

# BEIJING REVIEW

北京周报

A CHINESE WEEKLY  
OF  
NEWS AND VIEWS

- Last Tribute to the Writer Mao Dun
- Policy on the Use of Foreign Funds
- How Is Dazhai Seen Today?
- *More Tricks From Hanoi*



## HIGHLIGHTS OF THE WEEK

### The Story of Mao Dun

The nation pays its last tribute to a great writer who, until his recent death, was a renowned public figure and one of the doyens of Chinese revolutionary literature. His life and contributions (p. 5); his literary achievements (p. 29).

### China's Open-Door Economic Policy

I. A survey of the principles and policies for the use of foreign funds in China. Present practice and future perspectives (p. 15).

II. The President of the Bank of China on the country's international financial relations (p. 21).

### New Priorities for Science

A new guideline has been set for the development of science

and technology. Its primary purpose is to speed up economic advance (p. 6).

### Dazhai Reassessed

How a mountain village in north China became a nationally famous model in the early 60s. What went wrong there during the "cultural revolution," what lessons have been drawn from these mistakes and what steps have been taken to rejuvenate it (p. 24).

### On the KMT Congress

By stubbornly refusing to negotiate and obstructing the country's reunification, the Kuomintang authorities in Taiwan are courting their own destruction (p. 6).

### More Tricks From Hanoi

Why revelations about Hanoi-Moscow frictions must be taken with a grain of salt (p. 10). The real intention behind Viet Nam's condition for its troop withdrawal from Kampuchea (p. 10).

### Reagan's Choice in Africa

A pro-Pretoria policy is sure to alienate the United States from black Africa and the rest of the third world (p. 13).



Enthusiastic readers surrounding Mao Dun (Shen Yanbing) at a Beijing book fair in 1957.

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### The Younger Generation

Some people say that the Chinese youths are a lost generation and some say they are the best generation of China. How do you look at this question?

The young people are the most vital force in society and the hope of a nation. Many foreign friends have shown concern for the Chinese youths and have noticed some of their shortcomings. This is not surprising. The Party and Youth League organizations, trade unions and schools as well as government departments attach importance to this question and have in the last few years carried out investigations at the grass-roots units, studied and analysed the conditions and characteristics of the younger generation today so as to find ways to guide and help them solve their problems. For nearly a year since spring 1980, discussions of the meaning of life were published in leading national newspapers, attracting the attention of millions upon millions of young people.

The early years of the present generation of youths were years of endless rebellion and struggles, and in the 10 tumultuous years of the "cultural revolution," they were deeply influenced by "Leftist" thinking. They lost the opportunity to receive a good education when they most needed it. And when they should study Marxism and get to know what it really means, they were swayed by sham revolutionary slogans and many took part in rash "revolutionary actions" such as indiscriminately toppling leading cadres, ransacking homes, resorting to coercion or force, and so forth. Unlike the older gen-

eration, they do not know what it really means to be freed from the miseries of the old society, nor do they have any experience of the happiness of seeing the speedy advance of China's socialist construction in the 1950s. When they came of age, what they saw was that the national economy was on the brink of collapse brought on by Lin Biao and the gang of four, with innumerable social problems crying for solution and unhealthy tendencies waiting to be corrected. None of these problems, however, can be solved overnight.

Compared with the youths of the 50s or the early 60s, the young people of today have more social experience and their minds are more complicated, more sensitive to the social and political problems. But, owing to their shortcomings and limitations, they are often confused, unable to look at and analyse the various social contradictions in a comprehensive and dialectical way.

After the smashing of the gang of four, our country has entered a new historical period. The young people are compelled by reality to consider many questions, such as: What must be done to prevent a recurrence of the crimes of Lin Biao, Jiang Qing and their cohorts? What must be done to transform our poor and backward country into a powerful and prosperous one? What exactly is a meaningful life?

It is true that a small number of young people are perplexed and at a loss. They waver and fail to see the superiority of the socialist system, and a few declare they no longer believe in Marxism. Some people in

the West describe this as a loss of faith and say categorically that Marxism doesn't work in China now. This pronouncement is of course too arbitrary.

Investigations by the Youth League, trade unions and other organizations show that most of the young people in the factories, rural communes and schools hold that the socialist system is superior to the capitalist system and that they are studying and working hard, brimming with confidence that China's four modernizations will be accomplished.

The main reason why a small number of young people have doubts about the present-day society and no longer have a noble aim in life is that their minds have been poisoned by the fallacies of sham Marxism in those 10 chaotic years. Another reason is that, owing to the state of confusion and our mistakes in work during those years, the superiority of the socialist system could not be brought into play. For those young people who are unable to distinguish right from wrong to disavow Marxism is, therefore, like throwing out the baby with the bathwater.

It cannot be denied that there are a few young people who have degenerated and become criminals. Efforts are being made to save these people and help them turn over a new leaf.

To educate the young and lead them on to the correct path is the task of the whole society. A lot of work needs to be done but, through persistent efforts, this goal can be achieved under the guidance of Marxism.

— Political Editor  
An Zhiguo

# LETTERS

## Let Some Peasants Prosper First: Pro and Con

My research on Chinese economics is concerned with rural income distribution. It was with great interest that I read your special feature article entitled "Let Some Localities and Peasants Prosper First," printed in No. 3, 1981. Congratulations on the good quality of the article. Your figures on page 22 with regard to income distribution in all China covering the years of 1976 and 1979 are of great help to my studies.

**Erika Platte**  
Brisbane, Australia

In your special feature "Let Some Localities and Peasants Prosper First," the four tables provided by Wei Min in his article "Back to the Right Track" were very helpful. And so were the four stages: the early days of agricultural co-operation; the damaging effects of "Leftist" thinking; setting things right; and differences narrowed down.

**Tamotsu Kurosaki**  
Toyama, Japan

The feature on rural policy in issue No.3 was most welcome. Further in-depth articles on China's vast countryside are required to enable your readers to better understand the lives and aspirations of the people who make up 80 per cent of China's population.

**Wallace McPhee**  
Victoria, Australia

I was stunned after reading your article "Let Some Localities and Peasants Prosper First" in issue No. 3, 1981. I think the explanations in both this article and in "How to Evaluate the Socialist System" (issue No. 3) are one-sided; some are wrong.

If fanatic equalitarianism hinders the development of a socialist society like yours, which people can consider the most advanced at present, especially from ideological point of view, wealth and money should never be the basis on which workers' and peasants should develop a moral foundation. The increase of collective and individual income is an objective of human activities, but the means used to attain this objective and the type of society it can engender

in the long run should also be taken into consideration.

Your articles talk not only about income increase but also becoming rich. I do not have a complete enough understanding about your concrete conditions to judge the positive value of this or that kind of practical measure for developing your national economy.

In some articles you have insisted on the necessity of emphasizing moral incentives and combining them with material rewards. I believe this is a good method.

It is good to praise an excellent worker for his excellent work. It is logical that such a worker should receive a material advantage. But it is not correct to speak highly of a family because it is rich even though it got rich through its own labour. It confuses the objectives and means.

**Thomas Jean Francoise**  
Brives-Chavensax, France

## More Consumer Goods

The article "More Consumer Goods" in issue No. 47, 1980 elucidates problems in a good way. In actuality, Europeans view socialism as if it were a synonym for the word poor. Your article has clarified this problem. The reason why the Chinese people made revolution was to improve their lives. But I hope China will stay the same as before, being different from other countries, and will avoid falling into the trap of unlimited propaganda, out-of-date planning and high fashion, which is a reproach you can make against many industrialized countries, and even countries which are being industrialized.

**J-Paul Tarrieux**  
Hagetmau, France

## Press Opinions

As early as the mid-70s, I suggested you introduce "Press Opinions" column on Chinese press, a press survey so to say. Today I want to raise this suggestion again with a few changes. In each issue half a page is "lost" on the introduction of the individual articles. I ask myself, given the "Highlights of the Week" in each issue, is this necessary? Could this space regularly be used to give a short review of the Chinese press? For example, you could write about the main articles in various papers of the previous week and also

which topics were talked about on TV. I believe that such a general survey would be interesting for the readers.

**M.F.R.**

Monchengladbach, W. Germany

*Our magazine has recently started a new column "Opinion Digest" beginning in issue No. 11, 1981. Have you read it? Your comments are welcome. — Ed.*

## Support Anti-Aggressive Wars

I greatly appreciated your special feature article, "Afghanistan: One Year After the Soviet Invasion" (No. 1, 1981). It touched my heart. I was able to learn about the situation in Afghanistan and the aim and attitude of the U.S.S.R. against the Afghan people.

In your international column, the article "The International Situation" (about Afghanistan and Kampuchea in issue No. 1, 1981) was very informative. The activities of the U.S.S.R. and Viet Nam are shameful and violate the rule of peace and security. I support the roles of the people of Afghanistan and Kampuchea.

**Prokash ch. Haloder**  
Rajshahi, Bangladesh

## Cartoons

Some of the cartoons that appear in the column "Humour in China" (e.g., the cartoon captioned "Wang Fuzi," No. 9, 1981) seem to be too complex to understand at first sight. A simpler type of cartoons, therefore, should be published. And the column should be arranged in each issue instead of once month only.

**A.B.M. Sadeque**  
Rajshahi, Bangladesh

I like the cartoon by Wang Sihua in issue No. 5, 1981, but I preferred the small cartoons dealing with the articles such as the one by Lan Jianan in issue No. 47, 1980.

**Peter Hunter**  
Ont., Canada

*Your letters are welcome. Because of space limitations, we can only print a selection. Condensations are made for the sake of brevity or clarity. — Ed.*

## POLITICAL

## Mao Dun Mourned

Mao Dun (Shen Yanbing), Vice-Chairman of the Fifth National Committee of the Chinese People's Political Consultative Conference and Chairman of the Chinese Writers' Association, died of illness at the age of 85 on March 27, 1981 in Beijing.

A memorial meeting was held for him on April 11 in the Great Hall of the People. It was attended by Chairman Hua Guofeng and Vice-Chairmen Deng Xiaoping and Li Xiannian of the C.P.C. Central Committee, Vice-Chairmen of the N.P.C. Standing Committee Peng Zhen and Deng Yingchao, General Secretary of the C.P.C. Central Committee Hu Yaobang, Premier Zhao Ziyang of the State Council and other Party and state leaders, as well as 2,000 people from all walks of life in the capital. Deng

Xiaoping presided over the meeting and Hu Yaobang delivered the memorial speech.

Hu Yaobang said that Mao Dun was a great revolutionary writer and an outstanding fighter for proletarian culture. Together with Lu Xun, the well-known man of letters who died in the 30s, and Guo Moruo, former President of the Chinese Academy of Sciences who died in 1978, Mao Dun as a pioneer of the modern progressive culture of China laid the foundation for China's revolutionary literature and art and cultural movement. During the more than 60 years since he began his literary activities in 1916, Mao Dun wrote a great number of literary works, singing the praise of the people and the revolution and castigating the reactionary forces of old China (see p. 29).

In his speech, Hu Yaobang recalled the militant life of this literary giant.

Born on July 4, 1896 in a small town in east China's Zhe-

jiang Province, Mao Dun came into contact with progressive ideas as early as 1913 when he was studying in Beijing University. Influenced by the 1917 October Revolution, he took part in the 1919 May 4th Movement against imperialism and feudalism and also in China's early communist movement. In 1921, he joined a communist group and then became a member of the Chinese Communist Party in Shanghai.

He was one of the earliest members of the Chinese Party. After 1928, though he lost contact with the Party organization, he carried on revolutionary cultural work under the leadership of the Party. In 1931 and again in 1940 he requested that his Party membership be restored. On the first occasion he did not get any reply from the then Left-deviationist leadership of the Party. On the second occasion, in view of the needs of the national united front against Japanese aggression at that time, the Party Central Committee considered that he could better serve the people if he remained outside the Party.

When he was critically ill, he wrote once again on March 14 this year to the leading members of the Party Central Committee saying: "At this last moment, my heart is with you. I have sought and struggled all my life for the communist ideal. I request that, after my death, the Central Committee will strictly examine my whole life — merits and demerits — according to the standard of a Communist. It will be my greatest honour if the Party will posthumously



Mao Dun lecturing at the Lu Xun Academy of Arts in Yanan (1940).

admit me as a member of the glorious Chinese Communist Party."

On receiving this letter from Mao Dun's family on the day of his death, the C.P.C. Central Committee immediately decided to restore his Party membership and consider him to have been a Party member from 1921.

## Denouncing Kuomintang Congress

The Taiwan authorities are obdurately clinging to their separatist stand and setting themselves against the people who wish to see the country reunited at an early date. They reiterated at the 12th congress of the Kuomintang (March 29-April 5) that they will never negotiate with the Chinese Communist Party or establish trade, postal and transportation links with the mainland. Thus they are courting their own downfall.

The proposals for negotiations on the reunification of the country, put forward by the Chinese Communist Party, have won more and more extensive support among the Chinese people on the mainland, in Taiwan and overseas. Many knowledgeable persons in the Kuomintang have also voiced their approval. The Taiwan authorities, by adamantly rejecting these proposals, have landed themselves in complete isolation.

The Kuomintang congress was held at a time when the Taiwan authorities are beset with difficulties both at home and abroad. Chiang Ching-kuo, its chieftain, admitted in his opening speech that Taiwan is "in a period of great distress" and "in very difficult circumstances."

While paying lip service to the "three people's principles" laid down by Dr. Sun Yat-sen, the Kuomintang authorities have long since betrayed these principles — nationalism, democracy and people's livelihood, depending externally on foreign powers and oppressing the people at home.

It is sheer daydream for the Taiwan authorities to try to impose their reactionary rule on the people on the mainland. The Kuomintang authorities had better correct their errors and change over to new ways for the benefit of the country and for themselves.

## SCIENCE

### New Guideline for Science And Technology

A new five-point guideline has been formulated for the development of science and technology in China. The five points are:

— The development of science and technology should be in consonance with the growth of the economy and social needs, the primary purpose being the ac-

celeration of economic development;

— Research on production techniques should be strengthened and appropriate application selected, forming a rational technological structure;

— Industrial and mining enterprises should attach greater importance to scientific and technological research and popularize the results;

— Basic research should be expanded steadily and gradually;

— Foreign scientific and technological achievements should be carefully studied and assimilated to develop China's own science and technology.

From the mid-1950s to the mid-1960s, a huge scientific and technological force had been organized in China to carry out researches on the most advanced branches of science and technology. In a comparatively short period of time, China succeeded in producing atomic and hydrogen bombs, in launching man-made earth satellites and in making a total synthesis of crystalline bovine insulin. The development of



The Shanghai Pesticide Research Institute has succeeded in producing an effective antibiotic for the prevention of rice stalk diseases.

production techniques in the various sectors of the national economy has, by comparison, been slow. Greater efforts must therefore be made in this respect, while research projects such as construction of a large astronomical telescope, controlled thermonuclear reactors and a high-energy accelerator will be slowed down or postponed.

To implement the new guideline, the State Commission for Science and Technology recently issued a circular calling on all the scientific organizations and personnel concerned to do their best to help promote the development of agriculture and light industry.

The circular said that scientific and technological achievements in the production of grain, cash crops, animal products, fisheries, forestry, vegetables and fruit should be vigorously popularized in the light of local conditions so as to get better harvests and economic results on a larger area.

In light industry, attention will be paid to the research of production techniques related to the development of agricultural production and the people's livelihood. These include techniques in the textile industry, in food processing and comprehensive utilization of timber, and in the making of household electrical appliances and porcelain, as well as the preservation and storing of foodstuffs, and the packing and transportation of goods for export. The circular also drew attention to the importance of economizing energy and cutting down the consumption of raw materials so as to increase the revenues of the state and local governments.

In response to the circular, the various provinces, municipalities and autonomous regions are making readjustments for some of the major scientific research items this year. In east China's Jiangsu Province, a scientific and technological meeting was held in early March. Proceeding from the actual situation in the province, the meeting stressed that scientific research should focus on agriculture, light and textile industries and energy resources. Additional funds were appropriated for the study and production of a highly effective pesticide with low toxicity. It is planned that this pesticide, which is urgently needed in agriculture, will be on sale on the market this year. Machine-building enterprises operating below capacity are requested to help the light and textile industries make technical innovations and technical transformation in production techniques.

## ECONOMIC

### More Consumer Goods

More consumer goods were produced last year than in 1979. The increase was 28 per cent for bicycles and wrist-watches, 30.6 per cent for sewing machines, 110 per cent for radio sets, 83.3 per cent for television sets, 37 per cent for chemical fibres, and 15.7 and 31 per cent for cigarettes and beer.

Light and textile industries have developed in the current economic readjustment. Their output value in 1980 rose by 17.4 per cent over that of 1979. Though this speed of development was much faster than heavy industry, whose output



"Peacock" cameras produced by a factory in Harbin in northeast China's Heilongjiang Province.

value increased by only 1.6 per cent last year, it still falls short of the increasing needs of the people for consumer goods.

In the last few years, apart from a pay raise for many workers and staff members throughout the country, the bonus system has been introduced and 26 million people have been employed. As a result, the people in the cities now have more money in their hands. At the same time, the state has raised the purchasing prices of farm and sideline products and implemented flexible economic policies for the rural areas. All this explains why from 1977 through 1980 the purchasing power of the people for commodities had increased by 60,000 million yuan, the increase in 1980 being 20,000 million yuan over 1979.

China's countryside where 800 million people live constitutes a

big market for consumer goods. As a result of a general increase in income, the retail sales of the means of livelihood in the rural areas last year rose by 21 per cent over 1979, and some high-quality and expensive commodities were in great demand. In a cotton-growing area in east China's Shandong Province, for example, the demand for bicycles sharply increased, and it was estimated that the peasants there had placed orders for one million bicycles. Now that their conditions have improved, the peasants want to buy wrist-watches, bicycles and sewing machines. It is reported that in a village in the suburb of Tianjin, the largest port city in north China, every household has a TV set. A peasant in Hebei Province wrote to *Gongren Ribao* (Workers' Daily), complaining: "Our commune has more than 4,000 peasant households, but less than a hundred bicycles are allocated to our commune for sale each year. I think even if there are 1,000 sewing machines and 1,000 bicycles on sale, they will be bought in no time by our members."

Recently, directors of light industrial and textile bureaux from all over the country met separately to discuss ways of increasing the production of textile products and daily necessities. The supply of raw materials was a major topic of discussion and stress was laid on ensuring the constant supply of raw materials to Shanghai, Tianjin, Beijing and other big cities where the light and textile industries are more developed. The meetings called for efforts to increase the production of commodities which are in short supply, such as bicycles, sewing machines, clocks and wrist-watches, furniture, household electrical appliances, woollen fabrics and chemical fibres.

Woollen mills will be expanded so as to double their capacity within five years.

The two meetings stressed the need to manufacture more goods of fine quality and famous brands and high-grade products that are in great demand. In addition, there should be more durable goods for the 800 million peasants and special products for the national minorities.

## FOREIGN RELATIONS

### Swedish Prime Minister's Visit

Swedish Prime Minister Thorbjørn Faellidn paid an eight-day (April 7-14) official visit to China at the invitation of the Chinese Government. It was the first visit to China by a Swedish Prime Minister since the establishment of diplomatic relations between the two countries over 30 years ago. The Prime Minister and his party were given a warm welcome by the Chinese Government and people.

Premier Zhao Ziyang held talks with Prime Minister Faellidn. They exchanged views on major international issues, particularly the Polish situation on which world attention is focused. They agreed that they share identical views on many issues.

**International Situation.** Premier Zhao expressed the view that the focus of Soviet strategy is still in Europe, but it is now mainly employing outflanking tactics.

Prime Minister Faellidn said that the present-day world is

full of unrest and increasing contradictions. He added that at a time when tension and contradictions among the big nations are sharpening, it is more important than ever to maintain stability in northern Europe. This, he said, is the common goal for Sweden and its Scandinavian neighbours.

**Asian-Pacific Region.** Zhao Ziyang noted that regional peace is inseparable from global peace. The Kampuchean issue, he said, is not a regional question, still less a question of contention between China and the Soviet Union for influence in this region. Viet Nam's armed aggression against Kampuchea is a component part of Soviet global strategy of expansion.

Faellidn set forth Sweden's position on the Kampuchean issue. He said that his government calls for the withdrawal of Vietnamese troops from Kampuchea and supports the convening of an international conference to solve problems in this region.

**World Economic Problems.** On international economic relations, Faellidn said that Sweden stands for dialogue between the industrialized countries and the developing countries. Zhao Ziyang expressed his appreciation of the Swedish Government's support for the North-South dialogue and for the expansion of economic co-operation with the developing countries. He said that the key to breaking the deadlock in the North-South dialogue lies in the advanced countries actively responding to the developing countries' demands. In the long run, the establishment of new international relations will be beneficial both to the industrialized and the developing countries, and is also conducive to world peace and stability.



### Deng Xiaoping on World Peace

THE people of the world need to unite and oppose hegemonism. To safeguard world peace, it is necessary to wage a tit-for-tat struggle. Only in this way can the people win a longer period of peace.

This was said by Deng Xiaoping, Vice-Chairman of the Chinese Communist Party Central Committee, during his meeting with visiting Swedish Prime Minister Faellidin on April 10.

Deng said that attention should not be diverted from Afghanistan and Kampuchea by the problems in Poland, the Middle East and the Persian Gulf. He added: "We should regard Afghanistan and Kampuchea as the front-line in the fight against hegemonism and give effective support to the resistance forces there."

**Bilateral Relations.** The talks between the two leaders show that there is no conflict of fundamental interests or outstanding issues between China and Sweden. Friendly relations and co-operation between the two countries will be strengthened.

### E.E.C.-China Business Week

The European Economic Community (E.E.C.)-China Business Week was held in Brussels from March 30 to April 10. It was a major event since the establishment of official relations between China and the E.E.C. in May 1975.

Attending the business week were a 99-member Chinese

delegation headed by Vice-Premier Gu Mu and composed of leading members of economic departments, trade officials of Chinese embassies in E.E.C. countries, and representatives of import and export corporations, the Bank of China and industrial enterprises as well as more than 700 executives from more than 300 enterprises and banks of the E.E.C. countries. During this period, the Chinese side briefed the E.E.C. businessmen on the present economic readjustment in China, the prospects of China's foreign trade and its policy of accepting foreign investments.

During the Chinese delegation's stay in Brussels, the two sides exchanged views on China's needs in energy, port facilities, railways, power stations and especially the technical transformation of the light industry. China is willing to carry on multi-form co-operations with the E.E.C. and other friendly countries. China also hopes that the Western countries will provide it with grain, pedigree cattle and products of agriculture and animal husbandry. China will give favourable considerations to these imports.

The two sides issued a joint press communique, reaffirming their continuing commitment to the strengthening of economic and trade relations. Vice-Premier Gu Mu once again stressed that China's open-door economic policy would not change. He also reiterated the Chinese Government's support for a united and strong Europe. In addition, he gave his assurances that China was

determined to honour its commitments and find a mutually acceptable way to resolve outstanding questions relating to contracts affected by the present readjustment policies. Gaston Thorn, President of the E.E.C. Commission, expressed full support for China's efforts to modernize its industry.

The E.E.C. is one of China's major trade partners. The volume of imports and exports between China and the E.E.C. has increased from 2,100 million U.S. dollars in 1977 to 5,000 million U.S. dollars last year, of which China's exports amounted to 2,300 million U.S. dollars. At present, the Western countries are trying to increase their exports in order to check their production decline and sharp increase in unemployment, while China is in the period of readjustment. Under such circumstances, some Western friends were worried that there might be a change in China's open-door economic policy and China's foreign trade would drop. This business week has done much to clear up their misgivings. Facts prove that the business week has not only strengthened the existing ties between China and the E.E.C. but also opened up new areas and channels for bilateral economic and trade co-operation.

### Sino-Indian Relations

China wishes to develop friendly relations with India and hopes that exchanges

(Continued on p. 14.)

## Hanoi's Condition for Withdrawal

VIETNAMESE Foreign Minister Nguyen Co Thach in his interview with the Japanese paper *Yomiuri Shimbun* earlier this month laid down one condition for Viet Nam's withdrawal from Kampuchea, instead of making the usual claim that the situation there is "irreversible."

Thach said, "The only condition for the Vietnamese forces to pull out of Kampuchea is for China to conclude a pact of non-aggression with the Indochinese countries."

Presumably to show that Hanoi is not being adamant on the question of withdrawal, he said specifically that "within the first week of April, the Vietnamese advisers' group will leave Kampuchea. The number of personnel to be recalled home will be incomparably more than that pulled out in the past."

At a time when the international community has been demanding the withdrawal of Vietnamese troops from Kampuchea and an international conference on the Vietnamese presence in Kampuchea, the Vietnamese Foreign Minister, for the first time, puts forward an "only prerequisite" for withdrawal of Vietnamese troops from Kampuchea. This does not at all mean any change in Viet Nam's attitude, or any hope to a solution of the Kampuchean problem.

It is entirely wrong and contrary to the U.N. Charter that Viet Nam invaded a sovereign neighbour. The only thing right and reasonable for Viet Nam to do is to withdraw its troops

from Kampuchea without any "condition." Anything other than that would be against the U.N. resolutions and the common wish of the people the world over.

Apart from frequently making trouble along the Chinese border, Viet Nam has established its military presence in Kampuchea and Laos. China, on the contrary, does not have any intention of harming Kampuchea, Laos, or Viet Nam, nor has it any military base or a single soldier in these countries.

China was forced to make a counterattack against Viet Nam's repeated invasions in self-defence but had as early as March 17, 1979 withdrawn all its forces back to its own territory as promised.

Therefore, whether the principle of "non-aggression" can be implemented between China and the three Indochinese countries is a question purely depending on whether or not the Vietnamese authorities will stop their aggression and expansion, stop infringing on Chinese territory, and withdraw all their troops from Kampuchea and Laos so these countries can recover their independence, sover-

eignty and territorial integrity. Moreover, what right have the Vietnamese authorities to demand a non-aggression treaty with China on behalf of other Indochinese countries? The demand raised by the Viet Nam-engineered "foreign ministers conference" of Viet Nam, Laos and the Heng Samrin regime is absolutely invalid since the Heng Samrin regime does not represent Kampuchea and is not recognized by China, the United Nations and most countries of the world.

Moreover, the Vietnamese authorities have no grounds whatsoever to demand that China sign a "non-aggression treaty" with them and their client in exchange for the withdrawal of Vietnamese troops from a neighbouring country under their military occupation. This shows that Hanoi is intent on shifting its responsibility for aggression against Kampuchea on to China so as to extricate itself from condemnation by the world.

Thach's remarks are a giveaway sign that Hanoi has not the least intention to withdraw from Kampuchea. The world will not be taken in by its empty gestures.

—Commentary by Xinhua correspondent

### Soviet-Vietnamese Relations

## Friction or Fiction?

SOME high-ranking Vietnamese officials went out of their way recently to tell foreign reporters and visitors about the "friction" between Viet Nam and the Soviet Union. Nguyen Lam, the Vietnamese

economic planning chief, told a reporter of the *Far Eastern Economic Review* that the Soviet Union had not yet made any commitment to Viet Nam's third five-year plan (1981-85). Hoang Tung, Vietnamese prop-

aganda chief, also dropped a broad hint about Moscow-Hanoi "differences" on some matters.

These are unusual revelations. There are some signs of strain in Moscow-Hanoi relations. For instance, Hanoi asks for much more than Moscow would like to give. Moscow wants direct access to Kampuchea and Laos, while Hanoi insists that Moscow do so via Hanoi. But these are not of such significance that Viet Nam feels compelled to bring them out into the open and grouse about to a foreign publication.

Since the signing of the Vietnamese-Soviet treaty of "friendship and co-operation" in November 1978, Soviet military aid to Viet Nam has been rising continually. Last year's Soviet military aid to Hanoi came to about 1,000 million U.S. dollars, while economic assistance averaged 750 million U.S. dollars a year in the second five-year plan period (1976-80). There are several thousand Soviet experts and advisers posted with Vietnamese military, economic and educational institutes. Soviet military aircraft and warships are now operating from Viet Nam's Cam Ranh Bay, Da Nang and Tan Son Nhut bases and the Vietnamese-occupied Kampuchean port of Kompong Som. A Soviet radar and electronic reconnaissance network has been built up in the three Indochinese states. And the leaders in Hanoi have proudly declared that they have transformed their country into "a solid outpost of the Soviet community in Southeast Asia."

Can one imagine Nguyen Lam and Hoang Tung going on record to announce publicly Soviet-Vietnamese strains without the nod from Moscow? What are these revelations in aid of?

It is common knowledge that Viet Nam has got itself into dire economic straits. Half its revenues go into its war machine. All second five-year plan targets were unfulfilled. Harvest shortfalls plagued the nation. The government has slashed civilian grain rations time and time again. Now, even the soldier's ration has been trimmed. Here is the genesis of all the talk about "friction" between Big Brother and Little Brother.

The Soviet Union has been unable to meet Vietnamese demands for economic aid, particularly grain. Because of its expansionist activities, the Soviet Union has enough burdens of its own. So any Vietnamese move to secure grain and other forms of aid from elsewhere is particularly welcomed. This explains why Hanoi has been letting it be known that "frictions and strains" have appeared in Moscow-Hanoi relations. It also explains why Hanoi has been exaggerating its losses and damage wrought by natural calamities and is asking for grain and aid from the E.E.C.

## Turkey

# After the Military Takeover

## Report From Ankara

SINCE the military takeover in Turkey on September 12, 1980, many Turkish terrorist organizations have been dealt a serious blow and peace, more or less, prevails. The upward inflation spiral has gradually lost some momentum and the economy is recovering.

**Political Situation.** Before the military takeover, Turkey was in the grip of chaos. Terrorism kept people at home after sunset and the economy was about to collapse, burdened by

and other international organizations.

Aid from any sources other than the Soviet Union helps the Soviet Union and Viet Nam. Aid to Viet Nam is encouragement to aggression, because the Vietnamese, backed by the Soviet Union, have forcibly moved into Kampuchea and Laos. One must also remember, not very long ago, how some international relief supplies sent to the Heng Samrin regime were diverted to feed Vietnamese soldiers occupying Kampuchea.

The stories about Moscow-Hanoi friction are designed to help Viet Nam to continue its aggressive policy. Such revelations must be taken with a grain of salt.

Some people would like to believe that providing aid to Viet Nam may pry it from the Soviet Union and may even induce it to break away from the family fold. It is to Hanoi's advantage to exploit this line of thinking.

— Ji Ying

inflation running at an annual rate of over 100 per cent. This was the situation when the Turkish armed forces led by Chief of the General Staff General Kenan Evren toppled the civilian Justice Party government. The military administration announced that terrorism was the number one problem in Turkey. Security forces have since mounted a series of big operations all over the country to crack down on ultra-Left and ultra-Right terrorists. According to the Turkish press, more than 45,000 people

have been taken into custody and some 16,000 of them arrested and sentenced. There are still some 6,200 people held in custody.

A total of 190,000 hand-guns, machine-guns and rifles, 5,700 kilogrammes of explosives and one million rounds of bullets have been seized by security forces or were handed in by individuals. Terrorist activities have gone down by 80 per cent, and illegal demonstrations and marches by 90 per cent, the authorities say. In the month preceding the military takeover, terrorists killed an average of 22 citizens every day. This number has now been reduced to less than one each day. In the first week of March, no terrorist murder was reported, the first time in Turkey in six years.

**Economic Situation.** Political stability after the coup has helped the economy to recover. There is much less unrest in the factories and production is normal again. Exports have gone up. Inflation has slid down to an annual 40 to 50 per cent. In the last couple of months the price of bread, the staple food in Turkey, fell, the first time in many years, apparently because of lower wheat prices on the domestic market. Prices for many durable consumer goods manufactured in Turkey, such as carpets, furniture, household appliances and cars, have also dropped. Some cotton goods are now being sold wholesale at half price. The black market is not as flourishing as before and there are plenty of goods in the shops and stalls.

The military administration is trying to hold down prices and the inflation rate to re-

establish economic stability. Efforts are being made to keep the 1981 inflation rate to less than 40 per cent. On the other hand, the authorities are trying to mitigate side-effects brought about by energetic anti-inflation measures, such as recession and a pause in investments. There are signs of stagnation in the construction sector and the manufacturing industry. The outlook for industry is not too good because of the falling demand and a shortage of cash. Many lines of goods are not selling well. Last month the big Turkish Renault Automobile Plant was forced to stop production.

Terrorism has not yet been eradicated, because it is closely tied to domestic economic ills and externally, it has support from the Soviet Union, which is supplying its agents with arms and inciting unrest through radio broadcasts beamed at Turkey.

The Turkish military administration recently announced that it will transfer power to a parliamentary democratic regime within a "reasonable period." Time will tell whether this promise is kept or not.

—Xinhua Correspondent  
Liu Kaichen

## Reagan's Choice in Africa

**T**HOUGH the Reagan administration's policy towards Africa has yet to be clearly defined, signs of a change are in the wind, and not many in Africa are happy about it.

Hints of a policy shift began in early March when, in an interview with television newscaster Walter Cronkite, Reagan referred to South Africa as a friendly nation and asked how the United States could give up a country which has "stood behind us in every war we ever fought." A White House spokesman later stated that although the Reagan government does not condone the apartheid policy pursued by the South African authorities, this will not hinder the United States from improving relations with Pretoria.

Then less than two weeks after Reagan's television interview, a group of South African military officers posing as diplomats were granted visas to enter the United

States. On March 15, U.S. Ambassador to the United Nations Jeane Kirkpatrick met with the head of the group, chief of South African military intelligence P.W. Van der Westhuizen, though official contacts between the United States and South African officers on U.S. soil have been banned since 1962. Dirk Mudge, head of South Africa's puppet regime in Namibia, arrived in America shortly thereafter on a private visit, and he met with Kirkpatrick as well.

### Black Africa's Opposition

All indications suggest that the new administration in Washington wants a more friendly and co-operative relationship with Pretoria than that of the past few years. Though Reagan's friendly attitude is naturally welcomed by the racist regime in South Africa, the reactions of the other African countries have been totally different. Many

have expressed in no uncertain terms their anger and opposition. Chairman of the Organization of African Unity, President Siaka P. Stevens of Sierra Leone, recently wrote to Ronald Reagan urging him not to lend support to South Africa. Zimbabwe's Prime Minister Robert Mugabe has said that the Reagan administration will damage the good relations between the United States and Zimbabwe if it decides to embrace South Africa and apartheid. Nigeria also warned the U.S. Government not to ally itself with Pretoria and reiterated its support for the struggle against racism in South Africa. In the United Nations headquarters, black African delegates termed the Kirkpatrick incident an "outrage."

Differences of opinion among U.S. government officials have also been seen. Those advocating closer relations with Pretoria view South Africa as an important stumbling block for the Soviet Union's adventurist activities in the area, as well as a valuable source of profit and mineral resources. There are others, however, who feel the United States should publicly press Pretoria to change the racist apartheid system. They support a policy which considers the interests of black Africans foremost, and argue that South Africa needn't be viewed in the context of a U.S.-Soviet conflict. Black Americans have shown dissatisfaction with Reagan's pro-South Africa attitude; the Congressional Black Caucus has even called for Kirkpatrick's resignation on the grounds that her meeting with South

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## South Africa

### Black Reserves

**T**HE various "homelands" the blacks of South Africa are being driven into are becoming more and more crowded as the South African authorities continue to forcibly "resettle" blacks. This is in line with the apartheid policy pursued by the racist authorities of Pretoria.

The aim of setting up of "homelands" for blacks is to drive them out of the cities to live on reserves where there are no jobs and the land is lean and unproductive. "White" South Africa consists of 86 per cent of the country's territory. "Black homelands" make up the remaining 14 per cent.

More than 6,750,000 blacks are no longer citizens, but "citizens" of "independent homelands" such as Transkei, Bophutswana and Venda. And another million blacks will lose their citizenship when Ciskei becomes "independent" on December 4 this year.

According to a University of Cape Town study, 2 million blacks have been forced out of "white" South Africa into "homelands" in the last 20 years. In 1970, there were 119 blacks per square mile in the "homelands." In "white" South Africa the average population density was 35 persons per square mile. The gap between them has grown since.

The setting up of "homelands" has brought massive suffering for the black population. The black people living in the "homelands" are undernourished and people dying of starvation is common, says a report by Black Sash, a black women's organization set up to fight the brutal apartheid policy. As many as 50,000 children have died because they were too weak to withstand diseases normally not fatal. The health of 100,000 rural black children is reported to be poor. Most men in the "homelands" have to work in urban areas under contract away from home.

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African officials violated the 1962 ban on such contacts.

### African Support or Enmity?

While Reagan has shown interest in warming up relations with Pretoria, he is not burning any bridges and apparently has not yet made up his mind about black Africa. On March 27, Secretary of State Alexander Haig outlined a new U.S. plan on the Namibia question to Nigerian Foreign Minister Ishaya Audu. Nigeria has made Namibia talks a touchstone for its relations with the United States, and after the meeting, Audu told reporters. "The United States has a very positive plan" for furthering a

settlement in Namibia. Washington has begun talks on re-suscitating the U.N. plan on Namibian independence, though Pretoria has been hoping the United States would abandon the U.N. effort.

The United States has also pledged to give Zimbabwe 225 million dollars over the next three years in reconstruction aid. This was somewhat surprising in light of the new administration's recent efforts to cut other foreign aid.

The Reagan administration must choose between African support or African enmity. Should the United States pursue a pro-South Africa policy, it would inevitably alienate itself from the major-

ity of the third world, and the African countries in particular. This would clearly be disadvan-

tageous to the United States.

— "Beijing Review" news analyst Yi Fei

## The Argentine Economy

**A**RGENINE President Roberto Viola told his country on March 30 that he will in the main adhere to the policies pursued since the 1976 military coup. This was his first public speech on becoming president last month.

During its five years in power, the former government promoted free enterprise and competition, reduced state intervention in the economy and encouraged foreign investments in Argentina. A "gradualist" approach was taken on the task of devaluing the national currency and curbing inflation. As a result, the chaotic situation of early 1976 became somewhat less chaotic. Many foreign enterprises expanded operations in Argentina and were optimistic about its economic future.

In past years, several fundamental weaknesses in Argentina's economy prevented it from making steady progress. The Argentine peso was unrealistically overvalued, and though this was gradually changed, monetary and financial instability persisted. The Argentine peso was further devalued by 28 per cent on April 1, following a 10 per cent devaluation in early February. This situation has led to a loss of confidence in the nation's currency, and the resulting buying spree of U.S. dollars since the beginning of 1981 has drained some 3,200 million dollars from the country's foreign currency reserves.

Furthermore, rising interest rates, now running at over 100 per cent per year, are becoming an unbearable burden on the

country's business enterprises. This problem, coupled with Argentina's general economic recession and stagnation last year, led to the bankruptcy of more than 700 enterprises, including three major banks, and a foreign debt increase of over 8,100 million U.S. dollars.

In addition, runaway inflation, poor management of enterprises and a slow economic growth rate all contributed to holding down the country's GNP.

On April 1, Economic Minister Lorenzo Sigaut announced a package of new economic measures to be adopted by the government. These adjustment measures include public spending cuts, lower interest rates, incentives for certain industrial exports, tax reform and tariff cuts. They are designed to change the unfavourable international payments position, attract foreign investment, build up the foreign exchange reserve and help pull Argentina out of its economic doldrums.

— Zhong Tai

(Continued from p. 9.)

between the two peoples will increase.

Vice-Chairman Deng Xiaoping made the comment on April 8 during his meeting with Subramaniam Swamy, Member of India's House of the People. Deng also said that there is no conflict of fundamental interests between China and India. There is no reason, therefore, that the two countries should not develop friendly relations and no reason that the two peoples should not increase their exchanges.

Swamy said that India and China have many things in common and the two peoples should have more friendly contacts.

### News in Brief

**China's Donation for African Refugees.** China has decided to contribute one million U.S. dollars to the International Conference on Assistance to Refugees in Africa which opened in Geneva on April 9. The contribution was made by Zhang Canming, Vice-Foreign Minister and head of the Chi-

nese delegation to the conference, on behalf of the Chinese Government.

**Contribution to Namibia and Azania.** China presented 20,000 U.S. dollars for the U.N. Fund for Namibia and 20,000 U.S. dollars for the U.N. Trust Fund for South Africa for the year 1981. The contributions were made by China on the occasion of international day for the elimination of racist discrimination (March 19) and were in support of the just struggles of the peoples of Namibia and Azania.

World Economy Symposium

# China's Utilization of Foreign Funds and Relevant Policies

by Ji Chongwei



*Beautiful lake city Hangzhou in east China played host March 23-28 to the International Symposium on World Economy jointly sponsored by the Institute of World Economy of the Chinese Academy of Social Sciences and the U.S. Stanford Research Institute International. Participants came from 24 countries and regions.*

*In this and following issues, we will publish three speeches given at the symposium. — Ed.*

**China will continue, in the present period of economic readjustment as well as in its future economic development, to pursue an open-door economic policy. In the early years of the 1980s, the priorities for using foreign funds will be given to the development of energy resources, transport and communications, medium and small-sized projects which require a small investment but bring quick economic results and to technical renovations of existing enterprises.**

**T**HE Chinese people are determined to build a modern, powerful socialist country. This is indeed an arduous and grand undertaking. As has been shown in the experiences elsewhere in the world, drawing upon foreign funds and importing foreign technology in a positive and prudent manner, and developing economic and technical co-operation with foreign countries are effective ways to speed up a country's economic development and bring about its modernization. In this undertaking, we shall adhere to the principle of relying on our own efforts while seeking outside assistance as a supplementary means and thereby pursue an open-door economic policy, which includes

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actively developing economic and technical co-operation with other countries. This is a long-term strategy. China is a vast and populous country which is endowed with rich natural resources. There is a great potential for developing China's market. Politically stable, united and secure, it is now working for the realization of a modern agriculture, industry, national defence and science and technology. Broad prospects for foreign investors in industrial and commercial enterprises certainly exist here.

In the past two years, we have had to make some readjustments in our national economy, with a long-term plan yet to be outlined, and our absorption of foreign funds has barely begun, leaving us with hardly any experience to fall back on. Nevertheless, we have made a good and important start.

## Five Ways to Utilize Foreign Funds

**1. Foreign Loans.** We have agreed on loans with the Governments of Japan and Belgium. According to one agreement, the Japanese Overseas Economic Co-operation Funds shall offer loans to finance six construction projects: two ports, three railways and one power station. The amount of the loans will be determined each year by the two parties concerned in the light of the progress of the projects. The loan effected for the year 1979-80 was 106,000 million yen (more than U.S. \$400 million). The interest rate was set at 3 per cent, with repayment of the loan to begin in the 11th year and to be paid off in the 30th year. The Japanese Export and Import Bank has offered a loan of about U.S. \$1,500 million for energy sources. It is meant mainly for constructing coal mines and oilfields. Its interest rate is 6.25 per cent. The loan will be repaid in instalments in 15 years after each project has been put into operation. The

Belgian Government has offered an interest-free loan amounting to U.S. \$31.5 million to be repaid in 30 years. It will primarily be used to purchase power station equipment.

As our representation in the International Monetary Fund and the World Bank has been restored, the I.M.F. has recently granted a loan of S.D.R. equivalent to U.S. \$450 million and we are consulting with the World Bank on the first batch of loans, to be used mainly in the exploitation of human resources, in agriculture, and for constructing power stations, ports and railways.

The Bank of China has signed buyer's credit agreements with a total sum of U.S. \$12,700 million with the United Kingdom, France, Italy, Canada, Sweden, Australia, the Federal Republic of Germany, Belgium, Norway and Argentina. As the loans are earmarked for limited specified purposes only, and as our national economy has been undergoing readjustment in the past two years, not many pieces of equipment have been imported and much of the credit remains unused to date.

**2. Joint Ventures.** There have been several hundred contacts, consultations and negotiations made between foreign investors on the one side and the interested Chinese authorities, regions or enterprises on the other side since the promulgation in 1979 of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment. But as it takes time for two parties to have a better understanding of each other's position and requirements and as our national economy is undergoing readjustment, coupled with the inadequacy of pertinent rules and regulations, the numerous and extensive talks on joint ventures have for the most part not been concluded. Nevertheless, some progress has been made. By the end of 1980, 20 joint venture enterprises had been approved, with a total investment amounting to more than U.S. \$210 million, of which more than U.S. \$170 million will come from foreign investments. The projects include 13 industrial enterprises, three hotels, one catering company, two service trades, and one pig farm. The partners of the joint ventures are Xianggang (Hongkong) compatriots mainly, but there are also businessmen from Switzerland, France, the United States and Japan.

In addition, over 300 co-operative enterprises (contractual ventures) have been approved. The projects draw upon foreign investment totalling about U.S. \$500 million, mainly supplied by Xianggang (Hongkong) and Aomen (Macao)

compatriots and overseas Chinese. These enterprises are located, for the most part, in the Guangdong and Fujian areas.

**3. Co-operation With Foreign Investors in Joint Offshore Oil Exploitation.** Four contracts have been approved. Contracts were signed between the China Petroleum Company on the one side and Japanese and French oil companies on the other side for the joint prospecting and exploitation of oil in the Bohai Bay and the Beibu Gulf of the South China Sea. A project on joint prospecting and exploitation of oil in the Yinggehai Basin of the South China Sea is being discussed between the China Petroleum Company and American oil companies. We shall call for tenders on joint prospecting and exploitation of oil in other offshore areas in the coming year. The essential features of these contracts are that the risks are small and investments jointly made; when commercial production begins, apart from operational fees, a certain proportion of the output will be set aside for China; the remainder will go to repaying both parties' investments plus interest and a certain profit for the foreign companies. We shall invite public tenders for different areas and use different forms of arrangements according to the different conditions of resources in the future.

**4. Compensation Trade.** China reached agreements in 1980 with foreign businessmen for over 350 medium and small compensation trade undertakings. The imported technical equipment totalled more than U.S. \$100 million. In addition, the technical equipment imported for three big items totalled more than U.S. \$87 million.

**5. Leasing.** The China International Trust and Investment Corporation and the Oriental Leasing Company Ltd. of Japan are jointly running the China Oriental Leasing Company.

At present, more and more talks on economic and technical co-operation are being held between Chinese and foreign business people, including joint ventures, joint exploration, joint management, joint production, compensation trade and leasing. In the field of joint ventures alone, there have been more than 30 countries and regions involved, totalling over 300 projects.

As shown above, China has started utilizing foreign funds but this is still in the initial stage. There are many other areas open to co-operation with foreign enterprises, whose success will depend upon further exploration and the summing-up of experiences by both parties.

The joint projects approved by China in the last year or so were mostly of medium or small



size. The joint ventures in operation have shown good results in production, technology and management. For instance, the Beijing Airline Catering Ltd., a joint venture between the Beijing branch of the Civil Aviation Administration of China and Xianggang (Hongkong) businessmen, which began operation last May, has utilized imported facilities and boosted its production by streamlining its labour organization, training workers, improving its management, diversifying its meals and improving its service. Its volume of business and profits have risen greatly. The joint Sino-French Wine Corporation, a joint venture by Tianjin and the French Remy-Martin Corporation, has brought the quality of its wine up to international standards since being put under joint management by utilizing imported facilities and technical know-how and improving its production process. The wine has been sold abroad. Joint ventures under construction are also making headway. For instance, the Xinjiang Tianshan Woollen Textile Company, a joint venture of the Xinjiang Urumqi Woollen Textile Mill and two Japanese and Xianggang (Hongkong) companies, has completed the construction of its new factory and is now installing machinery and equipment. Trial production is scheduled to begin in April.

It should be noted that the results of the undertakings, though initial, are encouraging. As far as joint venture enterprises and other forms of economic co-operation are concerned, China still lacks experience. In addition there is a difference in social systems and the economic management system in China is undergoing reform. As a consequence, we may face a host of problems on our road of advance. But I am sure through our joint efforts the economic co-operation between China and foreign investors will blossom and bear fruit.

### **Principles and Policies**

China will continue, in the present period of national economic readjustment as well as in future economic development, to pursue an open-door policy, draw upon foreign funds in a positive and prudent way, boost foreign trade, and develop economic and technical co-operation with all friendly countries.



**Chinese and foreign participants at the Hangzhou World Economy Symposium.**

There are many ways in utilizing foreign funds. We might accept loans, including medium or long-term loans from foreign governments or international financial agencies, export credit, commercial credit from private banks and the issue of corporate bonds in foreign countries. We might also develop economic or technical co-operation, including joint venture enterprises, joint management, joint exploitation, joint production, compensation trade and leasing. While drawing upon foreign funds, we shall at the same time import appropriate advanced technology and scientific management.

The principles and policies concerning China's absorption of foreign funds may be summed up as follows:

**(1) To pursue the principle of maintaining self-reliance while seeking foreign assistance as a supplementary means.**

China is a socialist country with a population of 1,000 million. So we must rely mainly upon ourselves, primarily on our own industrial foundation, technical force and domestic market to achieve the goal of the four modernizations while seeking all favourable external assistance possible. Our construction funds come mainly from our domestic accumulation. The amount of foreign funds to be drawn upon must be in line with our capability of absorption and of repayment. As regards the policy concerning technology, we shall, in accordance with our needs, import such advanced technologies as can be adapted for our use, assimilation or absorption. We welcome all foreign friends who are willing to invest in China and to co-operate in the fields of technology or economy in an amicable way. They will all have equal opportunities and equal treatment.

**(2) To abide by the principle of equality and mutual benefit, and ensure the rights and interests of both sides.**

China has consistently adhered to the principle of equality and mutual benefit in its economic activities with foreign partners. In any agreement on economic or technical co-operation concluded with foreign partners, we will uphold our sovereignty and interests politically and economically. We will not accept any conditions of a political nature, nor any clause encroaching or infringing on our rights and interests. As stipulated in the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, joint venture enterprises must observe in all their activities the laws, decrees and relevant rules and regulations of the People's Republic of China. The said law also clearly stipulates that "The Chinese Government protects, by the legislation in force, the resources invested by a foreign participant in a joint venture and the profits due him pursuant to the agreements, contracts and articles of association authorized by the Chinese Government as well as his other lawful rights and interests." "The net profit which a foreign participant receives as his share after executing his obligations under the pertinent laws and agreements and contracts, the funds he receives at the time when the joint venture terminates or winds up its operation, and his other funds may be remitted abroad through the Bank of China in accordance with the foreign exchange regulations and in the currency or currencies specified in the contracts concerning the joint venture." "The wages, salaries or other legitimate income earned by a foreign worker or staff member of a joint venture, after payment of the personal income tax under the tax laws of the People's Republic of China, may be remitted abroad through the Bank of China in accordance with the foreign exchange regulations." The principles and policies mentioned above apply not only to joint venture enterprises, but also to other forms of economic co-operation.

Some foreign investors are worried that their investments in China might be requisitioned or even confiscated in the future. To this, China's state leaders have declared expressly on many occasions foreign investments are not subject to confiscation or requisition. With a view to legally safeguarding the interests of the foreign investors, the Chinese Government has concluded an agreement on investment insurance and guarantees with the Government of the United States. Now we are conducting talks with the Government of the Federal Republic of Germany on the conclusion of an agreement for investment protection.

Similar consultations are also taking place with Canada, Japan, Sweden, Switzerland, and France on agreements of this kind. We shall also hold consultations with a number of countries on agreements for offsetting or exempting taxation.

Other foreign investors are concerned about the inadequacy of China's economic laws and about the possibility of constant changes in Chinese policies. These worries are unnecessary. As regards the enactment of economic laws relevant to foreign investments, they are indeed inadequate at present, and people at home and abroad are looking forward to an early promulgation of relevant economic laws and regulations. The Chinese Government is paying a great deal of attention to this matter.

In fact, some laws and regulations have been promulgated in the last year or so. They include the Income Tax Law Concerning Joint Ventures With Chinese and Foreign Investment, Personal Income Tax Law, the detailed rules and regulations for the implementation of the two said laws, Provisional Regulations on Foreign Exchange Control, Regulations on the Registration of Joint Ventures Using Chinese and Foreign Investment, Regulations on Labour Management in Joint Ventures Using Chinese and Foreign Investment, Regulations on Special Economic Zones in Guangdong Province and Interim Regulations Concerning the Control of the Resident Offices of Foreign Enterprises. There are also other economic stipulations, such as Regulations on the Implementation of the Law on Joint Ventures Using Chinese and Foreign Investment, which are under study or being drafted.

These laws and stipulations will embody the principle of equality and mutual benefit for both Chinese and foreign partners and help clarify for the foreign investors some points on relevant policies. Pending the promulgation of certain stipulations, both the Chinese side and the foreign side, however, may go ahead with their negotiations for their particular project on the basis of the principle of equality and mutual benefit and in the light of concrete conditions, and embody the stipulations in related contracts and articles of association. The contracts and articles of association thus achieved will go into force, subject to the approval of the Chinese Government.

**(3) To create favourable conditions for foreign investors.**

Much work has been done by the Chinese Government to provide favourable conditions

for foreign investments. With a view to expediting the development of economic co-operation abroad and the absorption of foreign funds in Guangdong and Fujian Provinces, the State Council has approved the establishment of special economic zones within the three cities of Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province. In the special zones, foreign enterprises and individuals, overseas Chinese, compatriots in Xianggang (Hongkong) and Aomen (Macao) and their companies and enterprises are encouraged to invest or establish as joint ventures with our side items of industry, agriculture, commercial undertaking, tourism, housing and service trade. The special zones are creating a better environment for investment by providing various public facilities such as roads, wharves, communications, water and power supply as well as land-levelling. There are also preferential rates for customs duties, land rent and income tax.

Take the Shenzhen Special Economic Zone for an example. There, an area of 98 square kilometres has been designated for planned construction, including an industrial district, a business district, a tourist district and a residence district. Industrialists and businessmen from as many as 33 countries and regions have come in for talks on possible investments. Up to the beginning of 1981, 490 enterprises have been established.

To meet the needs of transport for the growing foreign economic activities and trade, we are extending the port facilities of Qinhuangdao and constructing a new port of Shijiusuo in Shandong Province. Measures have also been taken to raise the loading and unloading capacity in the ports of Shanghai, Tianjin and Huangpu. In recent years we have built and are building a large number of hydroelectric and thermal power stations to meet the power shortages in the country. There are now 61 hydroelectric or thermal power stations of big or medium size under construction.

As China has a vast expanse of area and suffered from an inadequate investment in transport facilities, communications, energy supplies and urban infrastructure construction in the past, it is therefore very difficult for some places to resolve all their problems in a short time. We will have to tackle them one after another on a priority basis, keeping in mind our needs and our ability to meet these needs.

To expedite the utilization of foreign funds and the co-operation of foreign investors with interested regions, sectors or enter-

prises of China for short-term or long-term joint ventures or joint production, as well as consultant service, the State Council has set up the China International Trust and Investment Corporation so as to develop economic co-operation with foreign investors. By the same token, trust and investment corporations have also been set up in certain provinces and cities.

**(4) To emphasize the economic results and guarantee repayment and equitable profits.**

When we bring in funds from abroad, we stress consistently that we will "abide by contracts signed and promises made." We must not only be sure of repaying borrowed funds, but also see to it that equitable profits are meted out for investors. With this in view, we must not overreach ourselves and must pay attention to fully developing the economic results of investments involved when utilizing loans, importing technology and equipment and running joint venture enterprises. With our past lessons in mind, we are making it a rule that before we agree to a specific project, we must carefully examine the project, carry out the necessary feasibility study and make an overall assessment. That is to say, we must take into account the availability of raw materials, energy sources and transport, and make arrangements for the marketing of the project's products, the organization of the required designing and construction personnel, the ancillary parts of equipment, personnel training and managerial skills. All these must be brought under the state plan.

We must see to it that the conditions are ready for actual construction and production, so that the project can be completed and commissioned on schedule, and that the products will be competitive in both quality and costs, and readily accessible to international markets. Within a specified period of time, every project must have good earnings capable of covering the repayment of the principal plus interest of the loans involved and equitable profits.

Thus, our projects using foreign funds fall into two categories: the first includes large-scale projects, requiring protracted construction, with low earnings or no foreign exchange earnings, such as port construction, railways, communications, power stations, farming, forestry, water conservancy and educational facilities. As much as possible projects in this category will be undertaken using long-term and low-interest or interest-free loans with the Chinese Government's guarantee of repayment. Emphasis must also be put on their economic results. The other category includes projects of smaller scale re-

quiring a shorter construction period, or projects of scale, which require protracted construction, yet yield good earnings or foreign exchange earnings, such as oil prospecting and exploitation, coal mines, machinery and chemical plants, light industry and the tourist industry. The absorption of foreign funds, no matter what its form may be, must be made on the basis of responsible borrowing and using earnings for repayment. This means that both repayment and payment of profits have to come from the earnings of the project.

Part of the products of joint ventures must be for export, so that foreign exchange earnings can cover the payment for imported materials, foreign investor's profits and the salaries for foreign personnel, thus achieving a balance of payments in foreign exchange for the joint enterprise concerned.

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### **Priorities in the Utilization of Foreign Funds**

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China is now in a period of national economic readjustment. In our economic activities with foreign countries and enterprises, we will pursue an energetic and prudent policy which will be beneficial to the readjustment of our national economy. Absorbing foreign funds, importing technology, and running joint ventures must not overreach our resources. They must be done progressively, contributing to correcting the disproportions in our current national economy and to strengthening its weak links.

Right now certain sectors of the national economy are weak links. Energy lags behind demand; communications and transport facilities are insufficient; farming, forestry, animal husbandry and fishery are not adequately developed. Also in short supply are consumer goods and materials for construction and packaging, urban infrastructure and public utilities (water, electricity, gas, telecommunications and roads). China has a sizeable foundation for its iron and steel, non-ferrous metals, machine-building and chemical industries, but many old enterprises need technical renovation and transformation. In the late 1970s, China imported a number of large-scale projects, i.e., iron and steel complexes and chemical plants, and launched too many projects at home, overtaxing the nation's financial resources. As a consequence, we have had to defer or stop a number of projects. In the early 1980s, the priorities for using foreign funds will be:

(1) The exploration of energy sources of petroleum, coal and electricity;

(2) The construction of railways, ports, telecommunications, building materials and the infrastructure in urban and industrial zones;

(3) The small and medium-sized projects, requiring small investments but bringing quick economic results to help expand exports and increase foreign exchange earnings, such as in light, textile, chemical, metallurgical, machine-building, electronics industries and tourism;

(4) Technical transformation of existing enterprises;

(5) Some ongoing projects to be deferred or stopped owing to a lack of funds.

Before 1985, we shall try to reduce the number of new projects. Our efforts shall be concentrated on economically reorganizing the more than 300,000 industrial enterprises along the lines of specialization and co-ordination, of which the better equipped ones will undergo technical transformation and equipment updating, with a view to fully raising their potential productive capacity. Quite a number of foreign friends visiting China maintain that China has a fairly good industrial foundation, and it is funds, technology and modern managerial expertise that are lacking. For some enterprises with their present factory buildings, equipment and personnel at their disposal, they only have to introduce advanced techniques and key equipment or improve their management. The quality of their products will soon go up, and their productivity and output will be doubled. Their profits will rise quickly.

We hope the foreign entrepreneurs interested in investing in China will consider the above-mentioned enterprises in the forms of joint venture, joint production, compensation trade or equipment leasing. In 1982, the United Nations Industrial Development Organization will hold in Beijing a conference to promote investment in China. Prior to the conference we shall give a list of proposed projects inviting foreign investment for the reference of prospective foreign investors. We also hope foreign economists, managerial and technological experts can advise us on questions of economic development, economic management and technology. Great and promising prospects for co-operating with China exist for our foreign friends in these areas.

*(A slightly abridged translation.  
Subheads are ours.)*

# China's Financial Relations With Foreign Countries

by Bu Ming

**China will continue to strengthen its bilateral and multilateral relations with foreign banks, insurance companies and other financial organizations to expand international banking businesses and to carry out co-operation in joint ventures, mutual placing of deposits, leasing, trust businesses, etc. The prospects for co-operation are quite bright.**

WITH the birth of the People's Republic, China began her socialist construction on a poor and backward foundation. After 31 years of arduous efforts, we have achieved some initial progress in developing agriculture and industry, and in raising our people's standard of living.

Banking and finance have played an important role in this developmental process. Soon after liberation, we transformed privately owned banks and liquidated foreign banks, depriving them of their special privileges. A new banking system was set up with the People's Bank of China at its centre. The circulation of foreign currencies was banned, inflation checked and the position of Renminbi secured as the legal tender. The exchange rates of Renminbi against foreign currencies were set independently. Foreign exchange was put under centralized control and unified state management. The Bank of China was designated as a specialized bank of international banking. All this not only ensured the rehabilitation and development of our national economy, but created favourable conditions for opening up financial relations with foreign countries.

Our international financial relations expanded along with the growth of economic and trade ties with foreign countries. But after 1957 "Left" ideas in guiding economic construction resulted in many setbacks in economic development. Particularly disruptive were the activi-



ties of the Lin Biao clique and the gang of four. As a result, our external financial relations did not develop to the extent that they should have.

After the downfall of the gang of four, we set the great goal of turning China into a modern, powerful socialist country. Because of a shortage of funds and low level of technology and business administration, we have pursued an open-door economic policy on the basis of self-reliance, mutual benefit and equality. In developing financial relations with foreign countries, we strengthened the organizational leadership, utilized foreign funds with enthusiasm and discretion, introduced advanced technology from abroad and expanded international financial co-operation so as to speed up China's economic development and realize our modernization programmes.

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## A Good Beginning

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Now I will briefly recount the main features of our international financial relations over the last two years:

1. Promoting international financial relations by strengthening the organizational leadership and issuing related regulations.

During the past two years, the State Council of the People's Republic of China has established the State Administrative Commission on Import and Export Affairs and the Foreign Investment Commission. The former organization is responsible for the overall supervision of foreign trade and the latter is in charge of overseeing foreign investments in

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*The author is Chairman of Board of Directors and President of the Bank of China.*

China. In addition, the State General Administration of Exchange Control was set up to exercise control over foreign exchange and the China International Trust and Investment Corporation to handle joint ventures with foreign investors.

To bring the role of the Bank of China into full play, the State Council restructured the Bank of China, designating it as a socialist state enterprise which specializes in international banking, and placing the bank under its direct leadership. Meanwhile, the Bank of China's capital was increased from RMB 400 million yuan to RMB 1,000 million yuan.

In line with the development of our economic, trade and financial ties with foreign countries, we increased our domestic branch offices to 114 by the end of 1980. The number of overseas offices has rapidly risen to 207, with 196 in Xianggang (Hongkong) and Aomen (Macao), six in Singapore, three in the United Kingdom and one in Luxembourg. Our Tokyo representative office has been established, and preparatory work for setting up a branch in New York and a representative office in Paris is currently under way.

Our government has encouraged the development of insurance business. Its foreign transactions are on the increase and we have now nine insurance firms abroad. International trust and investment corporations have been established in major Chinese cities to handle local business.

China has promulgated some laws and regulations to facilitate international co-operation. More regulations will be issued on the principle of mutual benefit and equality.

2. Utilizing foreign funds with enthusiasm and discretion, introducing advanced technology and thus speeding up the modernization process.

In recent years, we have signed a series of credit agreements with the United Kingdom, France, Japan, Italy, the Federal Republic of Germany, Sweden, Canada, Norway, Australia, Belgium and Argentina. In addition, our relations with U.S. banks are growing quickly.

In utilizing foreign funds, we adhere to the following principles:

— The prime consideration is the economic effectiveness the loan will provide. We first study whether the project is feasible. And then

we synchronize the project's financing, technology and business management.

— According to our country's specific conditions, we mainly make use of low-interest or interest-free loans from foreign governments or international monetary organizations, and some buyer's credits.

— The loans are granted on the basis of mutual benefit and equality, are not detrimental to our sovereignty and conform to international practice.

— We accept foreign loans according to our ability to repay. We respect our commitments and credibility.

We have made a good beginning in our financial co-operation with other countries.

3. Restoring our representation in the International Monetary Fund (I.M.F.) and the World Bank and extending our contact and co-operation with the world financial community.

China is one of the founding members of the I.M.F. and the World Bank but it was unable to exercise its representative power for 31 years for reasons well known to us all. In March and April last year, we negotiated separately with representatives of the two organizations for the restoration of the representative power of the People's Republic of China in the I.M.F. and the World Bank. Thanks to the joint efforts of the parties concerned, agreements were reached after only one negotiation. With the warm support of many friendly countries, China's representation was quickly restored. Later, China appointed governors and alternate governors to these two organizations and successfully resolved the issues of increasing China's quota in the I.M.F. and subscription to the World Bank. China has appointed executive directors and deputy executive directors to the two organizations after its request for appointing an extra executive director was accepted. Last year, the People's Republic of China delegation attended the annual meetings of the I.M.F. and the World Bank for the first time in their history.

With the great changes in the world's political and economic situation, the world monetary system built on the Bretton Woods Agreement in 1944 has been outdated and needs to be reformed so that a just and fair new world monetary system will be established soon enough to facilitate the expansion of interna-

tional economy and trade. Of course, this can be done only by full consultation among the member countries.

As a developing socialist country, China is ready to work in close co-operation with other member countries in these two organizations. We wish to learn about their good experiences, to enhance friendship and mutual understanding and to carry out joint efforts. We hope the two organizations will further play an important role in helping the developing countries.

China will exercise its right and fulfil its obligations according to the charters of the I.M.F. and the World Bank.

The Bank of China has established corresponding relations with 2,735 branches of 1,033 banks in 144 countries and regions. The People's Insurance Company of China has established reinsurance relationship with more than 900 insurance companies of 120 countries. The China International Trust and Investment Corporation has business ties with financial institutions in many countries. What is more, in Xianggang the Bank of China has jointly run two financial corporations with banks of the United States and Japan. A joint-stock company has been established by the People's Insurance Company of China and a U.S. insurance company.

The Bank of China has taken part in an international loan consortium and subscribed for bonds issued by some foreign financial institutions.

In addition, China has approved the applications of 11 foreign banks and three insurance companies to establish representative offices in Beijing. These banks and companies are from Japan, the United States, France, the United Kingdom and Italy.

We believe our activities in the field of international finance will lead to closer economic and trade co-operation between China and other countries.

### **Bright Prospects for Co-operation**

Since 1979 we have carried out a policy of readjusting, restructuring, consolidating and improving the national economy. Some initial results have been achieved in the past two years. And beginning this year, we are further readjusting our national economy, especially cutting down on investments in capital construc-

tion. This is not only aimed at resolving the current problem of imbalance between different branches of the national economy and removing potential risks; it is of still more positive significance. It guarantees that we will be able to plan the development of the entire national economy in light of real conditions, doing what is possible and putting accent on practical results. As a result, our socialist modernization will develop in a more healthy way. In this sense, the policy of readjustment is a positive one.

Our work in international banking must serve the needs of restructuring our national economy. The following two points should be emphasized:

1) During the period of readjustment, rearrangements may have to be made for some contracts relating to technical co-operation with foreign countries and the importing of technology and equipment. But our policy of utilizing foreign funds will not change.

We will continue to strengthen bilateral and multilateral relations with foreign banks, insurance companies, banking and other financial organizations to expand international banking business and to carry out extensive co-operation in such areas as joint ventures, mutual placing of deposits, leasing, trust businesses and reinsurance. We are sure that through the readjustment of our national economy, we can make use of foreign funds on a sounder basis.

2) It has been our consistent policy to respect contracts and our commitments and to protect the legitimate interests of the beneficiaries. This practice was continued even in the decade of turmoil. We have never delayed payment or defaulted. Our country has a reputation for high credibility. We are prudent in making use of foreign funds and in importing technology and equipment. We never go beyond our ability to pay. In addition, we have a stable political situation, rich natural resources and our people are united. So, judging by objective or subjective factors, we are fully capable of sustaining our country's credibility.

Our people are full of confidence as they are marching with one mind towards the great goal of socialist modernization. The prospects are bright for our economic construction and for financial co-operation with other countries.

*(A slightly abridged translation. Subheads are ours.)*

# Appraising the Dazhai Brigade

by Zhou Jinhua

*Many readers have written in asking about Dazhai Production Brigade. They ask: What has happened to Dazhai? Why isn't the slogan "In agriculture, learn from Dazhai" heard any more? And how, exactly, should Dazhai be appraised? Questions like these were answered briefly in our issue No. 8. The present article deals more fully with the famous Dazhai Brigade of Shanxi Province. — Ed.*

**I**N 1964, Chairman Mao Zedong issued the call "In agriculture, learn from Dazhai" and *Beijing Review* carried many articles and features about this brigade, as well as fully covering the two national conferences convened to learn from Dazhai. But in the last three years some of the brigade's claims to fame during the disastrous decade known as the "cultural revolution" have come to be questioned by the public. Its claims and assertions came under review during the countrywide criticism of the "Left"-deviationist line and in summing up China's 30 years of economic construction. It has been found that Dazhai's original image, Dazhai's experience, for many years had been twisted, manipulated, exaggerated and misrepresented to serve an erroneous political line.

First, let us take a brief look at the Dazhai Brigade before 1966.

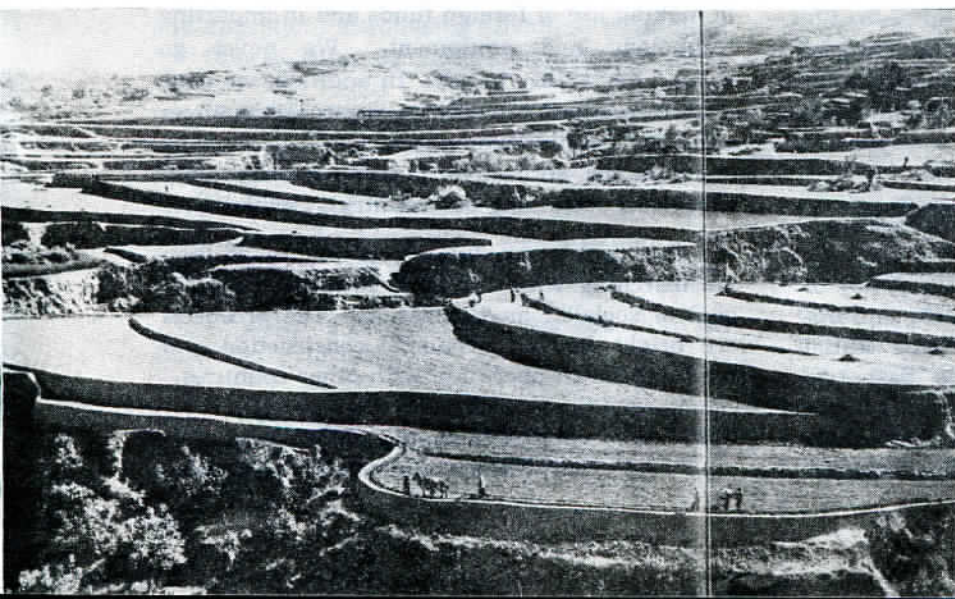
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## Dazhai Before the Disastrous Decade

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The Dazhai Production Brigade is a small

Terraced fields of Dazhai.



mountain village some 400 kilometres southwest of Beijing in Xiyang County, Shanxi Province. The village had 83 households and about 50 hectares of land. The terrain was rocky, mountainous and badly eroded. Most of the cultivated land lay scattered down in the many gulches and on the sides of the ridges. After their liberation in 1945, the villagers began to team up and work collectively. Bit by bit the collective turned the poor, fragmented plots into larger fields giving higher and higher yields.

Life in the mountain village improved, despite inclement weather, and the collective's lack of funds, tools and fertilizer. The land and villagers were poor, but the people had good leadership, the will to overcome difficulties and failures and the determination to improve their land and life by their own hard work. For example, a big flood in 1963 destroyed their terraced fields, built after a decade of unremitting hard work. Their crops went under and nearly all of the village's cave-homes collapsed. However, the Dazhai people did not lose heart. The disaster united them more closely around the Party branch leadership of Dazhai. The men, women and children of Dazhai went about rebuilding their fields and homes, instead of giving in to despair. In the daytime, they repaired the shattered terraced fields, righted the fallen maize plants and planted again. At night, they quarried stone and made bricks to put up new houses.

The government sent in relief material, food, and money, but the people of Dazhai said they could manage. Let others have them, they said, others probably needed them more than we. The Dazhai people repeated this each time relief material was distributed. It was a proud battle-cry.

That year, a good harvest was gathered, despite the devastating flood. The amount of grain handed over to the state as agricultural tax, reserved by the collective



for seed and distributed to the peasants as part of their income was as much as in a normal year.

That was in 1963. China then was just emerging from the three long, lean years of 1960-62. The Party saw what the spirit of self-reliance and hard struggle Dazhai showed could do. In 1964, Chairman Mao Zedong issued the call "In agriculture, learn from Dazhai." Premier Zhou Enlai summed up what made Dazhai worth learning from: its principle of putting stress on ideology and political work, its spirit of self-reliance and hard struggle, and its communist style of loving the state and the collective.

A movement to learn from Dazhai was launched in 1964 throughout the countryside. The movement unfolded healthily in the first two years. Shanxi Province, where the Dazhai Brigade is, planned and began building two million hectares of Dazhai-type land to get high, stable yields. Communes, brigades and teams throughout the country emulated Dazhai. The people worked hard and unselfishly for the collective, fought tenaciously against bad weather and poor soil and set about fundamentally changing their land and their lives by their own efforts.

When the "cultural revolution" broke out in 1966, the content of the movement to learn from Dazhai underwent a rapid change.

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### Going Astray

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At that time a "Left"-deviationist line appeared and spread throughout the country. Veteran cadres and other leaders everywhere were driven from their posts and persecuted, charged with carrying out a "Right-opportunist line." They were accused of being "capitalist roaders" and hounded, some of them to death. Party policies were baselessly labelled "revisionist" and abandoned, to be replaced by various pseudo-revolutionary policies. The Party branch secretary of Dazhai Brigade saw which way the wind was blowing and went about turning the brigade into a model to propagate this erroneous line. In 1967, together with some others, he seized power at the county level. He rose rapidly to become a leading member of the province. The line implemented in the brigade came to dominate in the county and then in the province. The three basic experiences summed up for Dazhai by the late Premier were abandoned and the brigade's original fine attributes were distorted to fit the times. Various "advanced experiences" were attributed to the Da-

zhai Brigade and Xiyang County which the country was urged to emulate.

Take the spirit of self-reliance, for example. It was widely publicized that Dazhai never accepted any aid from the state. "It had built itself up." Not so. Between 1967 and 1977, the brigade got from the state 840,000 yuan, either in cash or in materials. The tiny village of Dazhai not only received enormous help in the form of material, funds and manpower from the state and various departments, but had also at times sought assistance. For instance, seven out of Dazhai's eight water-conservancy projects were built with state investments and had help in manpower from other brigades, communes and People's Liberation Army units as well as office workers. Money, machinery and dynamite for the building of its sprinkler irrigation system, transport-cableways and man-made plains and for research were all provided by the state and departments concerned. As more and more aid was poured in, there was less and less of the spirit of self-reliance, and wasteful projects were started.

It is not unusual for the state and other departments to give help, but to falsely claim that no help at all was received and to create a "model" with funds and material and then expect others to emulate without the same access to funds and material is downright dishonest. Moreover, such a model cannot be very persuasive. But that was what the Party secretary of the Dazhai Brigade did, of course, with the connivance of certain superiors and it was sold to the country by the media in the hands of Lin Biao and the gang of four.

The whole thing gradually grew into a put-up job after 1966. Take the single case of diverting the waters of the Xiaohe River in the west to water the fields of Xiyang County in the east. Five years and 50 million yuan and hundreds of thousands of man-days went into the project. It would have taken several more years to complete and a further 50 million yuan of investments. When finished it would have only benefited 6,000 hectares of land in Xiyang County and deprived 11,000 hectares in neighbouring counties of water. It is wasteful to say the least and extremely selfish of Xiyang to benefit at the expense of others. That was not the Dazhai of earlier days when it unselfishly passed on help and material assistance to its neighbours and relied on itself.

This sort of duplicity grew more blatant and outrageous with time. Take the case of the reported grain harvests for the county. From



A Shanxi Province's commune implementing the principle of distribution according to work.

1973 to 1977 output for the county dropped each year. Yet the county padded its figures and reported that its output went up by 24 per cent during that period. Worse, no one was allowed to tell the truth, nor so much as even to question it, unless he wanted to be accused of "denigrating the national model" and to suffer all the political consequences that went with that charge.

During those years, members of the Dazhai Brigade worked long and hard and were happy to be members of a nationally renowned farming unit, but at the same time they were disturbed by the distortion of their deeds. But what could they do? They were under tremendous pressure to live up to their model image. The press and radio day in and day out proclaimed that their unit was the national model and the political climate in those days lent itself to falsifying figures and exaggerated reporting.

### Major Errors

Dazhai Brigade and Xiyang County have summed up four major "Left" mistakes they had made to promote the "Left"-deviationist line during that confused decade. They are as follows:

(1) The artificial and continual creation of "class enemies," with the result that the scope of the class struggle was being continually enlarged. The county Party secretary then in charge declared that it was "in his nature to

carry out struggle, to struggle and struggle without end." The category of class enemy was enlarged to include leading Party and government cadres at all levels. They were branded as "counter-revolutionaries," "revisionists," "class enemies" and "targets of the class struggle", and were ruthlessly struggled against. Even ordinary commune members were denounced and publicly humiliated for such trifling matters as wearing a pair of shoes a little fancier than those of others. The whole of China was then in the grip of a "Left"-deviationist line and Dazhai, being a "model," just had to be better at this than others.

(2) Continually distorting the relations of production. After the people's communes were set up in 1958, a three-tier system of ownership prevailed in the countryside — the commune, the production brigade and the production team, with the last as the basic accounting unit, which directly organized production and distribution.

To change this structure, making the production brigade the basic accounting unit and then the commune, requires time and only when the level of production has attained a certain level can it be effected. It is an objective law of development. But the county Party committee secretary arbitrarily called for "moving on" to the next stage, without the brigades attaining the necessary minimum level of production.

(3) Continually depriving the collective economy at this stage of development of its necessary, complementary supplement — plots for personal needs and sideline occupations. During the "cultural revolution" the brigade and the county banned all domestic sidelines and proscribed the cultivation of small plots of land by the team members for personal needs. Actually, in doing this, they did not "cut any capitalist tails" as the "Left"-deviationist line claimed. What they did was to upset the whole rural economy, depriving the collective of its necessary supplement at this stage of development, holding back the development of the socialist economy and stopping the peasants from becoming more prosperous.

(4) Continually promoting egalitarianism and undermining the socialist principle of distribution according to work done. To present Dazhai as an "advanced and revolutionary model," the people in power fought to introduce an "absolute equality" system that people have described as a system of "approximate work-points." Essentially, it was "absolute equality"

in practice. It did not take into account the complexity or intensity of the task, the quality of work done or the amount. Team members were rewarded in work-points according to how many days a team member turned out for work and a team member's physical strength. And although at that time, there were many teams throughout the country which already had arrived at a workable system of management which took into account the quality and quantity of work a team member did and paid the team member by that, it was considered not "revolutionary" enough for self-proclaimed "revolutionaries" and these teams were forced to abandon their system of work-points and adopt Dazhai's. This actually deprived many team members of their rightful rewards. Those who worked harder and did better work were prevented from getting a little more than those who did less and not as well. This, of course, discouraged people from giving their best, so that productivity and the collective suffered. The essence of that "Dazhai system" was absolute egalitarianism.

But prior to 1978, this system stamped "revolutionary" was not fully understood and never repudiated, because for over a decade it was taboo even to question anything bearing the stamp of "Dazhai" or "model." For several years, each day, hundreds and thousands from all over the country arrived in Dazhai and Xiyang County to "learn." The media incessantly drummed it, declaring that this was the model everyone had to learn from. The model became something of a sacred cow. Dazhai became the model for the whole country. Education had to "learn from Dazhai," the medical world had to "learn from Dazhai," and the word "Dazhai" became almost synonymous with revolution. It became a fashionable fetish. The name of Dazhai was debased into a meaningless incantation.

### Profound Lessons

How should Dazhai be evaluated? And what about the movement to learn from Dazhai? After the Third Plenary Session of the 11th Party Central Committee in late 1978, a joint study group was sent to Dazhai by the provincial and other local authorities. Then in 1980 the Shanxi provincial Party committee was reorganized; cadres and people in the province held a series of discussions to examine and to sum up what exactly were the achievements and mistakes of the Dazhai Brigade and Xiyang County, and what lessons had to be drawn.

### Changes in Dazhai

EARLY last year the Dazhai Brigade scrapped its highly centralized management system in favour of management by the production teams. The brigade is now separated into three production teams. Members are paid according to the quality and quantity of work done. After the Party branch committee was reorganized in December, it summed up the year's work, and the present new system was introduced. If the individual members or groups of members of the team overfulfil targets, they get the extra output on top of the normal reward, and if they do not attain targets they have to make good the deficit.

Tractors, draught animals and large implements remain the property of the brigade.

While affirming that the production of grain is primary, the Party branch said that the past criticisms of diversifying the economy were wrong. This has now led to the establishment of various sideline occupations. Individuals are encouraged to raise rabbits, poultry and pigs.

It was pointed out that all blame for the "Leftist" mistakes in Shanxi's "Learn from Dazhai" movement rested with the provincial Party committee and no blame was attached to lower level Party committees or individuals.

The official opinion was that throughout the country the overwhelming majority of the advanced units in learning from Dazhai on the agricultural front had improved production and had accomplishments in farm capital construction. The overwhelming majority of the cadres and brigade members of Dazhai had made contributions to the development of agriculture. But, during the "cultural revolution," the good name of the brigade was exploited to serve as a "model" in agriculture for the "Left"-deviationist line.

The conclusion was that lessons had to be learnt in order to eradicate the influence of the "Leftist" line in rural work. The five major points summed up are as follows.

(1) Experiences of others should not be copied mechanically without reference to one's own conditions. China is a vast country. Natural conditions, production levels and farming practices differ widely from place to place, so it is impossible to impose the experiences of a single model for building up a mountainous district on all places. It is absurd and impermissible to force others to adopt one's experiences through administrative fiat.

**(2) Materialist dialectics must be upheld.**

Advanced models should never be elevated to the level of awe-inspiring sanctity. As if once a thing or a person is designated a "model," it or he is automatically always the "best," the "most advanced" in every respect. As a matter of principle, the achievements of an advanced model should be held up for others to study and emulate, but at the same time its shortcomings and mistakes, too, must be pointed out so that others can learn from it in a dialectical manner. It would also counter conceit and complacency, which would hold it back from continuing to make progress.

**(3) Production relations must match the level of the productive forces.**

Dazhai had reached the stage where it could and did switch to making the production brigade the basic accounting unit. That was all right. But the provincial Party committee tried to steam-roller other brigades in Shanxi province to follow suit regardless of their specific conditions. Later, the Dazhai model was forced upon the commune itself, making the commune the basic accounting unit. Then the provincial Party committee tried to make Xiyang County into the basic accounting unit. This was preposterous, as the level of the productive forces had not developed to that stage. This unrealistic and rash move to pitch the commune and then the county headlong into a higher stage, in total disregard of the actual stage of development of the productive forces, held back and hurt the productive forces in the countryside. It also stifled the enthusiasm of the peasants for production.

**(4) The scope of class struggle must not be arbitrarily enlarged.**

The 1956 Resolution of the Eighth National Congress of the Communist Party of China had clearly pointed out that "the history of the system of class exploitation, which lasted for several thousand years in our country, has on the whole been brought to an end," and that the chief task facing the Party was to energetically develop the social productive forces. But during the "cultural revolution" of 1966-76, the struggle between two classes and two lines was proclaimed to be the current major contradiction in society. The "Learn from Dazhai" movement began to be coupled with political movements and anyone who was not in complete accord with it was made "a target of the class struggle." Persecution of many cadres and commune members followed, with disastrous results in Xiyang County and throughout Shanxi Province.

**(5) There must be a correct appraisal of the peasants as a class.** There must be a realistic appraisal of the peasants as a class. The political consciousness of this class has improved tremendously after liberation through the peasants participating in the land reform of the early 50s and the subsequent collectivization. But the peasants have a long tradition as small producers and this must not be overlooked. A correct appraisal of their political consciousness must be coolly and objectively made. Their progress must not be over- nor under- estimated. It would be wrong to assume that after some years of socialist education, peasants could work heedless of material rewards and compensation.

At the same time, their interests must not be wilfully violated, such as arbitrarily switching the system of ownership without regard to the degree of development of the forces of production. Nor should their plots for personal needs be taken away and household sidelines proscribed or severely limited. Such things hold back rural economic developments. In essence, it is expropriating the peasants of their private property. Therefore, in order to effectively carry out Party policies in regard to work in the countryside, it is necessary to pay attention to the peasants' material interests. Simultaneously, efforts must be made to expand production and educate the peasants to combine their personal interests with those of the collective.

The lessons drawn by the Dazhai Brigade are applicable to the country as a whole and show that there really was a "Left"-deviationist line operating on the agricultural front, constituting the basic reason behind the slow growth of China's agriculture over a relatively long period.

Those years of being cited as the national model in all respects are gone. The cadres and the rank-and-file members of Dazhai have summed up their experiences, both the positive ones and the negative ones. They are recovering their fine style of work and traditions. Dazhai is becoming again its normal self and no longer a model far beyond the reach of other production brigades.

China has now entered a new era, when all efforts are being bent to bring about the realization of the four modernizations. The content of the programme is extremely far-ranging and cannot be encompassed or generalized by experiences gained by one single model in building up a mountain area. The slogan "In agriculture, learn from Dazhai" is no longer valid at this stage. □

## LITERATURE

## Great Writer Mao Dun

**M**AO Dun, who passed away on March 27, was one of China's most outstanding writers of the 20th century. His influence on modern Chinese literature was immense, comparable with that of writers Lu Xun and Guo Moruo.

Originally named Shen Yanbing, Mao Dun was the son of an enlightened doctor of traditional Chinese medicine. His love of literature in part resulted from the influence of his mother, whose knowledge of ancient literature was quite extensive.

In January 1920 when he was 23 years old, Mao Dun published his first literary piece, "What Is the Duty of a Writer?" He was one of the founders of the Literary Research Society in 1921 and soon afterwards assumed the editorship of the monthly *Xiaoshuo Yuebao* (Stories). In these early endeavours, he called for a realistic new literature with a social purpose. He also introduced some examples of revolutionary literature from the Soviet Union and some oppressed European nations.

After the failure of the revolution of 1925-27, he wrote *Disillusion*, *Vacillation* and *Pursuit*, using for the first time the pen name of Mao Dun. These depicted the attitude of petty-bourgeois intellectuals in the great revolutionary storms. They also reflected the author's pessimism about the prospects for revolu-



Mao Dun writing his memoirs in November 1980.

tion. He later changed this appraisal and when they were published as a trilogy under the title *Eclipse* in 1930, Mao Dun expressed the opinion that the setbacks of the revolution were temporary like an eclipse. The publication of this work propelled Mao Dun into the literary limelight and he was hailed one of the foremost novelists of the period.

Mao Dun reached his prime as a writer during the 30s, publishing his best-known novel, *Midnight*, in 1933. This work, in its depiction of a silk factory owner who fights against foreign competition and foreign-backed Chinese compradors on the one hand and the rising workers' movement on the other, analyses the profound social and class contradictions at that time and convincingly illustrates that there was no possibility for capitalist development in a semi-feudal and semi-colonial country like China. The title signifies the author's view that following the darkest time of the night, the dawn would break, i.e., the

revolution would once again rise. *Midnight* exemplifies the author's great literary abilities and his sense of revolutionary reality. It became an extremely influential work in the development of modern Chinese literature and earned Mao Dun a great reputation both at home and abroad.

During this period, Mao Dun stood with Lu Xun, China's standard-bearer of modern literature, to oppose the Kuomintang government's "annihilation campaign" against revolutionary literature. They wrote many indictments exposing Chiang Kai-shek's betrayal and popularizing revolutionary literature.

In the 40s during the War of Resistance Against Japan and after its victory, Mao Dun travelled extensively in China, while continuing to write, lecture on literature, edit magazines, and engage in other cultural work. When he visited Yanan (then centre of the Chinese revolution) in 1940, he lectured on his own views of literature and his writing experiences.

After liberation he was appointed China's first Minister of Culture. He remained a leading member of the Chinese Writers' Association and the China Federation of Literary and Art Circles until his death. His many administrative and public tasks during those years drastically curtailed his time for writing, though he did publish many literary critiques. Mao Dun also took time to help young writers.

In his last years, Mao Dun believed the Chinese literary cause, having experienced 10

years of chaos, was about to enter a new period of creative development. He supported the principles of literary democracy and letting a hundred flowers

changes in China, closely related to the people's liberation movement.

Recently made available were a selection of 73 articles written during his 60 years of writing career, a selection of his translated works and a study of Mao Dun by a Japanese scholar. The preparation work for a selection of Mao Dun's works in foreign editions is under way. In addition, a movie is being made of his novel *Midnight* and will include a scene of the author in his study a month before his death. Mao Dun donated Renminbi 250,000 yuan to the Chinese Writers' Association before he died to establish a fund for awarding the best novels every year as a way of encouraging novelists.

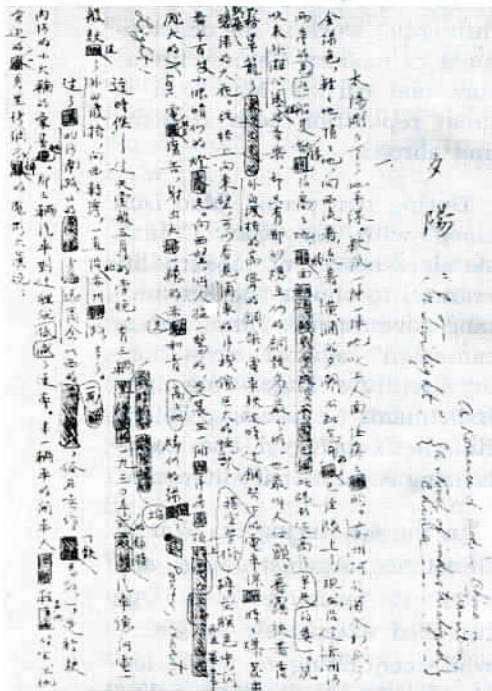
As the nation pauses to pay tribute to this great man, many writers and poets, some in their 70s and 80s, are recalling the guidance. Many mention how Mao Dun helped them regain hope after their works had been wrongly evaluated.

Mao Dun sought progress all his life. His achievements show that he was a worthy Marxist and a true Communist.

This increase was due to higher incomes resulting from the new rural economic policies, as well as to gradually rising literacy among the rural population.

Publications distributed in rural areas today are written for a broad and diverse population which includes peasants and local cadres, as well as teachers, doctors, peasant technicians, newly settled educated youth and workers in rural industrial enterprises. Demand is high for books on agricultural science and mechanization, self-instruction publications and literary and cultural works. In addition, rural inhabitants are buying more books on politics, economic policy, management and ideological education.

Publishers from throughout the nation meeting last month in Beijing agreed that not enough books are being printed for the needs of China's 800 million peasants. They called on all publishing houses to expand work on books needed in the countryside and to reduce the prices of books that sell well among the rural population. The publishers also proposed that more should be done to ensure better distribution of books among the peasants, including more bulk deliveries, advance-order sales and mobile libraries.



Original manuscript of "Midnight" (initially entitled "In Twilight").

blossom and a hundred schools of thought contend and emphasized that "life is the source of literature" and to establish the proletarian world outlook is the life-long task of the revolutionary writers.

Mao Dun left behind a treasure house of creations. In his lifetime, he wrote six novels, six novelettes and more than 50 short stories. He published more than a dozen volumes of essays, and a play script, translated more than 20 pieces of foreign literature and wrote annotations for some Chinese classics. He also left an unfinished autobiography which is now in the process of being published. His works reflect great social

## PUBLICATIONS

### Peasants Buy More Books

One-third of the 4,400 million books printed in China last year, under 20,000 titles, were sold in rural areas. Each person in the countryside spent on the average 55 cents (RMB) on books in 1980, up from 33 cents in 1978.



### A Glorious Tradition

#### A History of Chinese Literature

《中国文学史》

Edited by You Guoen, Wang Qi,  
Xiao Difei, Ji Zhenhuai and  
Fei Zhengang;

Published by the People's Lit-  
erature Publishing House;

Renminbi: Vol. 1, 0.81 yuan;  
Vol. 2, 0.60 yuan;  
Vol. 3, 0.68 yuan;  
Vol. 4, 1.00 yuan.

Comprehensive, high quality and readable, *A History of Chinese Literature* (in Chinese) became a widely used college text



as soon as it was reissued in 1979. In four volumes, it covers the main writers and works in China's long literary history. Prepared with great care, it is rich in material and broad in scope.

By adopting a chronological approach, it treats the topic in a much more historical fashion than other volumes on Chinese literature. It is divided into nine sections beginning with the earliest myths. In the first section, special attention is given to *The Book of Songs*—the first collections of poems written in the Spring and Autumn Period (770-476 B.C.)—and to China's

first great poet, Qu Yuan (340-277 B.C.).

The literature of the Sui, Tang and Five Dynasties period (518-978) is elaborated upon in great detail. The entirety of volume two, in all 236 pages—almost 100 pages more than is devoted to any other section—describes the great literary achievements of these times, including the golden age of Chinese poetry during the Tang Dynasty. Of particular interest here is the appraisal of the renowned poets, Li Bai (701-762) and Du Fu (712-770). This work provides a very useful account of the impact of Li Bai's and Du Fu's writings on the authors of later times.

The last section on the origins of modern literature is quite extensive in its coverage. In its study of the literary developments between 1840 and 1919, *A History of Chinese Literature* bridges the divide between China's feudal and contemporary literature.

Several features of this work render it of particular value to the college students. Each section begins with a general introduction, which includes a discussion of the political and economic factors affecting the development of literature. At the conclusion of each section, usually numbering between 100 and 150 pages, there is a brief summary of the major features of the period. These introductory and concluding passages further serve to link the periods.

The major impetus for the reissuing of this collection came

from the Ministry of Education, which asked several prominent professors from all over the country to revamp their earlier version which had been published in 1963. You Guoen, an expert in classical literature who taught at the prestigious Beijing (Peking) University, was the chief editor and took special responsibility for the discussion of literature from pre-Qin Dynasty through the Han Dynasty. The chapters on the Sui, Tang and Five Dynasties' literature were overseen by Tang poetry specialist Xiao Difei from Shandong University. Wang Qi, a professor at the Zhongshan University in Guangzhou, collaborated with Professor Ji Zhenhuai in preparing the manuscript on the literary features of the Song, Yuan, Ming and Qing Dynasties. These authors worked closely together, as well as with other contributors, to assure that the text would be unified in style and content.

Except for the treatment of the novel, *Outlaws of the Marshes*, there are not any major revisions from the 1963 edition of this work. Its reappearance is at once an indication of its high academic quality and of the need for such a college text. The authors of this study are now contemplating to write a much more ambitious work on literature in a few years.

— Qi Zheng and Jian Chuan



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