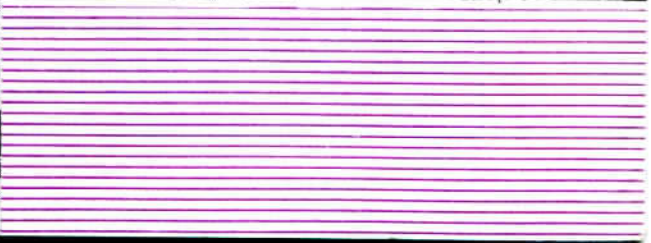
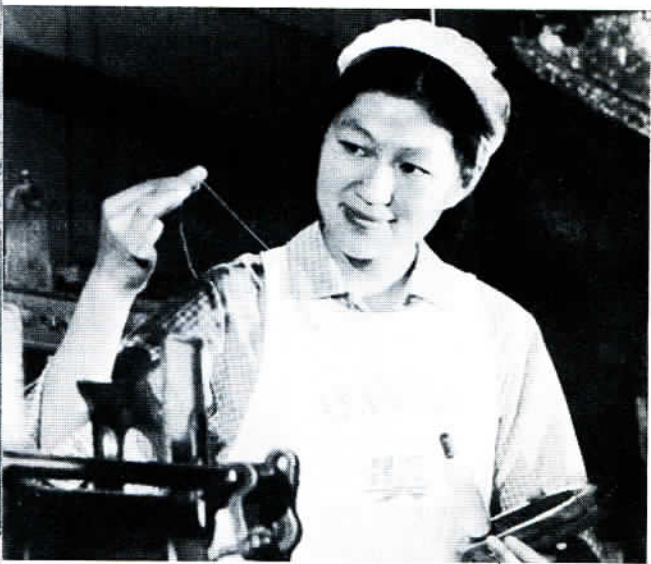


# BEIJING REVIEW

- China's National Economy (1978-79)
- Readjustment: Why and How?



# BEIJING REVIEW

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## CONTENTS

### CHRONICLE 2

### EVENTS AND TRENDS 3

- N.P.C. Deputies Discuss Social Ethics
- Develop Traditional Chinese Medicine
- China and Ireland Establish Diplomatic Relations
- Last Group of Vietnamese Captives Released

### DOCUMENTS 8

- China's National Economy (1978-79)

### SPECIAL FEATURE 13

- Readjusting the National Economy: Why and How? — Shi Zhengwen
- Achievements and Problems 13
- Readjusting and Proportions 14
- Reforms in Economic Structure 17
- Consolidating Existing Enterprises 19
- A Positive Policy 21

### ARTICLES 23

- Vienna Dispatch: Strange Bedfellows Heading for More Trouble — Xinhua Correspondent Peng Di 23
- The West Sahara Issue — Xu Guang 25
- Agony in El Salvador — Yao Yuan 27

### ROUND THE WORLD 29

### ON THE HOME FRONT 30

**COVER:** (Right) Li Shiyong, a worker of the No. 1 Bed Sheet Mill of Shashi city in Hubei Province who has distinguished herself in improving the quality of textiles. (Left) Construction site of a key project—the Longyangxia Hydropower Station—on the Huanghe River.

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## CHRONICLE

### June 17

• While meeting two Japanese Socialist Party delegations, Vice-Premier Li Xiannian pointed out that previous strategic arms limitation treaties between the Soviet Union and the United States had all failed to curb the increase of Soviet nuclear arms. "We don't place any hope" on the treaty to be signed, he said.

### June 18

• Vice-Premier Deng Xiaoping met with Dawee Chullasapya, Deputy Prime Minister of Thailand and President of the World Badminton Federation. They had a friendly talk about the present international situation and the development of bilateral relations. The day before, Vice-Premier Li Xiannian said to the Thai guest: "We firmly support Thailand and other ASEAN countries in their struggle to safeguard peace in Southeast Asia and to protect themselves from aggression and expansion by hegemonism and regional hegemonism."

### June 19

• During his meeting with the Syrian Charge d'Affaires ad interim, Vice-Foreign Minister He Ying reiterated China's firm support for the just struggle of Syria and other Arab countries to recover the occupied territories and of the Palestinian people to regain their national rights.

### June 20

• The Second World Badminton Championships closed in Hangzhou.

### June 21

• Vice-Foreign Minister Han Nianlong, in his meeting with the Charge d'Affaires ad interim of Afghanistan, lodged a protest with Afghanistan for repeatedly attacking China by innuendo and by name.

### June 23

• Ye Jianying and Nie Rongzhen, Chairman and Vice-Chairman of the Standing Committee of the National People's Congress, and Peng Zhen, Director of the Chinese Legislative Affairs Commission, met with Indian doctor Bijay Kumar Basu, an old friend of the Chinese people, who had worked in the base areas during the War of Resistance Against Japan.

### June 24

• Vice-Premier Li Xiannian met with Joseph A. Califano, Jr., U.S. Secretary of Health, Education and Welfare, and his party. During their visit to China, a protocol on scientific and technical co-operation in medicine and public health was signed between the two countries.





### N.P.C. Deputies Discuss

Deputies to the Second Session of the Fifth National People's Congress, which opened on June 18 in Beijing, are having discussions in separate groups in a democratic and joyous atmosphere.

On June 18, Premier Hua Guofeng gave a report on the work of the government. (See our last issue for highlights of the report. The full text will be published in our next issue.) On the fourth day of the session, Yu Qiuli, Vice-Premier and Minister in Charge of the State Planning Commission, gave a report on the 1979 national economic plan (draft) and Minister of Finance Zhang Jingfu made a report on the 1978 final accounts of the state and on the 1979 state budget (draft). (See pp. 8-12 for the main points.)

More than 2,000 members of the Fifth National Committee of the Chinese People's Political Consultative Conference, who

are having their Second Session in Beijing, also attended the N.P.C. session. The C.P.P.C.C. is a united front organization.

In the last few days, the over 3,400 people's deputies have been discussing and examining the reports in more than 80 separate groups, freely airing their views and making various suggestions and criticisms. There has emerged a lively political situation which the people have long been looking forward to.

As a deputy of Beijing, Premier Hua Guofeng joined the other deputies from the capital in the lively discussions. He also joined the groups of deputies from Tibet, Qinghai and Taiwan in their discussions.

During the discussions, the deputies expressed their approval of the report on the work of the government. They said that it conformed to the actual situation and that it showed both the achievements gained in the 15 months since the First Session

of the Fifth N.P.C. last year and pointed out the problems and shortcomings still existing in the country.

Many deputies put forward suggestions on improving the work of the government and criticized certain erroneous ways of doing things and some unhealthy phenomena. All the speakers unanimously endorsed the principle of readjusting, reconstructing, consolidating and improving the national economy, and considered it highly necessary.

The suggestions made by the deputies are many-sided. Some are related to major issues in China's political and economic life. For instance, Song Yiping, Secretary-General of the Chinese Academy of Social Sciences, recommended to Premier Hua Guofeng a copy of material on the development of urban collective undertakings. After reading it, Premier Hua said that employment was an outstanding problem today and that more ways should be worked out to develop undertakings run collectively so as to provide more jobs. There used to be a stipulation, Premier Hua recalled, that the wages of workers in undertakings under collective ownership doing the same kind of work should not exceed those of similar workers in state enterprises. This was not reasonable, he said. If workers in the collective undertakings created more wealth, they should receive higher wages and have more welfare facilities. Lin Hujia, Chairman of the Beijing Municipal Revolutionary Committee, said that Beijing had already followed this principle.



N.P.C. deputies from among the educated youths who have settled in the countryside.





Deputies from Guangxi and Yunnan who had taken part in the self-defensive counterattack against the Vietnamese aggressors.

**Numerous Motions Submitted.** The Committee for Examining Motions received 424 motions from the deputies in the first five days of the session.

The first motion was put forward by seven deputies from Yunnan Province in southwest China. They proposed that measures be taken to ensure that the N.P.C. deputies can constantly acquaint themselves with political, economic, cultural and educational affairs of the country, make social investigations and participate in the study and discussion of some government work.

Deputy Yuan Xuefen, a noted actress of Shaoxing opera, was on sick leave. She submitted a motion in written form suggesting that measures be taken forbidding leading cadres to use their position and power to seek personal gains for themselves and their relatives.

The Committee for Examining Motions will attach opinions

on each of the motions and pass them on to the departments concerned for consideration. The committee will make a report to the session after examining all the motions.

## Social Ethics

Socialist ethics in China was praised by people at home and abroad in the 50s and the early 60s. In only a few years following the birth of New China, a new morality—love for the motherland, the collective and labour, respect for law and order, and a high sense of discipline—had replaced the selfishness, immoral conduct and malpractices characteristic of old China.

In recent years, however, some problems have arisen in social ethics, the mental outlook of the young people in particular. The older generation is concerned, and some foreign friends are a bit worried about certain unhealthy phenomena

they have come across in China.

**Whys and Wherefores.** Social ethics reflects the political, economic and cultural situation prevalent in a society. The undesirable tendencies in China today are the evil consequences of the damage done to the country's politics, economy and culture in recent years.

Chaos was created by Lin Biao and the "gang of four" for over a decade in the political life of our Party and state; they muddled up the concept of right and wrong and the criteria for good and bad conduct in people's minds. Revolutionary and good people were persecuted, while counter-revolutionary forces could have their way under the pretext of "making revolution," and even beating, smashing and looting were termed "revolutionary actions." As a result, the scum of the old society seized the opportunity to fish in troubled waters.

The national economy was seriously undermined, and both China's age-old fine cultural legacy and the new culture developed after liberation were totally negated. There was much to be desired in the people's material and cultural well-being, and owing to the difficulties they encountered in getting a job or continuing their studies, many young people were depressed and at the crossroads. All this gave rise to the spread of bad influences in society.

**How to Remedy the Situation.** The primary task at present is to work for the four modernizations and push forward the national economy, for only in this



way can the people's material and cultural well-being be improved.

In the last two years China's economy has been restored and has made swift progress. But the problems left over from the previous years cannot be solved all at once. This year some 7 million people will be given jobs, and the government has to appropriate funds for setting up service companies in large and medium-sized cities. Through these companies and various other ways, all those waiting for jobs will be organized for vocational training or to work in the service trades.

Importance is attached to strengthening political and ideological work among the young people, educating them in the communist ethics so as to enhance their ability to combat

**Middle school graduates in Beijing organized to learn trades.**



corruption by bourgeois ideas. To this end, the government departments, the Communist Youth League, schools, people's organizations and the media have directed their efforts, and initial success has been achieved. The young people have been organized to participate in various kinds of cultural, scientific and technical, sports and other recreational activities, and guidance has been given them regarding love and marriage.

Lin Biao and the "gang of four" practised obscurantism and adopted a closed-door policy in the cultural field. Now that international exchanges have greatly increased, the young people, eager to know everything, are likely to make mistakes of one kind or another. But this should not be the reason to pull them back to the obscurantist path and lock them up in a "red safe." Normal contacts with foreign friends should be allowed. The question is how to guide them.

**Attitude Towards Juvenile Delinquency.** Young criminals

should be dealt with according to law. As to those who have violated the law, they should not be expelled from the schools or factories if their offence is not serious. So long as they reform themselves, they should not be discriminated against in any way.

Countless facts have proved that in socialist society these young people can be reformed with patient help and education. An example is the story recently published in the newspaper telling how a woman Party member with a big family of her own in Baicheng city in northeast China's Jilin Province succeeded in reforming a 16-year-old thief. Despite the opposition of her family, she persisted in bringing up and educating this obstinate orphan for a decade. The boy later became a mason and has been cited for good work.

Since the downfall of the "gang of four" nearly three years ago, there has been improvement in social ethics. The vast majority of the young people today study and work

**Young girls helping in a factory creche in Shanghai.**





hard, love the motherland, abide by the law and do their part for the four modernizations. Many model workers and heroes have emerged from among them on various fronts. At present, due attention is paid to improving the social ethics and educating the young. Arduous as the task is, people are confident that good results will be achieved.

## Develop Traditional Chinese Medicine

Beijing was the venue of a national symposium on traditional Chinese medicine attended by 380 doctors, specialists in combining Chinese with Western medicine and medical practitioners of various minority nationalities from all parts of the country. Immediately after this week-long meeting in the latter part of May, the All-China Association of Traditional Chinese Medicine was set up.

Traditional Chinese medicine has developed over long years of practice. *Huang Di Nei Jing* (The Yellow Emperor's Manual of Internal Medicine), China's earliest medical treatise, shows that even 2,000 years ago China already had a fairly comprehensive system of theories on the

functions of the human body and on the treatment of various diseases. Chinese doctors have accumulated rich experiences in using herbal, animal and mineral drugs and such skills as acupuncture and massage to cure the sick, and Chinese medicine has made positive contributions to safeguarding the health of the people.

"Unite doctors of both traditional Chinese and Western medicine!" This was one of the four major principles for medical and health work laid down in the early 50s shortly after the founding of the People's Republic. It has helped bring into full play the talent of large numbers of doctors of traditional Chinese medicine who were discriminated against in the old society. Later, Chairman Mao called on medical workers to explore the time-honoured treasure house of traditional Chinese medicine, combine it with Western medicine, both of which have their distinctive features and systems, and evolve China's own new medicine.

Progress has been made in this direction in the last two decades and more. For example, two million operations have been successfully performed

under acupuncture anaesthesia instead of using anaesthetics; for fractures and soft tissue injuries, the method of manual treatment and fixation by means of splints has been used with satisfactory results instead of performing operations and applying plaster. Other successes include using Chinese medicine and acupuncture instead of performing operations to cure appendicitis, gall stone and other acute abdominal diseases, and combining traditional Chinese medicine with Western medicine to treat extensive and serious burns. These achievements show that to study and develop traditional Chinese medicine is an effective and quick way to modernize China's medical and health work.

Recently, in the endeavour to achieve socialist modernization, the Party and government have once again stressed the necessity to study and develop traditional Chinese medicine while learning advanced scientific know-how and importing advanced equipment from other countries.

This principle was the guideline of the recent national symposium on traditional Chinese medicine. Of the 1,300 research papers submitted, many were on clinical studies of combining traditional Chinese medicine with Western medicine; some used modern scientific knowledge to deal with the basic theories of traditional Chinese medicine, and some were studies of ancient medical literature and of medicines practised by the Tibetans, Uygurs, Mongolians and other minority nationalities.

The establishment of the All-China Association of Tradi-



**Zheng Huaixian,** an 81-year-old doctor of traditional Chinese medicine, passes on his skill in bone-setting to his students.



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tional Chinese Medicine will promote the study of Chinese medicine and enrich it with modern scientific knowledge. It will also help strengthen the ties between Chinese doctors and their colleagues abroad. The national symposium on acupuncture anaesthesia held earlier this month and attended by medical specialists from over 30 countries and regions marked a good beginning in international academic exchanges.

## China and Ireland Establish Diplomatic Relations

The Governments of the People's Republic of China and the Republic of Ireland, in a joint communique signed on June 22, announced their decision to establish diplomatic relations at ambassadorial level and to exchange ambassadors.

The communique said: "The Government of Ireland recognizes the Government of the People's Republic of China as the sole legal government of China."

"The two governments," the communique added, "have agreed to develop friendly relations and co-operation between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity, non-interference in each other's internal affairs, equality and mutual benefit, including the promotion of trade."

To win national independence, the Irish people have carried out struggles for centuries. After World War II, Ireland has made achievements in developing its national economy. This has left a deep impression in the minds of the Chinese people.

After the establishment of diplomatic relations, the Chinese people will surely strengthen their friendly ties with the Irish people who have a rich cultural tradition.

## Last Group of Vietnamese Captives Released

On the morning of June 22, China released 354 captured Vietnamese armed personnel at the zero kilometre mark on the road between Youyiguan in China's Guangxi Zhuang Autonomous Region and the Vietnamese town of Dong Dang. From May 21 to June 22, China repatriated 1,636 captured Vietnamese personnel in five groups and handed over to the Vietnamese side 14 death certificates for Vietnamese captives. At the same time the Chinese side received 238 Chinese personnel and one death certificate for a Chinese captive.

On June 22 when the exchange of captives was going on, the Vietnamese captive Hua Khai Luong refused to be sent back and read a statement at the handover spot. He said: "Owing to the fascist rule of the Vietnamese authorities, there is no guarantee for the people's rights or for my safety and my life. Therefore, I refuse to be repatriated and demand to remain in China." To the correspondents, he added: "My stay in China is temporary. When the Vietnamese authorities change their policy, I will return to Viet Nam."

The representative of the Chinese Red Cross Society declared that, in the spirit of revolutionary humanitarianism, he respected the desire of Hua Khai Luong and would forward

his request to the Chinese authorities concerned.

The Vietnamese side unreasonably attacked this as a "premeditated farce aimed at deceiving the Vietnamese people." The representative of the Chinese Red Cross Society refuted the accusation, saying that it was entirely of his own free will that Hua Khai Luong refused to be repatriated. The Chinese side allowed the Vietnamese representative to question Hua Khai Luong on the spot but the Vietnamese representative refused to do so.

In retaliation for this defection, the Vietnamese side unreasonably held back a Chinese captive. The representative of the Vietnamese side dared not let the Chinese captive speak before the public; instead a Vietnamese interpreter read out a so-called "statement" by him.

Liu Pengfei, leader of the Chinese Red Cross Society delegation, lodged a strong protest against this vile action with the Vietnamese side at the third meeting with the Vietnamese Red Cross Society delegation, declaring that he reserved the right to demand the Vietnamese side to repatriate that Chinese captive. He also said that China reserved the right to check the list of the 240 captured Chinese sent back by the Vietnamese side.





# China's National Economy (1978-79)

At the plenary meeting of the Second Session of the Fifth National People's Congress on June 21, Vice-Premier and Minister in Charge of the State Planning Commission Yu Qiuli delivered a report on the 1979 national economic plan (draft), and Minister of Finance Zhang Jingfu made a report on the 1978 final accounts of the state and on the 1979 state budget (draft). Following are highlights of these reports. — Ed.

## Achievements in 1978

VICE-Premier Yu Qiuli gave the following detailed figures for the fulfilment of the country's 1978 national economic plan in his report.

— Agricultural output value totalled 145,900 million yuan, or 102.7 per cent of the planned output, an 8.9 per cent increase over 1977. Grain output reached 304,750,000 tons, a 7.8 per cent increase over 1977. Cotton output totalled 2,167,000 tons, a 5.8 per cent increase over 1977. Oil-bearing crops reached 5,218,000 tons, a 30 per cent increase over 1977. An overall increase was registered in grain, cotton, oil-bearing crops, bast fibre crops, silk cocoons, tea, sugar, vegetables, tobacco, fruit, medicinal herbs and other crops. This represents remarkable progress in the agricultural sector.

— Total industrial output value reached 423,100 million yuan, an increase of 13.5 per cent over 1977. There were new breakthroughs in coal, crude oil, steel and power output and railway freightage. What is more, there were also big increases in the output of cement, chemical fertilizer, insecticide, rubber, mining equipment, metallurgical equipment, power generating installations, tractors, chemical fibres, woollen and silk fabrics, sugar, paper and synthetic detergent. The quality of many products had improved and raw material consumption and costs had been lowered compared with 1977.

— Total investment in capital construction covered by the state budget amounted to 39,500 million yuan, an increase of 34 per cent over 1977. Capital construction funds raised in



Vice-Premier Yu Qiuli.

various provinces, municipalities and autonomous regions amounted to 8,400 million yuan, an increase of 20 per cent over 1977. Ninety-nine large and medium-sized projects were built along with 297 single items of such projects throughout the country. Proven reserves of iron, coal, copper, aluminium and petroleum had increased.

— Retail sales of commodities amounted to 152,750 million yuan, an increase of 8.3 per cent over 1977.

— The total value of imports and exports came to 35,500 million yuan, a 30.3 per cent increase over 1977. There was a balance between foreign exchange revenue and expenditure over the year, with a slight surplus.

— Scientific, educational, cultural and public health undertakings also showed further development.

Vice-Premier Yu pointed out that the most important reasons for these great successes were the penetrating criticism of the ultra-Left line pursued by Lin Biao and the "gang of four," the conscientious implementation of the various policies of the Party and the government, and the tentative work of readjustment and consolidation in various fields. These efforts had brought into full play the socialist enthusiasm of the workers, peasants and intellectuals long inhibited by the policies of the "gang of four."



## Highlights of the 1979 National Economic Plan

Vice-Premier Yu Qiuli said in his report that the 1979 national economic plan was focusing on developing agriculture and light and textile industries and strengthening the coal, petroleum, power, transport and building material industries. At the same time, production in other industries would be arranged in accordance with possible fuel and power supplies. Arrangements would also be made for capital construction within the country's financial and material capabilities, and efforts should be made to achieve greater results in production and construction. Supply of commodities should be increased and foreign trade expanded so as to activate interflow of goods between town and countryside and between China and other countries. He also mentioned the development of science, education, culture and public health and the continued improvement of people's standards of living.

He mentioned the following highlights of the 1979 national economic plan:

Agricultural production was to increase by 4 per cent over last year;

Industrial production was to rise by 8 per cent over last year, with an 8.3 per cent increase in light industry and a 7.6 per cent increase in heavy industry. This rate of growth was a bit lower than that of the previous two years which were recovery years. A lesser increase this year was appropriate, because it rested on big increases in the previous two years and there would be readjustments within the industrial departments;

Total investment in capital construction covered by the state budget would come to 36,000 million yuan; and, plus investment from loans, the overall allocation for capital construction would come to 40,000 million yuan, maintaining the actual scale of 1978;

Total retail sales would be 175,000 million yuan, an increase of 14.6 per cent over last year;

The total volume of imports was expected to reach 44,000 million yuan, an increase of 24 per cent over last year.

Vice-Premier Yu said that a major portion of the state budget would go to agriculture, light industry and the fuel, power, building material and transport industries, with an appropriate increase in the investment in science, culture and education.

Investment in agriculture would go up from 10.7 per cent last year to 14 per cent;

Investment in light industry would increase from 5.4 per cent to 5.8 per cent;

Investment in heavy industry would decrease from 54.7 per cent to 46.8 per cent and much of the money would be given to the coal, petroleum, electric power and building material industries.

He also gave some explanations on the major aspects of this year's plan:

1. Efforts should be concentrated on developing agriculture at a higher speed;

2. Every effort should be made to speed up the growth of light and textile industries;

3. Measures should be adopted to increase production and practise economy so as gradually to ease the tension in energy supply;

4. Firm steps should be taken to curtail capital construction and to win greater results from the investment;

5. Great efforts should be made to expand export and foreign trade as a whole;

6. Great efforts should be made to increase commodity supplies on the home market;

7. Measures should be taken to develop science, culture and education and public health.

8. The people's living standards should be raised on the basis of developing production.

To fulfil this year's national economic plan, Vice-Premier Yu said, the key lay in continuously deepening the present mass movement to increase production and practise economy and achieving effective results.

### Measures to Boost Farm Production

Some important measures would be adopted this year to support agricultural production, Vice-Premier Yu Qiuli said.

These measures include:

— First, the purchasing prices of some farm and sideline products will be increased by a fairly big margin and taxes in the rural areas will be reduced or remitted. With the start of this year's state purchase of summer grain, the purchasing price of grain will rise by 20 per cent, and those who sell surplus grain over and above the state quotas will, on this basis, receive an additional 50 per cent increase in the purchasing price. The government will also buy cotton, oil-bearing seeds, pigs and other farm and sideline



products at higher prices. The purchasing prices of 18 major farm and sideline products will increase by an average of 24.8 per cent. Such a big increase in the purchasing prices of farm and sideline products was unprecedented since nationwide liberation. This is expected to fire the enthusiasm of the commune members and play an important part in stimulating farm production.

— Second, agricultural funds will be increased. The proportion of investment in agriculture will increase from 10.7 per cent of the budgeted funds for capital construction last year to 14 per cent this year. Total funds for agriculture from all sources including aid and agricultural loans will amount to 17,400 million yuan this year. These funds will be used primarily to construct centres to produce marketable grain and industrial crops, pastures and marine fishing centres and to boost production in low-yield regions short of grain.

— Third, industrial support to agriculture will be reinforced and farm mechanization expanded step by step in the light of local conditions. China plans to produce 46.8 million tons of chemical fertilizer, an increase of 4.65 million tons over last year, and 95,000 tractors this year. Production of highly effective insecticides with low residual toxicity will also be increased.

The most fundamental thing in fulfilling this year's agricultural production plan, Vice-Premier Yu said, was to continue to abide strictly by the two documents\* recently adopted by the Party Central Committee on agricultural development, carry out the Party's rural policies and bring into play the peasants' enthusiasm for socialism, improve farmland capital construction, extend scientific farming and diversify the rural economy.

### **Develop the Light Industries Faster**

Vice-Premier Yu Qiuli stressed in his report the need to do everything possible to speed up the development of the textile and other light industries and produce more and better textiles and other light industry goods.

He listed targets set in the 1979 plan as follows:

\*The Decisions of the Central Committee of the Communist Party of China on Some Questions Concerning the Acceleration of Agricultural Development (Draft) and the Regulations on the Work in the Rural People's Communes (Draft for Trial Use) adopted by the Third Session of the 11th Party Central Committee held in December 1978.

Chemical fibres to go up 5.3 per cent;  
Synthetic detergents by 8 per cent;  
Bicycles by 10.8 per cent;  
Sewing machines by 8.6 per cent;  
Wristwatches by 12.7 per cent;  
TV sets by over 100 per cent;  
Cameras by 23 per cent.

He said the following measures must be adopted to ensure higher output:

1. Give priority to the textile and other light industries in the supply of fuel, primary movers, raw and other materials they need. Fully guarantee the allotted amount of electricity each textile and other light industry enterprises need; departments in charge of supplying materials and of transport must send coal, petroleum, raw and other materials used in the production of textiles and other light industrial goods according to contract. The quality and quantity must be as specified and delivery must be even. Raw and other materials cleared out of warehouses in the course of stocktaking, which are suitable for use, should first be allocated to the textile and other light industries.

2. Appropriately importing more raw and other materials needed in textile and other light industrial production. According to the 1979 plan, 320 million yuan of foreign exchange are earmarked for this, that is 17 per cent more than in 1978.

3. Attention should be given to improving the quality of textiles and other light industrial goods, increasing the designs and variety. The Ministry of Light Industry this year should concentrate on improving the quality of 83 kinds of products, compare and appraise their quality and award enterprises turning out fine quality products. The Ministry of Textile Industry this year should solve a number of major problems concerning the quality of products, produce some brands of excellent products and turn out more marketable products which are in short supply.

4. Strengthen co-operation between industry and commerce and enlarge sales. Commercial and foreign trade departments should help the enterprises to arrange production according to demand and also purchase goods according to plan. Goods not purchased by the commercial and foreign trade departments should be allowed to be sold according to state



policy governing prices by the textile and other light industry enterprises themselves.

5. Mobilize the heavy industry departments, according to their particular conditions, to use to the full their surplus productive capacities and their leftovers and warehouse stocks to turn out consumer goods compatible with their line of production for the domestic market and for export.

### **Complete the Key Projects as Fast as Possible**

Yu Qiuli stressed the need to shorten the capital construction front so as to concentrate funds and material resources to complete a number of key projects as quickly as possible and create new production capacity. The projects listed in his report include:

• Key projects in the plan for agriculture are:

Sixty-five large and medium-sized water conservancy works;

Eleven aquatic products projects.

• Key projects in the plan for the textile and other light industries are:

Twelve sugar refineries each capable of handling 500 tons of sugar cane a day;

Eleven sugar refineries each handling 500 tons of beet a day;

Seven paper mills each turning out upwards of 50 tons a day;

Three cotton mills each with 100,000 spindles and 3,000 looms;

The Tianjin Petrochemical Fibre Plant, the Changshou Vinylon Mill in Sichuan and vinylon mills in Gansu, Guangxi and Yunnan.

• Key projects in the plan for heavy industry are:

Eight coal mining areas each with an annual capacity of over 10 million tons: The Gujiao Mining Area in Shanxi, the Datong Mining Area, the Fengfeng Mining Area in Hebei, the Tiefert Mining Area in Liaoning, the Huainan-Huabei Mining Area in Anhui, the Yanzhou Mining Area in Shandong and two others.

The Gezhouba Hydropower Station in Hubei Province and the Longyangxia Hydropower Station in Qinghai Province, both with a generating capacity of over 1 million kw. and six thermal power plants including the New Datong Power Plant and the Douhe Power Plant in Tangshan.

The Huaihai Cement Plant with an annual capacity of 1 million tons in Xuzhou.

### **Higher Income of Urban and Rural Inhabitants**

Vice-Premier Yu said that the government planned to raise the wages of part of the workers and staff members, introduce the bonus system, and broaden the scope of employment. As a result, the income of city dwellers would increase by more than 7,000 million yuan this year.

More housing and utilities would be constructed in the cities this year on top of the huge amounts built last year.

Beginning from the fourth quarter of 1977, he said, 40 per cent of the workers and staff members were given a wage grade rise and another 20 per cent also had their wages upgraded to some extent. Average annual wages of workers and staff members in units owned by the whole people went up from 602 yuan in 1977 to 644 yuan last year, an increase of seven per cent.

Vice-Premier Yu Qiuli said that per-capita income of the Chinese peasants from the collective economy in 1978 rose 13.7 per cent over 1977. In 1979, the rural communes and the peasants would increase their earnings by a further 7,000 million yuan thanks to the increase in the purchasing prices of farm and sideline products and the reduction of or exemption from agricultural tax and taxes on commune-run enterprises in areas with poor economic conditions. These added to the benefits from developing production were expected to raise their total income by 13,000 million yuan.

### **Expanding Foreign Trade and Importing Advanced Technology**

China would actively expand foreign trade and import up-to-date technology and equipment this year on the basis of independence and self-reliance so as to speed up the process of China's four modernizations, Vice-Premier Yu said in his report.

It was planned, he declared, that the total volume of imports and exports in 1979 would reach 44,000 million yuan. In 1978 the total volume was 35,500 million yuan.

He added that it was necessary to increase foreign exchange income by every means so as



to achieve this year's target figures for foreign trade and to balance income and expenditure of foreign exchange. All localities and all departments concerned must exploit to the full their own advantages and specialities. They must be flexible in their efforts to increase exports and foreign exchange income. Efforts should be made to develop tourism and increase foreign exchange income by means other than foreign trade.

With respect to the import of up-to-date technology and complete sets of equipment, Vice-Premier Yu said that it was necessary to undertake some investigations, make comprehensive arrangements and carry out this work in an orderly way. Priority should be given to items that need less investment, produce quick returns and earn more foreign exchange. This programme should enhance and complement transformation of the existing enterprises.

He said that it was necessary to seek further contracts for products to be processed or assembled using the buyers' own raw materials; the possibilities offered by compensatory trade and co-operation in production should be fully explored, as should the prospects for joint venture enterprises.

### Final Accounts and Budget

Minister of Finance Zhang Jingfu said in his report that China's financial situation had taken a turn for the better with the rapid recovery and development of the economy. As shown in the final accounts, total revenue in 1978 was 112,111 million yuan and total expenditure 111,093 million yuan, with a favourable balance of 1,018 million yuan. Compared with 1977, revenue increased by 28.2 per cent, and expenditure by 31.7 per cent.

He pointed out that China's revenue had turned from the state of stagnation and decline caused by the "gang of four" to that of remarkable increases. It was now in a position to meet the basic needs of the development of production and construction. This was an important sign of the tremendous success in grasping the key link of exposing and criticizing the "gang of four" and bringing about great order across the country, Finance Minister Zhang declared.

He noted that the draft state budget for 1979 submitted to the current N.P.C. session for examination set the target of 112,000 million yuan for both total revenue and expenditure. The budgeted revenue for 1979 was equivalent to the final revenue of 1978. This was because this year's revenue would be affected by such factors



Finance Minister Zhang Jingfu.

as the rise in the purchasing prices of farm and sideline products, wage increases for part of the workers and staff members, reduction of or exemption from some taxes in the rural areas, allocation of funds for providing more jobs and experiments in granting special funds for the enterprises' own use. If these deductions were not to be made, the total budgeted revenue projected for 1979 would come to 128,600 million yuan, or 14.7 per cent bigger than the 1978 revenue.

He listed the following tasks for the 1979 state finance: Continue to tap potentials and explore new sources of income to increase the national revenue, while consolidating the enterprises and developing production; arrange expenditures rationally in the light of the readjustment of the national economy, so as to strengthen agriculture and light industry, strengthen the coal, power and petroleum industries and transport which were weak links in the economy, promote culture, education and science, step up national defence and preparedness against war and gradually improve the people's livelihood; through consolidation of the nation's finances, improve the management of revenue and expenditure, keep spending strictly within the limits of income and strive to achieve a balance.

After listing expenditures for capital construction, renovating existing enterprises and for agricultural development, Finance Minister Zhang said that the total 1979 expenditure for culture and education, public health and science would amount to 12,080 million yuan. Colleges and universities planned to enrol 270,000 to 300,000 students this year, secondary technical schools 520,000 students, and middle and primary schools a large number of students. Hospital beds would increase by 80,000 and there would be advances in scientific and cultural undertakings.



# Readjusting the National Economy: Why and How?

by Shi Zhengwen

One of the major items on the agenda of the current National People's Congress is how to readjust the national economy in a three-year period. Adoption of such a policy will ensure the development of China's modernization in a down-to-earth manner. The following articles provide some background material related to this issue.

## Achievements and Problems

THE stagnation and backsliding suffered by the national economy because of many years' interference and sabotage by Lin Biao and the "gang of four" have undergone a rapid change for the better in the last two years and more. The rehabilitation and development of production in this country has been fast. In the countryside in particular, owing to implementation of the Party Central Committee's policies aimed at accelerating agricultural development, the peasants' socialist enthusiasm has been soaring as never before; a rich harvest is in prospect.

Why then bring up readjustment of the national economy?

As pointed out in the Communiqué of the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party which met at the end of last year, "the restoration and development of our national economy since the downfall of the 'gang of four' has been very rapid. . . . But it has to be noted that due to sabotage by Lin Biao and the 'gang of four' over a long period there are still quite a few problems in the national economy, some major imbalances have not been completely changed and some

disorder in production, construction, circulation and distribution has not been fully eliminated. A series of problems left hanging for years as regards the people's livelihood in town and country must be appropriately solved." In the past few months, some leading comrades connected with either the central or local authorities have made thorough investigations into this matter in the spirit of the session and have come to a better understanding of the seriousness of the imbalances in the national economy. Conditions for resolving these problems have ripened.

### Imbalances Many-Sided

Imbalances in the national economy have manifested themselves in many aspects:

One is in the relationship between agriculture and industry. Agriculture is the foundation of the national economy; this is especially so in a country like ours where peasants constitute the overwhelming majority; agricultural development is a problem that calls for prime attention. Comrade Mao Zedong had long ago pointed out the need to arrange the national economy in the order of agriculture, light industry and heavy industry, but this has never been carried out in real earnest. In the present situation agri-

Shanghai deputies discussing readjustment of the national economy at the current N.P.C. session.





cultural production is going up rather slowly and so farm produce falls far short of the needs of industrial development and the popular demand for a better life. Without a change in this situation, the high-speed development of industry is out of the question.

Another is in the relationship between light and heavy industry. In 1956 in his article *On the Ten Major Relationships*, Comrade Mao Zedong already noted the necessity for a proper increase in the proportion of investment in light industry and for bringing about a greater development of light industry so as to meet the needs of the people in their daily life and to accumulate funds, which will in turn stimulate the development of heavy industry. This policy, too, has never been really carried out in earnest. During the First Five-Year Plan Period (1953-57), heavy industry took up 46.5 per cent of the total investment in capital construction while light industry's share was 5.9 per cent. The proportion of investment in light industry continued to go down. This gravely affected its development, with the result that market supplies of the main light industrial goods have all along fallen short of needs. Light industry lagging behind adversely affected the accumulation of funds so that the development of heavy industry, too, was held back.

The third imbalance is within heavy industry itself. The development of the coal, electric power, petroleum, transportation and building material industries has failed to keep pace with the development of the metallurgical, machine-building and processing industries. It is estimated that, owing to the shortage of electric power, about 20 per cent of the nation's productive capacity have not been tapped. Although the total output of coal and oil has registered a considerable increase in these years, it still cannot meet needs. There is also shortage in the supply of raw and other materials. In communications and transportation, the capacity in some weak sectors on the trunk railway lines can only meet 50 to 70 per cent requirements; loading and unloading capacity at the harbours is highly inadequate.

The last thing is in the relationship between accumulation and consumption. The rate of accumulation in our country has been a bit too high and the scale of capital construction too big, both having exceeded what the national economy can bear. This has given rise to a number of problems. When, for instance, many factories were built, the construction of housing

projects, cultural and educational undertakings, public health service as well as urban public utilities — all directly connected with the people's livelihood — lagged far behind. Although we have made great efforts to gradually improve the people's living standard in the last two years or so, many problems in this field have remained unsolved.

Moreover, there are many problems which should be studied and solved in the system of economic management as well as in the organization and management of existing enterprises.

### Main Tasks

After an analysis of the situation in the national economy, the Party Central Committee has concluded that from now on the main tasks within a certain period of time are **to readjust the proportionate relationship between the various branches of the national economy, to carry out reforms on our structure of economic management, to continue to consolidate the existing enterprises and improve economic work as a whole, or, to put it in more concise terms, to readjust, to reconstruct, to consolidate and to improve.** This will make for an sustained, proportionate and high-speed development of our national economy.

## Readjusting the Proportions

**M**ARXISM holds that distribution of social labour according to a certain proportion is a law to be observed by everyone in all social production. With the development of the social productive forces, socialization of production is being intensified as in the case of the division of labour. But the various branches of the national economy, which make up an integrated whole, must be developed according to certain proportions so that social production as a whole can go on smoothly. When there is trouble at one link, the other links will be affected, and sometimes this may even give rise to chaos in the economy as a whole. In the capitalist economy, although there is also the objective demand for proportionate development, it can only be realized forcibly through cyclical economic crises. This is because of the existence of irreconcilable contradictions between the private ownership of the means of production and the socialization of production. It is only under the conditions of socialism that the planned and proportionate development of the entire national



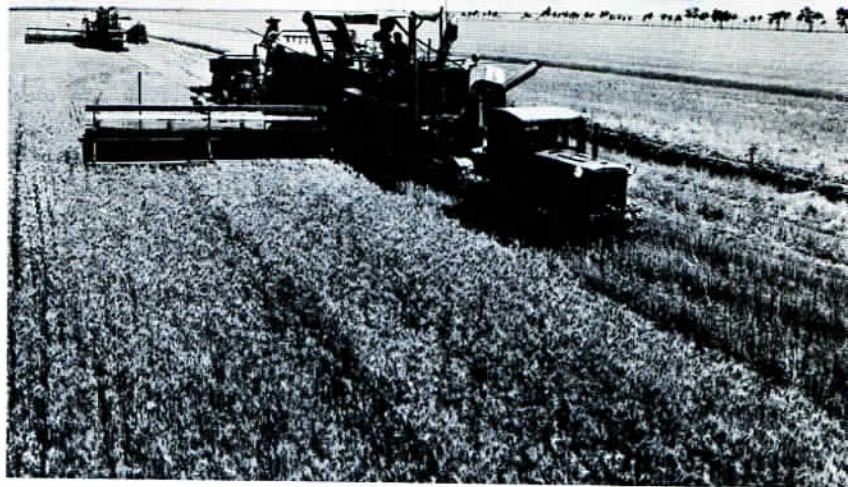
economy is made possible. The very purpose of our planned management of the national economy is to properly arrange the proportions for the various branches of the national economy and to bring about a good overall balance.

We are taking a series of measures to do away with the existing major imbalances in some fields. They include:

**Concentrating the Main Efforts on Advancing Agriculture.**

The situation in China today is like this: Farm produce and processed agricultural products make up about 85 per cent of the people's means of subsistence; agriculture provides 40 per cent of the raw materials needed by the industry and about 70 per cent of the raw materials needed by the light industry. Around two-thirds of the light industrial goods are sold in the rural areas. But with the modernization of agriculture, heavy industrial goods will also find their way into the countryside in large amounts. A considerably large part of our financial revenue comes directly or indirectly from the agricultural branch. Therefore, the most important thing in the development of the national economy is to bring about a harmonious proportion between agriculture, light industry and heavy industry. Agriculture must take the primary place. The first and foremost task in the current economic readjustment is to promote agricultural production in the hope that there will be a fairly large increase in grain output, that the output of cotton and oil-bearing crops will reach or surpass the highest level in history and that there will be further progress in forestry, animal husbandry, side-line production and fishery.

In order to advance agriculture, it is necessary to work out a correct policy so that the socialist enthusiasm of the peasants can be aroused. The Third Plenary Session of the 11th Party Central Committee did put forward correct principles and policies to promote agricultural production. (See our special feature "Economic Policies in Rural Areas" in issue No. 16.) At the same time, the support for agriculture must be increased. For instance, we have now taken measures to increase agricultural investment, to lessen the peasants' burden, to stabilize and properly reduce the quota of grain purchased by the state, and narrow the price dis-



Despite a severe drought, Anhui Province brought in its best wheat harvest ever, 10 per cent over that of 1978.

parity between industrial and agricultural products. By way of supporting spring farming, banks and credit co-operatives throughout the country in the first quarter of this year issued loans to production brigades and teams amounting to 73 per cent more than in the same period of last year. The state will also strive to improve the economic results of agricultural investment, lay emphasis on the construction of a number of bases for marketable grain, industrial crops, animal husbandry, fishery and forestry. These bases are to become strongholds of a modernized agriculture.

**A Fairly Rapid Development in the Textile and Other Light Industries.**

The textile and other light industries are two important branches that serve the daily needs of the people. Products of these two branches constitute more than a half of the total volume of the retail trade. These two branches also characteristically take relatively less investment, bring quicker results and yield higher profits. For instance, the amount of profit and taxes paid to the state between 1949 and 1978 by the textile industry in Shanghai alone was 77.3 times the state investment in that sector.

To ensure a fairly rapid development of the textile and other light industries, an appropriate increase in the ratio of investment in these two branches is necessary. They should have priority in the supply of fuel, motive power, raw materials and transport facilities. All heavy industrial branches should also produce, if possible, more and more daily necessities.

**In Heavy Industry, Accelerating the Tempo of the Development of Coal, Oil, Electric Power,**





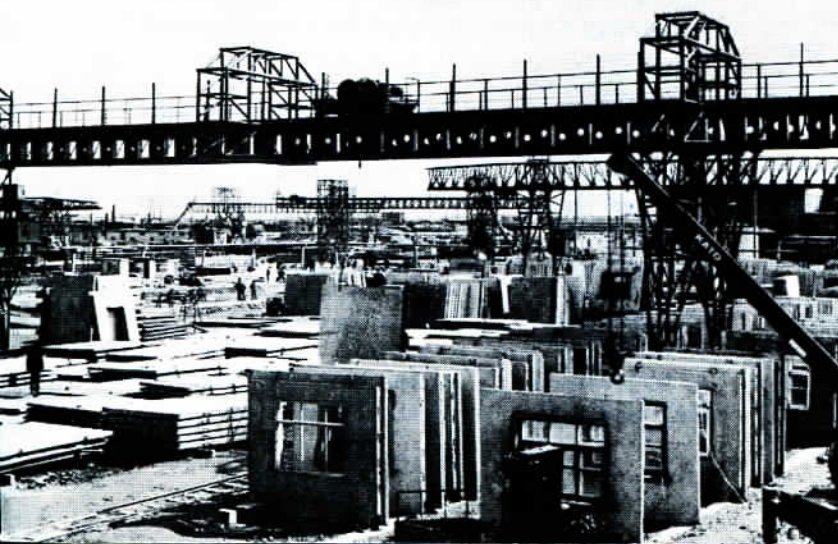
Housing construction in Dukou, a new industrial city in Sichuan Province.

**Transportation and Building Materials Industries.** Our fuel, motive power and building materials industries are weak links on the industrial front. We must work hard in these fields to increase production while practising economy. It is estimated that given a guaranteed supply of fuel and motive power to keep existing machines and equipment running, our industrial production will increase by about 30 per cent.

The backwardness of communications and transport facilities is another marked contradiction in our current economic construction. To raise transportation capacity, it is necessary first of all to effect a successful technical transformation of the railway trunk lines and to re-

construct the existing lines at key points. At present, four electrified railways totalling 1,137 kilometres in length are under construction: one running between Shijiazhuang in Hebei Province and Taiyuan in Shanxi; another one between Beijing and Datong in Shanxi; the third linking Baoji in Shaanxi with Tianshui in Gansu; and the last one running between Xiangfan in Hubei and Ankang in Shaanxi. When the Beijing-Datong sector of the Beijing-Baotou Railway and the whole line of the Shijiazhuang-Taiyuan Railway are fully electrified, it will facilitate the shipment of Shanxi coal to other parts of the country. We must at the same time press ahead with the construction of sea harbours, enlarge our oceangoing fleet and develop highway transportation.

Prefabricated parts made by a Heilongjiang building materials plant.



To meet the needs of state capital construction and improve the people's living conditions in urban and rural areas, it is necessary to speed up the production and construction of building materials. This year, investment in capital construction of the building materials industry is double that of last year.

Of course, we still need to develop the iron and steel industry. Here, the main task at present is to raise quality and increase variety and specifications of products so as to better meet the needs of the various branches of the national economy.



**Expanding Exports, Importing on the Basis of Exports and Developing Foreign Trade.** The import of advanced technology is an important condition for improving our production, scientific research and management and for putting our national economy as rapidly as possible on a new, modernized technological basis. But there must be some point of emphasis in our imports, that is, we should import more technology relatively speaking, and less equipment, or, to put it figuratively, we should buy "hens" for them to "lay eggs" if we want to increase our machine-building capacity. Another policy to observe is to import things on the basis of our exports. Exports should be given the place of first importance. Ours is a big country with rich resources and abundant manpower, which are favourable conditions for expanding exports.

**Scaling Down the Size of Capital Construction and Making Concentrated Efforts to Build Up the Key Projects.** The projects of capital construction now under way are beyond the state's financial means and its available material resources. There must be an overall arrangement with priority given to what is needed most so that we can concentrate our strength on the construction of these key projects. They can be turned into productive capacity quickly and yield proceeds from investment. In this way, the tempo of economic development, instead of slackening, will pick up. For instance, Guangxi has stopped or suspended the construction of 62 projects and is now concentrating on the construction of the Dahua Hydropower Station and a few other electric power projects to solve the problem of power supply for industrial and agricultural production. It is also speeding up the expansion of a number of cement works to solve the contradiction between supply and demand in the building industry. The construction of new sugar refineries is also being accelerated to boost sugar output in the region, as it is the main sugar-cane growing area in the country.

**Readjusting the Proportion Between Accumulation and Consumption and Gradually Improving the People's Livelihood.** According to the basic economic law of socialism, the aim of developing production is to meet the people's growing needs in their material and cultural life. We must gradually supply the people with more consumer goods on the basis of the development of production. The Party and government are now taking all kinds of measures to improve the people's living standard, such as raising the purchasing prices of farm products, gradually



A training class in a Shanghai knitwear mill which produces export goods.

increasing the wages of the workers and staff members, granting bonuses, creating jobs for people, improving housing for workers and staff members, expanding cultural and educational undertakings, public health service and so on. Of course, as the state is not yet in easy circumstances financially and many difficulties caused by Lin Biao and the "gang of four" are yet to be removed, problems that have cropped up in all these years and are affecting the people's livelihood can only be settled step by step as production develops.

## Reforms in Economic Structure

**S**IMULTANEOUS with the readjustment of the proportionate relationship between different branches of the national economy, we should start carrying out reforms in our structure of economic management.

This has bearing on the division of power over economic management between the central authorities, the local authorities and the production units. Our socialist economy is organized into numerous departments, trades and enterprises under central or local authorities. The economic structure is one of management by local authorities at various levels under the unified leadership of the central authorities; this was established on the basis of the public ownership of the means of production. It has helped our national economy break away from the state of anarchy in old China and embark on the road of planned development.



### Where Do the Problems Lie?

Why bring up the task of reforming the structure of economic management? This is because the present economic structure was in the main copied from the Soviet Union in the early years following the country-wide liberation. A part of it evolved from the "supply system" that prevailed during the revolutionary war years. (Under the trying conditions of that period, it was often impossible for an enterprise to practise cost accounting, so production had to be carried on with funds, manpower and materials provided by the various government departments.) In addition, China has long been a country dominated by small production; the force of habit still exercises a strong influence on our economic structure. Therefore, there are many drawbacks and abuses in our existing economic structure.

One of its serious shortcomings is over-concentration of power. For instance, planning as a whole is too inflexible. Production, supply and marketing of the enterprises owned by the whole people (generally known as state enterprises, which occupy a dominant position in our industry and commerce) are under the exclusive control of the central authorities and there is not enough room for the local authorities and enterprises to manoeuvre. Financially, all revenues of the various localities are handed over to the central authorities; the various localities have little power to deal with financial matters and are required to ask the central authorities for appropriations. In the case of manufactured goods, all capital goods are purchased by the department handling materials, while all consumer goods are sold exclusively by the commercial departments. This ignores

the regulating role played by the market. In foreign trade, all imports and exports are without exception handled by the Ministry of Foreign Trade. Of course, socialist planned economy does call for centralism; it is the central authorities alone that have the power to handle matters affecting the national economy as a whole, to set national policies, and to enact national laws and promulgate them. Major construction projects and key enterprises serving the whole country should be run mainly by the departments under the central authorities. But over-concentration is liable to fetter the initiative and creativeness of the local authorities and the enterprises. Moreover, China is such a big country, economic conditions in the different localities vary, and the number of industrial and communications enterprises amounts to several hundred thousand; how can the central authorities possibly incorporate all of them into their planning? If the local authorities and the enterprises are not given the chance to take the initiative, how can we accelerate the tempo of production and construction?

In everyday life we encounter many problems that are related to the abuses of our economic structure. For instance, why is it that the more the scale of capital construction is "curtailed," the larger it is becoming? This is because existing capital construction investment comes under the above-mentioned "supply system." Capital construction funds do not bear interest and when appropriations are used up carelessly, the unit concerned can ask for more. When an engineering project is not completed by a fixed date, neither the local authorities nor the enterprises concerned incur any responsibility economically. Why is it that there are badly run enterprises which suffer losses over a long period? One of the main reasons is that it makes no difference at all whether an enterprise has made money or suffered losses; all losses are borne by the state and everyone there, from factory head down to workers, gets his or her pay all the same. Why is it that there isn't much improvement in consumer goods for daily use? It is because all consumer goods made, regardless of their quality, are purchased by the state. Why is it that there are so many materials in stock while the units which need them cannot get what they want? Apart from the fact that the materials in stock do not meet

Director (fourth from left) of a Beijing internal combustion factory discussing with workers how to improve quality.





the specific needs of the units concerned, the economic structure, with its bureaucratic style of work, with each authority having a warehouse of its own and each doing things in its own way, has something to do with it. Therefore, reforms in the existing economic structure have become imperative.

### What Sort of Reforms?

To do away with these abuses in the existing economic structure in a thorough-going way, it is necessary to carry out reforms. For instance, we must change the system of unified purchasing and marketing of products and integrate adjustment of plan with regulation of the market. The state should make planned adjustment of the production and distribution of products that have most important bearing on the national economy and the people's livelihood. In other words, production and distribution of these goods will have to be carried out according to state plan. The production and marketing of goods not belonging to this category may be carried out according to market demands and adjusted accordingly. Again for instance, our enterprises must become genuinely independent units of cost accounting responsible for their own profits and losses. Specialized companies of various types or comprehensive companies should be organized on a rational and economical basis: all enterprises should be run according to economic methods instead of the existing methods of management by administrative organs. Moreover, the power and responsibility in financial matters of each of the various units at all levels must be well defined. The various localities must be allowed to attend to more things on their own. These are overall major reforms. It is a heavy task and must be carried out in an orderly, systematic way, to be preceded by investigations and pilot studies.

In the current reforms in the economic structure, we must be determined to expand the administrative power of the enterprises. All enterprises have the right to work out their own production and marketing plans according to the needs of the state and the market. While undertaking to fulfill the production tasks given by the state, they should have the right to sell their own products. This will encourage the enterprises to improve quality, increase variety, and produce things that can better meet market needs. Experimental measures begun this year in Beijing, Shanghai, Tianjin and Sichuan have shown marked advan-

tages from these reforms. The Shanghai No. 1 Vacuum Flask Factory, for instance, has taken the initiative to cut down production of its old products and to produce new vacuum flasks with a large opening and a new type of vacuum cup. The factory is also busy turning out other new products on a trial basis. Between January and April, it produced an additional 180,000 new vacuum flasks which greatly eased tension on the market. All enterprises must have not only a certain amount of autonomy in production, supply and marketing but also a certain amount of independent discretion in deciding on personnel and financial affairs and in handling materials. Whether an enterprise is well run is directly connected with its development and with the material interests of the workers and staff members. After handing over the taxes, profits and loan payments, both principal and interest, prescribed by the state, an enterprise must have the right to its remaining funds for use as foundation funds for expanded production, for collective welfare and for making awards to its workers and staff members.

## Consolidating Existing Enterprises

**I**N readjusting the national economy, an important task is to continue to do a good job in consolidating existing enterprises and seeing that they play their role to the full.

China now has several hundred thousand enterprises which constitute its base area from which to proceed with the nation's modernization. We rely on them to accumulate funds for modernization, produce the equipment and material for building new up-to-date projects and provide the technical personnel and experience in business management needed by modernized big production.

Compared with the advanced world level, the technical level and managerial methods of China's existing enterprises are, generally speaking, behind the times. However, some of the enterprises are equipped with modern techniques and there is not a big gap, technically, between these enterprises and their counterparts abroad. They should take the lead and play a strong supportive role in bringing about modernization.

The equipment in quite a number of China's enterprises is comparatively advanced. With





Shijiazhuang Thermal Power Plant workers checking a stator.

adequate renovation, production can be doubled or tripled. For example, the eight big generating sets in the Qinghe Power Plant in Liaoning Province are not backward at all. Yet the plant once generated only 300,000 kw. because the ancillary installations such as the coal and water-supply systems did not co-ordinate well and there was bad management. Last year's consolidation brought about good co-ordination of all the ancillary equipment. The plant can now generate 1.1 million kw., a more than threefold increase.

Things can be done to enterprises with outmoded or even hand-operated equipment as well. They can even produce high-quality goods up to the level of the 70s provided technical innovations are made. The Shanghai No. 7 Printed Silk Mill is a small factory with simple workshops and old machines. Nevertheless its workers' readiness to adopt new technological processes and advanced techniques has practically raised the mill's products to world standards.

It is nearly 30 years since the founding of New China; during this time we have trained tens of millions of skilled, hardworking workers and a large number of our own specialists and management cadres. This is the base from which we can proceed to bring about the four modernizations by the end of this century.

Since the downfall of the "gang of four," the Party and government have paid special attention to consolidating existing enterprises and have accumulated rich experience in this respect. This work must be continued so as to

further enhance the role of the existing enterprises.

**Merger and Reorganization Based on Economic Results.** At present, many of China's enterprises are managed well or fairly well. But there are also quite a number of enterprises which are not run well and are losing money. Their products are of poor quality and have no market. Reorganizing and merging these enterprises will give more scope to other enterprises which are making profits because of low consumption of fuel, power and raw materials, good-quality and marketable products and which therefore can make a bigger contribution to the state.

In the first quarter of this year, the Beijing Municipal Bureau of Electronic Meters amalgamated or readjusted 20 factories and transferred part of the manpower and material to factories whose products were selling well. As a result, the output of TV sets in the first quarter was 2.8 times that of the same period last year, and the factories concerned began to produce radio cassette recorders too.

In the Shanghai textile industry 42 mills producing thread and belt were reorganized into 24 and their production of export goods and quick-selling products was expanded. This reversed the downward tendency in production. These mills overfulfilled the state quota in the first three months of this year in respect to both output value and profits handed to the state. Workers who became redundant through reorganization were transferred to other posts, and some were given a chance of technical study (at full pay) to prepare for the coming expansion in production or construction.

**Tapping Potential by Technical Innovation and Renovating Old Equipment.** Compared with building a new enterprise, the renovation of an old one is generally more economical, with a saving of two-thirds in investment and 60 per cent in equipment and material. In addition, it saves time. Take the Kailuan Coal Mine in Tangshan. Prior to the big earthquake in 1976, it had spent five years in tapping potential and renovating its old equipment; this involved an investment of 180 million yuan but coal output doubled the designed capacity. To build a new mine with the same increased production capacity would have required several times the amount of money and taken much longer.

**Increasing Production and Practising Economy.** Workers are the masters of the enterprise. The fundamental way to give full play to the role of existing enterprises is to fully mobilize the so-



## A Positive Policy

cialist initiative of the workers. Historical experience has proved that unfolding a mass movement for increasing production and practising economy is conducive to inspiring the workers' initiative and creativeness.

Since the beginning of this year, the Party Central Committee and the State Council have called on workers, cadres and technicians on the industrial, transport and communications front to increase production and practise economy. This soon showed marked results. Stressing frugality in the use of coal and electricity, enterprises in Liaoning Province saved 90,000 tons of coke, 160,000 tons of coal, over 100 million kwh of electricity, some 6,000 cubic metres of timber, 40,000 tons of fuel oil and over 60,000 tons of iron and steel from practising economy in the first quarter of this year.

It is honourable to increase production and practise economy for the state. When people throughout the country cultivate this as a code of behaviour, it can on the one hand accumulate a large amount of social wealth for building socialism, and on the other help foster a fine social morality which will consolidate and extend the ideological position of the proletariat. This is of far-reaching significance.

**Strengthening Leadership and Improving Management.** Consolidating existing enterprises means also strengthening the leading body of the enterprise, establishing or strengthening the system of responsibility for factory directors, chief engineers and chief accountants under Party committee leadership and setting up the system of congress of workers and staff. It is necessary to build a contingent of workers and staff imbued with socialist consciousness and technically competent and especially to stress technical training of the workers and staff. It is also imperative to strengthen political and ideological work, instill people with revolutionary ideology and spirit so that they can work with more drive for socialist modernization. Political and ideological work must be integrated closely with managing the enterprise according to economic methods.

New China has accumulated some experience in managing enterprises in its 30 years of economic construction. So long as we sum up our own good experience and assimilate advanced things from abroad, we are sure to run our existing enterprises well and create step by step a set of advanced, scientific methods of business management which suit China's specific conditions.

**T**HE Party Central Committee's decision to make necessary readjustments in the national economy is a positive policy, a policy for steady, solid progress.

The national economy must develop in a planned, proportionate way; this is an important law governing the development of the socialist economy, it also manifests the superiority of the socialist system. Stalin said: "The law of balanced development of the national economy arose in opposition to the law of competition and anarchy of production under capitalism. . . . It became operative because a socialist economy can be conducted only on the basis of the economic law of balanced development of the national economy." (*Economic Problems of Socialism in the U.S.S.R.*, 1952.)

The socialist system rejected private ownership and set up public ownership of the means of production. This made it possible for the national economy to forge ahead at a quick tempo in accordance with the law of planned, proportionate development. But this does not mean that socialist economic construction can develop in a proportionate way of its own accord without regulation. In fact, imbalances between particular links are quite common. Severe imbalances might occur owing to the interference of an erroneous political line, natural disasters or shortcomings and errors in work. These call for timely readjustments, so that the national economy can progress along the path of planned and proportionate development.

### Historical Experience Reviewed

Historical experience tells us that whenever a fairly good comprehensive balance has been arrived at, and a proportional development between the various branches of the economy has been achieved, the national economy develops at a swift pace. Otherwise, its development will slow down or even regress.

During the first eight years after the founding of New China, our economy developed at a rather quick tempo. During the three years of economic rehabilitation (1950-52), the annual rate of increase for industry was over 30 per cent, and for agriculture, over 10 per cent. During the First Five-Year Plan (1953-57), the total industrial and agricultural output value increased at an average annual rate of 10.9 per



## SPECIAL FEATURE

cent, industrial output value being 18 per cent and agricultural output value, 4.5 per cent.

Later, owing to a number of reasons, agricultural production dropped drastically in 1959 and there was an imbalance between agriculture, light industry and heavy industry. This brought temporary difficulties to our national economy. In the early 1960s, the Party Central Committee's policy of "readjustment, consolidating, filling out and raising standards"\* was carried out. Major readjustments were made in the national economy and proportionate balance was restored. So the national economy emerged from its serious difficulties within a short time and made rapid progress in 1965 and 1966. This testifies to the fact that genuine high speed can be achieved only when there is proportionate development between the various branches of the economy.

The current readjustments are not quite the same as those in the early 60s.

First, at that time readjustments were made according to the principle "advance only after cutting back sufficiently," and the scale of industrial production and capital construction was vastly cut down. The situation in agricul-

\*This means cutting down over-ambitious targets in the plan and the magnitude of capital construction, simplifying the state organs, mobilizing a part of the city population to support agriculture in the countryside; consolidating the economic and technical foundations already in existence; strengthening the weak links in the national economy and enhancing the capacity for producing complete sets of equipment; increasing new varieties, raising the quality of products and striving for better economic results.

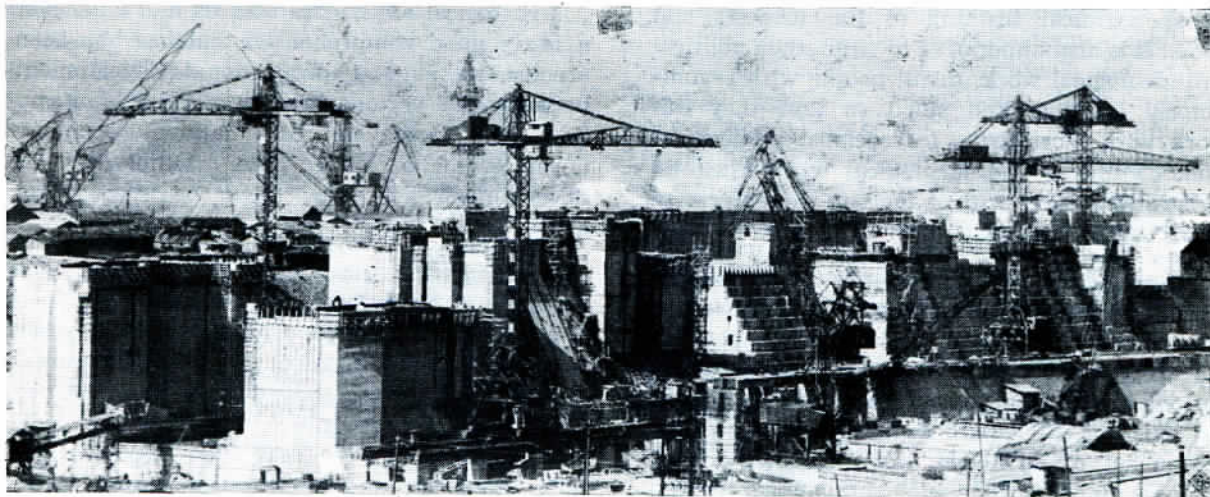
ture today is better than it was then and our industrial base is much stronger. Readjustments this time involve both advance and retrenchment. One step backward is for the purpose of two steps forward. Production and construction are to advance steadily during readjustment, a definite rate of growth must be maintained in the national economy, and there should be better economic results.

Secondly, in the early 1960s economic imbalances were corrected but summing up experiences and drawing lessons ideologically were neglected. Now as we have criticized the ultra-Left line of Lin Biao and the "gang of four," and have drawn a clear distinction between what is correct and what is incorrect ideologically, our current readjustments can be brought about much more smoothly.

Thirdly, in the early 1960s, in addition to the difficulties caused by the Soviet Union, the imperialists were blockading us economically. Now, the international situation is highly favourable to our modernization.

### Advance in the Course of Readjustment

The general requirement of the current readjustment is to advance, reconstruct, consolidate and improve in the course of readjustment. Not only should serious imbalances be corrected, but the economy should also grow at a certain speed. At the same time, a higher level of technology and management should be attained so as to get better economic results. Obviously the readjustment is a very complicated and arduous task.



Gezhouba Hydropower Station under construction on the Changjiang River in Hubei Province.



To make timely readjustments in the national economy manifests the Marxist spirit of practicality. After the downfall of the "gang of four," the Party Central Committee headed by Comrade Hua Guofeng saved our Party and the state from danger and has brought about a speedy restoration and development of the national economy, which was then in a state of paralysis or semi-paralysis. This is an important achievement.

In the long years of havoc caused by Lin Biao and the "gang of four," imbalances in the national economy were bound to emerge. The question lies in whether we can detect problems

## ARTICLES

### *Vienna Dispatch*

# Strange Bedfellows Heading for More Trouble

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**T**HE long, tortuous road which SALT II had travelled came to an end at last in Vienna on June 18, with President Carter and President Brezhnev signing the treaty and then bearhugging each other with evident relief.

This formality itself proves that the treaty caters to the needs of both. But a more careful inquiry into the matter shows that they have common needs and, at the same time, different and even conflicting ones.

It is obvious that both the United States and the Soviet Union want to have common rules for some sort of control over their rivalry in nuclear armament which threatens to break all bounds. Both want to prevent a nuclear war for which neither is fully prepared.

Yet, the conflict of interests is so sharp that each has the natural impulse to use the treaty to limit the other. Despite the shared needs, each goes its own way. In philosophical terms, there is a unity of opposites between Washington and Moscow or, to put it more figuratively, they are strange bedfellows.

promptly, recognize them for what they are and take effective measures to solve them. Confronting problems which have surfaced in the course of advance, the Party Central Committee has at once taken resolute, effective, careful and steady measures to make necessary readjustments in the national economy. This in itself is a big step forward taken by the Party in leading economic work.

It can be anticipated that after the basic completion of the task of readjustment, China's socialist construction will advance at a sustained and faster tempo.

But on an occasion like this summit, it is expedient to put a diplomatic varnish over the aspect of conflict. So President Brezhnev said at the signing ceremony: "By concluding the SALT II treaty we are making a major step forward along the road of an overall improvement of Soviet-American relations and, consequently, of the entire international climate."

President Carter held out the same promise: "Here today, as we set careful limits on our power we draw boundaries around our fears of one another. As we begin to control our fears, we can better insure our future."

Their consoling statements are, in fact, not so reassuring in view of what has come out of the summit talks. The pattern of rivalry and conflict has not altered and the mutual distrust and apprehension remains practically unassuaged.

Actually the summit meeting has accentuated the major differences, and veiled recriminations were exchanged over each other's arms drive and the world's troubled



spots. Conflicting views were given by the spokesman of each party at press briefings.

It seems quite certain that the two heads of state had come to no new accord besides the treaty.

And over the treaty a public controversy has been flaring up in the United States for quite some time. Its ratification by the Senate is not yet certain. Few people are knowledgeable and patient enough to pore over the text which is the acme of modern technical complexity. The first comment this correspondent has heard since its official release is that it is "full of information, and full of confusion too." Another comment: The treaty is a delaying device rather than a mark of reconciliation.

Apart from the rivalry arising from their conflict of interests, the United States and the Soviet Union differ in many points in their thinking and approach to nuclear weapons and the treaty as well as their relevant strategy and tactics.

First. Militarily, Moscow professes that its aim is to attain a nuclear equilibrium but actually it is going all out to gain superiority. By contrast, Washington stresses that it is not seeking superiority but parity. At the rate of growth of its nuclear arsenal in the past decade or so, Moscow is almost assured of its sought-for superiority in another decade so long as it succeeds in getting by U.S. verification, which is generally believed not foolproof. On the other hand, the treaty has a more binding effect on the U.S. administration as it is more difficult for it to free itself from legislative and financial control.

Second. From the viewpoint of global strategy, the United States, hard pressed by the Soviet Union and plagued by its own troubles at home and abroad, is inclined to seek stability and is always upset by fresh turmoil. It naturally sees the treaty as part of detente and an impetus to it.

The Soviet Union, while professing its commitment to detente, actually works out its global strategy like this: It endeavours to cow the United States with its strategic weapons and Western Europe with its tactical nuclear arms and conventional weapons, while launching a wide-ranging offensive from the Sea of Japan in the east to the Cape of Good Hope in the west. It is striking out in Africa, the Middle East, South Asia and Southeast Asia.

It subverts or brings under its control as many as possible of the countries of these regions and uses Cuba and Viet Nam as its proxies for armed invasion.

As a rule, the United States suffers with every gain Moscow makes. But Washington has done little to counter it, and instead urges the Kremlin all the time to exercise restraint. In the summit talks here, it refrained from linking the treaty with Soviet trouble-making in different parts of the world. Even the mere mention of troubled spots at the time of the agreement on the treaty was snubbed by Brezhnev and his spokesman. The American spokesman told the press reservedly: "You can see what makes these problems so difficult."

Third. The immediate needs of the two countries are similar in some respects and different in others. Hoping to stabilize U.S.-Soviet relationships by means of a strategic weapon parity, the United States takes a keen interest in summit meetings, contacts at high levels and regular consultations with the Soviet Union. Washington will thank heaven so long as Moscow does not infringe on the vital U.S. interests or bring about a so-called direct confrontation through bitter quarrels or hostile acts. It is ready to grant the Soviet Union the most-favoured nation treatment in trade and sell it advanced technological knowhow and equipment should Moscow behave slightly more properly. Knowing precisely the basic desire of the United States, the Kremlin has often used summit meetings as a bait for dealing with the United States and gaining something in every deal. Beset with economic difficulties and increasingly isolated as a result of its worldwide expansion, the Kremlin is indeed in dire need of a summit to reap some benefits, including the most-favoured nation treatment in trade and technological knowhow. The so-called strategic balance is no more than empty talk, or more exactly, is just sheer nonsense. It does not depend on the SALT II treaty, still less on the just-concluded summit.

Fourth. The United States and the Soviet Union have attached importance to the treaty and the summit because of domestic needs, as both countries are facing internal difficulties, and also because of personal motives. One of them wants to achieve a big diplomatic coup to enable him to win the presidential campaign next year. The other, old and feeble, tries to establish himself as a champion of peace in



history instead of being cursed in posterity as the founder of the "Brezhnev doctrine." These are, of course, rather minor factors.

In a word, they are strange bedfellows; and it is not difficult to predict how long the bedfellowship would last. The two bitter rivals

tied together by the SALT II treaty cannot become lifelong companions, especially as the treaty is so fragile and full of loopholes. Consequently the future is fraught with trouble and is highly ominous.

(Xinhua Correspondent Peng Di)

## The West Sahara Issue

WITH the situation in West Sahara getting tense recently, the parties concerned are seeking a peaceful settlement of the issue.

According to reports, troops of the West Sahara People's Liberation Front (also called Polisario), following their attack on Tan Tan last January, ambushed three times Moroccan troop convoys between May 31 and June 13. The flames of war have spread from West Sahara to undisputed territory in southern Morocco.

The special group on the West Sahara question of the Organization of the African Unity (O.A.U.), at its second session on June 23 in Khartoum, stressed the need for lasting peace in West Sahara and called on the parties involved to stop fighting immediately. Formed at the 15th O.A.U. summit conference last July in Khartoum, the group held its first session on November 30, 1978.

### Conflict

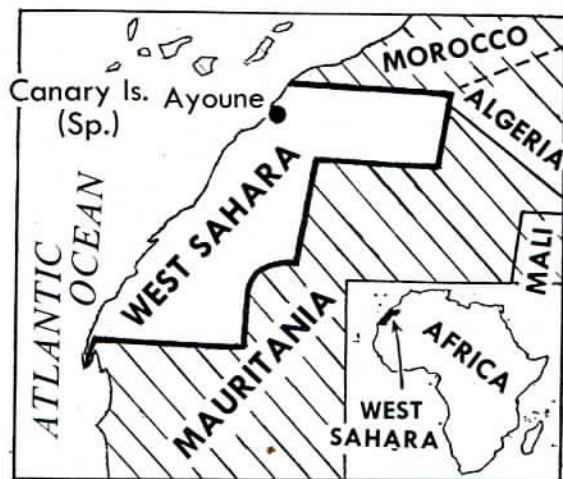
The conflict in West Sahara has its roots in history. In the early 7th century, Arabs entered West Sahara and about a century later the Moros (Arabs) established an empire there. For a time, between the 16th and 17th centuries, it was under the reign of Moroccan kings. In 1884, Spain occupied West Sahara and, later in 1958, annexed it as its province.

In recent years, both Morocco and Mauritania have claimed sovereignty over this area, while Algeria asserted that it was "a party to the issue" and proposed independence for West Sahara through "self-determination."

In December 1969, the United Nations adopted a resolution calling for Spain and all

parties concerned to reach an agreement on the question of the decolonization of West Sahara before Spain organizes a plebiscite to enable the people there to exercise their right to autonomy. In May 1975, Spain was forced to withdraw from West Sahara, and in October that year, a U.N. mission in its report to the U.N. General Assembly suggested that measures be taken to enable the West Saharan people to make "free" choice concerning their future. The International Court of Justice declared in a consultative capacity that West Sahara was not an unclaimed land even when it was colonized, and that it had certain legal ties with Morocco and Mauritania. But the president of the court pointed out that the materials submitted to the court do not prove any territorial sovereignty by either of the two countries over West Sahara. Each contending party, however, has its own interpretation to this pronouncement.

Morocco and Mauritania reached an agreement on the division of the territory in June





1975 and signed a tripartite agreement in Madrid with Spain on November 14 the same year. After Spain withdrew from West Sahara in February 1976, Morocco and Mauritania ruled the partitioned areas. On April 14, 1976, the two countries concluded an agreement affirming that the northern area of West Sahara covering 170,000 square kilometres belonged to Morocco and the area in the south covering 90,000 square kilometres belonged to Mauritania.

Algeria reacted strongly and stepped up its efforts to aid and support Polisario's struggle for independence. On February 27, 1976, Polisario announced the formation of the Saharan Arab Democratic Republic. Algeria recognized it a week later and the following day Morocco and Mauritania broke off diplomatic relations with Algeria.

### **Military Action**

The Polisario, formed on May 20, 1973, evolved out of the Sahara Liberation Front organized in 1968. It opposed Spain's colonial rule in its early days. After Spain's retreat, it was against the division of West Sahara by Morocco and Mauritania and stood for bringing about independence through armed struggle. With the support of Algeria, Polisario units have been attacking Moroccan and Mauritanian forces since February 1976. Its guerrillas have even penetrated into Mauritania and attacked Zouerate, an iron ore centre, and transport facilities, as well as Nouakchott, the capital, causing political and economic losses to the country.

To counter Polisario's attacks, Morocco and Mauritania concluded a joint defence agreement in July 1976 and Morocco sent about 10,000 troops into Mauritania. When Daddah, who had ruled Mauritania for 18 years, was toppled in a military coup d'état on July 10, 1978, Polisario immediately stopped its military actions against Mauritania as a "goodwill stance," but launched concentrated attacks on the southern part of Morocco and some towns in the northern part of West Sahara where Morocco stationed troops. There was frequent fighting and in the first four months of this year there were more than 240 attacks against Moroccan troops by Polisario. In February 1979, its guerrillas once took Tan Tan, a

town in south Morocco, causing political repercussions in the nation. On March 8 the King of Morocco announced the founding of a national defence committee and next day, the Chamber of Representatives called a special session which issued a statement declaring that if Morocco was invaded it would exercise the "right of pursuit" and take retaliatory actions. Polisario and Algeria reacted strongly and responded with one "warning" after another. Intense fighting broke out again in April and the West Sahara conflict threatened to grow in scope and scale.

### **Settlement Sought**

West Sahara in northwest Africa commands the south Atlantic sea lanes from Europe to the Cape of Good Hope. Its strategic position has attracted the superpowers' attention.

The United States has naval and air bases along the Mediterranean coast of northwest Africa and the east coast of the south Atlantic. This is of strategic importance for control of the sea routes from the western Mediterranean and Europe to the south Atlantic. To strengthen its hand in its scramble for West European positions with the United States, the Soviet Union has tried to procure naval and air bases in the west Mediterranean and on the east coast of the south Atlantic. Superpower contention has further complicated the West Sahara situation.

The three-year-old military conflict has brought serious consequences to all parties concerned and is endangering the peace and security of the whole of the Maghreb and the rest of Africa. This situation is being watched with concern by African and Arab countries. In July 1976, the African summit conference adopted a resolution calling for a reasonable settlement of the West Sahara issue through peaceful negotiations. In response to the growing demand for a peaceful settlement all sides involved in the conflict began working for an early end to the fighting.

Since September last year, representatives of Polisario and Mauritania have met on many occasions in Paris and in places in Africa. Leaders of Mauritania and Morocco also discussed working methods for the realization of peace in West Sahara. Last April, there was new hope for settling the West Sahara question after the Mauritanian cabinet reshuffle. But



at the same time, there was the tendency for the conflict to grow. Therefore, the co-chairmen of the O.A.U. special group on the West Sahara question, accompanied by the O.A.U. general secretary, visited the three countries concerned to mediate between the conflicting sides.

Differences still exist among Morocco, Mauritania, Algeria and Polisario, and the

peaceful settlement is still a long way off. However, it is absolutely possible for them to find a just and reasonable way to settle the West Sahara question with the help of friendly countries, provided the parties concerned set store by unity among themselves, respect and understand each other's positions and overcome all outside interference and sabotage.

— Xu Guang

## Agony in El Salvador

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**E**L SALVADOR is embroiled in fierce internal turmoil. Confronted with a rising anti-government tide sweeping the country, on May 23 the government proclaimed a state of siege, a kind of martial law, which banned public meetings and rallies for 30 days and empowered police to search any place suspected of assembly.

Why the explosive situation in El Salvador?

### Government Repression

Anti-government activities have been fairly prevalent for years. Fearing the outbreak of such activities this May Day, the government imprisoned several leaders of opposition organizations and trade unions towards the end of April. May Day passed quietly.

But a few days later, members of workers', peasants' and students' organizations held demonstrations demanding the release of the imprisoned leaders and occupied a cathedral and several foreign embassies in San Salvador, the capital.

On May 8, when 500 people demonstrated before the cathedral, more than a hundred armed police suddenly opened fire, killing and wounding over 60 people and arresting a large number. This sanguinary crackdown aroused strong public indignation. Ten thousand people, including women and children, attended the funeral on May 10 for the 17 slain young people. Carrying the coffins of the victims, they marched into the city centre and held a mass protest rally in front



of the cathedral, shouting such slogans as "Oppose the brutal military regime!"

Wave after wave of anti-government demonstrations followed, gradually spreading from the capital to other parts of the country. As government repression intensified, so did anti-government violence. Quite a number of foreign embassies in the capital were successively occupied by forces opposed to the government; by May 15 more than 40 countries including Mexico were forced to temporarily close their embassies and consulates in El Salvador. Armed clashes repeatedly occurred throughout the country and it was reported that more than 80 people had been killed and over 100 injured as of May 23. Some government officials and policemen were kidnapped or attacked by anti-government armed personnel. When Education Minister Carlos Antonio Herrera Rebollo was killed on the morning of May 23 in San Salvador, President Carlos Humberto Romero immediately convened an emergency cabinet meeting and declared the state of siege. At the same time he called for the creation of a



"national forum" to end the current "wave of violence." But when the forum was held at the presidential palace on May 24, it was boycotted by the main opposition groups. The same day — the day after martial law was declared — a mammoth funeral was held in San Salvador for 14 members of anti-government organizations who had been slain two days earlier. It was a counterblow to the government's declaration of the state of siege.

There is no indication that the state of siege has strengthened the government's position. It has been pointed out in many foreign newspapers and journals for quite some time that the church represented by the archbishop of San Salvador has repeatedly attacked the government's policies and supported the proposals of the opposition. A recent article in an Argentine magazine reported that an anti-government force has appeared among the Young Turks in the Salvadorian armed forces. Thus, it is clear that opposition to the government is quite widespread.

### Social Causes

El Salvador is the smallest but most densely populated country in Central America with a large disparity between the poor and the rich. Ninety big families constitute less than 5 per cent of the population but control 90 per cent of the country's land and most of its wealth. The majority of peasants who make up 60 per cent of the population are landless and harshly exploited by the landowners. They can barely manage to stay at a subsistence standard of living. Though the past dozen or so years have seen a rise in industrial development, the number of urban unemployed is as high as 40 per cent and in San Salvador alone some 300,000 people live in hopeless conditions.

El Salvador's people have repeatedly waged heroic struggles for the right to live. In the early 30s, a gigantic peasant uprising shook the country. The ruling classes butchered thousands of peasants to quell this uprising, but during the following decades peasant struggles continuously occurred. In addition, the workers' movement rose steadily. More than one-third of the country's workers participated in the 1967 general strike which was touched off by steel workers.

### Military Dictatorships

After the peasant uprising was crushed in the early 30s, El Salvador was ruled by a series of military governments. Such military rule aroused popular discontent and the internal situation was unstable for years. In 1961 the United States masterminded a military coup d'etat and the coup leaders announced that they would set up a "popularly elected" government. "Presidential elections" were held in 1962 for a term of five years. In successive elections, the militarily dominated Party of National Conciliation always won. The foreign press reported that "organized rigging" occurred at each election. In the past 17 years the country's president has remained a military strongman and the "popularly elected governments" have relied on repression as their chief means of control just as their predecessor military regimes did.

After President Carlos Humberto Romero was elected in 1977, the opposition held demonstrations accusing the government of election fraud. The government put down the demonstration with troops, killing nearly 30 protestors. In November 1977, the government promulgated a "public order law," which, as one foreign newspaper said, "actually gives the military limitless powers of arrest and detainment."

As a result of the internal unrest, investments dropped rapidly and the situation in industry went from bad to worse. The so-called land-reform programme promulgated by the government amounted to nothing more than a scrap of paper; it in no way improved conditions in the rural areas. Opposed by the people at home and pressured by public opinion abroad, the government found itself in deeper and deeper difficulties, and on February 27 of this year, it was forced to abolish the "public order law" as a so-called "conciliatory measure." However, it continued to persecute workers and peasants and members of opposition factions. There has not been the slightest alleviation of the contradictions between the government and the people and the present Salvadorian regime is becoming more and more unpopular. The declaration of martial law and stepped-up repression cannot halt the anti-government struggle but will spark stronger popular discontent.

— Yao Yuan



### DEMOCRATIC KAMPUCHEA

#### To Step Up Guerrilla Warfare

Cadres of Democratic Kampuchea in charge of guerrilla war met on June 1 and 2 to sum up experience since the meeting of representatives of guerrilla units held last February. They called upon the Kampuchean armed forces and people to wage a still more extensive and effective guerrilla war against the Vietnamese aggressors.

A resolution adopted at the meeting pointed out that at present, the Vietnamese aggressors, having massed huge numbers of troops, have the upper hand militarily while the Kampuchean Revolutionary Army is in a weak and difficult position lacking in everything. Under such circumstances, guerrilla warfare is the effective form of people's war.

The strength of guerrilla warfare, the resolution said, comes from the masses. It went on to stress that it is imperative to impress on the people the need for waging a protracted people's war, adhere to the principles of independence and self-reliance and flexible strategy, strive to achieve self-sufficiency in grain and arms supply step by step, make full use of the weapons in hand, manufacture various kinds of weapons, especially mines and hand-grenades, and to arm themselves with weapons captured from the enemy.

According to Radio Democratic Kampuchea, the Kampuchean Revolutionary Army and guerrillas, in close coordination with each other, have recently liberated many villages and hamlets in Upper Sontuk District, Kompong Thom Prov-

ince. They wiped out a number of Vietnamese aggressors and have control of the whole district. Since the beginning of this month, repeated attacks have been mounted against the Vietnamese aggressors along Highways 5 and 10 in Battambang Province, and in Tasanh and Mongkol Borei. A number of enemy strongholds were demolished, arms, ammunition and other military materials captured and enemy troops driven back in disorder. In a recent successful attack against the enemy holed up in Nimit Village, Battambang Province, the revolutionary armed forces killed a Vietnamese lieutenant-general.

In the past six months, 40,000 Vietnamese aggressors have been killed or wounded by the Kampuchean forces.

### ISRAEL

#### Attempt to Annex Golan Heights

Israel recently decided to impose its own law on Arabs living in occupied Golan Heights and issue them Israeli identification cards and passports. On June 11 the Israeli authorities announced the setting up of a regional council to supervise the implementation of this decision. This council will also exercise jurisdiction over the 24 new settlements to be built on the Golan Heights for some 3,500 Israelis. All this shows that Israel is trying to perpetuate its occupation of Syrian territory.

The Golan Heights covering 700 square kilometres was forcefully occupied by Israel in 1967 and many military installations and 27 para-military Jewish settlements have been

established since, which gravely threatens the sovereignty and security of Syria.

For more than ten years, the Syrian Government and people have worked resolutely for its recovery, firmly supported by fair-minded world opinion. However, Israel has ignored the just appeal of the whole world and Begin has recently declared again that Israel would not withdraw from the Golan Heights. Now the Israelis are trying to annex this Syrian territory. This flagrant trampling underfoot of international law and violation of the U.N. Charter and resolutions show that the Israeli authorities are pursuing a policy of aggression and expansion hostile to the Arab people.

It must be noted that Israel's arbitrary attitude has not changed a bit after the signing of the Egypt-Israel peace treaty. It continues to build more "settlements" and military installations in the occupied areas and draw up laws and decrees, etc., in an attempt to change the legal status, the geographical features and composition of the population of the entire area. The Zionist policy pursued by Israel towards the restoration of the Palestinian people's national rights and the return of the occupied Arab territories is a deliberate attempt to place serious obstacles to the solution of the Middle East question and for the realization of peace in the area.

The Israeli occupation of Arab territories is an important component of the Middle East question. If this cannot be straightened out, it is out of the question to talk about winning "overall, fair and lasting peace" in the Middle East.



### ● **Gas Pipeline Across The Changjiang**

Sichuan Province has recently put a laminated large-diameter natural gas pipeline across the Changjiang River.

This section, 795 metres long, is part of the 160-kilometre-long Fuyin-Liangkou pipeline now being built. When completed the gas fields in eastern Sichuan will be linked up with the southern, southwestern and northeastern Sichuan networks. Thus the dozens of gas fields in this natural gas-rich province will all be connected.

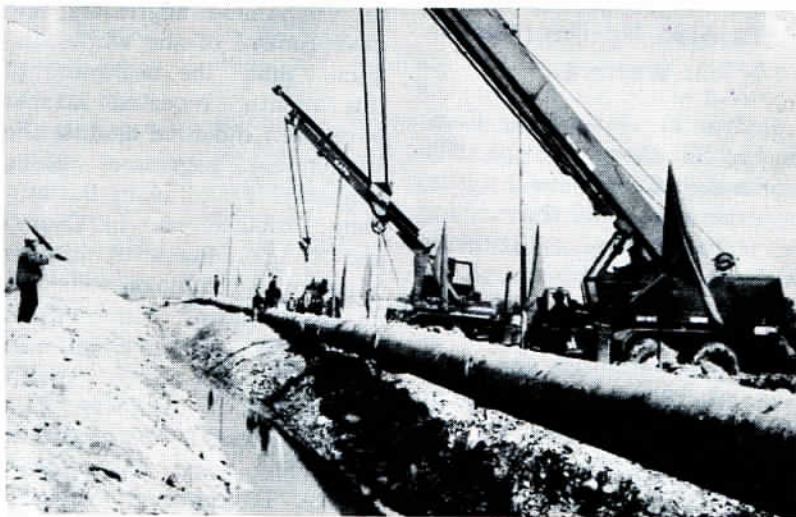
This underwater pipeline is in southwest Chongqing, an important industrial city, and is the most difficult to build.

### ● **Apprentice Hairdressers**

In May a Nanjing newspaper carried an advertisement for barbers' apprentices and 578 young men and women have been selected from the applicants.

Master hairdressers are teaching them the trade and how to serve the people wholeheartedly. After six months they will take professional examinations and those who pass will become hairdressers.

This will vastly improve service in the hairdressing trade in Nanjing where, for a dozen years, insufficient attention has been paid to this work. There are 1.7 million people in Nanjing, but only 170 barbershops employing 1,700 hairdressers, that is, there was only one hairdresser per thousand people, and almost half of the hairdressers were more than 50 years old.



Laying a natural gas pipeline in Sichuan Province.

Before this selection by examination method was adopted, school-leavers were assigned to barbershops by the city's labour department. Neither the school-leavers nor the shops could choose, so some people unwilling or not suited for the job were given the job and those who would like to become hairdressers missed out. That did not make for good service.

This new method of selecting workers by examination is being introduced in other trades in the city and in other cities of Jiangsu Province.

### ● **Community Service Stations in Tianjin**

Eleven-year-old Fan Shiru has no one at home to take care of him when his parents go to work every day.

But he has no worries. After breakfast with his parents, he goes to school. At noon, he goes to the community canteen for lunch, which costs his parents only 4.5 yuan a month.

School ends at 4 p.m., but his parents generally do not come back home until six. So for the next couple of hours, he reads or plays pingpong at a children's centre run by the local community service station.

The service station will step in to help do household chores, charging 20 fen to wash a jacket, one yuan to cut and sew a coat, and five yuan for making a cotton-padded overcoat.

The family lives in Tingzigu, one of Tianjin's industrial workers' residential areas inhabited by 7,700 families and served by eight community service stations. These stations are run by the local residents' committees and staffed by housewives and retired workers.

These committees in China's cities are the elected organizations to run local residential affairs.

The stations provide a wide range of services; including day nurseries, canteens, first-aid posts, laundries and after-



school centres. They have an important role to play in the life of the community, as both husband and wife in most families work full time.

The community service stations developed out of the drive in the big leap forward year of 1958 to free housewives from the kitchen. The drive resulted in setting up of "backyard factories."

In Tingzigu there are three small workshops producing envelopes, cardboard boxes and gloves, and three shops repairing locks, keys and kitchen utensils.

As in other large cities the community service stations and small workshops in Tianjin are being expanded to provide employment for school-leavers not going on to college and while they are waiting for jobs.

### **Fishing on the Roof Of the World**

Commercial fishing will soon begin in Ngoring Lake, one of the highest-altitude lakes in the world.

This lake was never fished until last year because its shores are inhabited by local herdsmen whose diet consists of beef, mutton and dairy products, but no fish. It was officials in Madoi County, Qinghai Province, which is situated 100 kilometres to the east of Ngoring, who first proposed using the lake as a fish farm. Recent investigation confirmed a rich supply of fish, probably in excess of 30,000 tons.

A highway linking with the lake has now been completed, as have motorized junks which

were built in the eastern coastal province of Jiangsu. A wharf and a cold storage are now under construction.

Ngoring with an area of 610 square kilometres and an average depth of 17 metres is the largest freshwater lake in Qinghai. At more than 4,200 metres above sea level, it is near the source of the Huanghe River — the second longest in China. Its fish are scaleless and good-sized, weighing between one and five kilogrammes. Scientific reports indicate that an annual catch of 2,000 tons will not damage Ngoring's ecological system. The lake can provide an abundant supply of fish for migratory birds which breed on the three tiny islands in the middle of the lake.

### **Changes in a Village**

A village inhabited by 2,700 peasants of Korean nationality last year raised 7.1 tons of rice per hectare and became an advanced unit in northeast China's Jilin Province.

After selling the state 1,735 tons of grain and leaving enough for reserves, fodder, seed and other collective uses, each member of the brigade got 325 kilogrammes of food grain.

The village is a production brigade of a people's commune in Yongji County. The name of this village is Aladi, meaning "low-lying wilderness." In the past it was swampy, overgrown with reeds. Yields were less than 1.5 tons per hectare per year and this could not provide the peasants with enough food grain.

The people in 1964 began to dig ditches to drain the land

and improve the soil. A few years later the people were able to grow enough to satisfy their basic grain needs. Later, the brigade started to run small factories. Now it has six small plants producing chemical fertilizers, bricks and tiles. Together with its poultry farm and orchards, the factories earns 200,000 yuan each year.

Aladi today has four big and medium-sized tractors, 12 hand tractors, 18 rice transplanters, and other farm machines. Its free collective welfare services include medical care, education for children and kindergartens. More than 200 families have moved into new traditional Korean-style houses built by the collective. Rent is only seven fen per square metre a month. (Two fen will buy a box of matches.) In five years, the whole population will all have moved into new housing.

Per-capita income from the collective averages upwards of 200 yuan per year in the brigade.

The Korean minority nationality is one of China's 50 or so minority nationalities. The people of Korean nationality live mainly in Jilin Province's Yanbian Korean Autonomous Prefecture and the Zhangbai Korean Autonomous County.





# CHINA - LAND OF CHARM AND BEAUTY



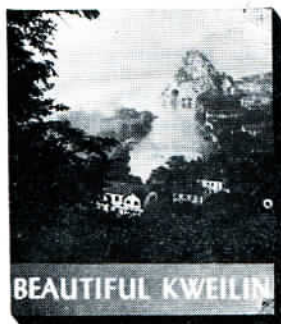
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