

BEIJING REVIEW

北京周報

A CHINESE WEEKLY OF
NEWS AND VIEWS

- Party Leader on Xianggang and Taiwan Issues
- US Intervention in Central America
- Summer Harvest Up 10 Per Cent



LETTERS

China's Modernization Bound to Come

I retain my confidence that China will succeed in its programme of modernization because more and more the Party is basing itself on the realities of China and its people and broadening its base for future progress on these realities. This is especially true of its assessment of the ideological and spiritual level of the people in this stage of history. I would be the last to claim that the modernization will be achieved without mistakes, setbacks and even failures. These are to be expected. But Mao Zedong Thought teaches us that mistakes and setbacks can be overcome and failures can be turned into successes. In fact, this seems to be the order of the day in China.

I was very interested in the article "Standard of Living and Economic Construction" in issue No. 8 of this year, and particularly the section on the correct attitude towards intellectual workers now being pursued.

Steve Hiatt
Auckland, New Zealand

New Personality Cult?

The *Selected Works of Deng Xiaoping* was published recently.

It is reported that the Japanese edition of the book will come off the press soon. Deng Xiaoping visited Japan in 1978. I saw him on the TV and he left a deep impression on me. But, I have one worry: Will this engender a new personality cult as did the publication of *Quotations From Chairman Mao Zedong*? There also is much talk about this in Japanese newspapers. It was said that the Xinhua bookstores were crowded with people on the day when the *Selected Works of Deng Xiaoping* was published. I hope it has nothing to do with a "personality cult."

Akio Onishi
Kawasaki, Japan

Your worry is understandable. However, the publication of the "Selected Works of Deng Xiaoping" is not necessarily connected with "personality cult." Please read "A comeback of personality cult?" in our issue No. 32. It may be of some help to you. — Ed.

More Detailed Articles

I like most articles on political thought and theory. There are many such articles in newspapers in Spain and Europe. Articles in *Beijing Review* help me to acquire a correct understanding of facts that have been distorted by newspapers in Spain.

I am rather interested in some articles about life in "From the Chinese Press." One example is "Desert Transformed" (issue No. 16). I also like some of your features such as "Story of a Young Registration Policeman" (issue No. 21), "When Leaders or Professionals Refire" (issue No. 19), and "Shoudu Steel — A Success Story" (issue No. 15).

I like detailed articles that are not only ideologically valuable but can point out the advantages of socialism over capitalism. "After Visiting a Prisoner" (issue No. 21) is such an article. I hope you can print some detailed articles on trade unions and their functions in the development of the workers congresses as well as the advances in China's democracy. I also hope you will further explain the manifestations of the division between the Party and government. I also hope you will write more articles on Marxism. Lastly, I hope you publish a political and theoretical journal in Spanish.

Milio Martinez-Morala
Pumarín-Gijón, Spain

Reform of Written Language

Your Japanese edition printed the article "Continuously Promoting the Reform of Written Language" in issue No. 9. I am greatly inspired that the promotion of the use of *Putonghua* (Common Speech) has been written into your new Constitution. For a country with 56 nationalities and 70 different languages, it is indeed an urgent task in your drive for modernization. It reminds me my efforts to popularize standard Japanese in the rural areas of Kagoshima. A movement was launched in primary schools, junior and senior middle schools to learn standard Japanese. Now, it is used in every family. Of course, this cannot be separated from the development of such mass media as broadcasting and TV stations. I hope there will be such a national movement in your country.

Five years have elapsed since the second draft plan for simplified written Chinese characters was made known. When will these simplified characters be put into use? I am eagerly awaiting it.

Kenichiro Ii
Hyogo, Japan

All the Colours of the Rainbow

How does it feel like to be a worker, a manager, a Party secretary in Chinese factories in this period of industrial modernization? Manager Qiao and Manager Jin are two very different types, yet they know how to win the confidence of their men and get results.

Jiang Zilong, a veteran factory worker, knows the industrial scene intimately. His acute perceptions and ironical humour are a great treat to the readers.

Published by CHINESE LITERATURE
Distributed by CHINA PUBLICATIONS CENTRE (Guoji Shudian)
P.O. Box 399, Beijing, China

BEIJING REVIEW

Published every Monday by
BEIJING REVIEW
24 Baiwanzhuang Road, Beijing
The People's Republic of China

Vol. 26, No. 34 August 22, 1983

CONTENTS

LETTERS	
NOTES FROM THE EDITORS	4-5
US intervention in Central America	
New exchange rules benefit overseas investors	
EVENTS & TRENDS	6-10
Hu on Xianggang and Taiwan issues	
Vast net of justice catches KMT spies	
Rich summer grain harvest is expected	
Beijing plans to build new library	
Thai House delegation visits China	
Chinese membership in IAPF	
China to join atomic energy agency	
China, Philippines build power plants	
New tripartite railway pact signed	
Beijing issues ID cards to foreign businessmen	
INTERNATIONAL	11-14
Anti-Nuke Forum: China presents its views in Tokyo	
Chad: All foreign intervention should end	
Italy: Socialist prime minister's cabinet	
Arab Countries: Investments move to the East	
Sudan: A project to develop the south	
An Import Principle for Handling Relations Between Fraternal Parties (May 31, 1980) — Deng Xiaoping	15
Ronald Reagan's North-South Policy	16
Great Changes in Rural Shandong	21
Rules for the Implementation of Exchange Control Regulations	25
FROM THE CHINESE PRESS	28-29
CULTURE & SCIENCE	30
ART PAGE	31

Distributed by China Publications
Centre (GUOJI SHUDIAN),

P. O. Box 399, Beijing, China

Subscription prices (1 year):

Australia A. \$12.00 USA US\$13.00
New Zealand . . NZ. \$14.00 UK £6.80
Canada Can. \$15.00

HIGHLIGHTS OF THE WEEK

Hu Yaobang on Xianggang & Taiwan Issues

The Communist Party leader told visiting Japanese journalists that China had a complete set of policies to maintain Xianggang's prosperity. On the Taiwan issue, he said that Deng Xiaoping's recent talk with American professor Winston L.Y. Yang (see "Beijing Review," No. 32) expressed the agreed view of the Political Bureau of the CPC Central Committee (p. 6).

Dangerous US War Games in C. America

The escalation of US military intervention in Central America raises fears of a regional war and presents obstacles to the Contadora Group's peace efforts (p. 4).

Reagan's North-South Policy

The rigid stand of the Reagan administration towards the third world's just demands has obstructed the establishment of a new international economic order and has adversely affected North-South relations and international economic development generally (p. 16).

Deng Xiaoping on Fraternal Party Relations

The domestic policies and actions of any Communist Party can only be judged by the Party and the people of that particular country. But when it pursues a foreign policy of intervening in the internal affairs of other countries, of invading and subverting them, any other Party should have the right to criticize it (p. 15).

Summer Grain Harvest

China expects to harvest an estimated 82 million tons of summer grain, a 10 per cent increase over the 1982 output. Total industrial output value of the first half of this year registered an increase of 8.8 per cent over the same period of last year (p. 7).

Changes in Rural China

Important changes in farm output, peasant earnings and rural life in one of China's poorest areas since the adoption of the contract responsibility system in 1979 (p. 21).



Sichuan peasant Wan Yongxiu and her family harvest a bumper wheat crop.

Photo by Sun Zhongjing

NOTES FROM THE EDITORS

US intervention in Central America

People in many parts of the world, including Americans, have recently expressed their strong disapproval of the US Government's military involvement in Central America.

The statement of French Minister for External Relations Claude Cheysson during his recent Latin American tour reflected the views of a number of West European countries. Cheysson said that regional problems should be resolved within a regional context free from foreign interference and that France would refuse any proposal that would draw Central America into the East-West conflict. However, Washington stubbornly insists that its hard-line policy will produce results.

As if to prove that gunboat diplomacy still works, the United States escalated its military intervention in Central America, just at the moment when the Contadora Group, comprising Colombia, Mexico, Panama and Venezuela, was making progress in its peace initiatives and signs appeared that the tensions could be defused.

At the end of last month, the foreign ministers of five Central American countries—Nicaragua, Costa Rica, El Salvador, Guatemala and Honduras—meeting in Panama City, indicated they were willing to accept and support the Cancun Declaration issued by the Presidents of the Contadora nations. The declaration included disarmament, the withdrawal of all foreign military advisers and a halt to arms trafficking.

Earlier, Nicaragua had offer-

ed a six-point peace plan and agreed to hold regional talks instead of bilateral talks with Honduras and the United States respectively. The plan also proposed a halt to arms supplies from other countries to the belligerent forces in El Salvador.

Cuba has pledged its support for the Contadora Group's efforts and favours a political solution to the issue. Furthermore, US special envoy Richard Stone has had contacts with Nicaragua and with a Salvadoran guerrilla leader.

However, US actions have shown that President Reagan's statement of strong support for the Contadora Group's initiatives is merely hollow words. The US naval exercises on both flanks of Nicaragua are actually a ring of encirclement around the country. This and the sporadic fighting that has broken out in the border area between Honduras and Nicaragua, make many fear that a regional conflagration may be ignited at any time while the US war games are in progress, notwithstanding Washington's professions that it is not planning a war there. The tension building up in the area presents a real obstacle to the peace initiatives of the four Contadora nations.

Washington hopes that its show of force will make Nicaragua and the Salvadoran guerrillas agree to a settlement of Central American problems in accordance with US interests. Using the old carrot-and-stick approach, Reagan has said that

the recently formed bipartisan national commission on Central America headed by Henry Kissinger would work out a long-term plan, like the Marshall Plan in Western Europe after World War II, to provide large quantities of aid for the development of the region once the hostilities there stop.

But an independent nation or a people striving for independence will not give in so easily to military pressure. Furthermore, what conforms to Washington's needs does not necessarily conform to the aspirations of the Central American people.

According to analysts in Washington, the root cause of the Central American upheaval is Cuban and Soviet infiltration into the area, and the way to deal with this is to eliminate their influence. Although it is true that the Soviet Union is eagerly looking for opportunities to expand, the reason the peoples in Central America are rebelling is because of the great economic disparity that exists under the oligarchic systems in their countries. If the United States insists on viewing the people's aspirations to change the ugly reality of poverty as Cuban-Soviet influence and takes further military actions to check Soviet expansion, the result will not strengthen the security of the United States but isolate it from most of the world. Such actions would not bring well-being to the people of the region, but rather disaster.

The United States has no right whatsoever to intervene in the internal affairs of other

countries, even under the pretext of safeguarding its national security, just because events are not to its liking. Times

have changed and gunboat diplomacy will no longer work.

— *International Editor*
Mu Youlin

New exchange rules benefit overseas investors

The State Administration of Exchange Control recently promulgated the Rules for the Implementation of Regulations Relating to Enterprises with Overseas Chinese Capital, Enterprises With Foreign Capital and Chinese and Foreign Joint Ventures (for full text see p. 25). These provide additional measures to protect the lawful interests of overseas investors in China.

In accordance with the peculiar nature of their business, the rules contain special provisions for enterprises with foreign investments engaging in the joint exploitation of China's offshore petroleum resources.

In addition to retaining their foreign exchange, these enterprises may deposit funds for independent exploration or joint oil development and production in banks located in foreign countries or in Xianggang (Hongkong) and Aomen (Macao). For the implementation of the petroleum operations specified in their contracts, they may pay directly outside of China wages, salaries, cost of procurements, various labour costs and service charges to foreign workers and staff members, foreign subcontractors and suppliers.

Foreign investors may either ship out or sell in China products they obtain as their share

of dividends. They may, after paying taxes and other levies, freely dispose of the proceeds in foreign exchange.

It has been China's long-term policy to encourage foreign businesses, overseas Chinese and compatriots from Xianggang and Aomen to invest in or operate joint ventures in China. In the four years between 1979 and 1982, US\$4,900 million in various forms of foreign investment have been committed to China; US\$1,700 million of which have already been put to use.

The latest agreement was concluded on August 6 in Beijing, when the China National Offshore Oil Corporation signed two contracts for co-operative petroleum exploration and development in two areas in the Zhujiang (Pearl) River estuary basin of the South China Sea with the US Occidental Petroleum Corporation and six other foreign companies.

China offers every support, service and convenience regarding foreign exchange controls to enterprises with overseas Chinese or foreign investments in China and to Chinese and foreign joint ventures. These enterprises are allowed to retain foreign exchange and open foreign exchange deposit accounts in China with Chinese banks. They may use their

foreign exchange earnings at their own discretion without being required to sell them to the Bank of China. Their normal foreign exchange expenditures may be paid from their foreign exchange deposit accounts. They may also borrow from China or other countries according to the needs of their business operations. Their net profits after taxes may be remitted abroad from their foreign exchange deposit accounts. Furthermore, if they need to transfer their foreign exchange capital from China, they may apply to make the remittances from their foreign exchange deposit accounts.

The Provisional Regulations for Exchange Control stipulate that staff members and workers from foreign countries and Xianggang and Aomen may remit or take abroad no more than 50 per cent of their net earnings after making tax payments according to law. This restriction also has been relaxed, in view of the fact that as some of these staff members and workers are working in China without their family members and some of them are stationed in their companies' foreign offices or working long hours at offshore oil rigs, they have no need to spend much money in China. They may remit their entire wages and other legitimate income after deducting taxes and living expenses in China.

The promulgation and coming into force of the new rules are expected to facilitate the implementation of China's policy for absorbing foreign funds and to be welcomed by overseas investors in China.

— *Economic Editor*
Wang Dacheng

Hu on Xianggang and Taiwan issues

Chinese Communist Party Central Committee General Secretary Hu Yaobang told a group of Japanese reporters in Beijing on August 15 that China is set to recover her sovereignty over Xianggang by 1997.

The present negotiations between China and Britain, he said, are confined to the ways of preserving Xianggang's prosperity and stability and the gradual transition from now to the time of recovery.

As to the maintenance of Xianggang's prosperity, "we have a complete set of policies," the Chinese Party leader declared.

On the Taiwan issue, Hu Yaobang said Deng Xiaoping's recent talk with American Professor Winston L.Y. Yang expressed the agreed view of the Political Bureau of the CPC Central Committee.

An earlier reunification of Taiwan and the mainland would mean more benefits to the Taiwan authorities, he stressed.

During a two-hour meeting in the Great Hall of the People with a delegation from the *Mainichi Shimbun* led by its director Taisuke Yamauchi, Hu Yaobang in a silver-grey Western suit talked about Sino-Japanese, Sino-Soviet and Sino-US relations.

Hu said, "We wish to see a steady development of Sino-Japanese relations, because that concerns the fundamental interests of our two peoples."

The bilateral relations have been fine on the whole during the past 11 years, he added. But

there is a question of increasing mutual trust in political and economic affairs and personnel exchange. "We have to remove misunderstandings and misgivings constantly. We are sincere and confident in this matter," he said.

Japanese guests said that people in Japan are concerned about the extent of the development of Sino-Soviet relations in the future. Hu Yaobang said: "We hope to normalize our relations with the Soviet Union. However, I think our two countries will eventually move towards normalization, which is in the interests of the two peoples and world peace as well."

Asked about Sino-US relations, Hu Yaobang said: "There is a tight knot between our two countries which is yet to be untied. That is the Taiwan issue. This question involves China's sovereignty and internal affairs. We will not compromise."

He said: "We give signals to the United States every year. It's a pity that the US leaders have bad ears." This remark brought forth a peel of laughter in the hall.

Hu Yaobang said that China is willing to develop friendly relations with the people of all countries including Japan, the Soviet Union, the United States, Britain and France, and learn from their useful experience. "On this matter, we shall not change," he added with a forceful gesture.

In Asia, he said, there still exist quite a few unstable factors, factors damaging peace and stability. "We are willing

to make joint efforts with the other Asian countries to eliminate these factors."

Qian Qichen, Chinese Vice-Minister of Foreign Affairs, was present on the occasion.

Vast net of justice catches KMT spies

Kuomintang spy Li Jiaqi and his accomplices Cai Ping and Qiu Yunmei who were arrested in February this year in Beijing (see our issue No. 17) were recently sentenced by the Beijing Municipal Intermediate People's Court to life imprisonment, three years and five years respectively in prison.

Public security organs in Tianjin, Liaoning, Shanghai and other places also have unearthed many other KMT spies and special agents.

Luo Chengxun, former editor-in-chief of the Xianggang (Hongkong) *New Evening Post*, was found guilty of spying for the US intelligence agency. He provided secret information about China's political, diplomatic and military affairs to a US intelligence agency from which he received funds for carrying out espionage activities. Luo was recently sentenced to 10 years in prison.

Tianjin's public security offices have cracked a KMT spy network, the "Tianjin working station," and arrested its head, Jiang Bingkun, and six other spies. Jiang was formerly a cadre in a cereal and edible oil management station in Tianjin. In 1981 when he went to Japan to visit his relatives, he was ap-

pointed head of the "Tianjin working station" by the Taiwan KMT intelligence organization. After he returned to China he recruited seven agents from Beijing, Tianjin and Shanghai and gathered information about China's political, economic and social situation for the KMT intelligence organization.

Two KMT spies from the Taiwan intelligence bureau were uncovered by the Liaoning provincial public security bureau at the end of June this year. Lu Defeng, one of them, was a spare-time school teacher at a factory in Dandong. He was recruited by the Taiwan secret service in 1982 when he went to Japan to visit his relatives. After he returned to China he frequently sent information to Taiwan at the request of the espionage agency. Li Yi, the other spy, was a casual worker in Anshan. He joined the secret service in 1981 when he went to Japan to visit his relatives. After he returned to Anshan, he sent information to Taiwan on five occasions. The two have made full confessions.

The staff of the Beijing municipal public security bureau said that they solved these

cases in close co-operation with the masses. "A dragnet was spread before the spies became aware of it. Although they are very cunning they cannot escape the vast net of justice," they said.

Rich summer grain harvest is expected

China expects the 1983 harvest to bring in about 82 million tons of summer grain crops (mainly wheat and barley), more than 10 per cent over the 1982 figure, said Xu Gang, Deputy Director of the State Statistical Bureau, at a recent press conference.

Increases were recorded in all of China's major wheat-producing areas. Hebei Province reported about a 40 per cent increase; Shandong Province, a 30 per cent hike; and Henan Province, more than 15 per cent.

This year's good harvest is attributable to enlarged areas of cultivation (by 866,000 hectares over 1982, reaching 30 million hectares) and to the favourable spring weather.

Xu Gang also credited the good harvest to the fact that 95 per cent of rural households are involved in the contract system for fixed output quotas, whereas only 82.9 per cent were in 1982.

China's rapeseed output will reach an estimated 4.28 million tons this year, 1.25 million tons less than in 1982. This is the result of a state plan to reduce rapeseed cultivation by 266,000 hectares.

China's industrial output value for the first half of this year was 296,900 million yuan, an increase of 8.8 per cent over the same period of last year, which fulfilled 51.5 per cent of the annual state plan, Xu Gang said.

Investment in capital construction in the first six months of 1983 totalled 19,900 million yuan, 17 per cent more than the corresponding period in 1982. Investment in the energy industry increased 34.3 per cent and investment in transport, posts and telecommunications increased 67.8 per cent. However, both total investment in capital construction and consumer funds increased too quickly and need to be reduced, he said.

The domestic market is brisk. Retail sales in the first half of this year rose 10.4 per cent compared to the corresponding period of last year.

China's exports in the first half of 1983 were valued at 19,800 million yuan, exceeding imports, which were 18,700 million yuan. Exports and imports increased 2.1 and 7.3 per cent respectively.

In the first six months of 1983, the country provided jobs for 2.5 million people, including 1.65 million who had been awaiting employment. By the end of June, total employment was



Lu Defeng being handcuffed.



Suxian County in Anhui Province harvests 375,000 tons of wheat this year, 50,000 tons more than last year.

112.92 million, 110,000 more than at the end of last year. Some 1.86 million urban individual labourers were self-employed, 400,000 more than at the end of 1982, Xu said.

Beijing plans to build new library

Beijing plans to build a modern municipal library, the largest one in China.

Construction of this project is about to begin, Minister of Culture Zhu Muzhi told reporters. "Cultural construction, including the building of a library, is vital to stimulating the economy in the 1990s. It is by no means less important than the building of a new large factory or a mine," he said.

He said that a library is a "treasure house" of Chinese and foreign, ancient and modern cultural and scientific knowledge which it dissemi-

nates through lending, consultations, exhibitions and other services. Through international exchanges and inter-library loans, it promotes scientific and cultural interflow between China and other countries.

The city's current library is the Jingshi Library, built in Beijing in the late years of the Qing Dynasty. It was formally opened to patrons in 1912, so for the first time in Chinese history the common people had access to the valuable books in the palace. In the 71 years since then, the library gradually has been expanded.

Since the birth of New China, this library has collected a large number of classical and other Chinese books, periodicals and materials as well as newly published foreign books, journals and materials on various subjects. By the end of 1982, it boasted 11.4 million volumes.

In addition, the library is stocked with numerous maps,

photographs, rubbings from inscriptions on ancient bronzes and stone tablets, inscriptions on bones or tortoise shells, manuscripts of famous writers, microfilms and microfiche.

Because of the limited space of the old library, many Chinese and foreign books, magazines and materials on various subjects have to be stored in temporary stacks and readers find it inconvenient for study and research. Thus, the construction of a new library is vital, the minister emphasized.

When the new library is completed, valuable books, magazines and materials will be properly kept and fully utilized. It will be equipped with modern facilities and will work out a standardized library catalogue.

It also will produce large numbers of copies of books in reduced sizes so that libraries in other parts of the country will have replicas of these rare volumes and the books of Beijing Library can serve readers all over the country.

A large computer centre in the new library will establish links with libraries throughout the country and other parts of the world so as to raise storage efficiency and consulting speed.

Some of the building materials for the construction of the new library are still not available, but the State Bureau of Material Supplies is working to resolve this problem. Zhu Muzhi expressed the hope that all departments will extend all-out support for the construction of this new project.

Thai House delegation visits China

Speaker Uthai Pimchaichon of Thailand's House of Representatives is leading a 21-member delegation on a 12-day visit to China. He is the first of six foreign parliamentary leaders who will be visiting the country as guests of the Standing Committee of the National People's Congress this month. The Thai delegation arrived in Beijing on August 9.

When he met with the delegation on August 11, President Li Xiannian said that the friendly relations between China and Thailand are no temporary expedient and the two countries should be friendly for ever.

He said that identical views on many major issues provide a solid basis for friendly relations between China and Thailand.

President Li praised the Thai Government and people for their just stand on the Kampuchean issue.

Earlier, at the banquet in honour of the delegation, Liao Hansheng, Vice-Chairman of the NPC Standing Committee, said

that the Chinese Government and people resolutely oppose Viet Nam's policies of aggression and expansion, resolutely support the Kampuchean people's struggle against aggression, resolutely support ASEAN's just struggle to safeguard peace and security in Southeast Asia, and fully appreciate the unremitting efforts of Thailand and other ASEAN countries to seek a fair and reasonable settlement of the Kampuchean issue in accordance with the resolutions of the UN General Assembly and the Declaration of the International Conference on Kampuchea.

Speaker Pimchaichon said that Thailand and China have enjoyed fraternal relations for a thousand years, and, as an old Thai saying goes, "China and Thailand are not strangers but brothers."

He said that the two countries should co-ordinate their actions and unite more closely to deal with the threat from those who contend for world hegemony.

President Li meets with Speaker Pimchaichon.



Chinese membership in IAPF

The Inter-Asia Philatelists Federation at its fifth meeting in Bangkok on August 12 unanimously adopted a resolution to accept the All-China Philatelists Federation as its full member.

The Inter-Asia Philatelists Federation, founded in 1974 with its headquarters in Singapore, has 17 countries or regions as its members. Its aim is to promote friendship among stamp-collectors in Asia and Oceania and help develop stamp-collecting services in these areas.

Pimchaichon said he believed that the close co-operation, unity and friendship between the two countries will become a great force to safeguard peace and security in their region.

China to join atomic energy agency

"If China joins the International Atomic Energy Agency, it will accept the relevant provisions in the statute of the agency, including the relevant provisions on safeguards," said Qi Huaiyuan, Director of the Information Department of the Foreign Ministry, on August 10.

At his weekly press briefing Qi also said that China "will hold consultations with the agency as to whether it will be allowed to continue to exercise nuclear safeguards in Taiwan," which was expelled from the agency in 1971.

China's participation in the agency does not mean any change in its attitude towards the "Treaty on Non-Proliferation of Nuclear Weapons," Qi said. China has repeatedly stated that it is critical of the

treaty. However, he said, China neither advocates nor encourages the proliferation of nuclear weapons.

China, Philippines build power plants

A Chinese delegation led by Wang Ziyi, Adviser to the Ministry of the Machine-Building Industry, and Mo Yanzhong, Chinese Ambassador to the Philippines, recently was in Catanduanes Island, 500 kilometres southeast of Manila, to attend the celebration ceremony for the completion there of a small hydroelectric power station jointly built by China and the Philippines.

Mrs. Imelda Marcos, wife of President Marcos, made a special trip to take part in the ceremony. In her speech, she spoke highly of the joint efforts by China and the Philippines in building small hydroelectric power stations in her country.

Seven days later, the Chinese visitors were at a village 300 kilometres north of Manila to celebrate the completion of another small hydroelectric power station.

These small hydroelectric stations can play a very important role in developing the economy in remote areas of the Philippines. The one in Catanduanes Island can provide more than enough electricity to meet the needs of the entire province.

Although the Philippines has some big hydroelectric power stations, they are unable to supply electricity to many outlying villages and islands. Small hydroelectric stations, therefore, can play a very important role in tapping the country's wealth of rivers and waterfalls to provide electric power for the remote islands and villages.

In July 1979, when President Marcos called for tapping local resources and self-reliantly solve the problem of a lack of electricity, Mrs. Imelda Marcos

came to visit to China and signed an expanded trade treaty with China, and the two countries agreed to develop trade in complete sets of equipment for small hydroelectric power stations and mutual co-operation.

In October the following year, the two countries signed a US\$30 million loan agreement for building 54 hydroelectric power stations in five years. Thanks to the efforts of the experts and workers of the two countries, in one year two small hydroelectric power stations have been completed and five others are being built in Baguio and other places in the Philippines.

New tripartite railway pact signed

A new agreement between China, Tanzania and Zambia has extended for an extra 10 years the time limit for repayment of loans given by China to Tanzania and Zambia for construction of the railway and, for a further five years, credit for the purchase of 12 locomotives.

The agreement on technical co-operation was signed on August 10 in Dar-es-Salaam following China-Tanzania-Zambia talks on technical co-operation on the Tanzania-Zambia Railway.

Furthermore, China has decided to provide a new loan of 30 million yuan (Renminbi) (about US\$15 million) for the purchase of spare parts and equipment for the railway.

China also has agreed to send more technicians to help improve the railway's management.

Beijing issues ID cards to foreign businessmen

All registered foreign business representatives and their employees in Beijing will be issued identification cards by September 30, said a Beijing municipal government notice on August 12.

The cards are to be issued by the Beijing Industrial and Commercial Administration.

Representatives of foreign firms will be asked to present their cards before carrying out business activities with Chinese organizations, enterprises and other undertakings, a government spokesman said.

Unregistered representatives or those without ID cards will not be allowed to conduct business transactions, he added.

Documents will also be issued to representatives of Xianggang (Hongkong), Aomen (Macao) and overseas Chinese firms.

ID cards for staff including interpreters, office workers, teachers, drivers, chefs and other service employees will be issued by the Beijing Foreign Enterprise Service Company.

*Anti-Nuke Forum***China presents its views in Tokyo**

AFTER a lapse of 18 years, China sent five observers to the 1983 World Conference Against Atomic and Hydrogen Bombs held in Japan August 1-9. Representing the Chinese Association for International Understanding of China (CAFIU) and some other people's organizations, they took part in all the conference activities from the Tokyo forum to the memorial services in Hiroshima and Nagasaki for the victims of the 1945 bombing.

China did not send representatives to the annual Japanese anti-nuclear gathering during the past 17 years not because it was indifferent to the peace movement, but because of political restrictions imposed by the "cultural revolution" and its aftermath. As a matter of fact, the Chinese people have never for a moment relaxed their efforts to fight against the superpowers' arms race and for world peace. They have always given their sympathy and support to the people of other countries fighting for these goals.

Dedicated to maintaining world peace, China does not have a single soldier stationed in other countries, nor does it have any military bases abroad, said Shi Ruzhang, one of the Chinese observers at the Tokyo international forum. China's possession of a small quantity of nuclear weapons is solely for the purpose of breaking the superpowers' nuclear monopoly and guarding against nuclear blackmail, she said.

Moreover, since its first nu-

clear test in 1964, China has repeatedly assured the world that at no time and under no circumstances will it be the first to use nuclear weapons, and that it will never use nuclear force against a non-nuclear nation.

The Chinese Government also has announced that should the superpowers take the lead to stop testing, improving and manufacturing nuclear armaments and cut their nuclear arsenals by 50 per cent, China would be willing to undertake commitments, together with all other countries, to halt development and production of nuclear weapons, and then to reduce and even totally eliminate nuclear weapons.

The Tokyo conference reflected to some extent the strong desire of the Japanese and other peoples to oppose nuclear weapons and safeguard world peace. But, it must be pointed out, the "Tokyo Declaration" it adopted failed to give a full and correct expression of the aspiration. By putting China on a par with the two superpowers, the declaration asserted that Britain, France and China should be held equally responsible for the arms race in the world and for the potentially disastrous threat of a nuclear holocaust.

Commenting on the declaration in Tokyo, Shi Ruzhang disagreed with this viewpoint.

"The viewpoint does not conform to the reality of the present world situation," said Shi Ruzhang, "and it will make people fail to see clearly who are posing a threat to world

peace, who are contending for world hegemony and therefore should be held responsible for the tense situation."

The world is in turmoil, but the root cause of the tense international situation is the two superpowers' contention for world hegemony.

The United States and the Soviet Union, which possess between them 95 per cent of the world's nuclear weapons and 97 per cent of the nuclear warheads, have meddled in other countries' internal affairs and even militarily occupied some sovereign states. They have stationed hundreds of thousands of troops on foreign soil and installed there huge quantities of both conventional and nuclear weapons. They have frequently held military manoeuvres on other nations' territorial lands and waters, posing a constant threat of nuclear war to many peoples.

All these facts have made one point clear: Safeguarding world peace and preventing a nuclear war necessitates a resolute struggle against the superpowers' hegemonic behaviour, a tremendous effort to foil their plans of aggression and expansion.

The Chinese people, who have suffered long years of war and are now devoted to building a modern socialist China, want and need peace. They are ready to join hands with all other peoples in the common fight to maintain world peace and to completely prohibit and eliminate nuclear arms. The tragedy of Hiroshima and Nagasaki must not be allowed to happen again.

—Hong Ye

Chad

All foreign intervention should end

THE stability which Chad achieved last October after 17 years of upheavals has recently been deteriorating rapidly. This has aroused deep concern from the international community.

The Chad Government has condemned the Soviet Union for supporting the Libyan invasion of Chad. The United States has sent forces to North Africa, saying that this action will "support the objective of helping to preserve the territorial integrity, sovereignty and political independence of Chad." The Foreign Ministry of Libya has warned that Libya would launch a war of self-defence in Chad to counter the US plan to use the Chad civil war as a pretext to invade Libya. France has sent military instructors to Chad. The Soviet Union has demanded that Washington and Paris stop meddling in Chad's business.

These developments pose a very real danger that the Chad conflict may become internationalized.

Chad won independence in 1960, but after 1965 the struggles among the various factions in Chad rapidly escalated, often breaking into open warfare. In August 1979, a ceasefire agreement was reached among the 11 groups through mediation by the Organization of African Unity (OAU) and the Chad Transitional Government of National Unity was formally established in November of the same year, with Goukouni Weddeye as President and Hissene Habre as Minister of Defence.

But the deep hatred between the two sides represented by Goukouni and Habre erupted

into armed conflict in Ndjamena in March 1980. At the end of the same year, Goukouni's People's Armed Forces, with the support of Libyan armed forces, drove the Northern Armed Forces led by Habre out of Ndjamena. In June 1982 Habre led his army to counterattack and drove Goukouni from the capital and formed the present government.

The armed conflicts in Chad, arising from contradictions among the different tribes and factions of the country, are its own internal affairs and should be left to the Chad people themselves to resolve. The fact that OAU mediation in the past did bring peace to Chad demonstrates that the conflict can be resolved through mutual consultations.

The renewal of the civil war in Chad last June is obviously related to foreign intervention in the country. The superpowers' involvement has made the Chad situation all the more compli-

cated. If the tension in the Chad area continues to intensify and becomes an international conflict, it will not only bring catastrophic results to the Chad people but will endanger the peace and stability of Africa as a whole.

The key to reducing the tension in Chad is to end all foreign intervention in the country. Chad's independence, sovereignty and territorial integrity must be respected. Foreign intervention under any pretext can only aggravate the crisis.

The OAU has appealed to African and non-African countries to end their intervention in Chad and has asked the two sides in the Chad conflict to arrange an immediate ceasefire so as to realize a just and lasting peace on the basis of national reconciliation. The Chinese people strongly support the OAU call and hope that all parties concerned end their intervention in Chad, respect its independence, sovereignty and territorial integrity and let the Chad people solve their own affairs themselves.

— Ren Yan

Italy

Socialist prime minister's cabinet

THE Secretary-General of the Italian Socialist Party, Bettino Craxi, 49, first Socialist prime minister in Italian history, formed the 44th postwar cabinet on August 4.

The new government consists of 30 cabinet members, including the prime minister, drawn from the Christian Democratic, Socialist, Republican, Social-Democratic and Liberal Parties.

Since the general elections in late June, all the parties have

joined the intense deliberations over the formation of a new cabinet. The main proposals have been: to reorganize the coalition government led by the Christian Democrats to include Socialist and other small parties; to form a "Left-wing government" supported by the Italian Communist Party in an alliance with the Socialist Party headed by a Socialist prime minister; or to form a new government led by the Socialists with the support and

participation of the Christian Democrats and several small parties.

After intensive consultations and debates the Socialist Party finally realized its long efforts to form a government. Among the reasons for the Socialist success is the fact that the Christian Democratic Party lost seats in the general elections and had no workable plan to rebuild the economy. Its political achievements and internal factional contradictions lowered its prestige and weakened its strength. Italian editorials have noted that the Christian Democratic Party no longer enjoyed its former privileged position of influence, and so it was inevitable that it had to make some compromises in the formation of the new cabinet and cede the premiership.

Although the Italian Communist Party polled slightly fewer votes in this general election than before, it is still the second strongest party. Theoretically, the Communist Party could organize a coalition government to realize its strategy of an "alternative democracy" of the Left even without the support of the Christian Democratic Party. However, given the existing internal and external situations, neither the small parties nor the Socialist Party would agree to asking the Christian Democratic Party to leave the government.

Policy Changes Difficult

Western observers have noted that although Italian politics has entered a "new era" with the Socialist Party gaining the premiership, it will not change the long-standing political situa-

tion in which the Christian Democratic Party, as the biggest party, will still play a major role. For social and religious reasons and because of the strength of the Italian Communist Party, the Socialist Party will not, like the French and Spanish Socialist Parties, immediately become the biggest party, nor will it become a third force between the other two big parties. Therefore, the Socialist Party holds the post of premiership, but it cannot dominate government policy.

While presenting his first government programme to parliament on August 9, Premier Craxi said that Europe is still the focus of Italy's foreign rela-

tions and that Italy will sincerely and resolutely defend and develop the ideals of the European Community. Italy, he said, is committed to European unity. He renewed Italy's commitment to deploy US nuclear missiles if the Geneva Arms Reduction Talks are not successful. This proves that the foreign policy of the new Italian Government essentially is not different from its predecessor's and that its domestic policy has changed but slightly.

Nevertheless, the change in the balance of strength among Italy's political parties will affect the political situation in Italy.

—Zhang Qihua

Arab Countries

Investments move to the East

ARAB oil-producing countries are the richest countries in the world. Since their oil income far exceeds their internal spending needs, large amounts of surplus Arab petro-dollars are being invested in Europe and America. It has been estimated that the gross investment of the Arab Gulf states has now reached US\$250,000 million, among which Saudi Arabia accounts for \$145,000 million, Kuwait \$75,000 million, the United Arab Emirates \$25,000 million, and the State of Qatar \$8,000 million. The per capita overseas investment of the six Gulf countries (including Bahrain and the Sultanate of Oman) is \$25,000. Libya has assets of \$26,000 million in foreign countries.

These Arab petro-dollars are in Western bank accounts, or in foreign investments or stocks and bonds. Most of the Arab oil countries have become stockholders in major Western banks and enterprises. Some of them even opened banks in Western countries. There are altogether 25 Arab banks in Europe, with gross capital that has risen from \$400 million in 1979 to \$5,000 million in 1982.

With the changing world economic situation in the past few years, a small part of the Arab investment capital has been transferred from Western to Asian countries. An Arab financial report says that the Arab countries have already begun to invest in Asia, in Asian enter-

prises and banks as well as large trade ventures.

Because the Western countries have been saddled with economic crisis since 1979, it is not surprising that Arab investments are moving to the East, especially to Southeast Asia. Although the economic situation in some Western countries shows a slight upturn, most capitalist countries are still faced with economic difficulties, and their economic prospects are gloomy. However, the economies of 16 Asian countries and regions have kept growing steadily, on an average of 6-9 per cent. And the economic situation in Southeast Asia is even better. For example, in 1981 Malaysia's growth rate reached 9 per cent, Singapore's 9.9 per cent, and Thailand's 7.6 per cent. The economic recession in the West has been exerting a negative impact on Asian countries, but the latter's industries and foreign trade have generally shown vitality.

Asia, especially Southeast Asia, has lots of favourable conditions for economic development, including fertile land, abundant products, rich natural resources and cheap labour power. With the rapid development of its economy, Southeast Asia has become one of the largest international financial markets.

Asia also is able to absorb foreign investment capital. International investment loans in 1981 totalled about \$130,000 million, more than half of which (\$70,000 million) was invested in Asia. In 1982, \$90,000 million was invested in this region.

There is no doubt that the economic development of Asia, especially Southeast Asia, has an ever stronger appeal for

Arab petro-dollars. Several years ago, Washington announced economic sanctions against Iran and froze Iran's assets in the United States during the Iranian crisis. This event has further made the Arab oil countries worry about their investments in the Western countries. As a result, this has induced some Arab investment capital to be transferred to the Southeast Asian countries.

The shift of investment capital to the East is just beginning,

Sudan

A project to develop the south

IN recent years Sudan has made great efforts to bring about economic development to the southern part of the country by digging one of the world's longest artificial waterways — the 360-kilometre-long Jonglei Canal.

Work on this canal, which takes its name from the province it crosses, started in July 1980, and it is expected to be completed in 1985. This 170 feet wide and 15 feet deep canal will divert some 5,200 million gallons of water each day from the upper reaches of the White Nile, an amount equivalent to more than a quarter of the river's flow, to irrigate some 600,000 acres of arid land near the Sudd swampland and help drain the 10,000 square kilometres of the Sudd. This will help change the face of southern Sudan, one of the poorest and most backward areas in the world.

The availability of water, one of the governing factors for agri-

and it is difficult to predict how long and how large-scale the trend will be. With the present oil supplies outstripping requirements and oil prices falling, the Arab investment capital may be decreasing. For all that, the shift of Arab investment capital has greatly alarmed Western financial circles. The Western leaders are worried that the trend may weaken the Western economy and benefit the East.

— Xu Ping

culture in Sudan, and the construction of an all-weather highway paralleling the canal will make Sudd (Arabic for "the place you cannot cross") no longer a hindrance to economic development in the south. These two engineering projects will pave the way to tapping the great economic potentials of the south, which has ample sunlight, abundant rainfall, fertile soil and all the conditions necessary for developing agriculture, forestry, animal husbandry and fishery.

Apart from undertaking the enormous task of digging the canal, which involves 3,500 million cubic feet of earthwork, Sudan also has done much to promote economic development in the south, centring round the major city of Juba. When the whole Jonglei Project, the canal merely being its first stage, is completed, the southern part of Sudan is expected to become the most prosperous region in the country.

— Yuan Ji

An Important Principle for Handling Relations Between Fraternal Parties

(May 31, 1980)

Deng Xiaoping

A PARTY may often make comments on the activities of a foreign fraternal Party according to some existing formulas or some rigid patterns. Facts have shown that this approach can get one nowhere. Conditions vary from country to country, the level of political awareness varies from people to people, and the class relations and relative strength of class forces in one country are different from those in another. How can a fixed formula be applied mechanically despite all these differences? Even though you use a Marxist formula, it is hard to avoid making mistakes if you do not integrate your formula with the reality in the country concerned. The Chinese revolution was carried out not on the model of the Russian October Revolution but rather by proceeding from the reality in China and using the rural areas to encircle the cities and seizing power with armed force. Since the Chinese revolution succeeded by integrating the universal principles of Marxism-Leninism with the concrete practice of China, we should not demand that the other developing countries follow our model in making revolution, even less should we demand that the developed capitalist countries do the same. And, of course, we should not demand, either, that all of them follow the Russian model.

Excerpts from a talk with some central leading comrades. Here is an unofficial translation.

Whether or not the domestic principles and line of a Party are correct should be judged by that particular Party and the people of its own country. It is, after all, comrades of a particular country who know best about its specific conditions. However, if a Party and the country which it leads pursue a foreign policy involving interference in the internal affairs of other countries, or invasion or subversion of them, then any other Party is entitled to make its stand known and criticize them. We have always opposed the Communist Party of the Soviet Union behaving like a patriarchal party and practising big-nation chauvinism. It pursues a hegemonist line and policy in foreign relations.

Whether or not Eurocommunism is correct should, likewise, not be judged by others; it should not be affirmed or negated by others



Comrade Kim Il Sung, accompanied by Comrade Deng Xiaoping, visiting Sichuan Province in September 1982.

writing articles, but should be judged by the European Parties and peoples themselves and, in the final analysis, by their own practice. No one should criticize them when they conduct experiments in line with their own conditions. Even if they are wrong, it is up to them to sum up their own experiences and renew their effort.

On the whole, we are sober in handling our relations with other Parties. Judged in retrospect, however, we did not act correctly on all occasions. Some time ago, when I was talking with Comrade Enrico Berlinguer, General Secretary of the Italian Communist Party, I said that we had previously expressed some incor-

rect opinions concerning his Party. On his part, he said that they had not always been correct, either. So I said that the past controversies between our two Parties could be dismissed altogether.

In short, we must respect the way the Parties and peoples of different countries deal with their own affairs. They should be left alone in blazing their own paths and exploring ways to solve their own problems. No Party can act as a patriarchal party and issue orders to others. We oppose others ordering us about and we, on our part, will never issue orders to others. This should be regarded as an important principle. □

Ronald Reagan's North-South Policy

by Zhang Ruizhuang

The Reagan "strategy for global economic growth," focusing on North-South issues, presumes an improvement in the US economy through private enterprise and free trade and stresses the subordination of North-South relations to an anti-Soviet strategic policy. The rigid US stance that neglects the just demands of the third world and seeks to preserve the status quo in international economic relations has become the main obstacle to efforts to establish a new international economic order. This shortsighted policy has had a negative effect on attempts to resolve North-South issues and on the overall international economic development.

SOON after President Ronald Reagan took office, his administration began a general review of US economic policy towards the developing countries. By the autumn of 1981, a series of addresses delivered by Reagan and his senior aids on various formal occasions clearly indicated that a new policy on North-South issues had already come into being. Reagan's policy is tougher and more aggressive than that of his predecessor Jimmy Carter. Not satisfied with a mere passive denial of the demands of the developing countries, Reagan has actively advanced counterproposals and counterclaims on various issues in an attempt to make the

settlement of North-South issues more closely conform to US interests.

"American Centrality"

President Reagan and his administrative officials have asserted repeatedly that no American contribution can do more for international economic development than a growing, prosperous US economy. Therefore, the only US priority for world economic development is to revitalize the US economy and restore strong and sustained non-inflationary growth at home. As Reagan put it, "Every one per cent reduction in our interest rates due to lower inflation improves the balance of payments of developing countries, by \$1,000 million¹." From this, he concluded that "By getting our own economic house in order, we win, they win, we all win²."

By this logic, as soon as the US economy recovers, with American goodwill and favours, all world development problems can be readily solved. Denying any need to transform the existing international economic system, this argument views the current system as the most reasonable given the present international reali-

The author is assistant research fellow of the Shanghai Institute of International Studies.

1,2,3 address by President Reagan before the World Affairs Council in Philadelphia, Oct. 15, 1981.

ties. The best way to help low-income countries improve their conditions "is not to weaken the system that has served us so well but to continue working together to make it better³."

With this as its starting point, the Reagan administration has adopted measures to delay and obstruct the proposed global negotiation on North-South relations. At the very beginning it demanded putting off the discussions from the 35th UN session to the Cancun meeting and the 36th UN session on the excuse that the new administration wanted to review its overall North-South policies. Then at the Cancun Summit it suggested unreasonable prerequisites for US participation in the preparations for the negotiations. At the 36th Session of the UN General Assembly, the developing countries appealed for starting the negotiations as early as possible, and most of the developed countries also took a positive attitude towards this request. But the efforts to start a new round of global negotiations on North-South issues failed again because the United States obstinately reiterated its prerequisites and maintained that the time was not ripe for negotiations.

The argument for "American centrality," which insists that the solution to world economic development problems depends on "revitalizing the US economy," is a subterfuge to avoid reforms in the international economic order, a pretext for US international economic policies that benefit itself at the expense of others. It ignores the radical changes that have occurred in the international balance of power since World War II, especially in the last 20 years. It refuses to acknowledge the growing political strength of the third world countries and their corresponding economic claims. It clings obstinately to the arrogant way of dealing with international affairs immediately after World War II when the United States was in its heyday and to the Bretton Woods system that would preserve US hegemony over the world economy. This stance is certainly unwise.

"Free Trade" and "Private Enterprise"

The Reagan administration holds that "market magic" is a panacea for all economic problems, including those of world development. Reagan asserted that poor nations can best find permanent solutions to their problems by attracting private foreign investment and supporting the free flow of trade and capital. In Reagan's view, once free trade and private enterprise are guaranteed, once the "magic" of the

market place is allowed to function freely, the series of problems raised by the developing countries such as preferential treatment in trade, prices of raw materials and manufactured goods, as well as structural adjustments of the world economy would be readily solved, and even those difficulties caused by the shortage of development funds would be eased thanks to the high efficiency of private enterprise. With this strategy for world development, the United States attempts to challenge the developing countries' claims for a reform of the international economic order. Moreover, in the name of strengthening trade and investment relations with the developing countries, the United States is seeking to increase its own economic and political gains from such relations.

The Reagan development advertisement claims that "open markets" stimulate "free trade." It asserts that trade is one of the major driving forces of economic growth in the developing countries and a source of funds far more important than foreign aid. It says, for example, that the export earnings of the non-oil-producing developing nations in 1981 accounted for 83 per cent of their total foreign derived income while official development aid was only 4 per cent. Trade of developing countries with the United States has a special importance which can be substantiated by another example: non-oil-producing developing nations by selling their products on American markets earned \$63,000 million in 1980, an amount more than twice that of the total foreign aid provided to all developing countries in that same year. Therefore, Reagan says the United States would prefer to join the other nations of the world to work to eliminate trade protectionism and to promote free markets so as to help the developing countries increase their trade income, rather than increase its development assistance. At the same time, trade relations between the United States and the developing countries would also be enhanced through the implementation of free trade policies.

Superficially, this sounds fine. But a careful study of the blueprint for so-called "free trade" quickly reveals the real intent hidden behind these words. To start with, the United States is trying hard to involve more developing countries in the General Agreement on Tariffs and Trade (GATT), in order to solve all its trade problems with developing countries within the scope of the GATT regulations. The next step is to press the developing countries through GATT to open their markets. For this purpose,

the US delegation at the Geneva Ministerial Meeting of GATT in November 1982 strongly advocated a "North-South Round of Trade Talks on Market Access" aimed at an exchange of additional preferential tariff concessions by the developed countries in return for increased commitments by the developing countries to reduce tariff and non-tariff barriers to their markets. From official US statements around the time of the meeting, it is clear that the US appeal for open markets is mainly directed against those advanced developing countries whose manufactured products have already become powerful competitors to US products. Its attempt to extend GATT to such areas as investment, labour services and high technology is basically an attempt to use the remaining US competitive advantages in these fields to create new markets in the third world and solve the problem of its stagnating export trade.

By stressing free trade the United States is not only rationalizing its reduction in development aid, but is also seeking to reverse its defensive trade position by turning the demand of the developing countries for relaxed trade restrictions into a demand that they open up their own markets. The proposal to strengthen trade relations between the United States and the developing countries is but an attempt to use the developing countries' urgent need for expanded exports and grant them limited preferential treatment to induce them to remove those measures which protect their growing national economies, so that American goods and capital can flood these countries. The bitter US objection to any interference in international trade by forces outside the market is in fact an objection to any international arrangement that would benefit the developing countries. The Americans have been preaching laissez-faire economies for the world market simply because they believe the powerful US competitive position would win in a trade war in which the law of the jungle prevails.

Another pillar of the US "strategy for development" highlighted by the Reagan administration is "strengthening private enterprise" which mainly means private investments and loans in the international money market.

In recent years both official US aid agencies and international financial sources have been falling short of money. To cope with this challenge and at the same time to stimulate US exports of private capital, the Reagan administration has been vigorously encouraging pri-

ate capital to take part in international development activities in all kinds of forms including co-financing with international or inter-regional development banks, co-investing with US government foreign development programmes or investing directly in developing countries. The United States has been advocating strongly a "graduated" system for the allocation of development funds. With the economic growth of the developing countries, the source of development funds should be gradually converted from official preferential loans to private business loans. During the last 20 years, the proportion of preferential loans in all development funds obtained by the developing countries as a whole has dropped from 60 per cent in 1960 to 33 per cent in 1978, and the United States is continuing to ask for further reductions.

To sum up, the reason behind US propaganda for the "superiority" of "private enterprise" is a desire to increase the outflow of US private capital and reduce its official aid.

Foreign Aid and Strategic Interests

US foreign aid has always been used to pursue US foreign policy goals and to secure its global strategic interests. Previous US administrations have never attempted to deny this. But the Reagan administration has put more emphasis on this use of foreign aid, declaring openly its intention to tie US foreign aid policies more closely to its overall economic, political and security interests. It no longer bothers to attach humane labels such as "a concern for the basic needs of poorer nations" to US foreign aid.

Out of concern for its immediate economic interests, the Reagan administration took a first step to cut back US foreign aid expenditures. Since the beginning of the 1970s, owing to the radical decline of US strength as a whole, the amount of US official aid has been hovering at a lower level. After adjustment for inflation, US foreign aid has actually been dwindling. As a proportion of GNP, US foreign aid has fallen behind that of most developed nations. Near the end of his presidency, Carter intended to reverse this tendency. However, soon after Reagan succeeded him, the former President's budget for foreign aid was slashed. In his budget proposals submitted to Congress on Feb. 18, 1981, Reagan suggested a cutback in foreign aid from \$5,400 million to \$4,800 million for fiscal 1981. As a result, the actual delivery of official US development aid that year plummeted from \$7,100 million of the previous year to \$5,700

million. As a proportion of GNP, foreign aid fell from 0.27 per cent to 0.20 per cent, the same as the 1979 level, the lowest level in US history. Moreover, Reagan also sought a 26 per cent reduction in budget state for fiscal 1982 down from \$7,200 million requested by the Carter budget to \$5,400 million.

It is true that the heavy Reagan cutback in foreign aid was mainly caused by the deteriorating US economy and the Federal government's deficit between revenue and expenditure. On the other hand, however, it was also because, in Reagan's judgment, the past foreign aid outlays of several thousand million US dollars each year had little evident effect on the immediate promotion of US interests. Therefore the top priority of the US Government should not be to increase the quantity of foreign aid, but to improve its practical effect. Given the shortage in foreign aid funds, the authorities concerned would have to "cancel those less important programmes and concentrate the much more limited funds on serving the most important goals of US foreign policy."

According to the Reagan administration, the "most important goal of US foreign policy" is clearly the containment of Soviet expansion. As Reagan explained at the very beginning of his presidency, relations between the United States and the developing nations are considered important because such relations could help pin down the expansion of Soviet influence. Consequently the development of these relations must "presuppose coherence with American interests." In this context, and considering the reality of foreign aid reductions, the Reagan implementation of foreign assistance follows three basic principles:

Increasing bilateral aid and reducing multilateral aid. It has been reiterated over and over again by the White House that loans of multilateral development institutions are beyond direct US control, and thus cannot reflect US interests in the third world. When Reagan planned to reduce the foreign aid expenditure, he expressed clearly that the bigger cutbacks would be focused on US donations to multilateral organizations such as the World Bank. Under this guideline, in spite of the Carter administration's formal commitment in 1980 to donate a total sum of \$3,240 million in the period of 1981-83 to the International Development Association (IDA), the Reagan administration postponed and reduced the US payments time and again. The amount paid in 1981 and 1982 totalled only

\$1,200 million, while the planned payment in 1983 is \$700 million. Thus the total payment in three years accounts for just 59 per cent of the promised contribution. As a result, the IDA has run short of funds and cannot loan out money as planned.

Concentrating bilateral aid on a few states or regions critical to US global strategic interests. Although aggregate US foreign aid has dwindled, that given to a few strategically sensitive states and regions has been growing. At the moment, US foreign aid is concentrated on four regions of strategic importance, i.e., the Mideast and the Mediterranean coastal states, the neighbourhood of Afghanistan, Southeast Asia and the Caribbean Basin. In 1982 for example, US aid to just three states or regions in the Mideast accounted for about 60 per cent of total US bilateral aid. What is more, this tendency towards concentration seems to be growing. According to Reagan's budget proposal for foreign aid in 1983, 87 per cent of military aid will be given to seven states or regions while 78 per cent of economic aid will go to just six.

Enhancing security assistance. US security assistance, including military aid and the "economic support fund," is designed to serve US strategic interests directly and is more political in nature than any other kind of US aid. In the past US security assistance used to be roughly equal to its development assistance. Under Reagan, however, the security assistance share of the 1982 foreign aid budget has already increased. For 1983, it has increased by 36.6 per cent in contrast to economic and financial assistance which has increased only 5.2 per cent.

In short, the major goal of US foreign assistance is to promote its own political and strategic interests. As the third world has noted, the United States seems bent on viewing North-South relations solely through an "East-West prism," ignoring totally the developing countries' needs and predicament of the poorest nations.

Influence

The tough attitude of the Reagan administration towards North-South relations has exerted a negative influence on the relations between the United States and the third world, on the economic development and recovery of both South and North nations, and on relations between the United States and its Western allies as well. Moreover, it also has helped to foster some

potentially dangerous elements in the international situation.

1. It obstructs settlement of North-South issues and hurts relations between the United States and the third world. Because of obstruction by the United States and some other Western nations, the efforts of the developing countries to start a new round of global negotiations in order to break the deadlock in the North-South negotiations have so far been in vain. A large number of the third world countries which have been suffering from the present circumstances are very unhappy with the inflexible US policy towards North-South relations. One after another they have seized every opportunity in various international forums to denounce the economic policies of the United States and some other Western nations. In the general debate at the 1982 session of the UN General Assembly, the main theme running through almost all the addresses was the world economic situation and criticism of the United States. Likewise, the US delegation found itself in an isolated position at the joint annual meetings of the World Bank and the International Monetary Fund held in September the same year.

2. It hurts the economic growth of the developing countries and hinders the delivery of developed nations from their economic difficulties. The developing countries have suffered estimated trade losses of about \$60,000 million each year in their export earnings due to the hundreds of nontariff barriers set up by the United States and other Western nations to restrict imports of manufactured or semi-finished goods from the developing countries. Meanwhile, under the monopolistic control of the world market by the United States and some other Western nations, the prices of raw materials and primary products have been forced down to their lowest level in 45 years. With trade conditions deteriorating and exports shrinking, the total deficit in the non-oil-producing developing countries' balance of payments has gone up year by year, from \$68,000 million in 1980 to \$77,700 million in 1981 and to \$80,900 million in 1982.

As regards finance, the long-term US persistence in domestic policy of high interest rates has kept interest rates on the international money market high. For the developing countries which already have heavy debt burdens totalling more than \$600,000 million, the rising interest rates are disastrous. From 1978 through 1981, the interest on the loans of the

developing countries tripled to the sum of \$48,000 million. Thus a great portion of the limited foreign exchange earnings of the developing countries has been devoured by the sharply increased interest payments.

Regarding development assistance, the most striking example of the harmful impact of US policy is the above-mentioned "IDA crisis." In 1981, owing to the US breach of promise and the cutback in its contribution, IDA's available loan fund was half that expected. In 1982, the United States again unilaterally reduced its contribution, a move that was followed by some other Western donors. When the IDA, an international financial institution specializing in long-term and interest-free loans to the least developed countries, runs short of funds, those poor nations in most urgent need of development funds suffer the most.

To a great extent, the economies of the developed countries depend upon the resources and markets of the developing countries. Consequently, the crisis-shift policy of the United States and some other developed nations not only hurts the economic growth of the developing countries, but in turn hinders the economic recovery of the developed nations.

3. It arouses dissatisfaction among other Western nations and thus widens the rift within the Western alliance. Although the other developed nations share much in common with the United States in North-South issues, their greater economic dependence on the developing countries and their own particular interests have led these nations to adopt a milder North-South strategy than that of the United States. Recognizing the economic interdependence between North and South, this strategy believes it necessary, acceptable and compatible with their own interests to make limited adjustments and reforms in existing international economic relations. It favours dealing with North-South issues not by confrontation but through dialogue and North-South co-operation. Thus some of the Western developed nations centring on the European Community has put pressure on the United States on many occasions and through various channels demanding that the United States be more flexible, accept the trend of times and not create trouble for the whole Western world.

4. The US North-South policy is one of many factors which have aggravated the tensions between North and South, and have hurt the economies of the developing countries, es-

pecially those least developed countries. The resulting increasing economic friction among the Western developed nations and their worsening domestic economic crises are bound to cause extremely perilous consequences.

The North-South policy of the Reagan administration, as its entire international economic and foreign policies, is full of self-contradictions. The foremost goal of the policy is to safeguard US privileged position and vested interests under the current international economic system, so as to create favourable conditions for the revitalization of the US economy. The measures used in implementing this policy, however, have damaged the developing countries' economies and hence damaged the overseas markets of US products and investments as well as the raw material and energy supply sources, all of which are vital to the US economy. Another major goal of the policy is to use development aid to support the US global strategy of contention with the Soviet Union. By arousing anti-American feelings and deepening

the isolation of the United States in the third world, this policy has been self-defeating. "The establishment of a new relationship with the third world that is comparatively fair and responsible," which is listed as one of four fundamental objectives of Reagan's foreign policy, and the US so-called "strategic identity" with the third world are actually empty words.

The latest developments indicate that under enormous pressure from the deteriorating international financial situation, the Reagan administration will have to soften its stand on world economic matters and make some concessions on the problem of capital-transfers to the third world. Nevertheless, unless the Reagan administration changes course and abandons its set policy on the North-South issue, the developing countries and the US own interests will be further impaired.

We shall wait and see whether there is any change in US North-South policy in the next year or so. □

Great Changes in Rural Shandong

by Yuan Chenglong

This article explores the changes in a poor prefecture in northwest Shandong Province since the implementation of the new rural policies in 1979. The author, former Vice-Minister of Agricultural Machinery, is now an adviser to the Ministry of Machine-Building Industry.—Ed.

NOT long ago I went back to the Dezhou Prefecture (including 13 cities and counties with a population of 5.09 million) in northwest Shandong Province, where I had worked for land reform 36 years ago. This area, one of the poorest in China, has seen tremendous changes in the last few years.

Dezhou was an area liberated before the nationwide liberation in 1949. When I worked in that area in 1947, most local residents lived in thatched houses and ate cakes made of grass seeds and husks. They were overjoyed when they wrested their land from the hands of the landlords. This joyous scene is still fresh in my mind today. The class roots of poverty disappeared with the passing of the old days, but

the shadow of the poverty did not vanish until recent years. I went back to find out why.

Peasants Visit Beijing

By way of explanation, I was told that in the winter of 1981, a dozen peasants were the first tourists from the Caocun commune to Beijing. They were able to afford their trip because of their successful implementation of the new rural policies.

When they arrived in the capital, first they found a hotel for the night and then set out for their adventure in the big city, with their heads wrapped in white towels, as is the Shandong custom. On bustling Wangfujing Street, a central shopping area, they each purchased a woolen overcoat. Then they walked to the famous Quanjude Roast Duck Restaurant near Shuaifuyuan Lane.

Puzzled by their clothing, a waitress told them, "Uncles, we have no porridge here. This is a roast duck restaurant." One middle-aged member of the group responded, "Who came for

porridge? We came here specially for roast duck." Then they had a fine meal of the famous Beijing duck wrapped in thin pancakes.

They also visited the Forbidden City, the Summer Palace and other scenic spots in Beijing.

When they returned to the village their woollen overcoats were the envy of other villagers and another village resident was dispatched to buy 20 more.

This was really a miracle in a village where people lived on sweet potatoes before 1978.

The peasants ascribe these changes to the realistic and flexible rural policies and to the contracted responsibility system based on the households.

Cotton Revitalized

Dezhou is located in an alluvial plain near the Huanghe River. It has a long frost-free period and plentiful sunshine and rain, and its main crop is cotton. When co-operatives were established in 1956, the cotton delivered and sold to the state by Dezhou accounted for 78 per cent of the province's total.

But after 1958, because of the "Left" policy of "taking grain as the key link" that one-sidedly emphasized the planting of grain crops regardless of land conditions, the cotton acreage decreased drastically. The peasants' initiative in farming was lowered by absolute egalitarianism which was in fashion. As a result the cotton output in 1962 dropped to 13,500 tons, one-fourth of the 1956 output. The acreage of grain expanded but the income of the peasants continued to decrease owing to extensive farming. Each person had only 48 kilogrammes of grain a year.

The situation became even worse during the "cultural revolution" (1966-76). In 1978 the area's average per-capita income was a mere 50 yuan and peasants in 40 per cent of Dezhou's production teams got no cash at all. They had to take out state loans to buy grain from other places.

The Third Plenary Session of the 11th Party Central Committee in 1978 corrected the "Left" guidelines and formulated new rural policies. The new policies emphasize developing a diversified economy based on local conditions, carrying out a contracted responsibility system based on the household and with remuneration linked to output. These measures have provided



A commune in northwestern Shandong reaping a bumper cotton harvest after a dry spell.

strong incentives for the peasants. Grain and cotton output and the peasants' income have increased by a large margin for several years in a row. In 1982, the average per-capita annual income reached 230 yuan, 4.6 times that of 1978. Some 2,000 households had an average per-capita income of more than 1,000 yuan.

I saw great changes in living conditions and standards. The sweet potato, the staple human food in the past, is now mainly used for fodder. Dumplings, once reserved only for Spring Festival, are often served on ordinary days. The people are strong and happy and confident in the future.

Worries About the System

The implementation of the responsibility system based on households as the contracting units and with remuneration linked to output has given great impetus to farm production. But some doubts remain.

Some people think that this method will divide the land into small plots and will delay farm mechanization. I shared this worry before I visited Dezhou. Its flattened fields were crisscrossed by wind-breaks, shelters, ditches and roads. Tractors and irrigation machines were humming in the fields. I was told that 80 per cent of the farmland in Pingyuan County was ploughed by tractors and 50 per cent was sown by machines. Insecticide sprayers were widely used. Fodder grinding, threshing and grain processing were all done by machines.

The prefectural head told me: The peasants now have a lot of money in their hands. With these funds they have bought means of production, in addition to building new houses and buying consumer goods. In the last few years, an increasing number of communes, brigades and households have bought large and small farm machines individually or collectively.

Until my visit to Zhangxilou brigade, in Lingxian County I was not clear about the differences between private family farming and the contracted responsibility system. I found the essential differences to be: With the state ownership of the means of production such as land, contracting allows a household to farm under the leadership of a collective economic organization and to be paid according to its work. By contrast, private farming is carried out under private ownership of land and allows rich people to take advantage of others by buying large amounts of land and exploiting other people's labour. In China the means of production are owned by the state and the principle of distribution is "to each according to his work," so private farming is obviously out of the question.

In the Zhangxilou brigade, each household contracts to grow particular crops on plots designated by the team and it takes responsibility for all field managements from sowing to harvesting. The team works out the cultivation plan and provides farm machinery, irrigation, chemical fertilizer and insecticides as well as for large-scale farmland capital construction.

The households are required to give the contracted quotas of their harvests to the team, based on their land and crops. They can retain the surplus parts as bonuses. Then the team turns over some of the crops to the state for agricultural tax and purchasing quotas and retains some for accumulation and welfare funds. It distributes the rest to the peasants.

If a household fails to give the contracted output, it is fined. But this is a rare occurrence. Contracting not only demonstrates the principle of distribution of more pay for more work but also benefits the state, the collective and the peasants themselves.

This responsibility system has helped the poor become prosperous. Between 1960 and 1978, many people had too little to eat. During this period the state supplied 500 tons of grain to the 503 people in the brigade's 130 families. They also received 30,000 yuan of relief funds from the state and 50,000 yuan in loans. In 1978, the average annual per-capita income was only 40 yuan. But in 1982, it rose to 600 yuan.

One peasant said, "The Communist Party was capable of defeating the imperialists and the Kuomintang reactionaries and finally liberated the whole country. But until now it couldn't find a way to allow peasants to farm their land with their full strength. This is a hopeful sign for socialism."

Scientific Farming in Vogue

Vast areas of Dezhou are alkaline soil. A few years ago, various counties in this area widely publicized the advantages of applying phosphate fertilizer to the alkaline soil, but local peasants showed little interest, saying,



A peasant and his ox and calf.

"We don't care about what kind of fertilizer is used, we just do what our team leaders say." However, since the implementation of production responsibility system in rural areas, things have changed greatly. Peasants have become managers of their land instead of simple labourers. This has created a growing demand for information about scientific farming.

Agro-technical personnel in this area have suddenly found that their social status has risen. They are called "living money gods." There are many stories of "seizing the money gods" in the counties of Xiajin, Shanghe, Lingxian and Leling. But, the number of "money gods" is limited, after all. To cater to the need of peasants for scientific farming, the Lingxian county government issued materials in ordinary language written in an easily understandable style. These are welcomed by peasants. Last summer, the Lingxian agro-technical station printed 500,000 copies of materials, which were quickly distributed among the peasants.

The new situation challenges the rural cadres who must be informed both about policy and about scientific farming. Leading peasants by convention or old experiences will get them nowhere.

Dong Zhaohe, the secretary of the Wangcun commune Party committee in Pingyuan County, is unanimously praised by local peasants. When he was assigned to Wangcun after he graduated from the Shandong Agricultural College, the yield of ginned cotton per hectare was only 38 kilogrammes, which was not even enough to pay for cotton seeds. He set up an experimental plot in front of his door where he closely observed the growth of cotton. He distributed his data among commune members. Whenever he had a commune meeting or inspected production brigades or teams, he always brought a small blackboard with him to lecture local cadres and peasants about growing cotton and how to apply fertilizers and spray insecticide. The commune's cotton output in 1982 rose sixfold compared with 1981; per-capita income rose to 350 yuan, or 6.4 times over 1979.

Common Prosperity

Some people fear that when peasants have money in their pockets, they will seek more personal gain, and will not be concerned with the interests of the state and collectives. Our investigation showed that this was not true.

Liu Xuechen, a middle-aged team leader of Weiziyuan village in the Lufang commune in Pingyuan County, is a good example of those who have benefited from the new policies but have remained thoroughly honest.

"I heard that your family is really well-known around here because you earned 20,000 yuan a year," I said to him. "Are you afraid of being accused of taking the capitalist road?"

Liu Xuechen smiled, and then said: "No, I'm not afraid. All of my earnings come from my own labour. The state and collectives paid me the money."

"Do you worry that the policy might be changed?"

"I know from the radio that the Party and government leaders have emphasized time and again that the current policy will not change for a long time. This puts my mind at ease."

Liu has a family of 10 people including four who are able to work full time and one who can work part time. Only several years ago in 1979, Liu's family had to buy 700 kilogrammes of grain from the state, and he supported them with meagre earnings from carpentry.

In 1980, the family contracted to grow 1.5 hectares of cotton and 0.25 hectares of grain. They also began to grow vegetables and to raise pigs, chickens and other domestic animals. As a result, the family's total income in 1980 jumped to 13,000 yuan, and in 1982 to 23,900 yuan, of which 16,000 yuan was earned from above-quota output.

Liu has a high level of socialist consciousness. He is earning a comfortable living now but he always keeps the interests of the state and collectives in his heart. In 1981 and 1982 he set aside 10,000 yuan for chemical fertilizers, insecticide, farm machines and teaching equipment for the purpose of developing collective production.

As the head of a production team, he also has helped other members of the team to become prosperous. In 1982, the team had 55 households with 215 people. The yearly income per capita was as high as 1,200 yuan, or 31 times as high as in 1978.

"We peasants know how we suffer from lack of schooling. How can the four modernizations be realized without the rapid growth of education and training of professional personnel?" Liu asked.

But Dezhou is not without problems. One young village member complained, "We have

only three things to do: Eat, work and sleeping. This kind of life is too boring. It is high time for us to set up theatres and cinemas, and to popularize education."

Now that peasants have sufficient food and clothing, culture and education is next on their agenda. This is a pressing problem we must come to grips with. □

Rules for the Implementation of Exchange Control Regulations

Relating to Enterprises With Overseas Chinese Capital, Enterprises With Foreign Capital, and Chinese and Foreign Joint Ventures

These rules were approved by the State Council of the People's Republic of China on July 19 and promulgated by the State Administration of Exchange Control on August 1. The following is a translation of the full text. — Ed.

Article 1: These rules are formulated for implementing the provisions of Chapter V of "Provisional Regulations for Exchange Control of the People's Republic of China."

Article 2: In Chapter V of "Provisional Regulations for Exchange Control of the People's Republic of China," the term "enterprises with overseas Chinese capital" refers to corporations, enterprises or other economic entities registered in China with overseas Chinese capital or capital of compatriots in Xianggang (Hongkong) and Aomen (Macao) areas, and managed independently or jointly with Chinese enterprises; the term "enterprises with foreign capital" refers to corporations, enterprises or other economic entities registered in China with foreign capital, and managed independently or jointly with Chinese enterprises; the term "Chinese and foreign joint ventures" refers to enterprises jointly established, owned and run in China by corporations, enterprises, other economic entities or individuals with overseas Chinese capital, capital of compatriots in Xianggang and Aomen areas or foreign capital and Chinese corporations, enterprises or other economic entities.

Article 3: For all business involving foreign exchange receipts and payments, enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures must act in accordance with the stipulations in "Provisional Regulations for Ex-

change Control of the People's Republic of China" and these rules.

Article 4: Enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures should open Renminbi deposit accounts and foreign exchange deposit accounts in China with Bank of China or any other banks approved by the State Administration of Exchange Control (SAEC) or its branch offices, paying and receipting in these accounts being subject to the supervision of the bank with which the enterprises have established accounts. When applying for the opening of the accounts, the enterprises shall submit for verification their operating licenses issued by the State Administration for Industry and Commerce of the People's Republic of China.

Article 5: The solely borne exploration fund and its co-operative development fund and co-operative production fund provided by the enterprises engaged in co-operative exploitation of offshore petroleum resources in China are permitted to be deposited in banks situated in foreign countries or in Xianggang and Aomen areas agreed upon by their Chinese partners.

Article 6: Should they find it necessary to open foreign exchange deposit accounts with banks abroad or in Xianggang and Aomen areas other than the accounts opened in accordance with Article 5 of these rules, enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures should apply to SAEC or its branch offices for approval. The enterprises concerned shall submit to SAEC or its branch offices

quarterly statements of payments into and withdrawals from such accounts within 30 days after the end of each and every quarter.

Article 7: All foreign exchange receipts of enterprises maintaining foreign exchange accounts with banks in China in accordance with Article 4 of these rules, must be deposited in the said accounts and all their foreign exchange disbursements incurred in normal business operations can be paid from these accounts.

Article 8: For the implementation of the petroleum operations specified in their contracts, the enterprises with foreign capital engaged in co-operative exploitation of offshore petroleum resources may pay directly outside of China wages, salaries, cost of procurements, various labour costs and service charges to foreign workers and staff members, foreign subcontractors and suppliers. The foreign workers and staff members and foreign subcontractors shall pay taxes on the income earned in China in accordance with the provisions of the tax laws of the People's Republic of China.

Article 9: Enterprises with overseas Chinese capital, enterprises with foreign capital, and Chinese and foreign joint ventures shall submit on scheduled time to the SAEC or its branch offices the following statements with explanatory notes in detail:

(1) Balance sheet as of December 31 of the previous year, profit and loss statement and statement of receipts and payments of foreign exchange for the previous calendar year, to be submitted before March 31 of each year, along with audit reports by auditors registered in the People's Republic of China.

(2) Budget of foreign exchange receipts and payments for the coming year, which should be submitted before December 1 of each year (subsequent amendments, if any, must be reported immediately).

The SAEC and its branch offices are authorized to request the enterprises to provide information about their business activities involving foreign exchange, and to inspect their foreign exchange income and expenditure.

Article 10: Enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures dealing in exchange between Renminbi and foreign currencies must make the currency conversion according to the official rates of exchange

published by the SAEC; their foreign exchange receipts from exports may be converted into Renminbi in conformity with the Chinese government regulations governing foreign trade exchange conversions.

Article 11: Except where otherwise approved by the SAEC or its branch offices, foreign exchange receipts realized from exports by the enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures should be transferred back and credited to their foreign exchange deposit accounts with banks in China and the enterprises should also go through the procedure of cancelling their commitments for foreign exchange receipts from these exports.

Article 12: Except in the following cases, Renminbi should be used in the settlement of accounts between enterprises with overseas Chinese capital, enterprises with foreign capital, Chinese and foreign joint ventures themselves on the one hand and Chinese entities, enterprises, individuals residing in the People's Republic of China on the other.

(1) For products manufactured by these enterprises and sold to Chinese entities or enterprises engaged in foreign trade which would otherwise have to import, foreign currencies may be used in pricing and in settlement of accounts, provided that prior approval by Chinese foreign trade authorities has been obtained and that agreement on this arrangement has been reached between seller and buyer; the prices of the products may be such as to be commensurate with those current in world markets.

(2) If enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures purchase, for the sake of production, the commodities exported or imported by Chinese entities engaged in foreign trade, foreign currencies may be used in pricing the said commodities commensurate with those current in world markets and in settlement of accounts, with the prior approval by Chinese foreign trade authorities and the arrangement between the seller and buyer.

(3) Foreign currencies may be used in payment for, and in the settlement of accounts related to construction work performed by Chinese construction entities according to contracts, provided that prior approval by the SAEC or its branch offices has been obtained.

(4) For other items eligible according to the State Council regulation or approved by the SAEC or its branch offices, foreign exchange may be used in pricing and in settlement of accounts.

For the foreign exchange transactions thus approved, receipts and payments may be entered into the foreign exchange deposit accounts of these enterprises.

Article 13: Overseas Chinese investors and foreign investors of enterprises with overseas Chinese capital, of enterprises with foreign capital, or of Chinese and foreign joint ventures may apply to the banks with which they have opened accounts for remitting abroad their net profits after tax deductions as well as other legitimate earnings, by debiting the foreign exchange deposit accounts of the enterprises concerned. At the time of application, the investors concerned should submit for examination a report on profit distribution passed by the board of directors or by other authorities with power similar to the board of directors, documentary evidence showing that all taxes have been duly paid, and the contracts containing stipulations in regard to the distribution of profits or earnings.

Overseas Chinese investors and foreign investors of enterprises with overseas Chinese capital, of enterprises with foreign capital, or of Chinese and foreign joint ventures should apply to the SAEC or its branch offices in transferring their foreign exchange capital abroad by debiting the foreign exchange deposit accounts of the enterprises concerned.

Article 14: Enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures engaged in co-operative exploitation of resources such as offshore petroleum, coal, and other co-operative and joint ventures, whose costs are recovered and profits are taken in products in accordance with the stipulations provided in their contracts, may send such products out of China but such enterprises should remit the amount of tax due to the Government of the People's Republic of China as well as other required payments. Should the products be sold within China, then they shall be handled in accordance with stipulations of Article 12 hereof. Foreign exchange derived from these sales may be taken out of the country after tax payments and other payments are made.

Article 15: Staff members and workers of foreign nationality and those from Xianggang

and Aomen areas employed by enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures may remit abroad their wages and other legitimate earnings after tax deductions, the amounts being debited to the foreign exchange deposit accounts of the enterprises concerned for the remittance of amounts exceeding 50% of their wages and other earnings, they may apply to the SAEC or its branch offices.

Article 16: Foreign exchange expenses incurred in the normal business operations of the branches or offices abroad or in Xianggang and Aomen areas set up with the approval of competent authorities by enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures may be remitted to these branches or offices; debiting to the foreign exchange deposit accounts of the enterprises concerned, with the approval of the SAEC or its branch offices.

Article 17: Enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures may borrow foreign exchange from banks or enterprises situated in foreign countries or in Xianggang and Aomen areas, but must report such borrowings to the SAEC or its branch offices.

Article 18: Enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures winding up operations in accordance with legal procedure should carry out liquidation within the scheduled period, under the joint supervision of the Chinese finance, taxation and foreign exchange control authorities. Overseas Chinese investors or foreign investors should be responsible for their outstanding liabilities and their taxes due in China. After completion of the liquidation, overseas Chinese investors and foreign investors may apply to the SAEC or its branch offices for remitting abroad, from their foreign exchange deposit accounts of the closing enterprises, the funds they own or receive as their share of apportionment.

Article 19: The rules to control foreign exchange receipts and payments of banks with overseas Chinese capital, banks with foreign capital, banks of Chinese and foreign joint ventures and other financial institutions shall be further regulated by the SAEC.

Article 20: These rules are promulgated and put into effect by the SAEC after approval by the State Council. □

OPINION

Shanghai scientists seek international works

IN view of the fact that works by Madame Curie (1867-1934), Michael Faraday (1791-1867) and other scientists of equal calibre have not yet been introduced to the Chinese people, Shanghai scientists have appealed to national publishing houses to translate and publish as soon as possible books from a series of world-famous science literature.

Among the 200-odd books in the series, China has released only a dozen in the last scores of years, whereas quite a few countries in the world have already published the entire series. That this wealth of human civilization is still unavailable to Chinese scientists and people is due to the fact that knowledge was looked down upon for a long time in the past. Only excerpts from this series ever made their way into textbooks or magazines, while a thorough translation was not even on the agenda.

Another factor responsible for this omission was political bias, such as in the case of Ernst Mach (1838-1916). Because some of his famous works, including *The Science of Mechanics*, were criticized as idealist, no one dared to translate them into Chinese.

Works about ancient Chinese medicine, agriculture and astronomy should also be included in the series, Shanghai scientists said. They suggested that the government set up a committee composed of scien-

tists, educators and publishers to take charge of this pressing work while older Chinese scientists are still alive.

— "Jiefang Ribao"
(Liberation Daily)

Peasants are different today

IT is necessary to analyse modern Chinese peasants from a new angle, concluded an investigation into Malu Commune in Jiading County, Shanghai.

Since the relations of production and the composition of the peasantry have changed, it is advisable to alter outdated criterion in describing peasants' thoughts and political attitudes according to their class status and social strata, because it is now impractical and meaningless, the investigation found.

Peasants who are over 50 cherish deep feelings for the Party, are firm in their determination to take the socialist road and satisfied with the improvement in living standards since liberation, it found, but they are uneducated, have a narrow outlook and do not easily accept new things.

LIFE

From saucepan to electric cooker

SEWING machines, radios and TV sets are all considered desirable luxuries in ordinary Chinese families. But, these are

The majority of those between 35 and 50 have greatly benefited from the Party's principles and policies adopted since the Third Plenary Session of the 11th Party Central Committee, and have responded favourably to the implementation of the responsibility system.

In contrast, young peasants between 16 and 35 are better educated, have a broad field of vision and can quickly accept new things. They are not satisfied with the existing state of affairs and are eager to develop more efficient new methods of doing things. On the whole, they are good in political and ideological aspects, in their attitude towards labour and they abide by state regulation and law.

However, this group does not have a thorough understanding of the superiority of socialism because they never experienced the hardships of the old society. They do not have the same sense of being the masters of the country and the hard-working spirit as the older generation has. Compared with old peasants, some youngsters have only a vague idea about morality and about what is right and wrong and are unwilling to support their old parents; some have even turned away from political activities.

— "Guangming Ribao"
(Guangming Daily)

outshone by three kinds of pans in the home of Cao Xingdao's in Chenxian County, Hunan Province.

A saucepan, a pressure cooker and an electric cooker were his major purchases of 1980, 1981 and 1982 respectively.

These pans not only symbolize the rise of living standards in rural areas, but the peasants' increasing sense of the value of time as well.

"We're a five-member family. I myself work in the commune-run manganese pit and my wife contracted to work on 0.33 hectare of land through the responsibility system," Cao said. "Our two older kids go to school and the other is only 4 years old. So it's quite a lot of work to take care of the mountain plots for private use besides feeding chickens, pigs and ducks.

"I feel pressed for time. Therefore, I bought a pressure cooker to replace our saucepan to save time. But the idea of having meals ready whenever I come back from the fields led me to buy the electric cooker. Now we are relieved from time-consuming cooking," Cao said.

"And I'm eyeing a refrigerator for this year," Cao added.

— "Hunan Ribao" (*Hunan Daily*)

Return of a travelling bag

MY motherland is great!" wrote Ms. Zhou Rujin in a letter of thanks to praise taxi driver Zhang Xigen of the second station of the Shanghai Taxi Company. Her sad-happy experience in the city is a story she tells everyone she knows in Hamburg.

On April 28 this year during a journey to visit relatives in China, Ms. Zhou and her daughter left an overnight bag in the taxi

that took them to the North Station in Shanghai. The bag contained 14,000 German marks in cash as well as gold watches, cameras and their passports.

The taxi had driven away with a new fare when Ms. Zhou found that the bag was not in the station waiting room. She hurried to the taxi stand to ask for help. The taxi dispatcher phoned the general taxi station and a search was begun to locate the taxi in question.

At first, taxi driver Zhang Xigen had no idea that he had the bag. When he discovered it, he raked his memory for the customer who carried this bag. The contents of the bag made him realize that it was probably

the overseas Chinese whom he had taken to the North Station. He hurried there and through the public address system he asked for the owner of the bag.

Nine minutes before their train left, Zhang Xigen finally found Ms. Zhou and her daughter.

"I've spent an hour looking for you. Now please go over the contents," he said.

Ms. Zhou was deeply moved. "What's your name?" she asked.

"This is my duty as a taxi driver. We have our professional morality," he said, waving away her thanks.

— "Wen Hui Bao" (*A Literary Gazette*)

COMMENT

What does the bird say?

IT is morning in Beijing.

An older man is making for a park clutching a bird cage in his hand.

A younger man is riding the same direction with two cages dangling from his bike handle.

A bird is chirping from one of the cages.

These are the scenes from a television film clip called *Early Risers in Beijing*. A voice-over says that if the bird could be understood it would be saying, "We welcome the love-the-birds week."

Poor interpretation! It isn't meant as an irony, is it?

I am forced to doubt that the interpreter did a good job.

Birds in cages are confined, and many are injured before an

"ideal" prey makes its way to a cage. And the cage not only hinders the propagation of birds, it also prevents them from destroying insects harmful to human beings.

Love-the-birds week is not aimed at loving birds through penning them up in cages. This is not love, this is harm.

The birds probably are not comfortable in cages, for they are born with a natural urge to fly here and there of their own accord.

Then what does the bird really say? If it were to be correctly interpreted, it would have to be something like this: "I implore you: let me go free, please."

— "Beijing Wanbao" (*Beijing Evening News*)

CULTURAL RELICS

*Ancient chariot
takes on new look*

Restoration has been completed on one of two ancient bronze chariots cast during the Qin Dynasty (221-206 B.C.). The half life-sized vehicles were unearthed in winter 1980 in area west of the Emperor Qin Shi Huang (259-210 B.C.) Mausoleum in Shaanxi Province.

All previously discovered chariots were wooden and decayed upon excavation. The bronze findings in the Qin Shi Huang Mausoleum have provided archaeologists with unprecedented opportunities to examine the chariots' framework as well as all parts and reins.

The first tests show that the manufacture of the chariots employed the techniques of casting, welding, riveting, inlaying, chiseling, punching and grinding,

which must have been very complicated at the time.

The restored chariot consists of a single shaft cart which has two wheels and two compartments, one in front of the other, with an oblong canopy on top.

The cart is harnessed to four horses that stand 65 to 67 centimetres high and has a 51 centimetre tall driver who kneels in the front compartment, clad in imperial costume and wearing a sword.

The length from the horses' noses to the chariot's rear is 328.4 centimetres and at its tallest the assembly is 104.2 centimetres high. It is assumed to be a burial object of Emperor Qin Shi Huang.

The 2,200-year-old chariots are considered as important a find as the terracotta warriors and horses pits of Emperor Qin Shi Huang discovered in the early 70s.

*A tomb unearthed
near Tianjin*

A giant multichamber mausoleum, which archaeologists believe was built at least 1,760 years ago, has been found in a north China county near the port city of Tianjin.

This late Eastern Han Dynasty (25-220) structure is the most complicated ancient mausoleum found in China to date, authorities say.

The 40-metre-long mausoleum was recently discovered near the village of Dongtantou in Jinghai County, some 30 kilometres southwest of Tianjin. Facing south, it consists of 22 chambers and four tunnels divided into a main structure and 14 surrounding chambers.

More than 70 burial accessories were found in the tomb, mostly fine-glazed pottery. They include articles for daily use, dining sets and miniature towers, pigsties, domestic animals and figurines.

The most impressive is a 1.41 metre tall, six-story pottery building. It has balconies, diamond-shape windows and figurines sitting inside. The roof ridges are adorned with sculptures of flying pigeons.

Preliminary studies by Tianjin archaeologists indicate that the structure was the tomb of an official with a rank equivalent to a governor.

Two smaller tombs were unearthed nearby. One is also an Eastern Han Dynasty tomb with 49 burial accessories and the other tomb dates back to the Northern Song Dynasty (960-1127).



The unearthed chariot and its driver.

CORRECTION: In the 23rd line of the middle column on p. 20 in our last issue, the figure should read: 311,000.

Traditional Chinese Paintings by Zhang Daqian



Lotus.



A Dancer.



Sailing in Autumn.

Zhang Daqian, who was born 1899 in Neijiang, Sichuan Province, and died of illness 1983 in Taipei, Taiwan Province, is known both in China and abroad for his traditional Chinese paintings and renderings of murals enshrined in the Dunhuang grottoes.

A versatile painter whose subject matter ranged from figures and animals to landscape and flowers, he was a master of fine brushwork and freehand skills in bold and action-charged expressions. More than that, he was unique in employing big splashes in his painting, both black-and-white and in colour.

BEIJING GOLDFISH

- *Wide Assortment of Exotic Species*
- *Graceful Shapes*
- *Brilliant Colours*



Order from

**CHINA NATIONAL NATIVE PRODUCE & ANIMAL BY-PRODUCTS IMPORT &
EXPORT CORPORATION, Beijing Branch**

Address: 56 Xi Jiao Min Xiang, Beijing, China
Cable Address: TUHSUBRAN BEIJING Telex: 22317 TSPB CN