.

While helping the United States in building a "Middle East security system," Japan will also indirectly participate in the resolution of the Palestinian question. Japan has no historical links with the Middle East. Since the oil crisis in 1970, on the Palestinian question, it has been pursuing a policy favourable to Washington. Japan was not directly involved in the military assault against Iraq during the Gulf war. Therefore, Japan believes that it can play a major role in mediating Arab-Israeli relations and arbitrating between the United States and the Arab world.

Debates in Japan over making more contributions to the world have left the Japanese people feeling that Japan should abandon the doctrine of single-nation prosperity and turn to global issues. After the the Gulf crisis erupted, a voice for abandoning the single-nation pacifism was heard throughout that country.

Literally, "abandoning single-nation pacifism" means Japan will consider its national security while contributing to world peace. Prime Minister Kaifu stated that, now after the Gulf crisis, the Japanese government will seriously consider arms control and disarmament.

However, just how the contribution should be made is undecided. Some people argue that abandoning single-nation pacifism should be more than "paying lip service to world peace."

Ichiro Ozawa, former secretary-general of the Liberal Democratic Party, advocated in *Shukan Bunshun* published March 7, 1991 that Japan should become a wing of the world police. After Michio Watanabe, former chairman of the LDP Committee for Policy Coordination, completed his tour of five Asian nations, the Kyodo commented that the ASEAN nations showed a certain understanding of Japan's intention to send its Self-Defence Force abroad. According to *Saneki Shimbun* and *Yomiuri Shimbun*, a recent poll indicated that more than 60 percent of the people thought Japan had made insufficient contribution in the Gulf crisis, and 50 percent believed that Japan should send its Self-Defence Force to participate in the United Nations peace-keeping actions.

Japan feels that, with the easing of East-West ties, the weakening of Washington's and Moscow's power to control international affairs and increasing regional disputes, the United Nations will play a greater role in forming a new world order. Therefore, it will seek an important seat in the UN to carry out its big-power diplomacy.

Currently, Japan has contributed 11 percent of UN budget, next only to the United States' 25 percent. Not satisfactory with its status as an ordinary member in the United Nations, Japan seeks to be elected a non-permanent member of the UN Security Council during the UN Assembly session this autumn. It hopes to abolish the clauses of enemy state in the UN Charter, and finally reach the goal

of becoming a permanent member of the UN Security Council. An investigation by *Mainichi Shimbun* said that 40 percent of the ambassadors of 58 countries to Japan bolstered this goal. Keitaro Hasegawa, an economic critic, in his new book *New World Order and Japan*, predicts that Germany and Japan will become the UN Security Council permanent members in this decade.

New Asian Order

An LDP magazine stated that Japan has special responsibilities in Asia, much as does the United States for Latin America and does Western Europe for Africa. The idea guiding Japan's diplomatic

policy is to value diplomacy in Asia and make it a springboard for global considerations. At present, Japan's goal of diplomacy is to expand the trend of detente in Asia and establish a new order in the region. Tokyo has speeded up efforts to reach the goal since the end of the Gulf war.

In addition to economic cooperation of the Pacific rim, an Asian security guarantee system will become an important part of Japan's "New Asian order." Previously, Japan followed a diplomatic policy of gradual settlement of problems in Asia and responded negatively to Moscow's collective Asian-Pacific security concept for fear of Soviet domination in the Asian security system. But it failed to

secure its policy of gradual settlement, and because it had no certainty over the position of neighbouring countries, it did not push ahead with its own idea of an Asian security system.

However, during the Gulf war, Tokyo felt a subtle shift on neighbouring nations' attitude towards Japan, a favourable shift in attitude towards Japan's action. Therefore, Japan is now convinced that this change marks increasing confidence in Japan by Asian nations. As Taizao Watanabe said, "We reduced worries that Japan will become a military power." For Japan, which seeks a Japan-centred Asian security system and subsequently a new Asian order, this presents a favourable picture. ■

Latin America in a Changing World

by Xu Shicheng

A new international order, a much-talked about topic recently, is yet to appear, although around the turn of the 1980s and the 1990s, drastic changes took place in the world. The Yalta system of bipolar confrontation between the United States and the Soviet Union, which came into existence after World War II, collapsed and the world is evolving towards multipolarization.

Containing 33 developing countries, most economically underdeveloped and therefore dependent on outside world,

Latin America is ultra vulnerable to the winds of change. Changes on the international scene have already exerted a far-reaching influence on Latin America and will continue to do so. But the change is both a challenge and an opportunity, which spurs on Latin America to greater efforts to accelerate the process of regional integration by promoting social and economic reforms. The continent is now at a crossroads.

Political Impact

The dual impact of the

world shake-up in Latin America has on one hand helped ease the region's hot spots, particularly in Central America while at the same time bringing political turbulence.

Since the victory of the Nicaraguan revolution in July 1979, Central America has been a hot spot for US-Soviet rivalry. With the easing of US-Soviet relations, and Washington's strategy of exerting pressure to bring about changes, the political situation in Central America has changed significantly. Last

year pro-American moderates came into power in all of the five Central American countries. The government change in Nicaragua eliminated political, military and ideological confrontation in the region, and US influence increased.

The changes, especially those in the Soviet Union and Eastern Europe, produced an extensive, powerful influence on Cuba, the only socialist country in the Western Hemisphere. Cuba has maintained the closest links with the Soviet Union and Eastern Europe. Since 1972, when Cuba joined the Council for Mutual Economic Assistance (CMEA), 70 percent of Cuba's foreign trade is with the Soviet Union and 15 percent with East European nations. Cuba's medium- and long-term development programmes are in accordance with the principle of specialization and international division of labour of the CMEA. Now the dramatic changes in Eastern Europe have in effect made the CMEA exist only nominally. The Soviet Union reduced its oil supply to Cuba in 1990 and beginning in 1991, Soviet-Cuban trade is no longer conducted in roubles and without transferred accounts. Also, Moscow has decreased aid and subsidy for Cuba. Trade between East European countries and Cuba has shrunk considerably and East European aid to Cuba has almost come to a halt. All this presents a grave challenge to Cuba's economy.

Since George Bush took office as president, the United States has taken a hard-line position on Cuba by imposing pressure and exercising military threat. Economic blockade

and trade embargo have been imposed and ideological infiltration strengthened in a bid to subvert the Cuban regime from the outside.

Thus the Cuban Communist Party and the government, under the precondition of adhering to socialism, gradually readjusted domestic and foreign policies stabilizing the domestic situation and developing the economy.

Washington continues to play power politics in Panama. At the end of 1989 when the world situation relaxed, the United States sent 30,000 troops to invade Panama resulting in hundreds of Panamanian deaths and an economic loss of US\$2 billion. A year later, at the request of the Panamanian government headed by Guillermo Endara, the US troops once again interfered in Panama by sending armed vehicles to squelch a mutiny involving hundreds of policemen headed by Eduardo Herrera Hassan, the former national police chief. This indicates that the United States will, if necessary, take military action to safeguard and expand its political, economic and strategic interests.

"New generation" leaders are now appearing in Latin America. Recent Latin American elections have brought a new generation of leaders into power. Some of them are young and have short political experience. Peruvian President Alberto Fujimori is a 53-year-old university professor whose political career began in 1989 when he founded the "Cambio 90" independent movement. The 41-year Brazilian President Fernando Collor de Mello won the pres-

idency by defeating the old-line party candidates. Several others belong to the old guard political parties, such as the Argentine President Carlos Menem, chairman of the Partido Justicialista; Mexican President Carlos Salinas, leader of the Partido Revolucionario Institucional; Uruguayan President Luis Alberto Lacalle, leader of the Partido Nacional, and Chilean President Patricio Aylwin, chairman of the Partido Demócrata Cristiano. These are "New Generation" leaders for they are to varying degrees abandoning or readjusting the old policies followed by their parties and their governments. A Chilean magazine commented that the New Generation is leading a deep reform movement in Latin America. These men, with no anti-US prejudice and very different from the old line political party leaders, are leading their countries forward on new economic paths. Upon completion of his five-nation South American tour, President Bush appraised the bold new generation of leaders as vanguards on the new road of development.

The Latin American Communist and revolutionary movements are affected by the changing world situation. The dramatic change in the Soviet Union and Eastern Europe has greatly stunned the Latin American Communist parties and the leftist forces. As an editorial of the *Inforpress Centroamericana* of Guatemala put it, the weakening of socialist force in the global reorganization has adversely affected the Latin American revolutionary movements, resulting in the

loss of international support of their fighting against the hostile military powers.

Although greatly shocked, the Latin American Communist parties and the leftist forces have not become downhearted. They reconsidered their previous policies. Over the year, they held several important conferences analyzing the Latin American and international situations, discussing the status quo and the future of socialism, and mapping out the purpose, strategy and tactics of Latin American revolutionary movement under the new world pattern.

Economic Impact

The changing international structure also has affected the Latin American economy.

First, the continent's position has dropped in the world economy. In 1989 its proportion of international trade fell to 2.8 percent from 5.5 percent in 1980. The average annual growth rate of the gross domestic product of Latin American countries was less than 1 percent in the 1980s, lower than the 5.9 percent in the 1970s. However, its inflation rate increased to 1000 percent from 56.1 percent in 1980. Thus it has the highest inflation rate in the world.

Second, the flow of private capital into the continent has thinned out. As a result of the rapid changes in the Soviet Union and Eastern Europe, a portion of Western capital has flowed towards the Soviet Union and Eastern Europe. German reunification has reduced investment in Latin America. Leaders of Latin American countries worry that Western countries will pay less attention to their re-

gion than to the Soviet Union and Eastern Europe.

Third, the Gulf crisis increased economic difficulties in most Latin American countries. After Iraq's invasion of Kuwait some oil producers in Latin America, such as Venezuela and Mexico, benefited from the rise of oil prices in world market, but non-oil producing countries had to spend more on energy, thus increasing their financial burdens. Brazil was the most seriously hit country. Because of the rise of oil prices, it paid US\$1.5 billion more in 1990. On the other hand, because of the banning of arms, merchandise and service exports to Iraq, the country suffered a loss of US\$3 billion in revenue.

Fourth, the regionalizing and grouping tendency in the world economy produces both favourable and unfavourable influences on Latin America's economy. The speedy growth of the European Community (EC) and establishment of a single European market will strengthen trade protectionism. The market's exclusiveness will negatively impact its trade and economic relations with Latin American countries. In fact, trade between West European and Latin American countries decreased in the 1980s: EC's export value to Latin America dropped from US\$19.1 billion in 1980 to US\$9.88 billion in 1989, EC's imports from Latin America fell from US\$23.2 billion to US\$18.1 billion, and its trade volume with Latin America accounted for 4.5 percent of its total foreign trade volume in 1989, lower than the 6 percent in 1980.

The favourable influence is

that it promotes relations between the United States and Latin America. In order to maintain its position in global competition and meet the economic challenge from a single European market and Japan, the United States needs to adjust and improve its relations with Latin America, especially major Latin American countries. Bush's "Enterprise for Americas Initiative" indicates US policy adjustment to Latin America. Though Bush's initiative is designed to promote US interests, it goes along with some Latin American countries' ideas on improving and strengthening economic and trade relations with the United States. During the readjustment of international economic structure, Latin American countries do not want to be economic appendices to developed countries, neither do they want to be ostracized from the world economy.

In recent years, leaders of Mexico, Brazil, Peru, Colombia, Argentina and other Latin American countries have visited the United States, Japan and West European countries. Particularly the United States was visited to seek new funds and reduce debt crisis while promoting trade ties. President Bush also visited Mexico, Brazil, Argentina, Uruguay, Chile and Venezuela in November and December 1990. Although the visit produced few concrete results, it showed that in changing times, the United States needs Latin America, especially Latin American oil to make up for shortage due to the Gulf crisis. Bush's free trade zone may not be established soon, but it is apparent that econo-

mic and trade relations between the United States and Latin America will develop greatly in the 1990s.

Counter-measures

In an effort to adapt to changing times and challenges, Latin American countries are striving to create conditions favourable to their development. On the whole they have adopted the following policies:

(1) Speeding the process of regional co-operation and economic integration. In 1990 regional co-operation and economic integration in Latin America progressed. The fourth summit of the Rio Group, which was held in Caracas of Venezuela last October, adopted some measures on integration. For example, the summit accepted a 10-point proposal put forward by Mexico for strengthening integration within the range of the Latin American Integration Association. It began to discuss the establishment of a strategic fund to further increase investment and implement integration. The Latin American Energy Organization was asked to study the effect of the Gulf crisis on Latin America and adopt concretely mutual actions. The summit also decided to recruit Bolivia and Paraguay into the Rio Group and invited the Central American and Caribbean countries to respectively choose one representative to join the Rio Group. Thus the Rio Group members will increase to 13 from eight, making the group a broadly representative and high political consultative and coordinated organ which will accelerate Latin American integration.

On August 1, 1990, foreign ministers of Brazil, Argentina, Chile and Uruguay agreed to set up the South Cone Common Market (Mercosur) before January 1, 1995. On August 2 heads from 12 member states of the Caribbean Common Market held their 11th conference in Kingston, the capital of Jamaica, deciding to implement unified tariff as of January 1, 1991 and remove trade barriers between the member states from last July. Economic ministers of five Central American countries, meeting in Honduras, decided to gradually eliminate tariff barriers and set up a free trade zone in Central America. Towards the end of November heads of five member countries of the Adecan Group held a meeting in La Paz, deciding to set up a free trade zone in this region at the end of 1991 and form a tariff alliance and a common market in 1995.

(2) Latin American countries are speeding up the political and economic reform and co-ordinating foreign policies according to their own conditions. Since he came to power in May 1990, Brazilian President Fernando Collor has made some economic policy readjustments, implementing the economic plan of New Brazil. He cut the government public deficit, reduced the burden of foreign debt and got rid of economic indexation to bring down inflation. At the same time he cancelled import limitations on 2,500 goods, revised the law on information industry protection and gradually opened Brazilian markets. In the field of foreign policy Brazil has strengthened its relations with the United States and other Western

countries. Since taking office in December 1988, Mexican President Salinas has revised the constitution, promoting democracy and political pluralism. Also Mexico has signed agreements on reduction of loans with foreign creditor banks, relaxed limitations on foreign investments, sped up privatization of state enterprises and opened trade in accordance with the requirements of the International Monetary Fund. While stressing Mexico's Latin American attribute, Mexico has set up close relations with the United States, started trade negotiations with it and launched foreign diplomacy in the Pacific. President of Argentina Carlos Menem has adopted a series of measures to rectify economy. He has streamlined administrative structure, reduced public expenditure, promoted privatization of state enterprises and free market economy. Externally the Argentine government has supported US President Bush's initiative and restored relations with Britain. Other Latin American countries have also sped up political and economic reform and readjusted foreign relations.

As the world is in transition, various forces will reorganize. For Latin America the next 10 years are critical. Only if these countries conduct political and economic reforms according to their own needs, speed up economic integration and strengthen regional co-operation, will the political situation become stable and their respective economies develop. Only thus will Latin America occupy a favourable position and play a positive role in the world arena full of sharp competitions. ■

Li Peng Meets Chinese and Foreign Reporters

On April 9, Li Peng, premier of the State Council, and Vice-Premiers Tian Jiyun, Wu Xueqian and Zou Jiahua met several hundred Chinese and foreign reporters covering the recent sessions of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) at a press conference sponsored by Yao Guang, spokesman for the Fourth Session of the Seventh NPC.

Xinhua (China): The current world economic situation is changing drastically and competition in the trade and investment markets has become very acute. Premier Li, how do you think the international economic environment in the 1990s will affect China's fulfilment of its second-step strategic target?

Li Peng: At present, we are continuing to carry out the policy of reform and opening up. Therefore, the international economic and political situation will definitely have some impact on China's construction in the coming ten years. I think, the old world pattern has been broken and a new one is yet to take shape. The world situation is turbulent, and the international economic and political situation has both favourable and unfavourable influence on China. China is willing to develop friendly relations, including economic and trade relations, with all countries on the basis of the Five Principles of Peaceful Coexistence. We will further improve our investment environment, strengthen economic co-operation and trade with other countries and play an active part in international economic activities. We are optimistic

about the prospects for the next decade. We, too, are participating in international economic activities. Considering the stern international economic and political situation, we stress self-reliance and building the country through thrift and hard work. While carrying out the policy of opening to the outside world, we base our economic work on our own strength.



Li Peng.

Wen Wei Po (Hong Kong): China and Britain agree on the need for a new airport in Hong Kong. Why is that there are still no concrete decisions after such long talks between the two sides? What differences are there between the two sides? Are they economic or political? Or, as some Hong Kong people said, is China becoming involved in Hong Kong too early?

Li: Since the Kai Tek Airport in Hong Kong is used to capacity, the Chinese government supports the construction of a new airport

in Hong Kong. But, because the project is huge and costly and will go well beyond 1997, the Chinese government has the responsibility and obligation to express its opinions on the issue. We hope the project will consume little investment and receive high economic returns and, moreover, will not increase the economic burden on Hong Kong after 1997. During the recent visit by British Foreign Secretary Douglas Hurd to China, the two sides exchanged views on issues of common concern, including the issue of the Hong Kong airport. Although no agreement was reached, the two sides strengthened their mutual understanding and the atmosphere was good. The difference between the two sides on the project is narrowing. I'd like to make it clear to everyone, China is not seeking its self-interest in this issue. We just want to ensure the smooth transfer of power in 1997 and create conditions for the prosperity and stability of Hong Kong and the normal operation of the government of the special administrative region in the future. In my opinion, all problems can be resolved so long as both China and Britain act in accordance with the principles of the joint declaration between the two governments.

USSR Broadcasting Station: Premier Li, a year has passed since you visited the Soviet Union last year. During this period, Sino-Soviet relations have developed in all fields. Next month, General Secretary Jiang Zemin will pay an official visit to the Soviet Union. What's your opinion of current Soviet-Chinese relations?

Li: General Secretary Jiang



Premier Li Peng and Vice-Premiers Tian Jiyun, Wu Xueqian and Zou Jiahua at the press conference.

Zemin is going to pay an official and goodwill visit to the Soviet Union. It is a return visit to President Mikhail Gorbachev's visit to China in 1989. During General Secretary Jiang's visit, the two leaders will extensively and intensively exchange views on international issues and bilateral relations. China and the Soviet Union are neighbouring countries sharing a border of more than 7,000 km. Further development of Sino-Soviet relations on the basis of the Five Principles of Peaceful Coexistence is not only in the interest of China and the Soviet Union but also vital to the peace and development of Asia and the world. Sino-Soviet relations will develop in the direction of a good-neighbourly relationship, rather than reverting to the alliance relationship which existed back in the 1950s. I believe General Secretary Jiang's visit will be a complete success.

Time (the United States): Premier Li Peng, an eight-line poem which appeared in the overseas edition of the *People's Daily* on March 20 had the hidden meaning asking you to step down. How do you react to such a political accident?

Li: This is a trivial matter not worth mentioning. Since China is

such a big country with a large population, it is not strange that some people oppose the current policies of the Party and the government. There is no exception for this in history or in other countries. I think the author of the poem cannot represent people's will. The outline of the Ten-Year Programme and the Eighth Five-Year Plan for China's social and economic development and my report on the outline on behalf of the State Council were approved by the overwhelming majority of the deputies to the Fourth Session of the Seventh National People's Congress which just closed. This really represents the will of the Chinese people.

United Daily News (Taipei): Premier Li's draft report on the government work once pointed out that all the statements and some measures which the Taiwan authorities are going to take will help end the hostility between the two sides of the straits. Later you dropped this sentence when

you delivered it at the session. Was this your own decision or was it done with the consultation within the Party? What was behind the change?

Li: I'll ask Vice-Premier Wu Xueqian to answer your question.

Wu Xueqian: Premier Li Peng talked about the Taiwan issue in his report to the current National People's Congress and elaborated on the consistent policies of the central government towards the Taiwan problem. In his report, Premier Li Peng welcomes all statements by the Taiwan authorities promoting the reunification of the motherland and expects them to do more to develop relations between the two sides of the straits and enhance the "three links"—direct mail, shipping services and trade. We hope the Chinese Communist Party and the Kuomintang will negotiate at the earliest possible date



Wu Xueqian.

and we are willing to communicate with all parties, organizations and public figures from all circles in Taiwan on the issue. About this question of so-called end of hostilities, I want to remind all reporters from Taiwan that some Taiwan officials have recently claimed on more than one occasion

that the relations between Taiwan and the mainland would continue to be in the state of hostility after an end has been put to the period of communist rebellion and that the Taiwan authorities would remain opposed to the Communist Party of China. All these remarks are obviously against the promotion of peaceful reunification of the motherland and contradict the "principles for reunification of the state" published by the Tai-



Chinese and foreign reporters at the press conference.

wan authorities not long ago in which the ending hostility was mentioned.

Central People's Broadcasting Station (China): It is known to everybody that China has made progress in its economic rectification. But some people think the economic rectification has not reached its desired results. Some foreign media also comment that the economic rectification has held down China's economic development. Premier Li Peng, what's your view on this?

Li: China has achieved the desired results in its efforts to improve the economic environment and rectify the economic order. The excessive high rate of inflation has been curbed and the economic growth which was on a decline has returned to normal. Industrial production in the first quarter of this year rose by 13.8 percent. Agricultural production reported a bumper harvest for two years running. The economic order has taken a turn for the better. The contradiction between total supply and total demand which always troubled China has been handled well. So we can say we have achieved remarkable results in the economic rectification campaign and that these achievements have provid-

ed a relaxed environment for in-depth reform and a wider opening to the outside world. However, some problems which China has not solved in the rectification campaign will take a long time to solve. These problems will be solved in the economic reform. Such problems as the improvement of enterprises' economic returns and the balance of financial revenues and expenditures will take an even longer time to solve.

Daily Telegraph (Britain): During the Gulf war, the Chinese government expressed time and again the view that the disputes and conflicts should be solved by peaceful means instead by armed forces. Can you guarantee that the Chinese government will use peaceful means not military forces to deal with disputes if they appear within your country?

Li: In my opinion these problems are of two completely different natures. We always advocate that disputes among nations should be solved through peaceful consultation. The problems within China are mainly contradictions among the people and certainly should be solved by means dealing with the contradictions among the people. Only when

these contradictions have been intensified or their nature changed that they violate the Chinese criminal law or jeopardize the state and social security will resolute measures be adopted to solve them.

Chief Editor of Uno ma's Uno (Mexico): What guarantee is there for the success of China's economic reform in the coming years?

Li: The Ten-Year Programme and the Eighth Five-Year Plan for the national economic and social development approved by the NPC have acquired legal status and therefore have provided a guarantee for the success of China's economic reform. It is certain that in carrying out the reform and economic construction, China has to rely on political stability and unity within the country as well as a favourable international environment.

Business Daily (the United States): Premier Li Peng, do you think it's possible that a Chinese citizen can be a patriot and at the same time an anti-government and anti-socialist element?

Li: The Chinese Constitution stipulates clearly that China is a socialist country with the working class as its leadership and the worker-peasant alliance as its basic forces. If a Chinese is a patriot, he or she should be a supporter of the socialist system.

Beijing Daily: The Chinese Olympic Committee has said that Beijing will apply to host the Olympiad in 2000. Beijing residents and the people in other parts of the country are greatly interested in this. Premier Li Peng, what do you think about the Beijing application?

Li: Beijing successfully hosted the 11th Asian Games last September and has the conditions for staging the 2000 Olympiad. It is true there are many applicants and Beijing is facing keen competition. We hope Beijing's application will get the support of

worldwide sports and other circles. If Beijing wins the competition, both the Beijing and the central governments will spare no efforts to organize the games well.

A Foreign Reporter: China has completed trying the cases of those connected with the June 4 incident. Has Zhao Ziyang's case been tried?

Li: The problem of Comrade Zhao Ziyang is an inter-Party problem. The Fourth Plenary Session of the 13th Party Central Committee pointed out that his mistake was splitting the Party and supporting turmoil. The investigation of his problem is being conducted within the Party and is still under way.

NHK (Japan): Recently, there have been increasingly frequent economic exchanges between China and the Soviet Union. Japan's economic exchange with the Soviet Union is bound to increase with the visit to Japan by the Soviet president. This means that the Far-East Economic Circle organized by China, the Soviet Union, Japan and Korea will soon take shape. I would like to ask what kind of role will China play and what kind of contribution will China make to this circle?

Li: China, Japan and Korea are all in East Asia. Strengthening economic co-operation and exchanges in this region is beneficial. The Chinese government will support it. China will develop economic and trade relations not only with East Asia but also with countries in Southeast Asia, Europe, North America and other parts of the world.

China Daily: The day before yesterday, the information provided by the State Statistical Bureau shows that in the first quarter of this year, such contradictions as poor economic results and low fund turnover rate of China's enterprises have not been resolved. Some people at home and abroad

believe that these problems can hardly be solved by the current enterprise contract system and that the fundamental solution for the reform lies in implementing the stock system and practising privatization. What are your comments on this? What effective measures will the government take to enhance the economic returns of large and medium-sized enterprises in the future?

Li: I would like to ask Comrade Zou Jiahua, a newly appointed vice-premier and concurrently minister of the State Planning Commission, to answer the question.

Zou Jiahua: Economic performance of enterprises, especially of large and medium-sized ones, is an important question in China's current economic work. With regard to invigorating large and medium-sized enterprises and raising their economic returns, Premier Li Peng has clearly elaborated on the question in his report. In fact, China's large and medium-sized enterprises have achieved great progress in the past dozen years of reform.

Our task is to help these enterprises to become more vigorous. The fundamental way to do this is to deepen the reform and enable these enterprises to be more adaptable to the planned commodity economy and to the mechanism which combines the planned economy with market regulation. The reasons for the poor economic performance of large and medium-sized enterprises are complicated; they include both external and internal factors. Deepening the reform will proceed from both external and internal aspects of enterprises, such as the reform of the pricing system, interest rates and exchange rates. In internal reform, the improvement of the

contract responsibility system and employment, finance and management systems are all very important. We believe through the reform and the common effort by enterprises and the state, the question of the poor economic performance will be gradually resolved.

Islamic Republic News Agency (Iran): The situation in southern



Zou Jiahua.

Reporter from the Islamic Republic News Agency of Iran asks a question.



Iraq is very serious. I would like to ask if the Chinese government plans to provide economic support to southern Iraq?

Li: I've learnt through the media that the situation in Iraq is very serious. The Chinese government is ready to give humanitarian support to them.

Sing Pao Daily News (Hong Kong): Premier Li Peng, you have said the difference between China and Britain over the new airport project in Hong Kong is narrowing. Why have both sides not reached a final agreement and what are the specific differences between China and Britain? Is the Chinese side afraid that Britain will spend all of Hong Kong's financial reserves before 1997? What is China's view on a resolution to the reserve issue? Have the negotiations between China and Britain in a stalemate? According to your calculation, how long will it take China to make known its position in support of the new airport plan?

Li: What you say is reasonable. With regard to the financial problem on establishing a new airport in Hong Kong, that is to say, how much financial reserves will the Hong Kong government leave for the future special administrative regional government, is indeed one of the differences between China and Britain. During British foreign secretary Douglas Hurd's recent visit to China, both sides held fruitful talks and the differences are narrowing. I think we can find common ground for solving the airport problem. I have said that the Chinese government has no self-interest in this issue. What China is concerned with is the normal operation of the future Hong Kong Special Administrative Regional Government. At the same time, we don't want this new airport to place additional burdens, such as an increase in taxes, on Hong Kong residents.

German News Agency (Deutsche Presse-Agentur): Many people in China and other countries believe that once Deng Xiaoping passes away, China will be thrown into confusion and become unstable. Do you think the issue of a successor to Deng Xiaoping is a key problem facing the Chinese government? Do you think that resolving the question will ensure future stability?

Li: Comrade Deng Xiaoping is the chief architect of China's policies of economic reforms and opening to the outside world, and we hold him in great respect. In my report to the NPC session there are 12 principles on the building of socialism with Chinese characteristics which summarize Deng's thoughts and contributions. At the Fourth Plenary Session of the 13th Central Committee of the Chinese Communist Party held in 1989, a new leadership with Comrade Jiang Zemin at the core took shape, and through two years' work, the Party Central Committee with Jiang Zemin at the core has enjoyed the support and respect of the whole Party and the army and the people. I believe that this leadership core is fully capable of handling any situation and any problem in China.

Comrade Deng Xiaoping always encourages the new collective leadership to make decisions and to deal with things independently in the hope that it will become more mature through its practical work. Comrade Deng Xiaoping enjoys very good health. Therefore, we need not talk about what will happen after Deng. Whatever happens, China's new leadership is capable of maintaining political stability. Some reporters may have an interest in whether I will remain in my post. I don't want to dodge the question. I am a member of the new leadership and I have been an assistant to Comrade Jiang Zemin. The stability of

China's political situation will also mean the stability of the Chinese government. Therefore, I believe that during the current term of tenure of the government, I will certainly remain at my post as premier.

By the way, a reporter inquired about my talks with Watanabe Michio, a Japanese Dietman, early in March and asked whether there would be major personnel changes during the NPC session. I told him that there would be no surprised personnel changes and I would remain in my post as premier. However, his remark, especially the word "surprised," was neglected. At the NPC session, two additional vice-premiers and a state councillor were appointed. I am not in a position to break the appointments before the NPC session is held. I think you will understand it.

Renmin Ribao (China): The discussion in various countries around the world is now being focused on the establishment of a new international order. Premier Li, in your opinion, what kind of a new international order should be established? What efforts should our government make in order to achieve this?

Li: The governments and mass media of many countries are now taking up the question of establishing a new international order. In the opinion of the Chinese government, the Five Principles of Peaceful Coexistence should be the general principles for a new international political and economic order, because these principles have withstood the tests of times and have been accepted by most countries around the world. The sort of new order under which the world is dominated by a big power or by a group of big powers cannot provide a reliable guarantee for world peace and development. The Chinese government maintains that the most

important principle for a new international political and economic order is non-interference in each other's internal affairs, and that all countries, whether large or small, strong or weak, rich or poor, are equal members in the world's big family whose rights should be respected.

Washington Post (the United States): China once said that it would publish the number of people wounded or killed during the "June 4" event. Now that the court says the trial of the cases is basically complete, I'd like to ask when the government will publish such figures.

Li: Two years have passed since the "June 4" incident and there is no need to dwell on the issue. Anyway, I can answer this question you've just raised.

It is not difficult for the Chinese government to publish the list of casualties in the "June 4" incident. The point is that some families of the deceased do not want the names of the dead to be published because the incident is seen by the Chinese people as rebellion.

I think other reporters may also raise questions concerning this, so I would like to take this opportunity to say something more. With regard to the rebellion in Beijing at the turn of spring in 1989, it is fully understandable that there are different appraisals of the incident due to the different value concepts and different ideologies. But if one has no prejudice and respects the objective facts, I think we can find a common point on this issue. That is to say, if the Chinese Party and government had failed to adopt, or were not forced to adopt, the resolute measures at

the critical moment, there would not have been any political stability and economic growth in China today, nor progress in the reform and opening to the outside world, the redoubling of the national economy and a comfortable life for the people in the next decade. Perhaps even the existence of the People's Republic of China would be in question. If we had not been compelled to adopt resolute measures, then China today would have been in a state of utter confusion, would have been plagued by economic recession and political instability and the seriousness of the situation would perhaps not be inferior to that in some countries around the world which had once practised socialism. I think the Chinese people do not want to see that such a situation emerge



Tian Jiyun.

in China. Such being the case, history will convincingly prove that the measures taken by the Chinese Party and government at that time were necessary.

China's judicial organ is independent and the government has no right and no need to interfere in the judicial departments' trial of some cases. For this reason, if a reporter wants to ask about some concrete cases, I think he should go to related courts and procuratorates. The leaders of those organs have clearly explained questions in this regard in their reports delivered at the current NPC session.

Science and Technology Daily (China): Premier Li Peng just mentioned that China gathered bumper agricultural harvests for two years running. I think that the six major plans for "boosting agriculture by relying on science and technology" including the

"Spark Programme" have played a positive role in the bumper harvests. Considering that agriculture still needs to take two steps forward in the next decade, the tasks remain rather arduous. I would like to ask what new guidelines and strategic plans the State Council will adopt to develop agricultural production by relying on science and technology in the coming ten years.

Li: Since Vice-Premier Tian Jiyun is in charge of agricultural work in the State Council, I will ask him to answer this question.

Tian Jiyun: In our country, developing agriculture by relying on science and technology is, it can be said, in the ascendant and has become a powerful force boosting the development of China's agricultural production. At present, many scientific research results suitable for agriculture are applied only in a small area of production. If such suitable science and technologies are widely applied, our agricultural productive forces will be greatly increased. This may be a basic way to guarantee achievement of our goal for agricultural development by the year 2000.

Le Figaro (France): You've just said that China's judicial organ is independent, but after a court decision is made, isn't it true that the administrative organization can exert some influence on the decision, say, grant a general pardon to certain people?

Li: No general pardons, but only special pardon, is stipulated in China's laws. It is not the government, but the Standing Committee of the National People's Congress that exercises the power to grant special pardons.

Izvestia (USSR): Mr Li Peng, we know it is your view that the household contract responsibility system will be continued for a long time, but at the same time you've repeatedly indicated you would encourage the development of some collective econo-

mic sectors. What do you mean by collective economy? In addition, in China's current economic structure, is the relationship between the state, collective and individual smooth and harmonious and conducive to economic development?

Li: It has been many years since China implemented the household contract responsibility system which links remuneration to output. Practice proves that this policy is successful, is supported by the farmers and has promoted agricultural development. We will, therefore, continue to implement it. With the development of agricultural production, however, relying on such a household contract responsibility system alone cannot meet the needs for developing productive forces. Given this situation, various forms of service systems have emerged in China's rural areas. The pre-production and post-production service systems are used to solve the problems which cannot be solved by single households. It can be expected that in the coming ten years, these service systems will be further developed and improved. Most of these service systems are run by collectives and some by individuals. The collective economy you've just mentioned, I think, should also include township enterprises. Many types of enterprises are essentially a collective economy.

PLA Daily (China): In your report to the session, you call for activities to support the army and give preferential treatment to families of army men and revolutionary martyrs and to support the government and cherish the people, so as to further strengthen unity between the army and the people and the unity between the army and the government. Could you please talk about your evaluation of the "two-support" activities conducted over the past two years and

the measures and plans of the government to further do a good job in this field in the future?

Li: The Chinese People's Liberation Army is the "iron and steel Great Wall" in defending socialist construction. So is the people's armed police. They are all brothers of the people and serve the people. Conducting activities to support the army and give preferential treatment to families of army men and revolutionary martyrs and to support the government and cherish the people is a long-standing fine tradition of our Party and our country. This tradition will be further carried forward under the new situation. Early this year, we held a conference of supporting the army and giving preferential treatment to families of army men and revolutionary martyrs as well as supporting the government and cherishing the people in Fuzhou. The conference summed up the new experience in conducting the "two-support" activities. This will play a big role in promoting unity between the army and the people.

Voice of America: Do you feel proud that the Chinese movie *Judou* was nominated recently as an Oscar entry in the United States. Why is it that China makes some movies which are not allowed to be shown in the interior of China? Is it that the Chinese government think the Chinese people are not mature enough and thus not able to see good from bad?

Li: As I have not watched the movie *Judou*, I cannot comment on it. As regards the policy of the Chinese Party and government on literature and art, it is "let a hundred flowers blossom and let a hundred schools of thought contend" and "serve the people and serve socialism." We expect literary works to encourage people, inspire people to go upward and make contribution to socialist construction. This is what we

consider by promoting ideological and cultural progress.

China News Agency: Has Comrade Deng Xiaoping participated in the formulation of the Eighth Five-Year Plan and the Ten-Year Programme. Is he satisfied with this document?

Li: The Eighth Five-Year Plan and the Ten-Year Programme were formulated under the leadership of the CPC Central Committee and the State Council. Proposal for the formulation of the plan and the programme was made at the Seventh Plenary Session of the 13th Party Congress. In the process of working on this document, we solicited opinions of people from various walks of life and, of course, also from some veteran comrades. We solicited the opinion of Comrade Deng Xiaoping and some other veteran comrades. Comrade Deng Xiaoping was satisfied with the proposal of the Seventh Plenary Session of the 13th Party Central Central Committee; other veteran comrades expressed their support as well. Although Comrade Deng Xiaoping no longer holds any post, we will continue to follow the line he set forth for the Party after the Third Plenary Session of the 11th Party Central Committee. Comrade Deng Xiaoping inherited and developed Mao Zedong Thought. His series of important works are of important guidance significance for us.

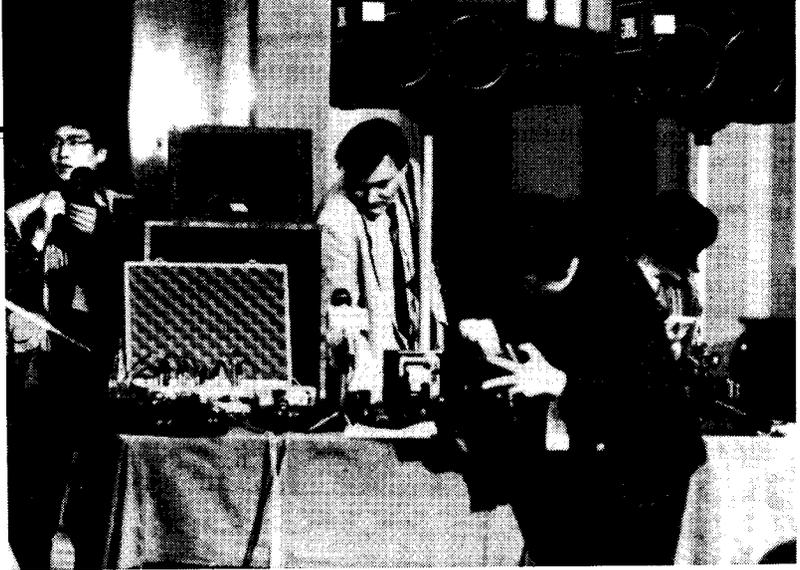
Lian He Zao Bao (Singapore): Premier Li, you have just said that China will strengthen economic and trade ties with Southeast Asia. Is there any influence exerted by the huge Taiwan investment in Southeast Asia on China's endeavour to develop ties with Southeast Asia? With regard to the question of Cambodia, will China urge the Khmer Rouge to accept the United Nations' plan? As for the question of Nansha Islands, how will China improve its bilateral rela-

tions with Viet Nam?

Li: Last year, China further improved and developed its ties with countries in Southeast Asia, restored diplomatic relations with Indonesia, and established diplomatic relations with Singapore. We plan to maintain and further develop China's good relations with countries in Southeast Asia in the fields of politics, economy, science and education. We do not oppose Taiwan developing economic and trade relations with Southeast Asian countries in the capacity of a region, so long as this kind of relationship is non-governmental. This kind of relationship will not hinder the mainland's effort to develop economic and trade relations with these countries. As early as August and September of last year, the three Cambodian resistance forces including the Khmer Rouge accepted the documents passed by the UN Security Council on settling the Cambodian issues. Regarding the Nansha Islands, they have undoubtedly been Chinese territory since ancient times. However, we are willing to discuss with the countries concerned on questions concerning joint development of the Nansha. We are willing to gradually resume normal ties with Viet Nam as progress is made on the Cambodian issue.

NHK (Japan): The recent Gulf War testifies that those with backward weapons are in weak position and can be attacked. How will China strengthen its national defence in the 1990s when it is still confronted by some economic problems.

Li: Of the factors deciding the winner and loser of a war, weapons are important. But the more important is the man who commands the weapons. These are not my words; they are of a Western military commentator. We believe that public support of or opposition to the war is also an important factor. In the face of



Reporters prepare for the conference.

Photos by XUE CHAO

the present complicated and turbulent international situation, it is necessary for China to increase military expenditures this fiscal year. But the increased amount of military expenditures still account for a very low proportion of the country's financial revenues and national income. With further development of economy and an increase in financial strength, China will speed up national defence modernization. But China's national defence policy is entirely defensive and presents no threat to any country in the world.

Christian Science Monitor (the United States): Premier Li, you once said that China will not investigate the statements made by those involved in the people's democratic movement or mete out punishment to them. But not long ago, Wang Dan was given a four-year imprisonment punishment. Does this mean you have gone back on your word?

Li: The case of Wang Dan is another matter because he violated China's Criminal Law. His sentence, as I have just said, is the work of the court which made the judgement and meted out punishment in accordance with the seriousness of his case, how he pleaded and whether he had the intention to repent. The international comment I have

heard thinks this is a lenient sentence. With regard to those who committed mistakes during the "June 4" event, especially young students, our policy is more lenient. Out of love for them, the Party and the state base their policy towards them on education, allowing them to sum up experience on their own. We kept our handling of the matter within proper bounds. We shall unite under the banner of patriotism and socialism and make joint contribution to socialist construction.

Now I shall answer one more question which you have not raised yet, and, as I know, some reporters intend to raise. It is a question concerning the timing of the 14th Chinese Communist Party Congress. In accordance with the Constitution of the Chinese Communist Party, the Party congress is to be convened every five years. As the preceding one was held in 1987, the next one should be held in 1992. I think the 14th Party Congress will be convened as scheduled instead of at an earlier date. The Party's Constitution stipulates that in between two Party congresses, Party conferences may be held. But we have no plan to do so for this year or before the convocation of the 14th Party Congress. ■

Economic Prosperity—A Hot NPC Topic

by Our Staff Reporter Yang Xiaobing

In his report to the Fourth Session of the Seventh National People's Congress, Premier Li Peng of the State Council summed up China's achievements over the last decade of reform and put forward a development programme for the next ten years, a programme intended to lead to a relatively comfortable life for China's citizens. The programme drew the attention of all the deputies attending the session.

Ten years ago, the Chinese Communist Party and government put forward a "three-step" strategy for developing the national economy, that is, doubling the 1980's GNP to ensure enough food and clothing for the Chinese people during the first ten years, quadrupling the 1980's GNP to bring about a relatively comfortable life for the people during the ensuing ten years, and boosting the average per-capita GNP to the level of a moderately developed country, by and large realizing the goal of modernization, during the third step which will continue into the mid-21st century. Over the past ten years, China's GNP increased by 2.36 times, thus achieving the first-step strategic goal one year ahead of the timetable.

Guo Zhi, a Hebei Province deputy and chairman of the province's people's congress, said that like other parts of the country, Hebei has made much headway in its socio-economic development in the past ten years and doubled its gross industrial and agricultural output value two years ahead of schedule. A majority of the people now have enough to eat and wear, with

some marching towards a relatively comfortable life. Practice, he said, has vindicated the three-step strategy and to the strategy we should remain steadfast.

Marching Steadily Forward

Speaking of the problem of being over anxious for quick results during the economic construction, Gu Ming, a Henan Province deputy and president of the China Economic Law Research Institute, said that in 1957 when the economic situation was quite good, the impatience for quick progress in economic construction led to the mistake of the "great leap forward" in the following three years. "The serious losses caused by the mistake to the national economy left the nation with no other alternatives but to adjust the economy in the following four years. In 1970, during the 'cultural revolution,' we again made the same kind of mistake, calling on all sectors and trades to double their targets, with the result that by 1972 the overall payroll, the total number of employment and the scope of construction went out of control and, in particular, the issuing of money went unchecked. We were left with no other choice to choose from but to adjust the economy once again in 1973. The third instance occurred in 1981 when there appeared an overheated economy, most evident in an excessively large scope of construction and import projects. We readjusted the economy once again. The fourth stampede for quick economic results appeared in 1988 in



Zhu Rongji, a Shanghai deputy, says that the key for enlivening large and medium-sized enterprises lies in increasing their efficiency and ensuring that they make greater contributions to the state.

the process of reform and opening to the outside world. This time it was characterized by economic over-heating and inflation. The economic rectification and readjustment initiated in the winter of 1988, however, has proved rewarding."

The several rounds of economic rectification and readjustment were a heavy burden for the economy and delayed the nation's modernization construction. The latest round of economic rectification and readjustment was much more complicated and rigorous than the previous ones, for it was plagued with economic over-heating, structural imbalance, the collaboration of internal and external hostile forces and internal disorder and external pressures. Its difference from the previous instances is that first, there was no large economic retreat; second, political, economic and social

stability was ensured; third, international exchanges expanded; and fourth, although the growth of the economy dropped and belts had to be tightened for austerity, living standards were maintained.

In his report, Premier Li Peng set the annual economic growth rate at 6 percent for the coming ten years. In the past ten years, the GNP grew at an average rate of 9 percent, with the lowest being 3.6 percent in 1989. Given this, some deputies said the scheduled 6 percent growth rate was too low. Gu Ming saw the problem differently when he said that an average growth rate of 6 percent for a period of ten years was seen internationally as a high growth rate. What mattered most, he pointed out, was that China should ensure a sustained, stable and co-ordinated development.

Strengthening Democracy and Legality

Gu Ming, also a member of the NPC Standing Committee and deputy head of the NPC Law Commission, said that mistakes were made in the past simply because democracy was not given full play, the public was not consulted, and the policy making was not conducted



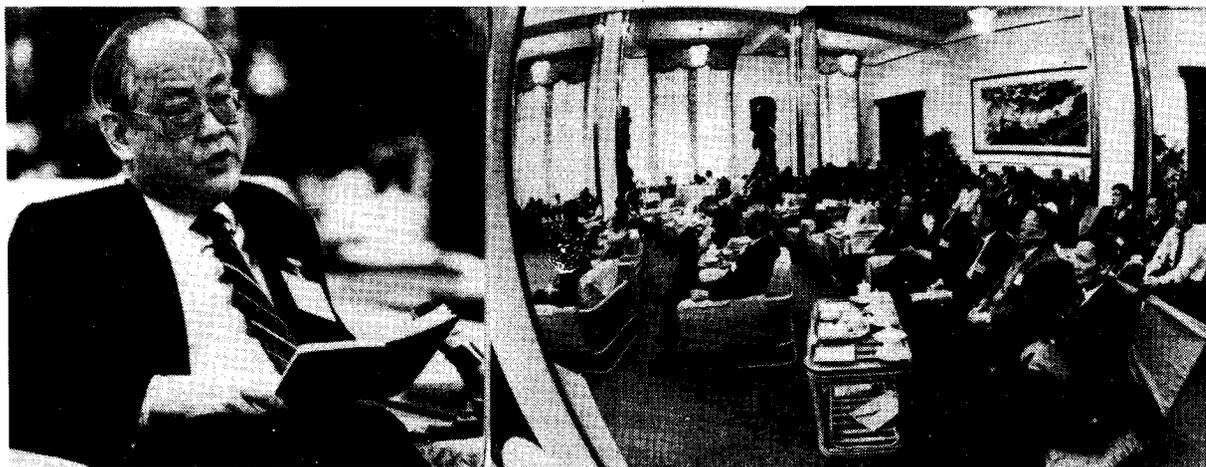
Henan Governor Li Changchun speaks on how to best strengthen macro-guidance and protect farmers' interests.

through legal procedures. In order to ensure a steady, but not overly austere economic development and to avoid the repetition of being impatient for quick results in the coming ten years, Gu said, "We must institutionalize democracy, view it as a law, making this system and law free from the impact of changes of leaders and free from the changing views and attention of leaders," as put forward by Deng Xiaoping in 1978.

At present, Gu added, in the process of economic rectification and readjustment, reform and opening up, the pressing task is to speed up legislation, particu-

larly in the macro-economic field. It is necessary to accelerate the formulation of extremely important and much needed laws on planning, budget, banking, investments, companies, pricing, labour, auditing, and fair trade. Economic development relies on scientific and technical progress, which, in turn, relies on training talented people. Therefore, it is necessary to speed up the formulation of laws concerning scientific and technical progress and education. At the same time, it is also necessary to speed up legislation to ensure a clean government.

Wu Kangmin, a Hong Kong deputy, talks about education and the treatment of intellectuals.



Opening Wider

Ye Xuanping, governor of Guangdong Province and a newly elected vice-chairman of the Chinese People's Political Consultative Conference, quoted Premier Li Peng as saying, "The most noteworthy of our country's socio-economic life during the 1980s was economic restructuring and opening up to the outside world." In this matter, the



Chen Guoqiang, a Zhejiang deputy and president of the Zhejiang branch of the People's Bank of China, explains why there is a fund shortage in large and medium-sized enterprises. *Photos by XUE CHAO*

state decided that Guangdong was to take the lead. Ten years have gone by and the cadres and people of Guangdong have come to realize from their own experiences that if it had not been for the reform and opening up Guangdong would not have been what it is today. Only by persisting in reform and open policy can Guangdong have a brighter future. In the past ten years, Guangdong's productive forces have registered rapid growth. Its contribution to GNP reached 141 billion yuan in 1990, up 3.17 times from 1980 and its contribution to the national income came to 110.8 billion yuan, up 2.93 times from 1980. Its infrastructure has improved greatly. Guangdong now has an electricity-generating capacity of about 8 million kw and direct-dial telephone services with main

Chinese and foreign cities.

Zou Erjun, a Fujian Province deputy and mayor of Xiamen, said that Xiamen has developed rapidly since it was opened to the world. Its per-capita GNP reached 4,500 yuan in 1990, which, if calculated according to constant prices, tops US\$1,000 and, if calculated according to current exchange rate, is more than US\$800. This means that the city has realized the goal of ensuring a relatively comfortable life for the people ahead of time. Some doubted whether the unduly high proportion of foreign-funded enterprises in Xiamen (which represented 54 percent of the city's total industrial output value in 1990 and are expected to make up 60 percent this year) would undercut the dominant position of public ownership. "I think this doubt is ill-founded," Zou said, "because, first, China's five special economic zones make up only a small proportion of the country's total industrial output value; and second, the foreign-funded enterprises in these special economic zones are required to abide by China's Constitution, laws and decrees. The Xiamen Special Economic Zone can in no way change the nature of dominant public ownership. Rather, it serves as an important supplement to the public ownership.

Common Prosperity

Ismayil Aymat, a deputy from the Xinjiang Uygur Autonomous Region and head of the State Nationalities Affairs Commission, said that he was very much impressed by the ten-year development programme and the goal of "gradually eliminating the economic backwardness of minority-inhabited areas so as to get them up to the level of other parts of the country." He said that in the past five years the gross product of the regions where national autonomy is exer-

cised has grown at an average annual rate of 8.5 percent and their income by 23.5 percent. Altogether, more than 150 large and medium-sized projects have been built in these areas, accounting for 9 percent of the nation's total investment. Taking advantage of their location in border areas, these regions have steadily developed border trade with the neighbouring countries. Their average per-capita income in 1990 was 61.6 percent higher than in 1985.

However, these regions have also seen their economic gap with the coastal areas widened, a situation which should not be permitted to continue. On the contrary, counter-measures must be taken to narrow the gap so that all nationalities prosper together.

Batu Bagen, a deputy from the Inner Mongolia Autonomous Region and chairman of the region's people's congress standing committee, also quoted Li Peng's report when he said the state would "provide financial, material and technical assistance for minority and poverty-stricken areas and build some mines, water conservancy facilities and industrial projects in the areas so as to promote their economic development." This is an effective measure, he said, and he hoped that the State Council would encourage the pertinent departments to put the measure into practice.

Puncog, chairman of the people's congress of Cona County, Shannan Prefecture, Tibet, said that he was deeply impressed by the ten-year development programme and inspired by the goal of ensuring a relatively comfortable life for the people. The county has a population of more than 13,000. There had not been enough to eat until 1984 when everyone received basic food and clothing. "So long as we work hard with one heart," he said, "the goal is a certainty." ■

Report on the Implementation of the 1990 Plan for National Economic and Social Development and the Draft 1991 Plan

(Delivered at the Fourth Session of the Seventh National People's Congress on March 26, 1991)

(Excerpts)

Zou Jiahua

State Councillor and Minister in Charge of the State Planning Commission

I. Implementation of The 1990 Plan

Nineteen ninety was a year in which further efforts were made to improve the economic environment, rectify the economic order and deepen the reform. The State Council adopted a series of policy measures designed to strictly control total supply and total demand, regulate the retrenchment policy whenever necessary and readjust the economic structure.

Thanks to the concerted efforts of the people all over the country, economic improvement and rectification produced remarkable results and the national economy continued to grow. In 1990 the gross national product (GNP) amounted to 1,740 billion yuan, representing an increase of 5 percent over 1989, and the national income reached 1,430 billion yuan, up 4.8 percent. Generally speaking, the 1990 plan was implemented satisfactorily and the tasks in the plan were basically accomplished, as evidenced by the following:

1. There were bumper harvests in agriculture



Zou Jiahua

and the output of farm products increased.

The country's total output of grain reached a record high of 435 million metric tons, an increase of 27.5 million tons over 1989. The total output of cotton came to 4.47 million tons, a rise of 18.1 percent over 1989. The output of oil-yielding and sugar-yielding crops increased by 24.7 and 23.7 percent to 16.15 million tons and 71.8 million tons respectively. The output of meat and aquatic products also in-

creased steadily. The output of all major types of produce surpassed the planned targets. The rural economy developed in every way. The total agricultural output value amounted to 738.2 billion yuan, representing an increase of 6.9 percent over 1989, calculated in terms of comparable prices, thus exceeding the planned four percent rise.

2. Industrial production gradually picked up speed and the output of products from the basic industries steadily increased.

Over 1990 industrial output increased monthly, gradually reversing the drastic decline in

growth rate which occurred after the third quarter of 1989. The total output value of industries, including village-run industries and those below village level, amounted to 2,385.1 billion yuan, an increase of 7.6 percent over 1989, calculated in terms of comparable prices, thus exceeding the planned target of 6 percent. The output of energy and important raw and semifinished materials rose steadily. The output of ordinary processing industries was brought under control and the growth rate of the basic and processing industries was more proportionate. The output of coal went up by 2.5 percent, reaching 1.08 billion tons; electricity increased by 5.7 percent to 618 billion kwh; crude oil came to 138 million tons, the same as the preceding year; and steel output amounted to 66.04 million tons, up 7.2 percent over 1989. The output of chemical fertilizers, pesticides and other products for agricultural use continued to rise. The output of these products fulfilled or surpassed the planned targets. Because of the systematic control plus changes in demand, the output of products of ordinary processing industries, which had been in excessive supply, dropped considerably. This was particularly true of household refrigerators and washing machines and of metal cutting machine tools, with output of these items going down by 20 to 34 percent compared with 1989. Transport, post and telecommunications developed steadily, the strain on transportation services began to ease and the order of the transportation industries took a turn for the better. The nationwide energy conservation effort resulted in a reduced energy consumption equivalent to 10 million tons of standard coal.

3. Investment in fixed assets increased and the investment pattern underwent further adjustment.

The total investment in fixed assets of the entire society in 1990 increased by 4.5 percent, totalling 445.1 billion yuan, of which 164.2 billion yuan went to capital construction projects in state-owned enterprises and institutions and 82.8 billion yuan to projects to update technology, representing a rise of 9.8 and 5.8 percent over 1989 respectively. Within the total investment made in capital construction projects, the proportion for agriculture, forestry, irrigation and water conservancy rose from 3.3 percent in 1989 to 4.1 percent in 1990; energy industries, from 28.8 to 32 percent; and for transport, post and telecommunications, from 10.7 to 15.9 percent. The proportion of investment in productive projects

rose from 68.6 percent to 72.2 percent, whereas that in non-productive projects fell from 31.4 percent to 27.8 percent. Construction of office buildings, auditoriums, hotels and other non-productive projects was put under effective control. Key construction projects were expedited and a number of them were completed and put into operation. Ninety-five large and medium-sized capital construction projects and 71 single construction projects within other large and medium-sized projects were completed and put into operation. Ninety-two above-norm projects for technological upgrading and retooling were completed. Energy and transport capacities increased through newly-added facilities. Newly-added production capacities included capacity to produce 20.16 million tons of coal, 13.32 million tons of crude oil, and 9.12 million kw of electricity. It also included 127 kilometres of railway track, 349 kilometres of double-track and 551 kilometres of electrified railways, 14,000 kilometres of highways, 22.56 million tons of handling capacity at coastal ports and 1.57 million urban telephone lines.

4. Retail prices remained basically stable and people's living standards continued to improve.

The general retail-price level in 1990 rose by a mere 2.1 percent, a rate much lower than in 1989. However, due to the fact that the state increased postage rates and telecommunications service charges and especially the fact that a number of localities raised the prices for urban transportation and gas and water services, the overall price level for services rose by a wide margin. Cost of living rose by 3.1 percent over 1989, with higher rises in large and medium-sized cities.

The income of both urban and rural residents continued to increase. The total payroll for the country's workers and office staff reached 296 billion yuan, up 13 percent over 1989. The average per capita monetary wage for workers and office staff was 2,150 yuan, a 9.7 percent increase after adjustment for rises in the cost of living. The average per capita net income for peasants came to 630 yuan, up 4.7 percent over 1989, or 1.8 percent after allowing for price rises in commodities they must purchase. As the income of both urban and rural residents increased and their living standards improved, individual bank savings continued to increase rapidly. By the end of 1990, individual bank savings totalled 703.4 billion yuan, an increase of 188.7 billion yuan over the total at the end of 1989.

5. Foreign trade and economic and technological exchange with other countries continued to expand and the situation in international payments improved.

According to customs statistics, the total volume of foreign trade amounted to US\$115.4 billion in 1990, a 3.3 percent increase over 1989, with the total export volume accounting for US\$62.1 billion, up 18.1 percent, and the total import volume \$53.4 billion, down 9.8 percent. The proportion of manufactured goods, especially machinery and electronic products, grew markedly in the export mix, while the import of high-grade consumer goods was further reduced. Use of foreign funds continued to be kept at an appropriate amount. International tourism grew gradually. Since foreign exchange earnings from both visible and invisible trade registered a surplus, the situation in international payments improved noticeably, the foreign exchange cash reserve of the state increased to US\$11 billion and our credit rating in the international market was enhanced.

6. Science and technology, education and other social undertakings were further developed.

Significant results were obtained in key science and technology research projects. The Asiasat I communications satellite and the Long March IIE heavy-thrust cluster carrier rocket were successfully launched, the five-megawatt pilot nuclear reactor for low-temperature heating supply was completed and put into normal operation, and the trial operation of the 10,000-ton class unitary coal train on the Datong-Qinhuangdao line was a success. All these achievements show that China is reaching advanced world level in more areas of science and technology. The high-technology research programme also produced important results. Construction of a number of key national laboratories was completed and accepted by the state after inspection and appraisal.

Education in its various forms continued to develop at all levels. Regular colleges and universities, while maintaining a reduced level of enrolment, improved conditions for instruction and learning and further adjusted the composition of departments and specialties. Secondary vocational and technical education expanded continuously. Steady progress was made in the nine-year compulsory education programme and the literacy campaign. New achievements were also scored in the areas of culture, the press and publishing, radio, film, television, public health,

sports and other undertakings. Social welfare programmes were consolidated and expanded. The success of the XI Asian Games held in China, in particular, brought abundant returns, inspiring national pride and promoting the advancement of socialist culture and ideology.

While fully recognizing the notable success we have obtained in improving the economic environment, rectifying the economic order and deepening the reform, we must be soberly aware that some deep-rooted problems that plague the economy have yet to be fully solved and that the overall economic situation is still grave in some respects. These are mainly manifested by the following:

First, the recovery in industrial production has been progressing at an uneven rate. Because of their enormous difficulties and heavy burdens, the state enterprises, large and medium-sized ones, in particular, lagged behind the others. This has greatly retarded the overall economic growth and the increase in state revenue.

Second, not all the problems of sluggish circulation in the economy have been solved. During the gradual recovery of industrial production in 1990, sales of some products were stagnant and many products were overstocked, which affected the normal circulation in the economy as a whole.

Third, readjustment of the industrial structure has been slow going and economic performance remains poor in most enterprises. In 1990 the amount of profits and taxes turned over to the state by state-owned industrial enterprises covered by state budget decreased by 18.5 percent as compared to the 1989 amount. The turnover period for working capital in industrial enterprises rose to 127 days, as compared to 109 days in 1989. Comparable production costs went up by 7 percent and losses by enterprises were more than doubled.

Fourth, the state's financial difficulties have worsened. Due to the slow increase in revenues and the rapid increase in expenditures, the gap between state revenues and expenditures widened beyond the planned amount.

Most of these irregularities and problems were unavoidable and temporary phenomena appearing in the course of curbing inflation. They reflect defects in an irrational structure formed over many years.

II. Major Targets and Tasks Set in the 1991 Plan

The general guiding concepts for the 1991 plan are: to carry on the Party's basic line of making economic development the central task and upholding the Four Cardinal Principles and the policies of reform and opening to the outside world, continue the economic overhaul and deepen the reform, further improve the economic order, bring out the positive factors in all fields of endeavour, continue and improve control over total supply and total demand while preserving the political, economic and social stability, work hard to readjust structures, enhance economic performance, open more markets and promote normal economic circulation and appropriate growth rate to ensure sustained, stable and coordinated development of our national economy.

Based on the guiding concepts mentioned above, the major targets set in the 1991 Plan for National Economic and Social Development are:

—On the basis of a rationalized economic structure and improved economic performance, the total agricultural output value is to rise by 3.5 percent over 1990, the total industrial output value by 6 percent and the GNP by 4.5 percent. During the implementation of the plan, efforts may be made to exceed the targets provided the growth rates of major sectors of the economy are generally kept in proper proportion.

—We shall develop the economy, open up new financial sources, increase revenues and reduce expenditures, overcome the financial difficulties, rationalize credit issue and control currency issue and the general price level.

—We shall see to it that the amount of investment and consumer demand increases appropriately in line with the present national strength. Total investment in fixed assets for the entire society will be 500 billion yuan; the consumption level of both urban and rural residents will rise to some extent.

—Along with economic growth, we shall promote progress in all social undertakings and advancement in socialist culture and ideology.

—We shall continue to assist economic development in old revolutionary base areas, frontier areas, poverty-stricken areas and areas inhabited by minority nationalities. We shall encourage inter-regional economic association and cooperation between developed and underdeveloped regions.

—We shall work to advance the reforms aimed at reinvigorating enterprises and further expand

economic and technological exchange and cooperation with other countries.

The major tasks in the 1991 Plan include the following:

1) Continue to strengthen agriculture and maintain stable growth in agricultural production.

Agriculture, particularly with respect to grain production, has produced a good harvest for two consecutive years. In 1991, the Plan projects a grain output of 425 million metric tons, a slight increase over the average of 1989 and 1990; the output of cotton is projected to be 4.5 million tons; oil-yielding crops, 16.3 million tons; sugar-yielding crops, 72 million tons; meat, 28.4 million tons; and aquatic products, 12.4 million tons, all slightly higher than that of last year.

Given the bountiful harvest of 1990, reaching these targets represents an arduous task. Therefore, we must continue to strengthen agriculture through better policy-making, increased input and wider use of science and technology, and work for another good harvest this year. Seven points need to be stressed in this regard.

First, the household contract responsibility system with remuneration linked to output and other responsibility systems should be stabilized and improved and the socialized rural network of services should be expanded so as to combine the enthusiasm of peasants for household-based operations with the advantage of collective operation. In addition, a dual management system in rural areas, which encompasses unified management and independent management, should be gradually developed.

Second, adequate acreage for growing essential farm products should be guaranteed. The total acreage for grain should be maintained at about 110 million hectares while that for cotton should be expanded, if possible, to 5.7 million hectares.

Third, continued efforts should be made to build more irrigation and water conservancy projects so that the acreage of adequately irrigated land will be increased and irrigation improved. Efforts should also be made to upgrade medium- and low-yield land, expand reliable and high-yield grain and cotton fields and improve the basic conditions for agricultural production.

Fourth, investment in agriculture should be increased. In 1991 the central authorities will invest an additional one billion yuan over last year's figure. Likewise, all local authorities should allocate more financial and material resources for strengthening agriculture and guide

and encourage the peasants to make more investment in agriculture. Both central and local authorities should build infrastructure projects to provide for smoother circulation for farm products and should make serious efforts to solve the problem of sluggish produce sales in some areas.

Fifth, supply of the means of agricultural production should be guaranteed. This year the planned output of domestically-produced chemical fertilizers is 90 to 92 million tons. This plus imported and stockpiled fertilizer supplies will make 115 million tons available. Careful attention should be paid to obtaining the proper ratio between nitrogenous, phosphate and potash fertilizers. In addition, the areas enriched with green manure should be expanded, and the use of farmyard manure and composting of crop straws should be encouraged. The timely production and supply of an adequate variety and quantity of pesticides and farm-use plastic sheeting should be guaranteed. Because the temperature since last winter has been higher than average, we must guard against possible flood, drought, plant disease and insect pest damage.

Sixth, the policy of invigorating agriculture by applying science and technology and by strengthening education in rural areas should be further implemented. Where conditions permit, improved strains and effective advanced agrotechniques should be widely used to increase yields per unit of area. In 1991 the acreage for growing hybrid rice will be increased by one million hectares and hybrid maize, by 330,000 hectares. Yield-increasing methods or techniques such as use of plastic sheeting, rational application of fertilizers, water-efficient irrigation and systematic cultivation should be more widely adopted across the country.

Seventh, continued efforts should be made to help poverty-stricken areas to eliminate poverty and become prosperous through increased funding for and use of relief in exchange for work programmes, in order to improve working and living conditions. Along with the improvement of farming, forestry, animal husbandry, sideline production and fishery, village and township enterprises should be helped to grow on a sound basis.

2) Maintain an adequate growth rate for industrial production and transport while readjusting the structure and enhancing economic performance.

According to the 1991 Plan, total industrial

output value will increase by six percent over 1990. Out of this total, the output value of state-owned industries will rise three to four percent and village and township industries, 10 to 12 percent.

—Maintain a steady growth in the energy sector. The Plan sets the output of coal at 1,110 million tons, an increase of 30 million tons over last year; crude oil, at 138.8 to 139.3 million tons, an increase of 0.80 to 1.3 million tons; and electricity, 645 billion kwh, an increase of 27 billion kwh.

At the same time, all sectors of the economy should be urged to reduce energy consumption and eliminate waste. The Plan requires that altogether the amount of energy equivalent to 10 million tons of standard coal or more should be conserved in 1991.

—We shall work to improve the variety and quality of major raw and semifinished materials. The Plan projects the steel output to be 65 million tons, slightly lower than that of 1990. The focus of our work will be on greatly increasing the steel products in short supply, especially such major products as oil pipes, cold-rolled silicon steel sheet, tin-plated steel sheet, and galvanized steel sheet, while reducing the production of normal section steel, welded steel pipes and other products in excessive supply. According to the Plan, the total output of the 10 major nonferrous metals will be roughly the same as last year. We shall increase the output of copper concentrate, alumina and other raw materials in order to increase the output of copper and aluminium. Enterprises in the chemical and building material industries should be encouraged to use advanced techniques, reduce material consumption, raise product quality, and develop and produce new varieties needed on foreign and domestic markets.

—We shall speed up intra-trade association and regrouping in the machine-building and electronics industries, accelerate their technological updating and retooling, continuously raise their technological level and make full use of the existing production capacities. Enterprises in the machine-building industry should, acting in accordance with the requirement to strengthen basic industries, do all they can to develop and manufacture key technical equipment and turn out energy- and material-efficient and foreign exchange saving products; absorb and assimilate imported technologies to improve the quality and

specifications of their products; develop and produce essential components, basic machines and their accessories, and conduct research on the basic techniques needed for producing these products.

Enterprises in the electronics industry should develop new products and provide services to all fields of the national economy in a drive to apply micro-electronic and computer technologies to them. They should speed up research and manufacture of high-technology electronic components and enlarge the proportion of capital electronic products. All enterprises in the machine-building and electronics industries should pay special attention to improving their after-sales service. The organizational structure and product mix of the enterprises in the national defence industry should be readjusted so that they can manufacture products for both military and civilian use, more readily convert from wartime to peacetime production and vice versa, and help promote the modernization of national defence.

—We shall increase the output of readily marketable textiles and other light industrial products. According to the Plan, the output of yarn will be 4,133,000 to 4,313,000 tons and sugar, 6 million tons. In 1991, the textile and other light industry enterprises should develop new products and make noticeable improvement in variety, design and product quality. They should do a better job in the production of daily necessities and lay equal stress on the development and production of high-grade consumer goods and production of low- and medium-grade goods.

—We shall do good organizational work for transportation and further tap the potential of all available transport facilities. The 1991 Plan sets the volume of railway freight at 1.47 billion to 1.49 billion tons, including 192 million tons of coal to be transported from Shanxi Province to other parts of the country; and the volume of freight handled at major coastal ports should go from 468 million to 475 million tons. Increasing rail volume this year must depend on well-organized transportation. In addition, we should make the most of the existing transport facilities while ensuring safe operation. At the ports, loading, unloading, distribution and transport of imports and exports should be improved to meet the requirements of opening more widely to the world.

3) Continue to control total investment in fixed

assets and improve the investment environment.

The Plan sets total investment in fixed assets for the whole society at 500 billion yuan. Of this total, investment in fixed assets of state-owned enterprises and institutions will come to 324.5 billion yuan, and investment in collective-owned enterprises and institutions and investment by individuals in both urban and rural areas will be 175.5 billion yuan. Of the total investment in state-owned enterprises and institutions, 165 billion yuan will go for capital construction, 95 billion yuan for updating of technology, 6 billion yuan for the purchase of vehicles, ships and aircraft, 29 billion yuan for housing to be marketed and 29.5 billion yuan for other purposes. This year, as we continue to control total investment, we shall also continue to rationalize the investment pattern and properly concentrate and make efficient use of funds for construction.

For investment in capital construction of state-owned enterprises and institutions, preference will be given to construction in agriculture, water conservation, energy, transport communications and correspondence, in accordance with the industrial policies of the state. We shall give priority to projects under construction which have a great bearing on the national economy and which bring good economic returns as well as to their supporting projects; and we shall start fewer new projects, but do more to tap the potential of existing ones and strictly restrict construction of new projects and of office buildings, auditoriums and hotels. We shall continue to screen projects under construction. Those projects which do not conform to the industrial policies nor have solid funding, in addition to those whose completion cannot be guaranteed or that cannot go into operation even after completion, must slow down construction, divide construction into phases or cut back their scale, or delay or stop construction. In agriculture, forestry and water conservation, the emphasis will be put on reinforcement projects on key embankments along the Yangtze, Yellow and Huaihe rivers, on construction of key flood control areas at Dongting and Boyang lakes, on construction of national production bases for grain and cotton and on the cultivation of key shelter-forests and fast-growing, high-yield timber forests. In coal production, emphasis will be given to construction of coalmines in Shanxi, Shaanxi, western Inner Mongolia and in areas in east and northeast China where supply of coal falls short of demand. For electricity, priority

will be given to key power stations where the necessary conditions for completion and operation are present, and in particular, to accelerated construction of hydropower stations. As for crude oil, the main tasks are to increase the production capacity of onshore oilfields and increase reserves. With regard to railways, emphasis will be given to the construction of coal-carrying lines from Shanxi, Shaanxi, western Inner Mongolia and Heilongjiang, and to the construction of follow-up and completion projects on trunk lines for heavy transport. For ports, the main objective is to guarantee the completion and use of deep-water berths in Qinhuangdao, Yingkou, Ningbo and Zhanjiang ports. For raw and semifinished materials, emphasis will be given to follow-up projects and the construction of mines. In machinery and electronics, stress will be placed on ensuring the manufacture of heavy-duty vehicles and electricity transmission equipment and transformers, renovation and expansion of the No. 1 and No. 2 Automobile Plants, construction of the micro-electronics plant in Wuxi and important research projects in science and technology for the national defence industry. As for textiles and other light industries, construction projects for synthetic fibre and detergent production will enjoy priority. In the fields of science and education, and public health, attention will be focused on construction of classrooms at key universities and colleges, key laboratories, residential housing for teachers and staff workers, and construction of key hospitals. Investment in other non-economic sectors will generally remain the same as last year.

4) Carefully arrange for the supply of commodities to the market, strictly control prices and improve living conditions of the people.

We shall properly increase the total payroll for workers and office staff across the country to keep an overall balance between total supply and total demand. The overall increase for the year will first go to workers and office staff who are indentured or eligible for a higher wage grade, to new recruits as well as allowances, and to appropriate increases in salary for professional and technical personnel who have rendered outstanding services. With development in the rural economy, the average per capita net income for peasants will continue to grow.

We shall further improve the employment situation to fully utilize labour resources in socie-

ty. We shall carry on the policy of combining employment through labour departments with organized employment on a voluntary basis and self-employment, and open up more channels for jobs.

We shall better organize the supply of commodities to the market as the living standards of people both in the urban and rural areas improve. The total value of retail sales will be 905 billion yuan, a 9.6 percent increase over last year. We shall continue the "shopping basket" programme in large and medium-sized cities and greatly increase the production and supply of vegetables, pork, poultry, eggs, milk, aquatic products and other non-staple foodstuffs. Efforts must be made to improve channels of circulation and to organize supply of industrial products needed in the rural areas.

In order to gradually solve some glaring problems of irrational pricing, we shall appropriately raise the prices of some primary products which are obviously underpriced, provided the overall balance of total supply and demand is maintained and the general level of prices is under control. At the same time, we shall continue to strengthen price control in the market, systematically establish and improve a management system of price indexing linked to the essential cost of living and do all we can to keep the prices of daily necessities stable.

5) Open more widely to the outside world and promote foreign trade and economic and technological exchange and co-operation with other countries.

In export, we must do our best to increase the export of machinery, electronics and high-technology products and foreign-exchange-earning farm produce, in addition to maintaining the volume of traditional staple commodities. For this purpose, we shall not only increase the variety and quantity of export commodities in line with the demands of the international market, but also improve their quality, management and sales service and honour contracts for delivery in order to raise the competitiveness of our export commodities. In import, we shall appropriately increase the import of advanced technology and key equipment, giving priority to certain important raw and semifinished materials, depending on the needs of domestic production and construction. The import of luxury consumer goods, cigarettes and alcohol and liquor shall remain under control.

Foreign funds shall be better utilized. Overall plans shall be made for funds to be borrowed from foreign sources, and such funds should be used properly. The use of commercial credit from other countries shall still be placed under control. We shall further improve the domestic environment for investment, provide positive assistance to existing enterprises in the "three forms of ventures" in their operation and, in accordance with the industrial policies of the country, attract more foreign investors and encourage them to get involved in updating the technology of China's existing enterprises. At the same time, we shall continue to improve our work for the introduction of foreign brains to China.

We shall continue implementing the measures designed to develop the economy in the coastal areas and expand the export-oriented economy. We shall further improve our work in the existing special economic zones and economic and technological development zones along the coast, and enlarge the important role of the open coastal cities and areas in foreign trade and in the introduction of technology. At the same time, we shall concentrate adequate resources in support of the development and opening up of the New Pudong District in Shanghai.

We shall work for increasing foreign exchange earnings through various channels in invisible trade, reducing foreign exchange spending on such trade. We shall also develop international tourism.

6) Promote progress in science and technology and intellectual development, and further develop culture, public health, sports and other social undertakings.

Science and technology should serve the needs of agriculture, basic industries, infrastructure and national defence. We shall develop new technology and products and strive to absorb and assimilate imported technology. We shall encourage the wide application of scientific and technological advances, particularly in electronic technology, where it can increase efficiency and bring quick returns. We shall continue the "Spark Programme," which aims at invigorating the rural economy. We shall continue to provide the necessary conditions for tackling key projects in science and technology, promote the implementation of the high-technology programme and develop new- and high-technology industries.

We shall steadily develop education in different forms and at different levels, giving promi-

nence to basic education and vocational and technical education. We shall continue to promote the nine-year compulsory education programme and make a success of the literacy campaign. The composition of departments and specialities in institutions of higher learning will be further adjusted and enrolment levels must be geared to the needs of society. We must adhere to the socialist orientation in education, strengthen political and ideological work and improve the quality of instruction. We plan to enroll 30,000 post-graduates and 620,000 undergraduates in regular institutions of higher learning and 780,000 students in secondary vocational and technical schools, which represent about the same levels as last year.

In cultural undertakings such as the press and publishing, radio, film, television, literature and art, we must adhere to the principle of serving the people and socialism and firmly place social benefit above all else. We shall advance and enrich the fine cultural heritage of the nation and continue the campaign to eliminate pornography. The large number of cultural workers are expected to play an active part in building a society with advanced socialist culture and ideology by providing the people with more healthy, useful and popular entertainment and intellectual stimulation, by delving deep into the realities of life in a pioneering and creative spirit.

In improving our work in public health and medical care, we shall stress preventive health care and rural medical care as well as mother and child care. Effective measures will be taken to control life-endangering endemic and infectious diseases. Sports will be further promoted to strengthen the people's health and raise the competitive level of our athletes.

We shall continue to do a good job in social welfare and relief and in providing special care to disabled servicemen and to family members of revolutionary martyrs and servicemen, and we shall enforce the law on the protection of the disabled.

At present China is at the height of its third baby boom, hence our task in birth control will be very arduous, indeed. We must continue to implement in earnest the present family planning policies in all regions, emphasizing the rural areas. We must redouble our efforts to provide the necessary financial and material conditions for keeping a tight control on instances of two and more births to one couple, to reduce the overall birth rate and to keep the natural population growth rate lower than last year. ■

Report on the Implementation of the State Budget for 1990 and on the Draft State Budget for 1991

(Delivered at the Fourth Session of the Seventh National People's Congress on March 26, 1991)

(Excerpts)

Wang Bingqian

State Councillor and Minister of Finance

I. Implementation of The State Budget for 1990

The State Council in 1990 continued the programme of economic improvement and rectification. It also took some policy measures to deepen the reform and make timely readjustment of macroeconomic retrenchment and, thanks to the joint efforts of the people of all our nationalities, the programme achieved significant results. Unlike the unsteady development in previous years, a good harvest was reaped in 1990 in all sectors of agriculture; industrial production picked up speed quarter after quarter, exceeding the annual plan target; and the pattern of investment in fixed assets was improved to some extent, market prices stayed basically stable and foreign trade continued to increase, with marked improvement in the international payment situation. On this basis, domestic revenues went beyond the state budget target and continued to increase at an appropriate rate. However, the actual deficit was



Wang Bingqian.

bigger than what was planned due to some expenditures exceeding the budgeted figures.

According to present estimates, total state revenues in 1990 came to 324.478 billion yuan, or 100.3 percent of the budgeted amount, and total state expenditures amounted to 339.521 billion yuan, or 102.1 percent of the budgeted figure. This resulted in a deficit of 15.043 billion yuan. These figures may change when the final state accounts are deter-

mined.

The total revenues described above include domestic receipts of 308.204 billion yuan, or 100.3 percent of the budgeted figure, and receipts from foreign loans in the amount of 16.274 billion yuan, or 99 percent of the budgeted amount. The breakdown of major items of the domestic receipts is as follows: total tax receipts came to 281.466 billion yuan, or 93.9 percent of the budgeted figure; receipts from enterprises totalled 7.665 billion yuan, or 156.1 percent of the budgeted amount; funds collected for construction of

key energy and transport projects amounted to 18.038 billion yuan, or 83.9 percent of the budgeted figure; collection of the state budget regulating fund came to 12.355 billion yuan, or 98.8 percent of the budgeted amount; receipts from raising domestic debts totalled 19.587 billion yuan, or 115.2 percent of what was budgeted; and receipts from other sources came to 26.943 billion yuan, or 157 percent of the budgeted figure. The state also paid out subsidies for losses by enterprises, amounting to 57.85 billion yuan. This sum was entered as a loss and has been deducted from the total revenues.

Of the total state expenditures, 323.247 billion yuan, or 102.3 percent of the budgeted amount, came from domestic revenues; and 16.274 billion yuan, or 99 percent of the budgeted amount, from foreign loans. The breakdown by major categories is as follows: capital construction expenditures came to 67.587 billion yuan, or 102.5 percent of what was budgeted; funds expended to tap the potential of existing enterprises, upgrade technology and subsidize trial manufacture of new products amounted to 15.79 billion yuan, or 105.9 percent of the budgeted figure; aid to rural production and other operating expenses for agriculture came to 21.884 billion yuan, or 101.9 percent of the budgeted amount; costs of urban construction and maintenance projects totalled 12.261 billion yuan, or 103.4 percent of the budgeted figure; operating expenses for culture, education, science and public health reached 61.606 billion yuan, or 103.1 percent of what was budgeted; expenditures for national defence totalled 29.033 billion yuan, or 100.2 percent of the budgeted figure; administrative expenses accounted for 30.799 billion yuan, or 113.1 percent of the budgeted amount; and 37.863 billion yuan was paid out in subsidies to compensate for price rises, representing 93.4 percent of what was budgeted. In addition, 12.124 billion yuan was spent on amortizing domestic debt and 6.821 billion yuan on servicing foreign debt.

Reviewing the central budget and the local budgets separately, we see the situation in 1990 was as follows: the total revenues in the central budget came to 181.835 billion yuan, or 99.3 percent of the budgeted figure. Of this amount, 133.605 billion yuan was received directly by the central authorities, representing 100 percent of the budgeted amount; and 48.23 billion yuan, or 97.4 percent of the budgeted amount, was handed over to the central authorities by the localities.

Total expenditures in the central budget came to 192.888 billion yuan, or 99.3 percent of the budgeted figure. This figure is composed of 133.277 billion yuan, or 97.9 percent of the budgeted amount, used directly by the central authorities, and 59.611 billion yuan, or 102.5 percent of the budgeted figure, spent as subsidies to localities. This resulted in a deficit of 11.053 billion yuan. In the local budgets for 1990, total revenues came to 250.484 billion yuan, or 101 percent of the budgeted figure. Of this amount, 190.873 billion yuan, or 100.5 percent of the budgeted figure, was collected by the local authorities, and 59.611 billion yuan, or 102.5 percent of the budgeted amount, came in the form of subsidies from the central authorities. Local expenditures totalled 254.474 billion yuan, or 103.5 percent of the budgeted figure, of which 206.244 billion yuan, or 105 percent of the budgeted amount, was actually spent by the localities and the remaining 48.23 billion yuan, or 97.4 percent of the budgeted figure, was handed over to the central authorities. The deficit thus created came to 3.99 billion yuan.

In 1990, the organizational work for collecting revenues was done under quite difficult conditions. The drop in industrial production, the sluggishness of market sales caused by an irrational commodity mix, the decline in the economic performance of enterprises, the fairly large amount of taxes and profits in arrears. Faced with such a situation, financial and taxation departments at the various levels did a more solid, painstaking and thorough job than ever before in handling key financial sources, promoting production and increasing revenues, improving the collection and control of income taxes from private businesses, clearing up cases of taxes in arrears, and conducting a general review of taxation, finance and prices. With help from all quarters, domestic revenues in 1990 did fulfil the budgeted target, with an increase of 27.823 billion yuan, or 9.9 percent, over the previous year. If calculated in comparable terms, this represents an increase of 5.7 percent.

In 1990, the financial authorities, from the central to local levels, tried every means of transferring and re-allocating funds to ensure the financial needs for key construction projects, agriculture, education, science and technology and national defence development, causing fairly big increases in expenditures for these areas over the previous year. The budgeted expenditure for cap-

ital construction increased by eight percent; that for aid to agriculture, 11 percent; for national defence, 15.5 percent; for education, 11.2 percent; and for science and technology, 16.1 percent. Administrative expenditures in 1990 were worked out at the beginning of the year to be very tight; in addition, the administrative units had a heavier burden to bear in implementing the budget because they continued to suffer from a bloated organizational structure and staff and were hit by higher postage and telecommunications service charges as well as rail and air transportation costs. These expenditures, therefore, exceeded the budgeted figures.

In 1990 the state deficit was 6,151 million yuan more than the budgeted figure, mainly because of expenditures exceeding the budgeted amount by 6,976 million yuan. The breakdown of the overspending is as follows: capital construction, 1.642 billion yuan; funds expended to tap the potential of existing enterprises, upgrade technology and subsidize trial manufacture of new products, 878 million yuan; aid to rural production, 403 million yuan; operating expenses for culture, education, science and public health, 1,861 million yuan; and administrative expenses, 3,565 million yuan. Net expenditure in each item was 1,373 million yuan less than what was budgeted. Reviewing central and local levels separately, we see it is the expenditure at local levels, not the central level, that went beyond the budgeted figure. The current financial system employs the method of contracted financial responsibility at the provincial, municipal and county levels, which means that the financial authorities at the various local levels can expend more when they obtain more. Last year, some localities that had excess revenues increased expenditures in this way. At the same time, other localities, whose revenues did not reach budget targets, overspent in spite of regulations requiring cutbacks in expenditure and balancing of the budget at each level. This was the case because expenditures for projects whose construction must be guaranteed could not be cut back. Last year, there was a deficit in local finance.

People wonder why the financial situation is worsening while the economic situation as a whole is improving. In the preceding budgetary period, the series of measures adopted by the State Council for firmly regulating total supply and demand, controlling economic retrenchment and readjusting the economic structure served

both to curb inflation and maintain adequate growth in production. This led to some alleviation of certain superficial imbalances in economic activities and real improvement in the economic situation. However, we should not fail to understand that the state financial authorities had to pay for a stabilized economy and for reform and opening to the outside world. For instance, with the steady growth of agriculture, the output of grain and other farm and sideline products increased. The state had to purchase and store them, and so the financial departments had to take on the expense of building storehouses, storage and transportation. To support the development of foreign trade and increase exports to earn more foreign exchange, the state financial authorities had to increase the refund of taxes on some exports. To curb inflation and stabilize prices, the financial authorities had to give subsidies to some enterprises to make up for their losses. To give another example, the enterprises met more difficulties than other sectors in the course of economic improvement and rectification. Many of them failed to fulfil their contracts and fell behind in paying their taxes and the percentage of profits owed to the central financial authorities. At the same time, the state financial authorities had to help those enterprises that suspended or partly suspended their production to get out of their plight, by allocating funds for maintaining subsistence living of their workers and office staff. It is indeed necessary for the financial authorities to pay such costs in specific circumstances and over a short period of time. This is what is called give and take. However, if some of the measures mentioned above are continued, our financial difficulties will become more and more serious and the deficit will become harder to overcome, which would threaten sustained, stable and co-ordinated growth in the national economy. We must take measures to solve these problems systematically and properly.

II. The Draft State Budget for 1991

The principles followed in preparing the 1991 state budget are as follows: We shall continue to implement the programme of economic improvement and rectification and deepen the reform and ensure the stable increase of revenues by improving economic performance and tapping new sources of revenues. At the same time, we shall continue to persist in the policy of tightening finance, readjust the structure of expendi-

tures and lighten the financial burden in conjunction with price reform. While ensuring the stable increase of revenues and keeping expenditures at a rational level, we shall take effective measures to control the deficit.

According to the draft state budget for 1991, which I now submit for examination and approval, total state revenues will be 344.31 billion yuan, an increase of 6.1 percent over the estimated figure for last year, and total expenditures will be 356.656 billion yuan, an increase of five percent. This leaves a debit of 12.346 billion yuan.*

Total estimated revenues in the state budget consist of domestically generated revenues totalling 328.073 billion yuan and income from foreign loans totalling 16.237 billion yuan. Domestic receipts break down as follows: tax receipts, 303.327 billion yuan; receipts from enterprises, 7.55 billion yuan; funds collected for construction of key energy and transport projects, 20.5 billion yuan; receipts from the state budget regulating fund, 13.5 billion yuan; income generated by the domestic debt, 19 billion yuan; and income from other sources, 19.868 billion yuan. This year's plan also includes 55.672 billion yuan in subsidies to make up for enterprise losses, which represents a debit in the budget that has already been deducted from the projected domestic receipts.

Total estimated expenditures in the 1991 state budget include 340.419 billion yuan to be covered by domestic funds and 16.237 billion yuan by foreign loans. The breakdown of major items of expenditures is as follows: capital construction, 68.289 billion yuan; tapping the potential of existing enterprises, upgrading technology and subsidizing trial manufacture of new products, 16.891 billion yuan; aid to rural production and other operating expenses for agriculture, 23.456 billion yuan; urban construction and maintenance, 12.9 billion yuan; operating expenses for culture, education, science and public health, 67.604 billion yuan; national defence, 32.51 billion yuan; administrative expenses, 31.728 billion yuan; subsidies to compensate for price rises, 33.319 billion yuan; servicing domestic debt, 16.444 billion yuan; and servicing foreign loans, eight billion yuan. In addition, allocations for the general reserve fund total 2.7 billion yuan, of which 1.2 billion yuan is at the disposal of the

* If the domestic and foreign debt, totalling 35.237 billion yuan, is regarded as part of the deficit, the total deficit would be 47.583 billion yuan.

central authorities and 1.5 billion yuan is available to local authorities.

The 1991 draft state budget includes separate breakdowns for the central and local budgets, which follow:

The central budget for 1991 projects total revenues of 183.549 billion yuan and total expenditures of 196.553 billion yuan, leaving a deficit of 13.004 billion yuan. Total revenues in the central budget include 130.564 billion yuan collected directly by the central authorities and 52.985 billion yuan handed over to the central authorities by the local authorities. Total expenditures in the central budget comprise those incurred directly by the central authorities, amounting to 149.987 billion yuan, plus subsidies for local authorities, which come to 46.566 billion yuan.

The indexes defined by the State Council for the 1991 local budgets show total revenues of 260.312 billion yuan and total expenditures of 259.654 billion yuan, leaving a surplus of 658 million yuan. Total revenues consist of 213.746 billion yuan collected by the local authorities themselves and 46.566 billion yuan in subsidies from the central authorities. Total expenditures consist of 206.669 billion yuan spent by the local authorities and 52.985 billion yuan handed over to the central authorities.

In drafting the state budget for 1991, we acutely feel the imbalance between the supply and demand for funds. Because the national economy is still in a period of improvement and rectification, regular state revenues cannot be increased considerably whereas some items of expenditure which must be guaranteed demand an enormous amount of funds. Expenditure for servicing domestic and foreign debt and maintaining the state grain reserve alone will increase by more than 10 billion yuan compared to 1990's figure, presenting a great obstacle to striking a financial balance in 1991. Therefore, it will be impossible to significantly reduce the deficit within a short period of time. To further deepen economic restructuring, guarantee development in all fields and keep the deficit within a limit acceptable to the state, the State Council has decided on a number of policy measures for increasing revenues, curbing expenditures and reducing the financial burden on the treasury.

1. Raising business tax rate to increase state revenues. The State Council decided last year on a measure to raise business tax rate on retail sales

from three to five percent to increase state revenues, which was approved by the Third Session of the Seventh National People's Congress during its examination of the state budget for 1990.

2. Systematically rationalizing price ratios to reduce subsidies while carrying out price reform. In recent years the marketing prices of some farm and sideline products have increasingly dropped away from the state purchasing prices and the prices of some industrial raw materials have become lower than their costs. As a result, the price subsidies and subsidies for making up for enterprise losses have been steadily increasing to a point where the state treasury cannot sustain them any more. To this end, the State Council has decided to raise the prices of some products and reduce those of some others at an appropriate time this year. According to a preliminary calculation, this will enable the state treasury to reduce the expenditures for price subsidies by a net amount of some five billion yuan.

3. Reforming and improving the management system of foreign trade and ending subsidies for export commodities. The state treasury will stop subsidizing export commodities beginning this year now that the Renminbi has been revalued. However, expenditure for subsidies to make up for losses for a portion of the commodities imported by the central authorities and for servicing foreign debt has to be correspondingly increased due to the change in the exchange rate. This will save over five billion yuan for the state treasury.

4. Increasing the issue of bonds and postponing the peak period for debt repayment. The state budget for 1991 includes income of 19 billion yuan generated by the domestic debt, of which the state treasury bonds account for 10 billion yuan; special treasury bonds to be held by specialized banks, seven billion yuan; and special bonds, two billion yuan (including treasury bonds to be held with the surplus pension and employment-pending insurance funds of one billion yuan). The total volume of bonds to be issued this year remains basically the same as last year. This year 15.444 billion yuan is budgeted for repaying the principal and interest on state treasury bonds, mainly those which have been held by both urban and rural residents over the past few years and are due this year.

5. Persisting in the policy of tightening finances, readjusting the structure of expenditure and ensuring the needs of key construction projects. Invest-

ment in key construction projects, agriculture, national defence and educational and scientific undertakings will be increased appropriately. In addition, the servicing of state debt will be guaranteed, while expenditure on all other items will remain roughly the same or be reduced from last year's figure.

This year 68.289 billion yuan is budgeted for capital construction, an increase of 702 million yuan over the actual figure estimated for last year (included in this amount is the direct investment of 37.2 billion yuan in capital construction covered by the state budget, an increase of 1.7 billion yuan over the actual amount estimated for last year). If we add in the over 20 billion yuan of loans for capital construction repaid by enterprises with their pre-tax profits and the over 26 billion yuan of investment in capital construction allocated by all units from extra-budgetary funds, the total figure would come to 114.2 billion yuan. If we make good use of these funds and practise economy, a great many things can be accomplished.

This year 23.456 billion yuan is budgeted for expenditures for aid to rural production and other operating expenses for agriculture, an increase of 1.572 billion yuan over the actual figure estimated for last year. If we add in the investment and expenditure of 6.636 billion yuan covered by other items of expenditure in the state budget which are designed to be mainly used to improve the conditions of agricultural production, promote wider use of new agricultural technology and increase production of grain, cotton and oil-yielding crops plus the expenditure of 17.9 billion yuan for agriculture allocated from extra-budgetary funds, the total expenditure for agriculture would come to 48 billion yuan.

The 1991 budgeted figure for culture, education, science and public health is 67.604 billion yuan, an increase of 5.998 billion yuan over the estimated figure for last year. Included in this amount are 39.657 billion yuan for education, an increase of 4.5 billion yuan over the estimated figure for last year, and 4.815 billion yuan for science, an increase of 350 million yuan. If we add in the expenditures earmarked for education and science covered by other items of expenditure in the state budget or allocated from extra-budgetary funds plus expenses incurred by enterprises for conducting schools and science and technology work, the state's overall input in education would amount to 53.027 billion yuan this

year and that in science and technology 15.065 billion yuan.

The budgeted figure for national defence for this year is 32.51 billion yuan, an increase of 3.477 billion yuan over the actual figure estimated for last year and to be used mainly to modernize our army's weapons and equipment.

6. Centralizing an appropriate amount of funds to alleviate the financial difficulties of the central authorities. The contracted financial responsibility system expired at the end of last year. Based on our experience and the lessons drawn from it, we should continue to deepen the reform, aiming to implement a revenue-sharing system after clearly delineating the responsibility and authority of the central and local authorities. By so doing, we can gradually establish a stable and standardized financial and taxation system conducive to the formation and development of an integrated nationwide market. However, the existing taxation structure has yet to be rationalized and the conditions are not ripe yet for implementing the revenue-sharing system throughout the country. Therefore, the State Council has decided to continue implementing the contracted financial responsibility system in the Eighth Five-Year Plan period. However, some improvements need to be made to overcome certain defects in the system. At the same time, we should do a good job in our experiment with the revenue-sharing system, accumulating experience and constantly improving on the plan of the experiment in order to implement it on a large scale when conditions are ripe. At present, the central authorities have enormous financial difficulties and are short of financial resources and weak in their capacity to exercise macro-economic regulation and control. We need to take appropriate measures to centralize funds for some important undertakings which bear on the overall interests. This is necessary not only to overcome our present economic difficulties but also to meet the requirements for long-term economic development. Therefore, the State Council has decided that all or part of certain price subsidies and tax refunds on export commodities formerly covered by the central authorities will be paid by the local authorities pending a change in the financial system. At the same time, the central authorities will set certain quotas for some regions to contribute to the central authorities, where the economy is relatively developed and there are ample financial resources.

In state finances this year we are faced with an extremely grim situation and an arduous task. Failure to fulfil the state budget would jeopardize continued political and economic stability. Tremendous changes have taken place in the pattern of national income distribution and the channeling of funds as well as in the high degree of concentration of government financial affairs over the past few years. However, finance remains the basic means for performing government functions, an important lever for exerting macro-economic regulation and the main channel for supplying funds to the national economy. Ours is a socialist financial system, with funds "coming from the people and being used for the people". It should guarantee the expenditures required for normal operation of state power and provide plenty of funds for the socialist modernization drive. The basic solution to our financial problems is to expand production, improve efficiency and increase public wealth. One major advantage of our socialism is the ability to concentrate our efforts on accomplishing several important things in a relatively short time, a truth which has been affirmed by the achievements scored in China's development over the past four decades and more. Though the proportion of funds contributed by the state has become smaller, state finances continue to provide the funds needed by energy, transport and other basic industries and for development of the infrastructure, harnessing of major rivers, construction of large-scale farm projects and important research projects. In short, the people must be fed and the country must be built up. We must properly handle both the relationship between accumulation and consumption and the relationship between taking and giving, without emphasizing one at the other's expense. In a big country like ours with a population of 1.1 billion, stressing only economic development to the neglect of consumption would not work, nor would the other way round. Since the pattern of income distribution has been irrational for several years in succession, we must keep an appropriate rein on the growth of consumer spending and gradually increase the proportion of accumulated funds so as to centralize more funds. Only in this way can we ensure sustained, stable and co-ordinated development of the national economy and gradual improvement in the people's living standards on the basis of expanded production.

Torch Programme: A Boost To Hi-Tech Industries

by Our Staff Reporter Wei Liming

The "torch programme" begun two years ago has become a new dynamic tool for developing China's hi-tech industries.



The Nanhu Technology Development Zone.

SHEN YANGGONG

Since the 1970s, along with the rapid development of high technology in the fields of information, biology, new materials and new energy resources boosted by micro-electronic technology, a series of new, hi-tech industries have emerged in China. Compared with traditional industries, the new industries, more technologically intensive, yield a higher output value, thus making them more profitable. These characteristics have stimulated some developed countries and even developing countries and regions to follow its lead in certain hi-tech industries—a recent trend in world economic development.

The "torch programme" begun in August 1988 by the State Science and Technology Commission is intended to bring

about the commercialization of new hi-tech research results and promote the construction and development of hi-tech industries.

Commenting on the "torch programme," Li Xue, vice-minister in charge of the State Science and Technology Commission which oversees the programme, recently said, "There is a necessity while conditions are right for the implementation of the 'torch programme.'" Today, as scientific and technological competition becomes increasingly acute, the initiative for future economic development will go to those with the technological edge."

Li noted that while 60 percent of economic growth in developed countries are dependent on science and technology, the rate is only 30 percent in China.

Therefore, China must develop its own high technology and related industrial base. Thus, while striving to raise the quality of labour-intensive products, efforts should also be pooled for the development of hi-tech products in order to gradually straighten out the country's industrial structure.

According to Xia Weidong, a "torch programme" official, since the second half of 1988, the commission has chosen 272 projects for the programme from among more than 1,500 submitted by various regions and departments. A special fund will be set aside to support these projects which fall within five hi-tech spheres—new materials mechatronics, electronic information, biotechnology, new energy resources and energy conserva-

tion. "The projects to be supported should be technologically advanced, have the potential for batch production and prospects for a good market and high economic returns," Li said. "The input-output ratio of each project should be approximately 1:4 with profits and tax payments of more than 25 percent and the time from initial construction to production should not exceed three years. The state has already invested 1.5 billion yuan in the projects which are expected to yield 5.6 billion yuan in additional output value and save US\$580 million in foreign exchange."

Reform of Traditional Industries

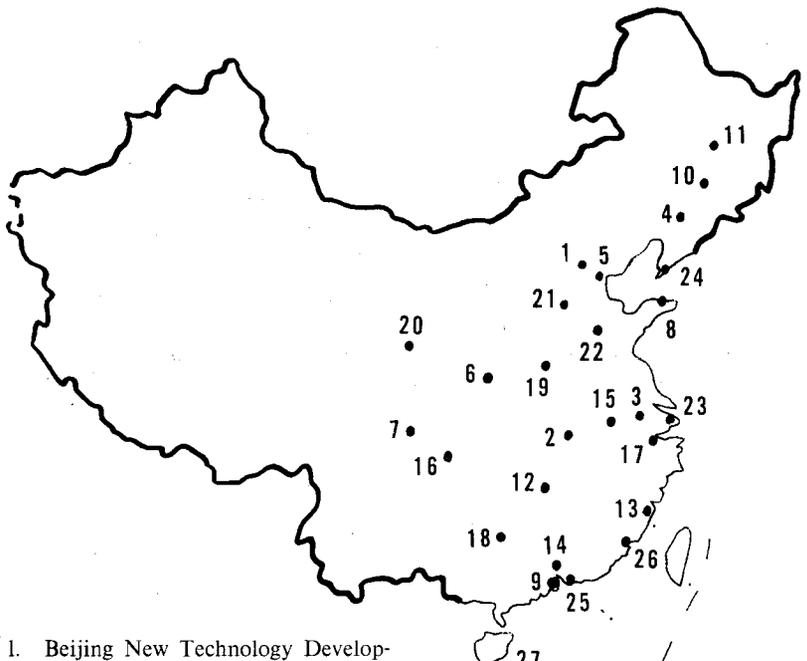
Known as "China's Ruhr," Shenyang is the heartland of northeast China, an area with a large number of heavy industrial cities. The city witnessed rapid industrial development in the 1950s when its total industrial output value was second only to Shanghai nationwide.

In the latter half of the 1980s, however, Shenyang found itself facing a grave challenge. Its economic growth lagged far behind many small and medium-sized cities in the eastern coastal areas and, in 1988, the city dropped from fourth highest industrial output value in the 1970s to the seventh place.

According to statistics, backward technology now obstructs nearly every one of the 5,000 enterprises in the city, about 70 percent of which still use equipment made before the 1960s. In addition, they face such other problems as an irrational industrial structure, excessive consumption of raw materials and energy and less competitive products.

To extricate itself from the plight, the city formulated the principle of relying on science

A Sketch Map of China's 27 Hi-Tech Development Zones



1. Beijing New Technology Development Experimental Zone
2. Wuhan Donghu Export-Oriented Hi-Tech Development Zone
3. Nanjing Pukou New Technology Industrial Development Zone
4. Shenyang Nanhu Science and Technology Development Zone
5. Tianjin New Technology Industrial Zone
6. Xian New Technology Development Zone
7. Chengdu Hi-Tech Industry Development Zone
8. Weihai Torch Hi-Tech Industry Development Zone
9. Zhongshan Torch Hi-Tech Industry Development Zone
10. Changchun Nanhu-Nanling New Technology Industrial Zone
11. Harbin Hi-Tech Development Zone
12. Changsha Science and Technology Development Experimental Zone
13. Fuzhou Science and Technology Zone
14. Guangzhou Tianhe Hi-Tech Industry Development Zone
15. Hefei Science and technology Development Zone
16. Chongqing Hi-Tech Industry Development Zone
17. Hangzhou Hi-Tech Industry Development Zone
18. Guilin New Technology Development Zone
19. Zhengzhou Hi-Tech Development Zone
20. Lanzhou Ningwo Village New Technology Development Experimental Zone
21. Shijiazhuang Hi-Tech Industry Development Zone
22. Jinan Hi-Tech Industry Development Zone
23. Shanghai Caohejing New Technology Development Zone
24. Dalian High Technology Industrial Zone
25. Shenzhen Science and Technology Development Zone
26. Xiamen Torch Hi-Tech Industry Development Zone
27. Hainan International Science and Technology Development Zone

and technology to readjust its industrial structure and developing hi-tech industries to upgrade its traditional industries. Wu Disheng, mayor of Shenyang, said, "If we don't rely on science and technology to improve the quality of products, increase labour productivity and reduce consumption, our products will not be competitive, our enterprises will not develop and the city's old industrial base will remain stagnant."

In August 1989, with the approval of the State Science and Technology Commission, Shenyang became the first city to launch a pilot project to speed up development of hi-tech industries and promote renovation of traditional industries. Centred on the "torch programme," the city set the direction for its own development.

During the Seventh Five-Year Plan period (1986-90), the city established five science and technology development centres. The centres focused on the production of robots, large integrated circuits, sensitive materials, adhesive-bonded fabrics and sensor elements. Each centre is required to produce one or two hi-tech products annually which have good market prospects and the potential for high economic

returns and are suitable for batch production.

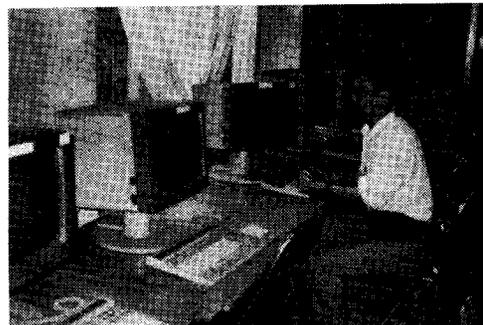
At the same time, the city's new materials, biotechnology and three other technology development centres have endeavoured to make high technology universally applicable.

The city's "torch programme" projects are expected to yield 2 billion yuan in output value during the Eighth Five-Year Plan period and raise the proportion of the output value of hi-tech products to 10-20 percent of the total in some trades.

The implementation of the programme has quickly combined a variety of scientific research results with enterprise production. The high-grade numerical-control system and the alternating servo-haulage system developed by the Shenyang Computer Technology Research Institute under the China Academy of Sciences have been installed on machine tools produced by the Shenyang No. 3 Machine Tools Plant. This project, which applies high technology to traditional machine tools, is expected to play the role of "touching a stone and turning it into gold."

The price of machine tool exports by Shenyang, known as the "home of machine tools," used to

be low. However, once they are installed with the numerical-control system, their price may increase considerably. Feng Gang, a staff member from the chief engineer's office of the Shenyang No. 3 Machine Tools Plant, said that once the "torch programme" joins with traditional industries, the returns greatly exceed the amount of funds invested. For instance, a



WEI LIMING

The numerically controlled machine tool system developed by the Shenyang Computer Institute.

numerical-control device may sell at 1,000 yuan (the output value of a "torch programme" project) and a machine tool may sell for 10,000 yuan (the output value of a traditional product). The price of a combined numerical-controlled machine tool, however, is 30,000 yuan, which means the "torch programme" adds 20,000 yuan in output value to the final price of the machine.

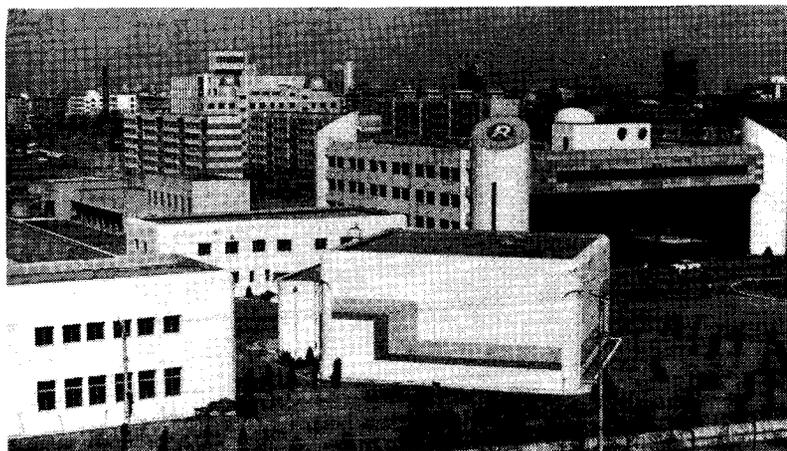
Feng said the numerical-control system installed on the plant's machine tools equals the international level of the late 1980s. In the past two years, the plant has turned out more than 200 numerical-controlled machine tools valued at 12 million yuan, enabling it to hand over to the state 1.8 million yuan in profits and taxes.

Combining Science With Production

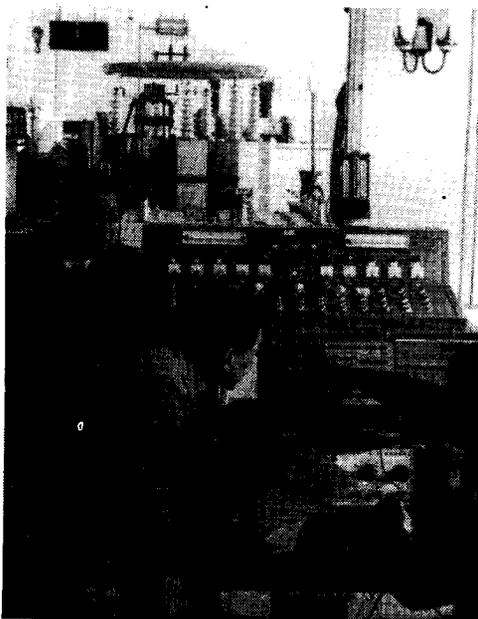
The Chinese Academy of Na-

The Development Centre for Robotics of the Shenyang Research Institute of Automation.

SHEN YANGGONG



val Vessels Research, with 24 research institutes and 16,000 scientists and technicians, is a crack force among China's national defence scientific research community. In the past few years, it successfully turned out more than 3,000 scientific research results, one-third of which won provincial or ministerial prizes. These results were chiefly applied to the ordnance industry



LI YIFANG

Scientists of the Wuhan High Pressure Research Institute monitor their newly developed 500-kv zinc oxide lightning arrester.

and rarely used in civil production.

At the beginning of the 1980s, however, the institute decided to meet the challenge of the national campaign to "transfer military technology to civil production." Yet, it was cornered by a shortage of funds until the implementation of the "torch programme" which finally provided it with a good chance to display its abilities in new areas of production. It offered more than 200 new techniques and products in 1988 and another 100 in 1989.

The numerically controlled oil

well testing system developed by the academy, involving many branches of studies such as acoustics, optics, mechanics, electricity, magnetism and nuclear power, is of advanced world level. It will help raise China's oil well testing system from the 1960s to the 1980s level. After it is put into batch production, its annual output value is expected to hit 300 million yuan.

The marine structure protection technology and corrosion-resisting materials developed by the academy compare favourably with similar products abroad. They have been used, for example, in the reconstruction of docks of the Baoshan Iron and Steel Complex, the largest of its kind in China. The Huangdao Power Plant in Qingdao City has used the technology to prevent the corrosion of its cooling water system by sea water. It is estimated that the technology will save 3.09 million yuan in equipment renewal fee and bring in additional income of 200 million yuan from the increased power output.

The jet-pipe electrohydraulic servo valve and jet control system used in hydraulic pressure systems of aeronautical, astronautical and nautical instruments were produced by only three factories located in the United States and Japan due to their complicated technology. Although China succeeded in developing the product many years ago, it failed to put it into batch production. Stimulated by the "torch programme," this hi-tech product has eventually been turned into a commodity and made its way into both domestic and international markets.

Some 11 projects and 13 products developed by the academy were incorporated into the state "torch programme" in 1988 and 1989 and received financial support from the government. This has been a shot in the arm for

some hard-up research institutions. After less than a year's efforts, all 13 products were put into batch production and ten of the 11 projects, using small production batches, had a per-capita annual output value of 41,000 yuan, the highest hitting 74,000 yuan. Such high profits were inconceivable before the introduction of high technologies.

Lu Jianxun, director of the academy, said the implementation of the "torch programme" has been of profound significance to his academy as it will deepen its reform and help it expand new civil production undertakings.

Hi-Tech Development Zones

Pointing to the meandering Hunhe River and the surrounding high buildings close to his office, Yue Deyuan, deputy director of the Nanhu Science and Technology Development Zone Office, said the area would soon be turned into an intensive "think-tank" zone.

The establishment of such hi-tech industrial development zones is an important part of the "torch programme." Already, the Nanhu Science and Technology Development Zone in Shenyang, covering 22 square km, is a highly concentrated "research and design" area with 12 institutions of higher learning, 27 scientific institutes, three state-level scientific research and development centres, 210 large laboratories and 12,000 scientists and technicians.

The zone took three years to complete and now is highlighted by a science and technology street with businesses set up by several thousand scientists and technicians and 184 technology-industry-trade integrated enterprises equipped with the latest high technologies. In 1989, the zone turned over some 120 mil-

lion yuan in business.

It was not an easy job to achieve, according to Deputy Director Yue, and, to encourage the development of high technologies, enterprises in the development zone have been granted many preferential policies. Newly established enterprises in the zone enjoy tax exemption for two years after they are put into production, and newly established Sino-foreign joint ventures in the zone with a term of more than ten years also enjoy tax exemption in the first two profit-making years with the approval of taxation authorities. The zone has received financial support from banks as well. In 1989, six banks in Shenyang increased their loans to scientific and technological projects to 50 million yuan in order to aid in the production of a batch of "gold babies" — hi-tech products with high economic returns. Moreover, the city, for the first time, openly issued debenture bonds for scientific and technological development. The 10 million yuan worth of scientific and technological debenture bonds providing both prizes and interest payment were issued jointly by eight scientific research institutes and were sold out in a half day's time.

With the assistance of financial circles, a number of hi-tech projects have yielded considerable economic returns, with an average input and output ratio of 1:6 and an interest and profit rate of 24 percent. Experts predict that once these hi-tech industrial projects are completed, they may reap 2 billion yuan in gross income.

Since the China Academy of Sciences and the Shenzhen people's government jointly established China's first hi-tech industrial development zone—the Shenzhen Scientific and Technological Park—in July 1985, high technology development

zones have mushroomed all over the country. As of now, more than 30 cities with intellectual and technological advantages, including Beijing, Wuhan, Nanjing, Shanghai, Shenyang, Tianjin, Xian, Chengdu and Guangzhou, and a number of large and medium-sized open coastal cities have established high technology development zones. Of these, 27 have been approved by the State Council as hi-tech industrial development zones (see map) and enjoy corresponding preferential treatments.

By the end of 1989, these development zones had 1,704 hi-tech enterprises employing 28,000 scientists and technicians, accounting for 58.3 percent of their total employees. The rate greatly exceeded the national average rate of scientists and technicians employed by enterprises. In 1989, when the nation was hit by a sluggish market, the income of these development zones amounted to 3.06 billion yuan and they handed over to the state 150 million yuan in taxes and exported 260 million yuan worth of goods.

Of all the development zones, the most impressive currently is the Beijing New Technology Development Zone which developed around an "electronic street" and is called "China's silicon valley."

A batch of mature hi-tech products and successful companies have appeared in the zone. The Syntone Corp., headed by a female manager, Jin Yanjing, has promoted the implementation of the "torch programme" by joining hands with large and medium-sized state-owned enterprises. The company takes responsibility for the development and marketing of new products while the enterprises undertake production and processing. This method has given full play to the advantages of both the Syntone Corp. and enterprises.

Despite the sluggish domestic

market, the Beijing New Technology Development Zone's income from technological development, industrial production and trade totalled 1 billion yuan in the first half of 1990, an increase of 50 percent over the year before. Its total industrial output value hit 300 million yuan, an increase of 60 percent over the same period of 1989, and the taxes it paid to the state totalled 42 million yuan, up 40 percent over the same period of the year before.

International Co-operation

At a meeting held a few months ago, Li Xue, vice-minister in charge of the State Science and Technology Commission, noted, "To promote China's hi-tech industries, to take the road of international development is the target and primary task of the 'torch programme.'"

China's introduction of the "torch programme" has attracted the attention of other countries and intentions of co-operation. In 1989, the "Torch Programme" Office of the State Science and Technology Commission hosted a delegation from the Technology Development Centre under Finland's Ministry of Trade and Technology. It also received governmental and non-governmental delegations from the United States, Japan, the Soviet Union, Canada and Hungary, and held discussions about co-operative projects through the "torch programme." A delegation from China's hi-tech industries and a delegation representing entrepreneurs from the scientific and technological enterprises in Beijing's New Technology Development Zone visited Finland, the United States, Japan, South Korea and the Soviet Union and held an exhibition in Australia. The United States set up a torch company in 1990 and its representatives have already visited China to establish trade contacts. ■

Tibet's Population: 1 Million More in 40 Years

by Liang Ming

Recently, foreign news media have spread rumours that in the 40 years since New China was founded in 1949 Tibet's population shrank by 1 million and "the emigration of a large number of Han people into Tibet has reduced the Tibetan nationality to a minority." To keep readers abreast of changes in Tibet's population, the author has recently researched Tibet population statistics and other historical records. Following are his findings.—Ed.

Children of northern Tibet read Tibetan-language story books.



Tibet was incorporated into China's territory during the Yuan Dynasty (1271-1368). In 1334, when the Yuan emperor sent officials to Tibet to conduct a census together with local officials, they counted a total of some 1 million people in the Tibetan areas. According to *Annals of Tibet* (last volume) and Volume 15 on *Tribes of General Annals of Tibet*, compiled by the Qing Dynasty (1644-1911), the census taken in Tibet during the Yongzheng and Qianlong periods of the Qing Dynasty found 622,420 to 686,515 laymen and 316,231 lamas in Tibet, making a total of 938,651 to 1,002,746 people. This figure indicates that during the 400-odd years from 1334 to 1737 there was little or no growth in Tibet's population.

CHEN ZONGLIE

Expansion

Tibet was peacefully liberated in 1951. According to the report which the local government of Tibet submitted to the central government in 1952, Tibet's population at that time numbered about 1.15 million. One thing needs to be pointed out, however. In order to draw the central government's attention to its "great strength,"

the local government of Tibet intentionally overestimated the population. Even though this figure is accepted, Tibet's population still registered a tiny growth of only 150,000 over the more than 200 years from 1737 to 1952, or only 750 persons per year. This indicates that for centuries the growth rate of Tibet's population had been extremely low, at nearly zero, until the founding of New China in 1949.

Tibet's population began to grow after its peaceful liberation in 1951. In 1964 the national census put Tibet's population at 1.251 million. This figure, plus the 60,000 to 70,000 fleeing abroad during the 1959 rebellion, made the total 1.31 million to 1.32 million. Because Tibet's feudal serf system remained unchanged prior to 1959, its population grew at a relatively slow pace.

The establishment of the Tibet Autonomous Region in 1965 her-

alded a speedy growth of Tibet's population. By the time of the 1982 national census, Tibet's population had risen to 1.892 million, up 51.2 percent or 2.1 percent every year during the period from 1964 to 1982. This indicates that despite the internal strife of the "cultural revolution" from 1966 through 1976, Tibet's population registered a marked growth during this period. The 1990 national census set the population of the Tibet Autonomous Region at 2,196,010. During the 26 years since 1965, Tibet's population increased by more than 940,000, or an average of 36,000 every year.

These figures indicate that during the 600 years from the 14th to the mid-20th century, Tibet's population hovered around the figure of 1 million and that, in contrast, in the past 40 years since its peaceful liberation, especially since the democratic reform in 1959, Tibet's population has grown by more than 1 million.

Reasons Behind the Growth

Why did Tibet's population register almost no growth during nearly six centuries?

One reason is the harsh natural conditions. Tibet average elevation is 4,000 metres with 45.6 percent of its land at more than 5,000 metres above sea level.



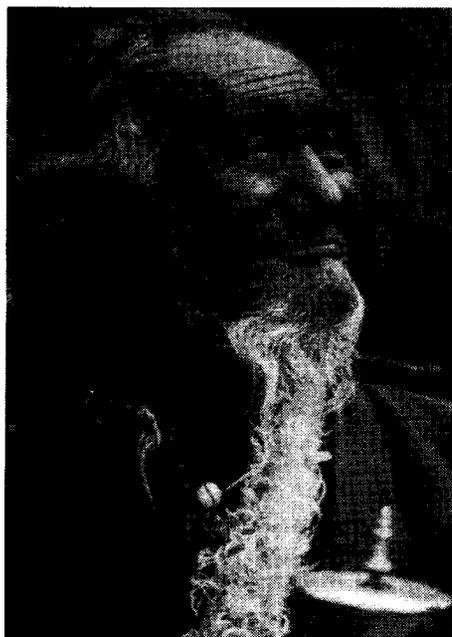
CHEN ZONGLIE

Newborns are carefully tended at the Tibetan People's Hospital.

Most of Tibet has a cold, dry, windy and abnormal climate with thin air, strong solar radiation, low atmospheric pressure and low oxygen content in the air. About half of Tibet is barren desert, stone mountains or perpetually covered in ice and snow, making it difficult to develop. Such conditions have an adverse impact on the growth of its population.

Another and more important reason is the long-standing feudal serf system, under which the slaves and serfs had almost nothing to eat and wear, struggling for existence on the verge of death. It was thus natural that Tibet's population did not grow.

One more reason is that the Gelug Sect (Yellow Sect), a dominant sect of Tibetan Buddhism, prohibited lamas from marriage and procreation. Before the democratic reform in 1959, lamas accounted for a big proportion of Tibet's population—31.5 percent



TANG ZEQLAN

The Tibetan people's average life expectancy has greatly increased. Za Xi, a herdsman in his 70s, looks hale and hearty.

Flourishing Ethylene Industry

by Our Staff Reporter Han Guojian

China produced 1.58 million tons of ethylene in 1990, a 13.3 percent increase over the previous year. Although China has increased its ethylene production by several times since the 1980s, it still has to import a

A German expert (left) discusses technical problems with his Chinese counterparts at the Daqing ethylene construction project. HU WEI



considerable amount of ethylene products from abroad every year.

China's ethylene production was developed in two stages. During the first stage from 1962 to 1973, China had two ethylene producers in Lanzhou, northwest China, and Shanghai, east China, with a total output of less than 20,000 tons annually. Then China's ethylene production could not compare with the 8.2 million tons produced by the United States, 3.09 million tons by Japan and 2.02 million tons by Federal Germany.

From 1973, China entered its second stage of development as it imported large amounts of complete ethylene production equipment from abroad. By the end of 1990, China had imported five complete sets of ethylene production equipment and patent technology from Japan, the United

States, France and Federal Germany and put them into operation in Beijing, Shanghai and Heilongjiang, Shandong and Jiangsu provinces. During this period, China built six ethylene plants in Liaoning, Gansu, Jilin and other regions with an annual production capacity of 70,000-110,000 tons each. Now China has an annual production capacity of 2 million tons of ethylene, the world's eighth largest. In the last two decades, China's ethylene production capacity rose nearly 101 fold.

Ethylene production, however, still accounts for 1.3 percent of the processed volume of crude oil, less than the 1.8 percent of developed countries. Since China lags far behind in per-capita ethylene consumption, it will continue to develop its ethylene industry in the coming years in order to satisfy the great domestic demand.

Early this year, Premier Li Peng of the State Council declared that China would increase its ethylene production capacity by 2 million tons over the next five years, the third stage of the

to 33.7 percent in 1737 and 9.51 percent in 1958. There is no doubt that this hindered the growth of Tibet's population and its socio-economic development.

Tibet's population, however, began to grow fast after 1959 even though it was plagued with the same natural conditions. This was principally because the overthrow of the feudal serf system greatly aroused the enthusiasm of the Tibetan people for production and because the central government supported Tibet's economic and cultural development. In regard to family planning, the central government adopted a different policy for Tibet than in other places and has never ad-

vocated birth control for Tibetan farmers and herdsmen. All these measures have enabled the Tibetan population to grow much faster than the population in Han-inhabited areas. According to the 1990 national census, the natural growth rate of Tibet's population was 18.40 per thousand, much higher than the national average of 14.39 per thousand.

The population of Tibetan nationality has also registered a rapid growth in places other than the Tibet Autonomous Region, especially in Qinghai, Sichuan, Gansu and Yunnan. The 1953 national census found that the total population of the Tibetan nationality throughout the coun-

try reached 2.7756 million. This figure rose to 4.5933 million when a national census was taken in 1990. From 1953 to 1990, the total Tibetan nationality population increased by 1.8177 million.

Han Immigrations Into Tibet

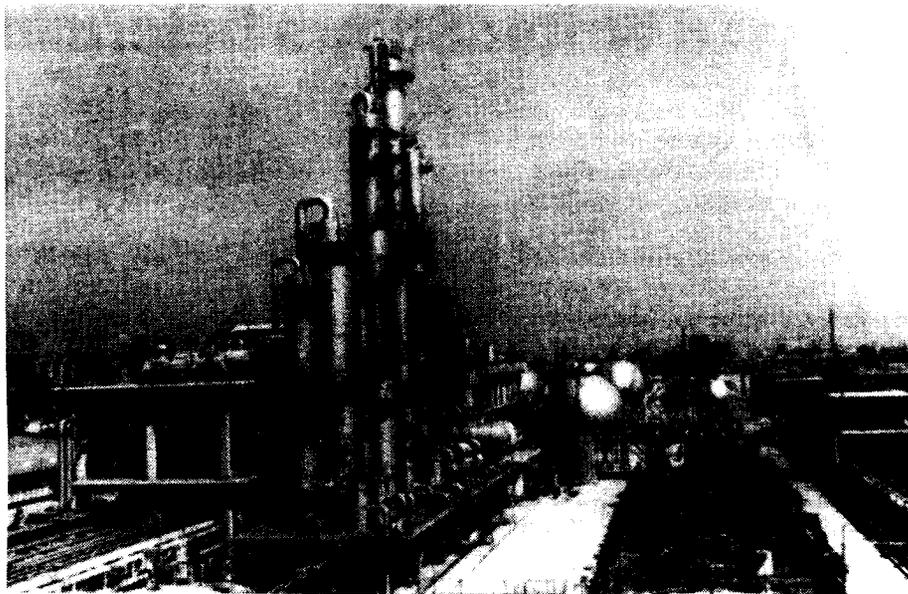
It is rumored that the immigration of many Han people into Tibet has reduced the people of Tibetan nationality there to a minority population. This, however, is refuted by the census. In 1951, soon after the peaceful liberation of Tibet, the region had only a small number of Han peo-

industry's development. To achieve this end, China will rely mainly on domestically produced equipment and import only some key technology and facilities.

At present, the ethylene producers are mainly located in northern, northeastern and eastern parts of the country; some 85 percent of the ethylene production capacity are concentrated in Beijing, Shanghai and Jiangsu, Heilongjiang and Shandong provinces. During the third stage of development, the

emphasis will be in the northwest and south China, including 300,000-ton and 865,000-ton of extra ethylene production capacity in Xinjiang and Guangdong respectively.

According to Kuang Yongtai, director of the production section of the China Petrochemical Corp., the 300,000-ton ethylene



The Shanghai 300,000-ton ethylene project is now operating.

XU YIGEN

project in Xinjiang is now being studied while the ethylene projects in Guangdong will include that of Guangzhou (115,000 tons), Maoming (300,000 tons) and Huizhou (450,000 tons). The feasibility study for these three projects has already been completed. The project in Huizhou will be the biggest of its kind in

the country and will be jointly run by the China Petroleum and Natural Gas Corp. and the Britain-Holland Shell International Petroleum Co. Ltd. The Huizhou project will include a refinery for processing 5 million tons of crude oil and a chemical plant for producing 450,000 tons of ethylene a year. The project will cost US\$2.5 billion. ■

ple. The 1964 national census found that the population of Tibetan nationality numbered 1.209 million, accounting for 96.6 percent of Tibet's total population while that of the Han and other nationalities made up only 3.4 percent. In 1982, the Tibetan nationality population reached 1.7646 million, accounting for 94.69 percent of Tibet's total population. In 1990, the Tibetan nationality population rose to 2.0963 million, some 95.46 percent of the total. From 1978 to 1990, the total population of Tibet increased by 25.5 percent, with the Tibetan nationality up by 29.2 percent and the Han nationality down by 27.7 percent.

The reduced percentage of the Han people in Tibet was caused, among other reasons, by the fact that Han cadres and construction workers who had entered Tibet earlier had retired and many Han scientists and technicians left construction of Tibet in the hands of their Tibetan counterparts.

Tibet is not, as some outsiders have described, "a paradise of immigrants" like the western part of the United States. As discussed above, Tibet averages more than 4,000 metres above sea level and is plagued by harsh production and living conditions, making it hard, if not impossible, for newcomers to sur-

vive physically and physiologically. Despite the government's attempts at persuasion and the offer of rewards, many inland people were not willing to work in Tibet to assist the Tibetan people with their economic construction. The government had no other alternative than to ask inland-born people to take turns to work in Tibet and to return to the inland after working for a period of time in Tibet.

The indisputable fact is that during the 30 years after Tibet's democratic reform the Tibetan ethnic group has always remained the dominant population group in Tibet. ■

Old Writer Shows Determination

Zhou Erfu, 77 years old, is now striving to complete an ambitious work about the Chinese people's war against the Japanese invasion (1937-45). This novel series, entitled *The Great Wall*, consists of six parts and is over three million words in length. The first three parts, *Nanjing Falls Into Enemy Hands*, *The Yangtze River Still Rolling on* and *Countercurrent and Undercurrent*, have been published by the People's Literature Publishing House. The fourth part, entitled *Dawn on the Pacific Ocean* is planned to be published this year. The remaining two parts are still being written.

One cannot help asking what drives the writer to undertake such a huge task at such an old age. Zhou said to the reporter that China's eight-year War of Resistance Against Japan is a subject worthy of meticulous writing not only in terms of the history of mankind, but also as an important turning point in modern Chinese history. Many eminent Chinese writers have written about the war depicting the cruelty of the fascists and the bravery of the Chinese people. "However," said Zhou, "nobody has ever written the Chinese battlefield as the Asian theatre of World War II, in which China was a drag on one of the two fascist countries (Germany and Japan). Many people underestimate China's role in World War II." *The Great Wall* series is a complete picture of the Chinese war against Japan from the angle of the Asian theatre of the anti-fascist war, according to Zhou.

Critics who have read the first three parts say Zhou's work is a real epic. All major battles and political events from 1937 when Chiang Kai-shek presided over



Zhou Erfu.

WEI LIMING

the Kuomintang Lushan Mountain Conference until 1945 when Japan surrendered are vividly depicted in detail. Portrayed are not only figures of the Chinese Communist Party and the Kuomintang such as Mao Zedong, Zhou Enlai, Chiang Kai-shek and Wang Jingwei, but also international figures like Konoe Fumimaro, Okamura Yasuji, Tojo Hideki, Joseph Stalin and Franklin D. Roosevelt, recreating the complete picture of China's War of Resistance Against Japan in the context of the world war against fascism. The first three parts, with a real sense of history, are of significant historical value.

Ouyang Shan, another Chinese veteran writer, wrote to Zhou after he had read the novel, "(It is) unprecedentedly pregnant with meaning, grand in scale, with numerous characters and a complicated plot. I admire it so much. Your character-drawing is also surprisingly skillful....In addition, it is superb in its use of rich and authentic historical materials."

Born in 1914, Zhou went to study at the Department of British Literature of Guanghua University in Shanghai in 1933,

where he began his literary career and took part in the left-wing movement in literature and art. In 1938, Zhou went to Yan'an and henceforth worked in the 18th Group Army, North China Front of Resistance Against Japan. Later he worked for the Chongqing-based *Xinhua Daily*, and finally worked for a time in Hong Kong. After liberation in 1949, Zhou held the positions of secretary-general of the Shanghai United Front, vice-chairman of the All-China Association for Friendship with Foreign Countries, and vice-minister of culture.

A writer of strong will, Zhou would record what he saw and heard either in war time or in days of peaceful construction. In those days after liberation, Zhou would get up at five in the morning and write for two hours before going to work. In his words, "I was an amateur literary worker."

In 1942, Zhou, moved by his experiences in the North China Front of Resistance Against Japan, wrote a reportage piece on Norman Bethune, which was later developed into a novel entitled *Dr. Bethune*, published in 1958. During the early post-liberation period, he wrote the novel *The Morning of Shanghai*, which was about the socialist transformation of capitalists in Shanghai. A novel with unique theme in Chinese contemporary literature, it was translated into Russian, Japanese, Vietnamese and Albanian. Japanese writer Okamoto Ryuzo says in the preface of the Japanese edition, "It is a Chinese historical novel that can be compared with the Soviet, *The Silent Don*, by Mikhail Sholokhov (1905-1984), and the French, *Les Thibault*, by Roger Martin Du Gard (1881-1958).

The reader will get a full view of the Chinese revolution from the window of Shanghai by reading this book." The preface of the Albanian edition reads: "This work, written by talented Chinese writer Zhou Erfu, not only deepens our understanding of the Chinese people, but also gives us a lively introduction to an important aspect of China's socialist construction, i.e., the socialist transformation of capital-

ist industry and commerce.

However, it was this novel, which had brought the author so much prestige, that made Zhou suffer during the ten-year cultural revolution (1966-76). Not until 1979 did Zhou publish the fourth part of the book. The whole book, from the first to the fourth part, took 27 years to complete. In 1989, the novel was adapted into a TV series, causing a sensation throughout China

and attracting about 500 million viewers.

At present, the old writer is hale and healthy. In order to write *The Great Wall*, he has referred to at least 100 million words in documents and materials and made a tremendous number of notes. In his spare time, he practises calligraphy and his calligraphic works are collected as real works of art.

by Wei Liming

Women Chamber Philharmonic Orchestra

The atmosphere at the back stage of the Beijing Concert Hall is lively ten minutes before the performance. With the tuning of violins and *erhus* (a two-stringed bow instrument), two middle-aged women performers are discussing the music, three young girls are laughing, and a four-year old boy keeps pestering his mother who has a viola in her hands. The black dresses worn by the performers cannot gloss over the laughter, expressions and mannerisms of women. The performance to be held is the Aiyuenu (Music-Loving Women) Chamber Orchestra Concert, and all the musicians are women.

As the first chord of Mozart's *D Major Divertimento* was heard, the

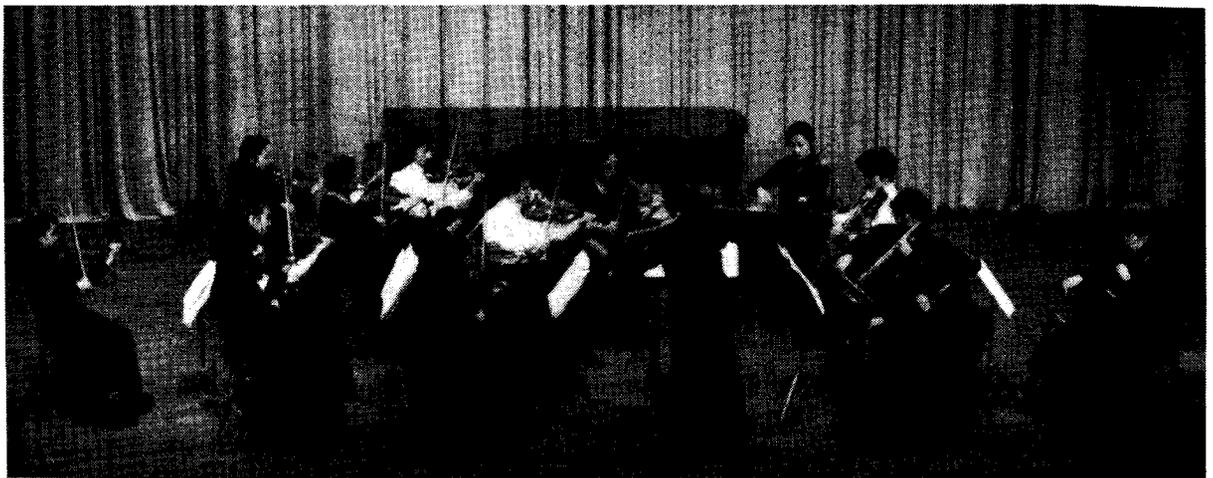
atmosphere immediately changed. With conductor Zheng Xiaoying's adept and precise movements, the music flowed like a gentle stream. At that moment, the fact that the performers were women no longer attracted the audience's attention, and the beautiful music received thunderous applause.

The Aiyuenu Chamber Philharmonic Orchestra, having just celebrated its first birthday last March, is a totally non-governmental performing group. It is made up of more than 20 volunteer women from the capital's over ten professional music groups. Of them the eldest has the performing experience of more than 40 years and the youngest are the up-and-coming fine musicians from state

art institutes. In addition to the musicians, there are first-, second- and third-class state actresses, department directors, professors, associate professors and excellent lecturers from the conservatory of music, and principal and solo performers of orchestra's part. Many of the members have either won prizes in international music competitions or are well-known in China's music circles: China's first woman conductor, Zheng Xiaoying; China's first prizewinner in international piano competition and a piano professor, Zhou Guanren; president of the Violoncello Society of the Chinese Musicians Association, Situ Zhiwen; China's first woman clarinetist Tao Chunxiao; bassoonist Dai

The Aiyuenu Chamber Philharmonic Orchestra.

SITU ZHIWEN



Yunhua; harpist of the first generation, Zuo Yin; the principal performer of the Opera Troupe of the General Political Department of the Chinese People's Liberation Army, Zhu Li; the principal performer of the Orchestra of the Central Newsreel and Documentary Film Studio, Yang Xiuwen; the young talented violinist of the Aiyuenu Chamber Orchestra, Wei Xuefeng; and China's up-and-coming youngster in folk music and a postgraduate in *pipa* (four-stringed Chinese lute), Zhang Hongyan.

In December last year, Zheng Xiaoying talked with violoncellist Situ Zhiwen and violinist Zhu Li, her two schoolmates at the Moscow Conservatory of Music in the 1950s, about the depressing state of serious music as a result of the proliferation of pop music. They all deplored the situation, and stimulated by a sense of responsibility as Chinese musicians and a concern for society, particularly young audiences, they decided to organize an all-women orchestra to exert their influence to change the situation. The suggestion was immediately taken up by a number of excellent musicians who had the same concerns. After several months of preparation and rehearsal, the first concert was held in the Haidian Theatre, Beijing on March 10 this year.

The concert was an immediate success and the orchestra has become influential in China's music circles. A total of 20 concerts were performed in 1990 alone, and from January to March this year, they performed another ten. This number is amazing for a chamber philharmonic orchestra which has no economic sources. When the orchestra was first established, Zheng Xiaoying sold her own violoncello and Situ Zhiwen spent her salary for the necessary expenses. Besides, all the performers rehearsed and performed their programmes in spare time. On Sundays and at festivals, when other mothers and their children are chatting, resting at their home, or

going shopping or on picnics, these women would leave their homes carrying their treasured musical instruments to go by bicycle or bus to a rehearsal room borrowed from the Central Philharmonic Society. They would spend the whole afternoon seriously rehearsing and exchanging ideas and interpretations of the music, and establishing the special rapport between conductor and performers.

"Aiyuenu aims to sow vital and rich seeds of music, water them industriously, and let them blossom and bear fruit in the hearts of audiences, particularly young audiences," said Zheng Xiaoying.

The style of the orchestra is a combination of Chinese music and Western music, appealing to both refined and popular tastes, charting a new course for China's chamber music. Over the past year, the orchestra performed programmes from every period in ancient and contemporary Chinese and foreign history, various styles of chamber music and adapted chamber music works by over 20 foreign composers such as Mozart, Beethoven, Dvorak and Sibelius. Works from China's ancient musical works included *Ambush From All Directions*, *Moonlit Night on a River in Spring* and *Spring Snow*. Audiences also enjoyed a large number of modern musical works.

The concert marking the first anniversary of the Aiyuenu Chamber Philharmonic Orchestra on March 10 was a concert of unique Chinese musical works. There were Chinese works performed using Western musical instruments such as a shortened violin concerto of *The Butterfly Lovers* by woman composer Zhang Lida. A quartet of piano, clarinet, bassoon and violin performed *A Corner at the Torch Festival*, *Wagon Team*, and *Happy Woman Fighter*. Works composed using traditional Western techniques and performed using both Chinese and Western musical instruments and based on musical materials of *bangzi* (opera in Henan Province), included *Introductory Music and Fugue*, a

violin and a three-stringed plucked instrument duet; Huang Xiaozhi's *Celebrating Harvest* using the melody of *bangzi* (opera in Shanxi Province); the adapted piece *North Wind Blows* by composer Qu Wei; and Liu Tianhua's *Birds Singing in Mountains*, an excellent Chinese musical piece performed using the Chinese *erhu* accompanied by a small band, which created a beautiful melody, and *Dialogue and Pleasure*, short pieces written using composition techniques by Luo Jingjing, which had no melody but rather broken rhythms. In addition, *A Song of Pipa*, a piece performed using a *pipa* and flute to accompany a soprano and an orchestra, was composed by young Mo Fan based on a famous ancient poem. The poem depicts the miserable life of a woman who plays the *pipa* and the sympathy of the poet towards her. Many of the musical pieces were experimental. "We are not theoreticians. We just want to provide audiences opportunities to enjoy all sorts of works with our own interpretations and provide the material for theoreticians," said Zheng Xiaoying.

To attain the goal of popularizing knowledge of music, the orchestra went to schools and enterprises to give performances. In addition, the conductor would introduce and analyze the works for the audience before the performance, a style welcomed by audiences.

The artistic achievements of the Aiyuenu Chamber Orchestra have gradually been recognized and praised by more and more people. Many musicians provide new works for them and charge no fees. Mo Fan, the composer of *A Song of Pipa*, said in his letter to Zheng Xiaoying, "I feel very proud that my works have been performed by you. I'd like to compose more for you." Meanwhile, the spirit of Aiyuenu moved many people. A company copied playbills for them at no charge, another enterprise supported them with funds and several cities have invited them to give performances.

by Feng Jing

ART PAGE



Trees Flourish on the Banks of the Yellow River (Ningxia Hui Autonomous Region Section).
by Zhang Tianxin



A Sand and Afforestation Control Centre.
by Wang Tiecheng



A Tree Farm.
by Ren zhenjiang

Shelter-Belt Sketches

The "three-norths" (northeast, north and northwest China) shelter belt is an important ecological improvement project begun 13 years ago in 1978. The sketches introduced here, done by painters who toured the "three-norths" shelter belt, highlight the project's remarkable achievements.



No Longer a Desert.
by Gao Peiwang

Intl. News Broadcasting & TV Exchange Centre

The new centre, a Sino-Japanese joint venture, is a large modern multi-function building complete with a television relay station, hotel, office building and apartments. It is conveniently located in Beijing's beautiful western suburbs, adjacent to the China Central Television Station and Yuyuantan Park. The centre's Media Hotel provides excellent comprehensive international service facilities including accommodation and recreation services for foreigners. It also produces news broadcasts for television and arranges cultural exchange, economic trade and sightseeing for tourists.

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