

Vol. 28, No. 16

April 22, 1985

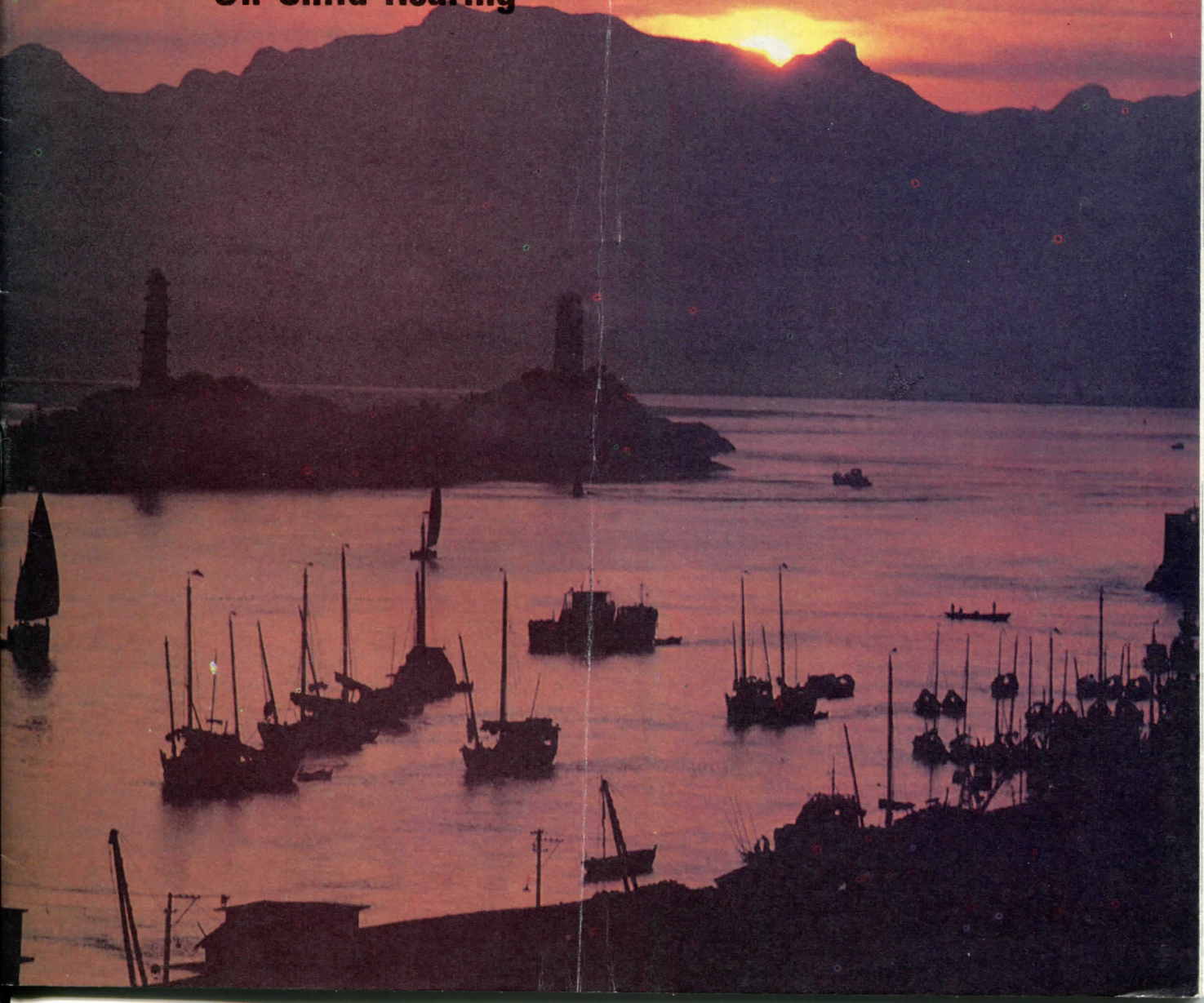
# BEIJING REVIEW

北京周報

A CHINESE WEEKLY OF  
NEWS AND VIEWS

- **China's Economy and  
Current Reform**
- **Changes in Rural View  
On Child-Rearing**

*A New Age for  
Wenzhou*

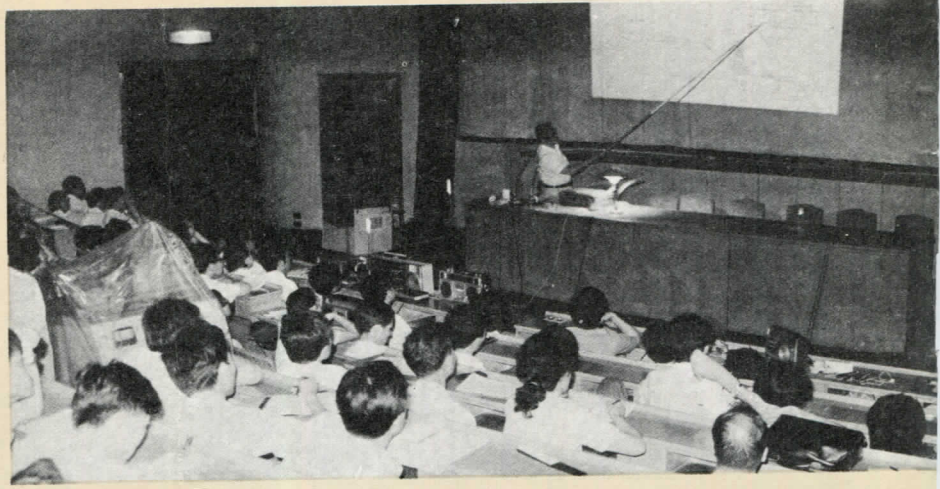


# 北京科学会堂

BEIJING SCIENCE HALL

Scientists' Hall is located in the western suburbs of Beijing.

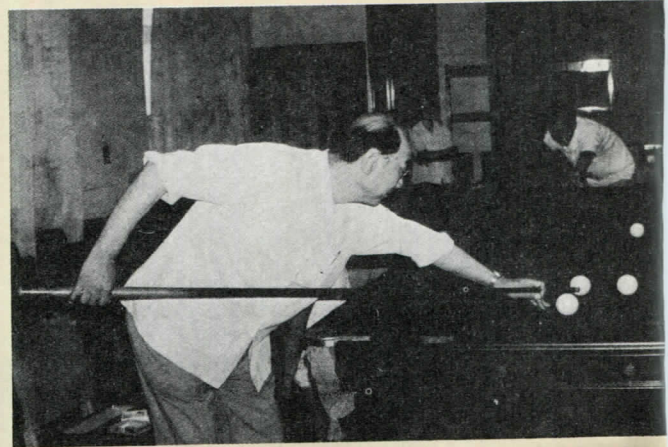
## A Look at Beijing Scientists' Hall



Scientists listen to an academic report.



The reading-room.



The recreation room.

A teahouse provides a place for scientists to compare notes.



# BEIJING REVIEW

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## CONTENTS

<b>NOTES FROM THE EDITORS</b>	4
Remove Obstacles to Economic Reform	
<b>LETTERS</b>	5
<b>EVENTS &amp; TRENDS</b>	6-10
Hu: China Hopes for Better Soviet Ties	
Deng: China Keeps Communist Ideals	
China Would Join in Disarming — Li	
State Decontrols Aquatic Farming	
Weather Reports No Longer Free Patent Seekers Rush to Apply	
<b>INTERNATIONAL</b>	11-14
Southern Africa: Group Marks Success, Charts Goals	
Sudan: Transitional Military Council Formed	
Korea: Political Talks Sincerely Proposed	
Soviet Union: Gorbachev Proposes Missile Freeze	
Price Reform Key to Increasing Production	15
<b>NPC Sidelights: Taking the Road to Common Prosperity</b>	17
<b>Rural Child-Rearing Outlook Changes</b>	19
<b>SPECIAL REPORT</b>	
Port City Profiles: A New Age for Ambitious Wenzhou	22
<b>FROM THE CHINESE PRESS</b>	27-28
<b>BUSINESS &amp; TRADE</b>	29-30
<b>CULTURE &amp; SCIENCE</b>	31-32
<b>SPORTS</b>	33
<b>BOOKS</b>	34
<b>The Current Economic Situation and the Reform of the Economic Structure (centrefold)</b>	
<b>COVER:</b> Morning in the Oujiang River. Photo by Wang Jinqiu	

## HIGHLIGHTS OF THE WEEK

### China's Economy and Current Economic Reform

Premier Zhao Ziyang's government work report at the Third Session of the Sixth National People's Congress has summed up China's economic achievements and problems and outlines the tasks in the current reform of the economic structure (centrefold).

### China Would Join in Disarmament

China is willing to participate in an international conference to discuss effective steps towards the complete prohibition and total destruction of all nuclear weapons, on the condition that the two big nuclear powers take the initiative in nuclear disarmament (p. 7).

### Current Price Reform

Director of the State Price Bureau explains why China must carry out price reforms and the measures taken to ensure that people's living standards will not be lowered by the price changes (p. 15).

### Rural Child-Rearing Outlook Changes

A recent survey of 370 one-child families in rural Sichuan Province shows that none of them want more than two children. This reflects a big change in the peasants' ideas about child-rearing. One reason is that people now enjoy better collective welfare services, and no longer fear being left without support in their old age. One-child mothers can take part in work, become economically independent and so enjoy real equality with men. Single children can be brought up in a healthier way (p. 19).

### Wenzhou Readies Itself for a New Age

It is hard to believe that one-tenth of a city's population are on the road buying and selling things, yet that is the case with Wenzhou, a seaboard city in eastern China's Zhejiang Province. The open policy is fast leading the people of Wenzhou to an industrial boom which will generate new jobs (p. 22).

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# Remove Obstacles to Economic Reform

by **WANG DACHENG**  
Economic Editor

The government has recently devoted major efforts to check the unhealthy tendencies in which some officials are engaged in business and enterprises and shops have arbitrarily raised prices. But some foreigners, because they don't understand China's policy, are worried that China's economy, which has just been vitalized, would become stagnant again.

Although the unhealthy tendencies have occurred while the economic reform is being carried out, they are not the inevitable outcome of the economic reform. On the contrary, they interfere with and disrupt the economic reform. Now the government is correcting these unhealthy tendencies precisely for the purpose of ensuring the healthy development of the reform.

Forbidding Party and government organizations and officials to open business enterprises does not in the least mean any change in China's policy of developing the collective economy and allowing the individual economy to exist and expand to a certain extent. Because China's productivity is, on the whole, relatively low and its development is uneven, and so there is the need for various economic forms to coexist for a long time to come. Today, while the socialist state-owned economy holds the dominant position, the collective economy is also socialist in nature, the individual economy is a necessary supplement to the publicly owned economy.

Over the past few years, many new collectively or individually

managed companies, enterprises, stores and trade centres have played an active role in enlivening the economy. Involved in the evil trend are only those few which engage in illegal dealings or are run by Party and government organizations and officials.

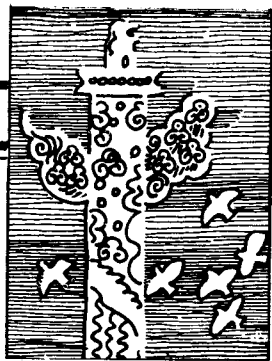
Party and government organizations and officials have the powers to guide and organize the state's economic construction. If they take part in business or establish their own enterprises, they find it easy to seek personal gain by wielding their power. The press has revealed cases in which officials have illegally bought up much sought-after commodities and made exorbitant profits. The Party Central Committee and the State Council have ruled that no officials of Party and government organizations are allowed to open up businesses or form partnerships. They are also not allowed to hold a concurrent position in an enterprise or a business and receive rewards. Neither are officials allowed to abuse their powers to seek profits for the enterprises established by their relatives or friends. Those who have already engaged in such undertakings must immediately cease. But the businesses, which are already established and are helping to invigorate China's economy, may be continued by others.

At present, some enterprises have increased their income not by improving management and raising economic results, but by arbitrarily forcing up prices. Such arbitrary price hikes have harmed the interests of consumers and thrown the market into confusion. Such random price gouging must stop. But the price reform will be launched as planned because it is

essentially different from arbitrary price hikes.

Due to years of neglect of the law of value and other reasons, China's current price system is irrational in many ways. Major agricultural and sideline products are sold at prices lower than the purchasing prices, a subsidy practice which cost the state 20.8 billion yuan in 1984. The prices of various commodities do not reflect their true value, and there is little reflection of a product's quality in the price structure. This situation slows the pace of economic development. Readjusting prices affects the interests of every family in China. The state has drawn up a plan to adjust prices step by step. Steps will be taken to rationally adjust prices and see that the readjustment will not cause a general price spiral and that living standards will continue to improve steadily.

During the current economic reform, the "public pot" will be broken into bits and the principle of distribution according to one's work will be better implemented. The standard of living will improve as production increases. But a number of offices and enterprises have deviated from the state policy. In addition to prescribed wages and bonuses, they have indiscriminately issued extra money and consumer goods for various invented reasons. For example, they have started providing their workers and staff with money for decent clothes and a free lunch every day. Such practices may seem trifling, or even in the best interests of the workers and staff members. But the results are horrible. If every worker in the country were given a



daily free lunch, it would cost the state 18 billion yuan a year. If that were to happen, how the state finances would suffer!

Where do these tendencies originate? They come mainly from those Party members and cadres who are ideologically impure, who have forgotten the purpose of wholehearted service for the people in order to seek their personal interests and interests of their own departments. What they have done has greatly damaged the interests of the state and the people.

Eliminating these bad tendencies is one of the major tasks of the second stage of Party consolidation in 1985. Those units nearing the completion of the first stage of Party consolidation will turn their efforts towards rooting out these problems. Those who have made serious mistakes or committed abominable acts will be disciplined by the Party or punished by state law. A campaign to educate Party members, including Party cadres, in the purpose of wholehearted service for the people is being launched throughout the Party so as to enhance their ideological and political consciousness.

China will unswervingly carry out the economic reform. The reform is an experiment, and there is no firm-and-fast chart to follow. Though meticulous and prudent plans have been made, there are still loopholes along the way that can be exploited by those who are seriously impure in thought and work style. China will continue summing up experience, refining its policies and measures, and pushing the reform forward.

### Leniency for Taiwan Spies

I was very much moved by the prison sentences given to the Taiwanese saboteurs (No. 9). The sentencing was lenient. It shows that China is compassionate and willing to reconcile with the most dangerous wrongdoers. I recall the Chinese authorities releasing a decade ago some Taiwanese saboteurs who had been menacing the mainland in the 60s. In other countries a death sentence or life imprisonment would have been given for such misdemeanors.

The five excerpts of Deng Xiaoping were very interesting (No. 4-9 — *Ed.*). It's high time the old men gave way to younger ones. This is a pertinent issue because if it is not dealt with, we could get a situation where old leaders pass away at the rate of one a year, as experienced in some big power.

Stephen Isabirye  
Arizona, USA

### Miners Have Happy lives

The article "Notes From Shanxi" (No. 10) said some young miners who work underground can earn 300 yuan a month, more than a mayor. This is inspiring. I think the workers will throw themselves into the socialist development with greater enthusiasm as long as this policy does not change.

This kind of report is very good for workers, especially the young ones who are eager to find happy marriages.

Moreover, the news about Qingdao in the "Business and Trade" column helped me learn something about this city since it has been opened to the world. I hope you will publish more of this kind of news.

In the same column, the article

entitled "New Trend in China's Silk Exports" was very interesting. But if you clearly explained how people from other countries can buy the products, the article would have been much better.

Rioichi Arai  
Kitakyushu, Japan

### Excellent Cover Photo

The colour cover of No. 2, 1984, "Young workers at the Guizhou Aluminium Plant, one of China's key projects, are eager to study the new technology," reflects the mental outlook of the Chinese people, who are devoting themselves to the four modernizations drive. The people's bright, intense eyes and firm stance show China's future better than words ever could. They affected me deeply. I think this cover is the best you have run, reflecting the progress of the modernization drive.

I am an engineer and also a teacher. This beautiful cover won my admiration as soon as I saw it. Although more than a year has passed now, it remains fresh in my memory.

Susumu Oshima  
Tokyo, Japan

### Please Broaden Coverage

I am glad to take this chance to comment on your weekly. First, I think your magazine is very good. Second, the articles in "Notes From the Editors" column are informative. But you should avoid dealing exclusively with questions about China.

I suggest that you use colour pictures in the "Sports" column and introduce some international sports activities. I'd also like to know something about Chinese acrobatics.

Bouesso Eric Shaolin  
The Congo

### Hu: China Hopes for Better Soviet Ties

China sincerely wishes to improve relations with the Soviet Union, Hu Yaobang, general secretary of the Chinese Communist Party Central Committee, told reporters from Hongkong and Macao who are in Beijing covering the National People's Congress and the Chinese People's Political Consultative Conference.

China always wishes to have friendly relations with other countries based on the Five Principles of Peaceful Coexistence, Hu said. "Why shouldn't we have friendly, good-neighbourly relations with a socialist country which shares the longest common border with us?" Hu asked.

To improve relations, which cooled to their lowest point in the 1960s and 1970s, Chinese Vice-Foreign Minister Qian Qichen is now in Moscow for the sixth round of Sino-Soviet talks, which opened April 9. Qian said at Beijing Airport before leaving for Moscow that removal of several obstacles to normalizing relations must be discussed because normalization is on the agenda. "We are serious and sincere, and we hope progress will be made in the talks," Qian said.

Hu told reporters that in order to normalize Sino-Soviet relations, it is imperative to remove the obstacles which have threatened the security of China's frontiers. "Improvement of relations cannot be determined by the desire of only one side," Hu said.

"We uphold an independent foreign policy," he continued. "We will not align ourselves with any other country, nor attach ourselves to any country or bloc of countries.

This is a policy China will uphold not just in this century but will carry on through the next."

One of the major obstacles is the more than 1 million Soviet soldiers deployed along the border and the several hundred thousand more in Mongolia.

To remove the other two obstacles standing in the way of normalization, the Soviets have been asked to withdraw their troops from Afghanistan and to stop their support of the Vietnamese invasion of Kampuchea.

Yet despite these obstacles, economic relations have markedly improved in recent years. The value of last year's bilateral trade came to US\$1.2 billion, a 60 percent increase over 1983. It is expected that bilateral trade will reach US\$1.6 billion this year, up 36 percent from 1984. China will, as in the past, export foodstuffs and light manufactured goods such as pork, soybeans, corn, peanuts, cotton, tea and textiles, in exchange for steel, non-ferrous metals, timber, cement, airplanes, automobiles and machinery.

Another improvement has been in mutual visits. More and more exchanges have taken place at increasingly high levels, up to vice-premiers.

Hu also answered questions on a variety of other subjects, including the domestic cadre reshuffle. Much has been done to promote younger cadres in recent years, he said. Already 900,000 older cadres have retired and it is estimated that 2 million will have stepped down by next year.

Hu said the readjustment of leadership in departments under the Party Central Committee, the State Council and the provincial heads is expected to be completed in June. He added that by then at least 70 percent of such cadres will be under 60.

Speaking about Hongkong, Hu said the "one country, two systems" concept would not change, China's special policies for Hongkong will remain unchanged for 50 years after China resumes its exercise of sovereignty in 1997.

With regard to specific policies, Hu said, if there should be any change, it would only be for the better. Policies would be more enlightened, more popular and more in line with the people's needs and world trends. "They will definitely not move backward," Hu said.

### Deng: China Keeps Communist Ideals

Chinese leader Deng Xiaoping said April 15 in Beijing that the Chinese people must adhere to communist ideals and the socialist system during the current economic restructuring.

"Socialism's goal is common prosperity — not polarization of society," he said.

Deng, chairman of the Central Advisory Commission of the Chinese Communist Party, made the remarks during a meeting with Tanzanian Vice-President Ali Hassan Mwinyi.

Deng said the Chinese reforms are based on a determination to respond to the demands of the people.

Deng told Mwinyi that from

1957 to 1978 China was plagued by "left" ideology and, as a result, its productive forces had been severely hampered. "However, China has learnt the lessons of the past after the fall of the 'gang of four,'" he said.

Deng added that China is determined to stick to the socialist system until the realization of communism, a goal set and an ideal cherished by the Chinese Communists in their revolutionary years.

On China's experiences since the founding of the People's Republic, Deng said the key issue is to clarify what socialism is and how to build it. "Socialism does not mean poverty. Without developing the productive forces and improving people's living standards, you cannot say you are building socialism," he said.

He said that after summing up China's past experiences, the Chinese Party has laid down a series of policies, including two major domestic ones, i.e., to expand political democracy and to carry out economic and other reforms.

To realize China's goal, he said the laws governing socio-economic development must be observed.

China has decided to follow an open policy both internationally and domestically. No country can develop with its doors closed and it would be impossible for China to quadruple its 1980 gross national product by the end of the century without international contacts, he pointed out.

To practise a domestic open policy means to carry out reforms, he said. The current economic reform in the cities is complicated and somewhat risky, and this is especially true for China which traditionally is a very closed society and lacks experience in such matters. Deng pointed out that every step in the urban reform affects hundreds and thousands of families.

"However, major mistakes can be avoided by drawing on the successful rural reform as long as we remain sober-minded," Deng said.

He said that the Chinese leadership has made it a principle to be both brave and steady, that is, to be unswerving in carrying out the reform and to make quick corrections to all problems when they arise.

He said China is doing something unprecedented in its long history, and the reform will have domestic and international impact.

He said he believes the success of the reform will be proved within the next three to five years.

## China Would Join In Disarming—Li

China is willing to participate in an international conference of all nuclear countries to discuss effective steps leading to the complete prohibition and destruction of all nuclear weapons, on the condition that the two big nuclear powers take the initiative in nuclear disarmament, President Li Xiannian said in a recent statement.

Li was replying to an Argentine organization, "Appeal of the 100 for Survival." The organization, formed by 100 prominent Argentinians, sent a letter to Li and the leaders of other nuclear countries last December, voicing their desire for world peace. Chinese Ambassador Wei Baoshan delivered Li's written reply, dated April 5, to representatives of the organization on April 11.

Li said in his letter that he fully understands and supports the organization's appeal for all nuclear countries to make a commitment not to be the first to use nuclear weapons.

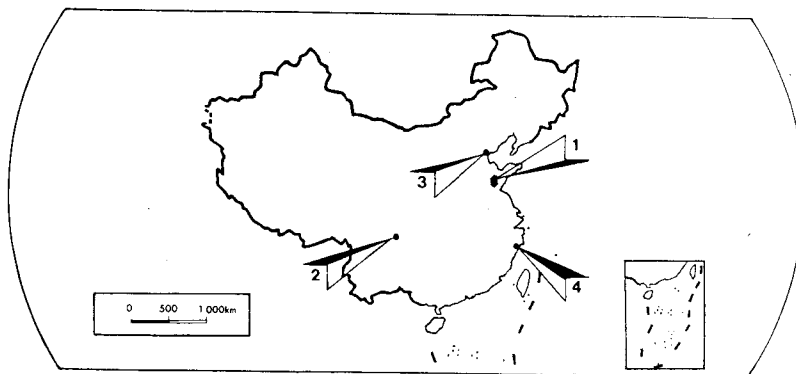
He reiterated that China "will under no circumstances be the first country to use nuclear weapons and will never use them against non-nuclear countries." And he urged all the other nuclear countries to do the same.

"China stands not only for nuclear disarmament but also for conventional disarmament," Li wrote.

He noted that the two big nuclear powers possess more than 95 percent of the world's nuclear arsenal, "posing a serious threat to humanity."

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### PLACES IN THIS ISSUE



1. Yimeng Mountain area (p. 18) 2. Zigong City (p. 19)  
3. Tianjin (p. 20) 4. Wenzhou (p. 22)

## News In Brief

Prosperous peasants in Shanxi Province have collected more than 209 million yuan on their own to build better educational facilities. That's 11 times the total allocation by the provincial, prefectural and county governments.

Households with special products or services are particularly enthusiastic, and 17 of them each donated more than 10,000 yuan. One farmer offered 165,000 yuan, the highest figure, to build a school in his village.

Nationwide, about 5,000 religious believers have been elected deputies to either the people's congresses or the people's political consultative conferences at various levels, according to Ren Wuzhi, acting director of the State Council's Religious Affairs Bureau.

There are now 20,000 monasteries and churches and eight national religious organizations in China. In addition, colleges opened by such religious groups as Christians, Buddhists and Moslems have been restored to normal operations after years of suspension.

Authorities in Tibet have allocated a record 73.74 million yuan for education this year, nearly 10 percent of Tibet's 1985 expenditures, or almost 10 percent more than last year.

Apart from this, more than 2,500 teachers have been invited from 14 provinces and regions to work in Tibet.

Li welcomed the recent dialogue between the United States and the Soviet Union. "We hope their Geneva talks will make substantive progress in checking the arms race in order to facilitate the relaxation of world tensions," he said.

Li pointed out that China maintains an independent foreign policy and is ready to live in peace and co-operate amicably with all other countries. "China will always side with Argentina and other third world countries in their efforts to maintain world peace," Li stressed.

## State Decontrols Aquatic Farming

In a recently released document, the State Council called for flexible policies, improved management and a consequent increase in aquaculture production.

A serious shortage of aquatic products prompted the State Council to issue the document. Though the nation's total aquatic output was 6 million tons last year and freshwater fish farming output doubled in the past six years, fish and other seafood products still do not meet the demands of China's huge population. Beijing residents often have a difficult time locating fresh seafood, and in some other places fish is unavailable all year round.

The new policy shifts the emphasis from state planning to market regulation. The document calls for:

- The energetic development of fish farming. Specialized households or collectives should be encouraged to make full use of water areas available for fish farming. Traditional fish farming techniques should be enhanced with scientific innovations so that the output

of freshwater fish could be increased from the present one-third to two-thirds of the total aquatic output by the end of the century.

- Further improvement of the responsibility system. Water areas should be contracted to households or to groups of households, as the case requires. So long as the contractor can fulfill his obligations, there will be no limit on the amount contracted. Some water areas can even be contracted to persons from outside locality. The contract term can be more than 30 years.

- Readjustment of the purchasing and marketing price policies. State purchasing quotas for aquatic products are to be abolished and prices will be allowed to float on the free market. The supply of aquatic products in the cities will be subject to market demand. Aquatic products purchased at floating prices will be sold at floating prices. A certain amount of fish will be sold at a state-set price in the three biggest cities of Beijing, Tianjin and Shanghai during a transition period. Distribution channels, too, need to be reformed. Commercial outlets — be they state-owned, collective or run by licensed individuals — will be allowed to compete with each other on the market. Fishermen are allowed to sell their products anywhere and are no longer limited to special areas. If prices go too high or too low, the state commercial outlets will take measures to protect the interests of the consumer or the producer.

- Improvement of aquaculture enterprises. State-owned enterprises should be given more decision-making power by eliminating administrative bottlenecks and paper-pushing bureaucracy. They should be allowed to take responsibility for their own profits and losses. In addition, laws should be adopted to govern fish farming and to protect water resources from harm.



## Weather Reports No Longer Free

China will begin charging for specialized meteorological services this year, a report from the State Meteorological Administration announced on April 6 in Beijing.

According to the report, which has been distributed by the State Council General Office, weather service is a public undertaking. Previously, all meteorological services were free. But the funds which the state allocates to China's meteorological stations can only maintain the status quo. They are not enough to support any development, although the meteorological stations are now increasingly asked to provide more wide ranging and special services by various economic departments.

The new method is aimed at helping meteorological stations earn money to buy more modern equipment and technology and provide better, specialized services, the administration report said.

China's meteorologists have contributed greatly to the country's economy, especially in agriculture, said Luo Jibin, deputy director of the State Meteorological Bureau. He said the accurate forecast of a flood on the Changjiang (Yangtze) River in 1982 stopped a river water diversion plan that would have made 300,000 people homeless.

China has set up a national network of 2,662 weather stations and about 4,000 more in rural areas staffed by amateur meteorologists, Luo said.

He added that a meteorological centre to process satellite data is now under construction in Beijing, and a computerised weather forecasting centre is also planned.

The paid special meteorological services will be available to organizations and individuals including farmers, factories, mines, construction firms, transportation and ma-



### A Triumphant Kiss

Carried by her mother, a little girl was kissed by her father as he got off the train. Dad is a member of China's Antarctic Expedition. The team arrived in Beijing on April 10 after a 140-day, 26,000-nautical mile voyage. More than 400 well-wishers gathered at the railway station to greet the returning Antarctic heroes.

rine development companies, and departments of water conservation, environmental protection, finance, tourism, culture and sports, a spokesman for the administration said.

Foreign businesses and independent foreign enterprises are also eligible. Rates will be set according to information costs and management expenses, he added.

"Our earnings will be used mainly for new technology and equipment, with a certain portion for employee rewards and welfare," the official explained.

Meteorological reports will still be free for Party and government offices, army units, scientific experiments, natural disaster prevention and aid, radio and television stations and newspapers, he said.

## Patent Seekers Rush to Apply

China's patent office has been buried by piles of paperwork since the country's first post-liberation patent law took effect April 1.

"The first registration day is very encouraging," said Huang Kunyi, director-general of the patent office. Of the 1,773 applications received at the Beijing headquarters by 3 pm, about 80 percent were for new inventions, with the remaining 20 percent for new designs, innovations and improvements. And 842 applications, or 47.5 percent, were from Chinese applicants, with the rest coming from foreigners, said Huang.

The first application was from a research institute under the Ministry of Aeronautics Industry. The most prolific applicant was Qinghua University, nicknamed the engineer cradle of China, which applied for patent rights for 145 items.

Applications were also accepted by the office's branches in Shanghai, Shenyang, Changsha and Jinan, to name a few.

Sixty applications came from a Dutch subsidiary of the United States-based Phillips Petroleum Co., 30 from Japan's Takeda Chemical Industries Ltd. and 20



Patent applicants line up in front of the Beijing headquarters of the China Patent Office on April 1, the day the patent law took effect.

from West Germany's Bayer Co. Of the foreign applications, 40 percent involved the chemical industry and another 40 percent the electronics field, Huang said.

"We don't expect that all the applications will be first-rate at the moment, and people may want to wait and see. But experience will prove that all their doubts and misgivings are entirely unfounded," said the director-general.

"We have not only promulgated our patent law and its implementing regulations, but also set up a national patent system with more than 10,000 professionals.

"We have also joined the Paris Convention of Industrial Property Protection, which has not only put our patent protection on an international scale, but also linked our scientific and technological developments to the latest developments in the current world technological revolution," Huang told the English-language newspaper *China Daily*.

According to the same paper, Chen Songtao, an official in the patent office's planning and organizing department, said, "We have all the necessary laws and regulations, an examination centre,

a document service centre, a national network for patent management, a patent license management office and an international patent document computerized index system.

"Our data bank boasts a collection of more than 30 million patent documents, second only to Japan in Asia," he said.

"We have also adopted the most advanced methods in paperwork, including the method of publication before examination, which is aimed at checking the true value of patents and preventing repetitive labour; the method of classifying patent data and documents according to international practice; and the method of public supervision, which means all individuals are entitled to question the worth of any patent approved by the office and can request corrections," said Chen.



## Around the Globe

### China Supports DPRK Call for Talks With Seoul

A Foreign Ministry spokesman said in Beijing on April 11 that China supports a recent proposal by the Democratic People's Republic of Korea (DPRK) to hold top-level talks with South Korea. "China supports the proposal, which will help relax tensions on the Korean Peninsula," he said.

In a written statement delivered through the truce village of Panmunjom to the National Assembly of South Korea on April 9, the Supreme People's Assembly of the DPRK proposed that the two sides hold talks to discuss relaxing tension on the Korean Peninsula and other related issues.

### China, Italy to Co-operate Broadly

China and Italy recently signed a letter of intent on co-operation in areas of common interest in national defence, including personnel training, electronic technology and communications.

### China Calls for End to Arms Race

A Foreign Ministry spokesman said on April 11 that China wants an end to the superpowers' "fierce nuclear arms race." He added, "We hope that the two countries will, through serious negotiations, take practical measures to halt experiments, production and deployment of nuclear weapons, including strategic and medium-range nuclear weapons, and considerably reduce their nuclear arsenals."

## Southern Africa

### Group Marks Success, Charts Goals

**At their 5th anniversary, the countries of the Southern African Development Co-ordination Conference (SADCC) have enough resources and determination to develop independently.**

by **MA SHIKUN** and  
**BAO SHISHAO**

**T**HE nine member countries of the Southern African Development Co-ordination Conference (SADCC) held a reception to celebrate the 5th anniversary of their founding on April 1 in Gaborone, Botswana. With a solid plan for regional development, the active organization has been making progress towards its goal.

The nine members are Botswana, Mozambique, Zambia, Tanzania, Angola, Zimbabwe, Lesotho, Swaziland and Malawi. Due to a long period of colonial rule and other problems, they are economically underdeveloped. In none of these countries does the per-capita income exceed US\$900, and in three of them it's less than US\$250. All are eager to develop their economies, with the aim of achieving collective self-reliance.

Another problem, caused by geography, is that these countries are economically dependent upon South Africa, and some are even controlled by it. For example, before the establishment of the SADCC most airlines and shipping services between the capitals of the nine countries had to pass through Johannesburg, South Africa. Telecommunication lines also had to go through the country. More than half of their imported goods also had to go through the

harbours of South Africa. South Africa did its best to use this advantage to exploit and control these countries.

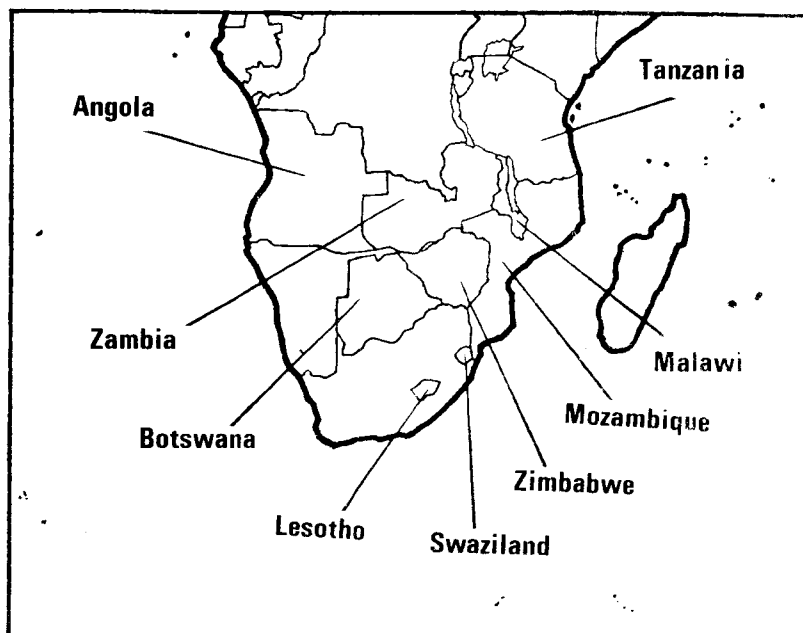
After the founding of the SADCC, the South African authorities tried to force southern nations into disunity by severing its railway connections with Zimbabwe, Zambia, Botswana, Lesotho and Mozambique. They also withdrew all locomotives and railway carriages rented by these countries, creating great difficulties.

The SADCC aims to help its members develop and become completely independent of South Africa. It has worked out a programme which calls for more than US\$5 billion in 250 transportation, communications, in-

dustrial, energy, agricultural, mineral and trade projects.

Five years have passed and so far 114 projects have been proposed, at an estimated cost of US\$3.1 billion. Transportation and communications are taking priority. Among these projects, 66 will be financed by promised donations and 59 are under negotiation.

More encouraging is that some projects have already been completed. The highway between Botswana and Zambia was restored. A railroad switching yard was built on the border between Mozambique and Swaziland. A highway was built between Malawi and Tanzania to send goods from Malawi to Dar es Salaam port via the Tanzania-Zambia Railway. A ground satellite station was set up in Swaziland. And most important of all, there are now air services between the capitals of the nine countries, eliminating the need for the South African link.



Although the SADCC can be proud of these successes, it still has a long way to go to reach its target. Successive drought years, sabotage by South Africa and the world economic crisis have caused problems.

All the members of the SADCC have the natural conditions and potential to jointly develop their economies. As neighbours, they have a collective population of 65 million living over five million square kilometers. The area has rich energy and mineral resources.

According to statistics, the present petroleum output in the region is three times what now consumed, and the electric power is twice what now consumed. The nine countries can satisfy all their own coal needs. The output of valuable minerals, such as gold, copper, chromium, cobalt and diamonds makes them important world producers. Mozambique, Tanzania and Angola have six good harbours, enough to handle the imports and exports of all SADCC countries. The conditions for success are there.

mass strikes and demonstrations in the capital and other cities demanding the dismissal of Nimeri. Khartoum and its suburbs were in chaos.

Military officers at the middle and lower levels remained neutral and even expressed sympathy for the demonstrators. It was with this support that Suwar al Dahab took control.

But the coup was not accidental. There were also deep political and economic causes. In recent years industrial and agricultural production has fallen sharply in Sudan. The 1984 harvest of the main staple of the Sudanese people, sorghum, was just two-thirds of what it was in 1983. Sorghum stores were already exhausted. Most factories were operating at only 10-15 percent of capacity.

Because of three successive drought years, 4 million people suffered from hunger and moved to the cities to look for work. More than 1.2 million refugees from neighbouring countries joined them to increase Sudan's burden.

Improper economic management at home combined with the inherent bias in the international economic order against developing countries caused Sudan's export revenues to drop sharply. Import expenses increased to further deteriorate the financial situation. Government deficits in fiscal 1983-84 reached US\$675 million. The country maintained itself by borrowing abroad, ending up with a foreign debt of more than US\$9 billion. At term-time they will have to pay US\$1.74 billion.

A marginal shortage in commodities sent prices skyrocketing, and the inflation rate outstripped 40 percent. In order to seek foreign aid, Nimeri announced a 92.3 percent devaluation of the Sudanese pound and then cancelled

## Sudan

### **Transitional Military Council Formed**

**Economic deterioration and food price hikes combined with an unsatisfactory settlement of the southern racial problem have led to a military coup.**

by LI HONG

ON April 9 the new leader of Sudan, Abdel Rahaman Mohamed Hassan Suwar al Dahab, declared the formation of a 15-man transitional military council, which will have sovereignty and legislative responsibilities while Sudan's new government is being formed. At the same time, he reaffirmed that he would return power to a civilian government as soon as possible.

Sudanese Defence Minister and Commander-in-Chief of the People's Armed Forces Suwar al Dahab seized power in a military coup on April 6, terminating the constitution, dissolving the Sudanese Socialist Union and the National People's Assembly and dismissing President Gaafar Nimeri.

The next day he announced that the new government will uphold all bilateral, regional and international treaties, pacts and agreements and the charters of the

United Nations, the League of Arab States and the Organization of African Unity, strengthen co-operation and unity with Arab and African states, maintain and develop relations with Egypt and negotiate peaceful settlements to pending issues with some of its neighbouring countries through consultations. Domestically, it will eliminate the negative consequences of Nimeri's rule, maintain national unity, ensure freedom of religion, end the military conflicts in the south through direct dialogue, establish democratic political organizations and create a democratic atmosphere for holding completely impartial elections.

The direct reason for the coup was large price hikes for daily necessities, which met with great resistance from the people.

On March 26-28 the people of Khartoum, Sudan's capital, took to the streets to demonstrate against the food price hikes. Government troops arrested more than 2,600 and killed and wounded many. By April 3 there were

subsidies for food, gasoline and other daily necessities. The price of bread rose 33 percent and gasoline went up 66 percent. This caused widespread dissatisfaction and disturbances among the people.

Nimeri also tried to enforce the practice of Islam, thus intensifying domestic conflicts. In September 1983 Nimeri proclaimed a series of decrees, introducing sharia (Islamic law) and planning to establish an Islamic Republic integrating politics and religion. He twice reshuffled the Council of Ministers and replaced important military and government officials. Those who violated the law had their hands cut off and then were whipped and sentenced. At the beginning of this year the Nimeri government cancelled interest on all bank deposits and loans, seriously interfering with regular monetary activities. This led to a sharp decline in state revenue.

The improper settlement of the north-south conflict intensified hostilities, leading to renewed civil war. The people in southern Sudan are mostly black, and are Christians or animists. They are not on good terms with the Moslem Arabs in the north. Open fighting took place from 1955 to 1972, when the central government and representatives from the south signed the Addis Ababa peace accord, giving the three southern provinces a certain degree of autonomy. However, the conflicts between the north and south were never solved.

The southerners felt the Nimeri government stressed developing the north at the expense of the south. The southern development plan of 1977-83 called for more than 280 million Sudanese pounds, but the actual investment was only just over 58 million pounds. After oil was discovered in the south there were new conflicts with the

central government over sharing the oil interests. The shipment northwards of most of the oil was strongly opposed by most southerners, as was the imposition of the sharia.

In June of 1983 Nimeri dissolved the High Executive Council for Southern Sudan and redivided the south into three provinces. The southerners claimed that he intentionally ignored the agreement and cancelled their autonomy. Anti-government organizations were formed and some southern military leaders began guerrilla activities against the central government. They attacked and occupied small cities and towns and later raided some larger cities,

## Korea

# Political Talks Sincerely Proposed

**Signs of hope have appeared for the postponed North-South Korea talks. A sincere reply is expected from South Korea to the sincere proposal from the North.**

by **REN PING**

**O**N April 9 the Seventh Supreme People's Assembly of the Democratic People's Republic of Korea (DPRK) passed a written message to South Korea proposing North-South assembly talks aimed at establishing national understanding and trust and easing the tensions on the Korean Peninsula.

The South Korean authorities said in an April 11 statement that the National Assembly of South Korea and three political parties — the Democratic Justice Party, the Korean National Party and the New Democratic Party will jointly study the North's proposal in the spirit of easing tensions and realizing peaceful reunification through sincere talks. They promised to give a sincere reply as soon as possible.

Last November North and

bombed ships on the Nile River and kidnapped foreigners in Sudan. This brought a halt to oil exploitation in the south. The waterways between the north and south were often blocked. The Nimeri government sent northern troops to restore order, but they failed.

Since the coup, the new government has won broad support from the military and the people. Life in Khartoum has returned to normal. The shops and banks have reopened and the various government departments are back at work. Contacts with the outside have resumed, and already many countries have recognized the new government.

South Korea agreed to hold their second North-South economic talks at the beginning of this year and the eighth Red Cross talks earlier this year. But the talks had to be postponed as the South persisted in holding the US-South Korean "Team Spirit 85" joint military exercise, which destroyed the atmosphere for positive dialogue.

On April 4 the DPRK proposed to resume the two talks and suggested the dates to be May 17 and 28. Later the DPRK again suggested assembly talks, thus expanding the scope of negotiations from economic matters to political ones.

Talks are the most effective way to increase North and South Korea's mutual understanding, eliminate their rivalry and bring about the peaceful reunification of Korea.

China hopes that South Korea will accept the DPRK's proposed parliamentary meeting very soon. Talks at different levels between the North and South will give hope to the Korean people and to all who are looking forward to

Korea's reunification.

For almost 40 years the Korean people have lived in a divided land. China really hopes to see this end through North-South talks and increased contact.

## Soviet Union

# Gorbachev Proposes Missile Freeze

**In a new effort for detente, the Soviet leader has decided to freeze the deployment of all intermediate-range missiles and counter-measures against American deployment in Europe until November. The proposal has drawn mixed reactions from the West.**

by NAN JU

SOVIET leader Mikhail Gorbachev announced on April 7 that the Soviet Union will unilaterally freeze the deployment of all intermediate-range missiles and counter-measures against the recent US deployment in Europe until this coming November.

He made the announcement in his first interview with the Soviet newspaper *Pravda* since taking office last month. Gorbachev said the fate of the freeze after November "depends on whether the United States follows our example and stops the deployment of its intermediate-range missiles in Europe."

Earlier, it was reported that the Soviet Union had proposed a freeze on additional nuclear weapons and a ban on space weapons development at the Geneva talks. Why has Moscow put forward these "freeze" proposals at this time?

The proposals have probably come about because of several recent developments in the West. First, after a hard fight the US

Congress has approved funds to build 21 more MX missiles. The US is also determined to go ahead with its space defence system, and is even inviting its European allies to participate in the research and development programme.

North Atlantic Treaty Organization (NATO) defence ministers have decided to continue the US missile deployment in Europe. Belgium has approved the deployment of US cruise missiles on its territory after a long delay. The United States and Canada have signed an agreement to overhaul the North American early warning system, which will enhance their joint defence capabilities.

From the Soviet point of view, all this is leading up to American military superiority. The intensified arms build-up, if not halted, will aggravate tensions in Europe and make progress at the Geneva talks even more difficult. Gorbachev also clearly believes that limited interim steps might ease public opinion somewhat, as people all over the world, and particularly in the United States, favour a freeze. The November deadline gives Washington eight months to decide whether it prefers agree-

ment or escalation of the arms race.

However, Reagan has already made his answer clear. The White House promptly dismissed the proposal and declared that it will not follow Moscow's example. "Such a freeze is no substitute for negotiating significant weapons reductions at the Geneva arms talks," said presidential spokesman Larry Speakes.

America's NATO allies had mixed reactions to Gorbachev's proposal. British Prime Minister Margaret Thatcher agreed with Reagan, while her foreign minister, Sir Geoffrey Howe, remarked that London would study Moscow's plan carefully "to see whether it can make a contribution towards achievement of the objective of truly balanced and verifiable reductions in these weapons."

The West German government declined to offer any reaction at all, saying it was too soon for a formal response.

In Holland the Dutch foreign ministry reiterated its position that it will deploy 48 US cruise missiles if Moscow has more SS-20s in position in November than it had in June 1984. That means Holland will take the missiles unless the Soviets reduce their SS-20 arsenal from the reported 414 at present to the 378 in place last June.

As everyone knows, the Soviet Union and the United States possess the two largest nuclear arsenals in the world. People hope that the two countries will, through serious negotiations, take practical measures to halt experiment, production and deployment of nuclear weapons, including strategic and medium-range nuclear weapons, and considerably reduce their nuclear arsenals. Only by doing so would it be possible to help reverse the dangerous trend of nuclear arms race and reduce the threat of nuclear war.

# Price Reform Key to Increasing Production

China will take five years to gradually reform its irrational price system. The keys to the reform in 1985 are relaxing pork price controls, readjusting grain prices and raising fees on short-distance transportation. Measures will be adopted to make sure that living standards will not be lowered by the price changes.

## by CHENG ZHIPING

Director of the State Price Bureau

**T**HE Decision on the Reform of the Economic Structure, which was adopted by the Third Plenary Session of the 12th Party Central Committee in 1984 (the full text was printed in issue No. 44, 1984), made clear the need to gradually reform China's irrational economic system.

The major problems in the current price system are: Prices of many commodities neither reflect their value nor the relationship between supply and demand; prices of mineral products, raw materials and energy, in particular, are too low; state purchasing prices of agricultural and sideline products are higher than their market prices; and prices of many important products do not reflect their quality. If these problems are not solved, it will be impossible to judge the performances of enterprises and to ensure the smooth exchange of goods between the cities and the countryside. Without reform, the rapid development of production and the continuous improvement of living standards will be out of the question.

1985 is the first year of the price system reform. The basic principle for the reform is to relax price controls while readjusting prices and to advance in small steps. The reform will be primarily carried out in the following three aspects:

- First, controls on the purchasing prices of pigs and the selling prices of pork will be relaxed. In recent years, agricultural produc-

tion has developed quickly. The output of grain has gone up dramatically. The number of pigs, however, has not increased as it should and has failed to meet the market demand. In order to encourage people to raise more pigs with the grain they produce, it is necessary to change the old pig purchasing system. That is, we must implement contracted and market purchasing and abolish unified state purchasing and market prices. We must allow price fluctuations, within certain bounds, according to supply and demand. In the meantime, the state will issue subsidies to urban dwellers to offset pork price hikes. State food companies should have their own pork supply sources. They will supply pork according to market supply and demand and state policies so as to stabilize prices and protect the interests of both producers and consumers. With regard to the prices of other perishable goods, controls will be lifted step by step. The major purpose of the reform is to promote the development of non-staple foods, increase food variety, improve quality, ensure supplies and provide convenience to the people.

- Second, the reform is aimed at readjusting the purchasing and market prices of grain. In order to change the irrational situation in which the purchasing price of grain is higher than the market price, the state monopoly of grain purchasing will be abolished this year and will be replaced by contracted purchasing. The purchasing prices of rice, wheat and corn within the quotas set by the contracts will be fixed according to a

3:7 ratio. That is, 30 percent will be bought at the original state price and the remaining 70 percent will be bought at a higher price. While not deviating from the purchasing ratio set by the state, the various provinces, autonomous regions and municipalities may fix higher prices for other kinds of grain. Grain not purchased by the state can be sold freely on the market. If market prices are too low and the peasants want to sell their grain to the state, the state will purchase whatever amount of grain the peasants have at the original state purchasing price so as to protect the interests of the peasants. It is also necessary to readjust the price of grain sold by the state in the countryside. Prices will not rise for grain rationed by the state to the urban non-agricultural population and grain sold to the peasants in vegetable growing areas where controls on vegetable prices have not been relaxed. People in urban areas will still be able to buy grain at the original state prices with national and local grain coupons.

- Third, the reform seeks to raise fees for short-distance railway passenger and freight transport. The purpose is to encourage more short-distance use of highway and water transportation to relieve the pressure on the railways. Fees for long-distance railway passenger and freight transport will remain unchanged. In places where the conditions are ripe, the bus fares and trucking fees will be lowered.

The first two reforms have already been implemented in most places. Preparations are under way for the transportation fee re-

form, which should be put into effect some time in the first half of 1985.

In addition, the practice of fixing higher prices for better-quality products and low prices for poor-quality products will be adopted this year. Enterprises will be allowed to fix prices for industrial products they are entitled to market on their own and the prices will be subject to market regulation. Price differences in coal due to different varieties and regions will be allowed. But the price of coal needed for heating and cooking in the cities will not be raised. With regard to the prices of Western and traditional Chinese medicine, some will be raised and some reduced. However, the general level will remain unchanged.

The reforms to be carried out this year are mainly aimed at changing the structure of production and transport and improving the product mix. These reforms will be conducive to gradually establishing a reasonable price system. Businesses and enterprises should implement these reforms under the unified leadership of the State Council. Under no circumstances should they take the opportunity to raise prices or jack up prices in disguised forms.

As for the prices of urban and rural markets and the prices of small commodities over which state controls have been lifted, they will be regulated by the market forces, with both rises and declines.

After controls on the prices of pork and other perishable goods are relaxed, the prices will go up for a period of time. But with an increase in production, they will gradually become reasonable and stable. This has been proved by experiments in Guangdong Province and other places.

This year is an important time

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## Facts and Figures

### Price Reform Tallies Achievements

China began introducing initial reforms to its irrational price system in 1979. These reforms have included: Raising by a fairly big margin the purchasing prices of eight major agricultural and sideline products and some market prices; issuing appropriate subsidies to workers and staff; raising the prices of coal, cigarettes, liquor and leather products; reducing the prices of synthetic fabrics and some durable consumer goods, including TV sets and refrigerators; and appropriately raising the fees for water transportation.

These reforms have not only promoted the development of the economy but have also improved the people's lives.

— Real income has increased. According to a sample survey of peasant households, per-capita income in 1984 reached 355 yuan, an increase of 160 percent over 1978, and still an increase of 100 percent when price increases are factored in. A survey of more than 10,000 urban families in 82 cities shows that the annual per-capita outlays of urban residents on personal living expenses reached 608 yuan, 92.4 percent more than in 1978, or an increase of 60.5 percent when price hikes were considered. For both peasants and

workers, the rate of increase is unprecedented. Of course, China is a big country and economic development is uneven. Living standards in a few places are still fairly low. The central government is now taking measures to help these areas develop production and improve living standards.

— The level of consumption has been raised. Compared with 1978, the average per-capita grain consumption in 1984 for both urban and rural people increased from 195.5 kg to 230 kg; edible vegetable oil increased from 1.6 kg to 4 kg; and pork consumption grew from 7.5 kg to 12.5 kg. Durable consumer goods have also been quickly popularized. The number of radios, bicycles, wristwatches, sewing machines, TV sets, washing machines, refrigerators and cassette tape-recorders has multiplied many times.

— Bank savings have increased. At the end of 1978 savings totaled 21.1 billion yuan. By the end of 1984 the total had jumped to 121.5 billion yuan. The per-capita average savings in the cities increased from 75 yuan to 320 yuan and the average in the countryside went up from 7 yuan to 50 yuan.

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in the price reform. Because of the reform, the general price index of retail goods will go up somewhat. The state will take a series of measures to strictly control the fluctuation of meat prices and prices of products containing meat. The state will strictly monitor the market prices and take action if necessary. These measures are:

— The state has decided to allocate a few dozen million tons of grain as fodder to pig growers and will buy pigs from peasants and specialized pig-raising households at the original state purchasing price so as to ensure the supply of pork. This will limit the pork price hikes to a certain degree.

*(Continued on P. 21)*



# Taking the Road to Common Prosperity

by HAN BAOCHENG  
Our Correspondent

ONE of the most lively panel discussions at the Third Session of the Sixth National People's Congress (NPC) was how Chinese peasants can become prosperous.

The deputies agreed that since 1979, when rural areas first began their economic reforms, living standards have greatly improved. The average per-capita income has jumped from 134 yuan in 1978 to 355 yuan in 1984. When rising prices are figured in, income has still more than doubled.

However, owing to differences in the distribution of natural resources, in environment, history and reality, peasants' incomes are not the same in all areas. But common prosperity is what we aspire after and it is also the objective of socialist development. Therefore, on the premise of upholding collective ownership and adhering to the principle of distribution, "to each according to his work," it is necessary to encourage some regions with better conditions and some people to get rich first while helping the

backward areas and the poor to catch up as quickly as possible. This is how China's rural policy will ensure that all peasants are eventually well-off.

## Concern for the Poor

Qin Hezhen, chairman of the standing committee of the people's congress of Shandong Province, emphasized the need to have a correct estimation of rural living standards. According to a survey of Yidu County, the average annual per-capita income of 15 percent of all households was 150 yuan, which went entirely for food. About 60 percent earned 300 yuan a year, and so had a little left over. Another 20-30 percent are comparatively prosperous, earning 600-800 yuan a year. Only eight out of 10,000 are 10,000-yuan-a-year households. Qin said he believes this is representative of rural Shandong. Qin said when leaders go to the grass-roots level, they should not fix their eyes only on the prosperous areas and households. Rather, they should help the backward areas solve their problems.

## A Hand to Minority Areas

The Ningxia Hui Autonomous Region, along the upper reaches of the Huanghe (Yellow) River, has low economic and cultural levels. Most residents are Moslems who have lived in the area for generations.

Ma Qingnian, chairman of the standing committee of the people's congress of the Ningxia Hui Autonomous Region, said a rapid development for Ningxia must be based primarily on the principles of self-reliance and reform. But Ma emphasized the importance of both the principles and support from other quarters because Ningxia has been so poor and isolated for so long that it is unrealistic to expect great achievements by its own efforts alone.

In fact, since the establishment of the Ningxia Hui Autonomous Region, it has received increasing appropriations from the central government for the development of economic, cultural and other undertakings. The aid accounts for at least 50 percent of the total revenue of the region. In addition, Ningxia has enjoyed preferential treatment in taxation, exploiting resources, education and other areas.

Deputies from Shandong Province at a panel discussion.



## Ending Isolation

Ma said Ningxia has broken out of its isolation by setting up co-operative projects with more developed coastal cities and provinces. These offer Ningxia low rate or interest-free loans to update its old enterprises and build new ones. They also help train Ningxia's technicians and managerial personnel and promote education and public health. Ningxia, in return, sends raw materials, local specialties and other items to these areas. Both

sides benefit from this co-operation.

Ma said Ningxia has also made dramatic progress in its economic and technological co-operation with other countries. Last year regional leaders signed 20 contracts with business representatives from abroad. In order to enhance relations of friendship and co-operation with Arab and Islamic countries, Ningxia is going to form a Ningxia Islamic International Trust and Investment Corp. and a Ningxia Corp. for International Economic and Technological Co-operation.

### Many Advantages

Ma noted that Ningxia has lagged behind in economic development. But it has rich natural resources, including coal, and the potential to develop hydroelectric power. The population density is also very low, and presently unused land can be reclaimed to develop forestry, agriculture and animal husbandry. Much sunshine and a sharp temperature differential make it suitable to grow a wide variety of cash crops. These are advantages the coastal cities and provinces cannot match.

It is estimated that Ningxia's gross output value of industry and agriculture reached 2.86 billion yuan last year, 14.4 percent over 1983 and a bit higher than the average national increase. The average income of urban residents was 600 yuan last year, equalling that in other big cities in China. The average annual income for a peasant was 313 yuan, 12 percent lower than the national average.

### Aid to Mountainous Areas

The Yimeng Mountain area in the southern part of Shandong Province is an old revolutionary base. Although great changes have taken place in the impoverished mountain area since 1949, it is still far behind Shan-



Luo Mingzhu (second from right), the Longli County magistrate, discusses with specialists how to grow forage grass. The Guizhou NPC deputy is a member of the Bouyei minority.

dong's prosperous coastal areas.

NPC Deputy Liu Xingwu, deputy secretary of the Linyi Prefectural Party committee, told participants that his prefecture has 13 counties and a population of 10 million. Six of the counties perch in the mountains, and are home to about 40 percent of the prefecture's population. Isolated and backward, many of these villagers have trouble even getting fresh water. Few enjoy the advantages of electricity. The average annual per-capita income of the peasants is only half of the average annual per-capita income for the province.

To put an end to poverty, last year the provincial government set up a centre to explore and develop the Yimeng Mountains in Linyi. Last October Party General Secretary Hu Yaobang visited this region and gave his opinions on how to develop mountain areas.

### Plans for Prosperity

Liu said that new short- and long-term plans have been drawn up for this region. The main focus is forestry, but there are also plans for agriculture, animal husbandry, industry and commerce. Jinan, the provincial capital, and coastal cities Yantai

and Qingdao are helping six underdeveloped counties, while, to boost agricultural production, the local governments adopted flexible policies to encourage the peasants to cultivate unused land. In the next 30-50 years all the income from these wilderness areas will belong to those who develop them.

Specialized households and economic entities will be exempt from taxes for 2-3 years, and this may be extended according to the situation.

These policies have really stimulated initiative. To date, 52,000 hectares of trees have been planted, along with 17,000 hectares of orchards, 527 wells, 479,000 metres of irrigation channels and one main road.

Hebei's Deputy Governor Li Feng told deputies that in his 140 counties last year the average annual per-capita income was 400 yuan, with 61 counties increasing an average of 100 yuan over 1983. However, about one-sixth of the counties, mostly in mountainous areas, are still rather poor. This year the provincial government will help and support these areas with capital, technology and new roads. Li said the provincial government will give millions of yuan and

# The Current Economic Situation And the Reform of the Economic Structure

—Report on the Work of the Government Delivered  
On March 27, 1985 at the Third Session of the  
Sixth National People's Congress

**Zhao Ziyang**

*Premier of the State Council*



# The Current Economic Situation and the Reform of the Economic Structure

— Report on the Work of the Government Delivered on March 27, 1985  
At the Third Session of the Sixth National People's Congress

**Zhao Ziyang**

*Premier of the State Council*

Fellow Deputies,

Nineteen eighty-four was a year in which the people of all our nationalities scored great achievements in their endeavour to fulfil the three major tasks (i.e. opposition to hegemonism and maintenance of world peace, reunification of China, and economic development—*Tr.*) set for the 80s and 90s of this century, a year in which things were getting increasingly better on the political, economic, cultural and other fronts.

In the past year, we pursued an independent foreign policy, further developed our friendly relations with other countries on the basis of the Five Principles of Peaceful Coexistence, and opposed hegemonism and safeguarded world peace, thus enhancing our role in international affairs.

In the past year, in line with the concept of "one country, two systems" which is of far-reaching significance and in the spirit of friendly co-operation and mutual understanding, we satisfactorily settled the Hongkong question through negotiations with the British government on the basis of equality. This represents a great step forward in promoting the sacred cause of the peaceful reunification of our motherland and has advanced the friendly relations between China and Britain to a new stage; moreover, it provides fresh experience for settling international disputes through negotiations. The concept of "one country, two systems" and the successful solution of the Hongkong question will assuredly give a powerful impetus to the accomplishment of our great cause of reunification with Taiwan returning to the embrace of the motherland.

In the past year, we continued to achieve gratifying major successes in our socialist economic construction and made new progress on issues of decisive importance to the fulfilment of the three major tasks set for this century. How is the restructuring of the national economy with its emphasis on the cities to be carried forward smoothly and along the right course? And how is the excellent situation in our economy to be consolidated and further developed? These are questions of the utmost concern to people throughout the country. I now submit for examination and approval by the present session a report on the work of the government which focuses on these questions.

## I. The Economic Situation

The year 1984 witnessed substantial increases in industrial and agricultural production, an acceleration of the modernization drive and a further rise in the people's living standards, all thanks to concerted efforts by the people of all our nationalities. The general state of our economic development is encouraging—and this has been the case not just for the past year but for several years in succession, and a new situation has arisen, marked by sustained, stable and co-ordinated economic growth. The prospect of a virtuous circle (i.e. an upward trend—*Tr.*) in our national economy is unfolding before us.

In 1984, the total value of industrial and agricultural output exceeded 1,000 billion yuan.

an increase of 14.2 percent over the previous year. This followed an average annual growth rate of 7.9 percent between 1979 and 1983. Better economic results were reported from various sectors. National income and state revenue both rose by 12 percent, which meant a steady improvement in the nation's finances.

Nineteen eighty-four was another year of bumper harvests. Grain output was more than 407 million tons, representing a rise of 5.1 percent over 1983. Cotton output reached 6.08 million tons, up by 31.1 percent. The countryside is thriving as never before, with considerable expansion of the diversified productive activities and vigorous development of the commodity economy. For years we had been trying to meet the people's basic needs in food and clothing by relying on our own efforts, and yet grain and cotton output had increased very slowly because of mistaken agricultural policies and other factors. Thanks to the restructuring of the rural economy and the implementation of new agricultural policies, output in agriculture has risen by a large margin for several years running. The average per-capita amount of grain and cotton in 1984 rose to nearly 400 kilogrammes and over six kilogrammes, respectively. At present levels, our people have by and large attained sufficiency in food and clothing and even have a little to spare. However, because of the uneven economic development of various regions, peasants in a small number of areas are still experiencing difficulties, and we have taken or are taking measures to solve this problem. It should be noted that for a large country with 1 billion people to attain such successes in agriculture is a tremendous victory.

In 1984, overall industrial production continued to grow. Particularly gratifying is that the target for energy production was exceeded, with the output of coal reaching more than 770 million tons and that of crude oil over 114 million tons, an increase of 8 percent over the preceding year in both cases. This ensured the sustained growth of industry as a whole. New progress was made in the metallurgical, chemical, building materials, machine-building, electronics, textile and other light industries, as well as in food-processing and pharmaceutical industries. New achievements were obtained by the national defence industries in developing civilian products and transferring technology to civilian industries. The transport enterprises substantially expanded the volume of transport by tapping potential. By the end of 1984, the output of 43 of the 65 major products listed in the Sixth Five-Year Plan (1981-85) had met the 1985 targets.

Fresh progress was made in the construction of key projects in 1984, and the technological transformation of existing enterprises proceeded at a markedly faster pace. The 123 large and medium-sized projects whose construction must be completed within the reasonable time limits set by the state progressed fairly smoothly. A number of major coal-mines, power stations, oil wells, building materials enterprises and new railways were completed and commissioned. This will help strengthen the weak links in our national economy and lay the foundation for the sustained growth of production in the future. Some of the projects in the first phase of the construction of the Bao-shan Iron and Steel Complex, in which the people of the whole country take great interest, have gone into production and the others have entered the stage of overall testing, and it is expected that the coking, iron-smelting, steel-smelting and blooming plants will be commissioned within this year. There was also some increase in investment in scientific research, cultural and educational undertakings, public health and urban development. A total of 74,000 projects for renovation and technological transformation were undertaken. Of these, 39,000 were completed, which played an important role in increasing production, enhancing the quality and variety of products and in conserving energy.

A more rational relationship has emerged in recent years between production and construction on the one hand and people's living standards on the other. With the sustained growth in production and construction, more than 42 million new jobs were created for urban residents through various channels from 1979 through 1984, and the income of all state and collective workers and other employees as well as of peasants increased. According to a sample survey of the State Statistical Bureau, the annual per-capita outlays of urban residents on personal living expenses reached 608 yuan, or a rise of 12.5 percent over 1983, after allowing for price rises. Per-capita net income of the peasants reached 355 yuan, an increase of 14.7 percent. Total volume of retail sales grew by 17.8 percent, and foodstuffs, clothing and household articles increased in variety and specifications and improved in quality. Housing conditions for urban and rural residents continued to improve. Large numbers of peasants and some workers and other employees moved into new houses last year, with the completion of about 600 million square metres of new residential housing space in the countryside.

and of about 100 million square metres in cities and towns.

Fellow Deputies.

After several years of readjustment and restructuring, our socialist economic construction has gradually shifted on to a new path better suited to the present state of our country. The main features of our national economic development over the past few years have been: First, the ratio between agriculture and industry and between light and heavy industries has grown more balanced and the basic structure of production in our national economy is being rationalized; second, the ratio between consumption and accumulation is becoming more balanced, both growing with one promoting the other. This is what we long aspired for and have begun only now to achieve. It will be of great importance to the development of our economy for a long time to come.

Over the past few years, we have begun with the development of agriculture, so as to promote that of light and, then, heavy industry. Between 1979 and 1983, the total output value of agriculture (including village industry) increased at an average annual rate of 7.9 percent; its growth rate in 1984 reached 14.5 percent, far exceeding the average figure of 3.2 percent during the 26 years between 1953 and 1978. The continuous growth and comprehensive development of agricultural production have paved the way for the development of industry by providing it with more raw materials, a wider market, more investment funds and a greater labour force. At the same time, we have adopted a series of policies and measures aimed at accelerating the development of light industry, and reoriented heavy industry to better serve the growth of agriculture and light industry. All this has enabled light industry to develop at a faster pace. Its total output value registered an average annual growth rate of 11.2 percent between 1979 and 1983, and 13.9 percent in 1984. The output of many light industrial products, especially such high- and medium-grade goods as woollen fabrics, television sets, washing machines and refrigerators has increased dramatically. There has also been a steady increase in their design and variety and an improvement in quality, which has enriched market supplies. Impelled by the continued expansion of agriculture and light industry, heavy industry, whose growth slowed down for a time due to economic readjustment, has picked up rapidly. Its total output value in 1982 rose by 9.8 percent over the previous year, and the growth figures for 1983

and 1984 were 12.4 percent and 14.2 percent respectively. The mix and quality of heavy industrial products have both improved in varying degrees. These facts demonstrate that our effort to achieve the balanced development of agriculture and light and heavy industries has been very successful. This represents a change of far-reaching significance in the strategy of China's economic development.

Closely related to the above change is the growth of China's national economy over the past few years which has been achieved with the stimulus of the increased income of the people, first and foremost of the peasants. Rising consumer demands have stimulated the growth of production, which has in turn helped raise the people's living standards. Since 1979, we have raised by a big margin the purchasing prices of farm and sideline products, created more jobs in cities and towns and increased the wages and bonuses of workers and other employees, thus notably raising the income and consumption levels of both urban and rural residents. Between 1978 and 1983, average per-capita consumption rose from 175 yuan to 288 yuan, and the 1984 figure was about 320 yuan. After allowing for price increases, the average annual growth rate was 7.3 percent, far exceeding that of 2.2 percent during the 26 years between 1953 and 1978. With expanded production and increased national income, more funds are being accumulated. The proportion of accumulation in the national income decreased from 36.5 percent in 1978 in the initial stage of economic readjustment to 28.5 percent in 1981, but it has gone up slightly beginning with 1982. In the past few years, we have remedied the overemphasis on accumulation to the neglect of consumption and come to correctly understand and exploit the positive role of consumption in helping develop production. We have, therefore, been able to speed up production and construction and markedly improve people's living standards. This represents another change of far-reaching significance in the strategy of China's economic development.

Fellow Deputies.

The tremendous changes and achievements in China's economic development over the past few years, particularly in 1984, were due to the resolute and correct implementation of the policy of readjusting, restructuring, consolidating and improving the national economy and that of invigorating the domestic economy and opening to the outside world. Our economic structure has begun to break the closed and rigid pattern that had taken shape

over a long period. The urban and rural economies are thriving, and horizontal economic and technological ties of various forms have increased among regions and among departments at different levels and through varied channels. Economic and technological exchanges and co-operation with the rest of the world have grown rapidly, and the restructuring of the national economy and implementation of our policy of opening to the outside world have proceeded on a sound basis. This is the main aspect of the present economic development in China.

We began restructuring our economy with the rural areas, and our success has attracted international attention. Beginning in 1979, a series of rural reforms were introduced centring on a system of contracted household responsibility by which remuneration is linked to output. This has fundamentally changed the old system, which hindered the development of the productive forces in agriculture. The rural policies adopted by the Party and government suit the historical needs of making the country strong and the people prosperous and meet the common aspirations of hundreds of millions of peasants for a better life through hard work. They have heightened the enthusiasm and initiative of the working people in the vast countryside and triggered the vigorous growth of agricultural production. Meanwhile, we have conducted a good deal of experiment in urban reform and gained important experience and marked results. In order to correctly handle the relationship between the state and the enterprises and between an enterprise and its workers and other employees, we adopted in 1984 a series of measures to completely replace the delivery of profit by state enterprises with payment of taxes and to grant them greater decision-making power; to restructure the building industry and the systems of commerce, foreign trade, banking and planning; and to further introduce diverse forms of urban economy and methods of business operation. As a result, the urban economy has begun to experience a vigorous growth unknown for many years. In particular, at the Third Plenary Session of the 12th Central Committee of the Chinese Communist Party held last October a decision was made regarding the reform of China's economic structure, providing it with a clear orientation and basic principles. The adoption and implementation of this programmatic document indicate that the restructuring of China's entire economy with its emphasis on the cities has entered a new stage.

While invigorating the domestic economy, we have adhered to the policy of opening to the outside world. This has promoted our trade and other economic relations with foreign countries, partic-

ularly the use of foreign investment and the introduction of advanced technology. In 1984, the total volume of imports and exports reached 120.1 billion yuan, a 39.7 percent increase over 1983. After adjustment for fluctuations in prices and exchange rates, there was a growth of 19.6 percent, exceeding the growth of the total output value of industry and agriculture and of the national income. Altogether, 741 Chinese-foreign joint ventures were approved in 1984, more than the combined total of the previous five years. The amount of foreign funds put to use in different forms totalled US\$2.66 billion, a 35.7 percent increase over the preceding year. Contracts for more than 1,000 technological imports were signed according to schedule, registering a substantial rise in the volume of transactions.

Progress has been made over the past year in science, education, culture, public health and physical culture. Our state apparatus and legal system have been further strengthened and public order continues to improve. The political consultative conference at all levels, democratic parties and patriotic personages have been active in contributing ideas and exerting effort for the modernization programme, and our patriotic united front has been expanded. Much has been achieved in making the Chinese People's Liberation Army a modern, regular revolutionary army, and our national defence has been further consolidated. The ever-improving situation has enabled the people throughout the country to appreciate more than ever the correctness of the line, principles and policies adopted since the Third Plenary Session of the 11th Party Central Committee held in December 1978. Now they have greater trust in the Party and the government and are more confident than ever that the grand objective set for the end of the century will be accomplished and that the prospects of the socialist cause are bright.

Fellow Deputies,

In saying that our present economic situation is very good, we do not mean that everything is all right. There are still some problems in our economic development which we cannot afford to ignore. Apart from the continued strains on energy, transport and the supply of raw and semi-finished materials as well as the inadequacies in the structure of production and the mix of products and the excessive extra-budgetary investment in fixed assets, a conspicuous problem is the issue of too much currency as a result of lax control over credit and consumption funds in the second half — and espec-



ially the last quarter — of 1984, which, together with the consequences of such unhealthy practices as arbitrary price hikes, has led to a rise in the prices of some commodities. Preliminary analysis showed that the issue of new currency in 1984 was mostly warranted. This is because more currency should be put into circulation along with the expansion of commodity production and circulation; because as more production and business units appeared and people's incomes rose in the course of invigorating the urban and rural economies, the amount of cash held by these units and by individuals naturally increased; and because the state had to purchase more farm and sideline products now available as a result of expanded agricultural production. However, part of the currency issued last year was unwarranted because it went beyond normal requirements, as seen chiefly in the drastic increase in credit and the overly rapid growth in wages and bonuses. Bank loans in 1984 rose by 28.9 percent over 1983, and the increase in December alone accounted for 48.4 percent of the total increase of the year. The total payroll of the workers and other employees in 1984 increased by 19 percent over the previous year, with the rate of increase in the fourth quarter reaching 38 percent. These increases were closely related to the following circumstances. In the second half of 1984, when discussing reforms of the monetary system and the wage system in the enterprises to be conducted in 1985, the departments concerned suggested that the amount of credit funds at the disposal of the specialized banks be determined with the amount of loans granted in 1984 as a base figure and that, for the total payroll of an enterprise to float according to its economic performance, the payroll be determined with the 1984 outlay as a base figure. And the result was, some monetary units, ignoring the general interest, vied in granting loans so as to increase the base figures of credit, and some enterprises and administrative units, proceeding from their own narrow interests, indiscriminately raised wages and handed out bonuses and allowances in order to increase the base figures for wages. All this caused a precipitous rise in bank credit and consumption funds. These facts have taught us that, before taking any major reform measures, we should exercise great care, anticipate all possible repercussions and work out regulations and methods accordingly to ensure the healthy execution of these measures. This is an important lesson to bear in mind.

Viewed as a whole, the current problems in China's economy are problems that arise in the course of advance. Though constituting the minor aspect of China's economic development, they must

be dealt with in earnest. Some, being unavoidable in the execution of the reform, can only be solved through further reform. Others have cropped up because of the failure to give adequate consideration beforehand or to make strict examination afterwards, from which we should draw a lesson. As soon as we discovered the problems in the fourth quarter of 1984, we analysed them and took a series of measures for solving them. We made further unified arrangements at the conference last February of provincial governors, chairmen of the autonomous regions and mayors of the municipalities. The guidelines of the conference are being carried out throughout the country with marked success. A large amount of currency has been withdrawn from circulation since Spring Festival, and state revenues have increased. Experience has once again demonstrated that as long as our people share the same understanding and act in unison, we will have the ability and the resourcefulness to solve any problems that arise in the course of our progress, and we are sure to push forward the cause of our socialist economic development.

## II. Reform of the Economic Structure

Nineteen eighty-five is the first year of the implementation of the decision of the Third Plenary Session of the 12th Central Committee of the Party. A better job in our reform this year, following on the significant achievements of the past few years in rural and urban reforms, is necessary to consolidating and developing the current excellent economic situation and is the key to ensuring the smooth execution of the entire reform and to guaranteeing sustained, stable growth in the national economy. The people throughout the country warmly support the decision on restructuring the economy and take a great interest in and fully back up the reform. At present, the nation's political situation is marked by increasing stability and unity, production in both urban and rural areas is growing, people's living standards are steadily rising, and the national economy is full of unprecedented vigour and vitality. This is the best time for reform. We must lose no time in pushing it forward by taking advantage of these positive factors and working hard.

The principles guiding the current reform are: Be steadfast, be prudent in fighting the first battle and be sure to win. We have already formulated the correct concepts and policy decisions for restructuring our economy. We must be steadfast in regard

to the goal and the orientation of the reform and work unremittingly for the establishment of a socialist economic structure with Chinese characteristics, in order to realize our fundamental aim of making the country prosperous and ensuring a better life for the people. We must be prudent so far as the steps and measures for the reform are concerned. And with regard to our reform effort this year, we must be prudent in fighting the first battle. This is because we lack experience in the restructuring of the entire economy with the emphasis on the cities, which involves a wide range of issues and is very complicated. Our country is starting from a poor foundation, its economic and financial resources are limited and the various sectors are not able to withstand heavy strains. Moreover, the excessive increase in the money supply last year has created certain difficulties for the current reform. We must take full account of the problems and difficulties we face and conscientiously guard against all possible hazards. If we do not take the initiative in carrying out the reform, let good opportunities slip and fail to straighten out the major economic relations, we will forfeit the trust of the people. On the other hand, if we act thoughtlessly and rashly, and make mistakes, we will also forfeit their trust. We must look carefully before taking each step. We must carry out a reform measure resolutely once we are certain of its success, but experiment first if we are not. In this way, we will have plenty of room for manoeuvre and will be in no danger of failure at all.

Accordingly, the State Council has decided that, in our reform efforts this year, we must continue to invigorate the economy and bring about much better results in various sectors, take a major step forward in reforming the wage and price systems and, at the same time, conscientiously strengthen and improve control and management of macroeconomic activities. This will lay a good foundation for future reforms and create better conditions for further harmonizing the major economic relations. Reform of the science and technology management system and of the educational system, which are closely related to reform of the economic structure, are two issues of major strategic importance for China's modernization programme and should also be initiated this year with strong leadership and careful planning.

To further invigorate the economy, it is necessary to continue improving the system of contracted household responsibility in the countryside, to reform the system of unified and fixed state purchases of farm produce and accelerate the readjustment of the structure of production. We should continue

to stress grain production and find multiple uses for grain. To meet market demands, we must vigorously expand animal husbandry and aquaculture, develop forestry, fruit growing and medicinal herb planting, and encourage the feed industry, farm produce processing, small-scale mining, the small-scale hydropower and building materials industries as well as transport, commerce, service trades and other tertiary industries. We should gradually establish a rational production structure featuring the development of farming, forestry, animal husbandry and aquaculture and the management of agriculture, industry, commerce and transport. It is our aim to make rational use of our abundant agricultural resources and rural labour force. To serve the development of the socialist commodity economy, we should encourage the peasants to develop, on a voluntary and mutually beneficial basis, various forms of co-operation and joint management in the processing, marketing and transport of materials and should gradually strengthen the co-operative economy in the rural areas. We should actively organize commodity exchanges between town and country, set up wholesale markets on a broad scale for farm and sideline products and conscientiously improve the storage and transport systems, so that more farm and sideline products will find a ready market in the cities, catering to the needs of the people whose living standards keep rising.

In the cities, we should continue to invigorate small enterprises and should help instil greater vitality into large and medium-sized state enterprises. The reform of our economic structure has been progressing in a planned and systematic way. A few years ago, we first tried to vitalize the rural economy. Then we granted more decision-making power to small urban enterprises, making the large and medium-sized ones shoulder greater responsibility for the delivery of profit to the state and for production under mandatory plans. In a sense, in the last few years it was the cities that aided reforms in the rural areas and the large enterprises that aided the reforms in small enterprises. Experience has borne out the correctness of taking these steps to gradually advance reform. Now, with a growing economy and increasing state financial resources, it is time we consider invigorating the large and medium-sized key enterprises. For this reason, we must comprehensively enforce the regulations already laid down by the state concerning the extension of the decision-making powers of enterprises. Regulatory taxes should be gradually reduced on the few large enterprises which are well operated and managed and contribute much to the state, but which retain too little profit for them-

selves. The proportion of their activity set by mandatory plans should also be reduced. As for the large enterprises themselves, they must tap their potential, try every means to lower production costs and consumption of materials and increase their ability to initiate reforms and grow on their own. With regard to administration, they should introduce various forms of the economic responsibility system suited to their individual circumstances and make smaller units the basis of cost accounting. Regarding operative principles, they should engage in diversified productive activities, promote comprehensive utilization of materials and develop various forms of economic partnership and co-operation transcending trades and regions. While enjoying many advantages in terms of personnel, technology, financial resources and equipment, large and medium-sized state enterprises are plagued with quite a few problems in operation and management that have caused enormous waste. We must bring their immense assets and potential into full play through reform.

The reforms of the wage and the price systems constitute two important tasks in the reform of China's economic structure this year, and we should take major steps to this end. Our current wage system has become increasingly out of accord with socialist modernization and with the improvement of the workers' proficiency, for it seriously hinders technological progress and labour productivity. The prices of many commodities reflect neither their value nor the supply-demand relationship. They adversely affect the assessment of the operation and management of an enterprise and its economic performance as well as the development of commodity production and exchange. Reforming the wage and price systems, especially the latter, has become the key to further encouraging initiative in all fields, straightening out the major economic relationships and effecting a virtuous circle of economic growth. Because these reforms have a direct bearing not only on the overall economic situation but also on the immediate interests of each and every person, all localities, departments, enterprises and institutions — that is, the entire people — must be of one mind, achieve unity in thinking and action and strictly observe discipline so as to ensure the attainment of the desired results.

The emphasis in wage reform in 1985 will be on eliminating the current irrationalities, so that the egalitarian practice of "everybody eating from the same big pot" in the distribution of wages will be gradually abolished and a new wage system better embodying the principle of distribution accord-

ing to work will be instituted. In government departments and institutions, a system in which wages are related to specific work posts will be introduced, linking the wages of workers and cadres closely with their specific jobs, responsibilities and contributions. In state enterprises where conditions permit, the method of letting the total payroll fluctuate according to economic performance will be gradually introduced after adequate preparations. Tying the wages and bonuses of workers and management personnel to the economic performance of their enterprise and to their personal contributions will not only ensure a reasonable ratio between wage increases and increases in output and productivity, but also facilitate the state's control over consumption funds. In enterprises where conditions are not yet ripe, the existing methods should continue, but with improvements. The reform will herald a new approach to the wage system and the work relating to wage distribution. In the years to come, the wages of our workers and other employees will rise regularly with the growth of production and the national income. This will fundamentally change the practice whereby either no adjustments were made in wage distribution over a long time or everyone received an equal share. It will represent a major advance in implementing the socialist principle of distribution according to work.

Details of the wage reform are now being worked out. A new wage system will be put into effect in government departments and institutions as of July this year; it started in January for primary and middle school teachers. Although there will be a certain increase in the wages of our workers and other employees following wage reform, we cannot expect too much, for it will not be possible to solve at one stroke all the problems that have accumulated in the wage system over the past two decades or more. This is because, objectively, the rate of increase in wages over a certain period of time is strictly conditioned by the growth of production and actual economic returns. In recent years, the average wages of our workers and staff have already risen faster than increases in labour productivity and national income. This will remain the case in 1985. From the point of view of macroeconomic balance, we have already done all we can with regard to wage increases. Obviously, further increases would be unrealistic and out of the question at present and would be at variance with the people's long-term interests. We should painstakingly explain these matters to the broad masses of workers and other employees and help them to understand the objectives, significance and prospects of the current wage reform, so as to facilitate its progress.

During the reform of the wage system, all localities, departments, enterprises and institutions must proceed from the overall interests of the state and conscientiously abide by the regulations pertaining to the reform. Government departments and institutions must resolutely stop recruiting staff and setting up new units or upgrading old ones; they must carefully determine the structural ratio between the administrative and professional posts at different levels as well as the size of their staff. It is impermissible for them to raise the control figures set by the state for the payroll, to introduce extra wage increases by drawing on local financial resources, to establish their own wage scales or to launch wage reform at their own expense. Enterprises must determine the base figures for their total payrolls and of their projected economic returns (generally meaning taxes or profits to be delivered to the state), and the ratio between the two according to which the payroll will float; they must see to it that all irrational factors in their total payrolls of last year are eliminated. At the same time, they must determine a rational ratio between the production development fund and funds for other purposes out of the profits at their disposal, and exercise a strict control over the use of the wage fund. Bank loans and the enterprises' funds for expanded production and other purposes must not be used to issue bonuses and allowances in cash or in kind. Enterprises whose total payroll for a given year increases over the previous year by a margin wider than that set by the state will have to pay a progressive tax to regulate the wage bill. Enterprises that continue to practise the existing wage and bonus system will have to pay taxes on above-norm bonuses. Workers and other members of society will be required to pay taxes on any personal income above a certain level. Reasonable disparities should be allowed in the wages of workers and other employees of government departments, enterprises and institutions, but the gap should not be too wide.

Let us turn to the reform of the price system. Having weighed the pros and cons from different angles and made careful calculations and having studied the financial capabilities of the state, the absorption power of the enterprises and the people's capacity to withstand strains, we have decided to adopt for 1985 a policy which combines relaxed control with readjustments and aims at progress in measured steps. In the reform, we must, in the light of actual conditions, conscientiously carry out the principle of raising the prices of some commodities while lowering those of others and strive to maintain the basic stability of commodity prices as a whole. The main points of this year's price

reform are as follows: (1) Rationally readjust the purchase and marketing prices of grain and the purchase price of cotton in rural areas and introduce the practice of state purchase according to contract. Price controls will be gradually relaxed for other farm and sideline products by subjecting them to market regulation, so as to promote the growth of a commodity economy in rural areas and the restructuring of agricultural production. (2) Appropriately raise charges for short-distance railway transport to facilitate the restructuring of the transport system and make full use of highway and water transport. (3) Properly widen price differences for products of different quality and increase regional price differences, reduce or eliminate expensive and unmarketable products of inferior quality and encourage a rapid increase in the manufacture of brand-name, high-quality products, in order to facilitate rational commodity circulation. (4) Leave basically unchanged the prices of those raw and semi-finished materials, fuels and other major means of production which are distributed according to state plan, while the prices of those marketed by the enterprises themselves according to specific regulations will be determined by market forces. This will help bring the means of production into the market. Positive and reliable, the above reform measures will assist the gradual establishment of a rational price system, while ensuring overall economic stability. These measures involve less risk and offer greater chances of success. All localities and departments must make adequate preparations and muster their efforts to make a success of the reforms already decided on.

This year's price reform is to be carried out against the background of an over-issue of currency and an increase in the prices of some commodities that occurred last year. We should take major steps to reform the price system and, at the same time, resolutely prevent sharp price fluctuations. For this purpose, we must exercise firm control over the volume of currency issued. The State Council has made the following decisions: (1) Strictly prevent any indiscriminate increase in consumption funds and rigorously forbid all departments and individuals to use public funds for any unjustifiable purpose, such as indiscriminate wage increases or the unwarranted issuing of bonuses and allowances in cash or in kind. Beginning in 1985, controls will be restored over wage funds. Enterprises, institutions, government departments and public organizations are required to enter their payroll funds into special bank accounts before using them, and payments will be

made according to regulations by the banks which will assume a supervisory role. At present, quite a few units, disregarding objective conditions, vie with one another in unthinkingly increasing their consumption funds while demanding that there be no price hikes. This is self-contradictory and unrealistic. (2) Introduce a unified credit and monetary policy, strengthen the regulatory functions of the People's Bank of China over macro-economic activities, and firmly control the total amount of credit and cash in circulation. Interest rates for bank deposits will be raised appropriately so that more credit will be available. The People's Bank of China will fix, in a unified manner, currency issue ceilings for its branches in the provinces, autonomous regions and municipalities directly under the central government and for its subordinate specialized banks, and all must abide by them as required by central planning. (3) Strictly control the amount of investment, especially extra-budgetary investment, in fixed assets. Heavy taxes will be levied on investment that exceeds the prescribed norm. (4) Resolutely cut down administrative expenses and curtail group purchasing power. Budgetary appropriations for this year's administrative expenses will be cut by 10 percent for both central and local departments, and group purchasing power, based on the actual figures of last year, will be cut by 20 percent. The procedure of examining and approving purchases of high-grade durable consumer goods by government offices and public organizations should be strictly observed. (5) While exercising tight control over the money supply, we must increase the output of consumer goods, produce more readily marketable commodities as well as brand-name and quality commodities, expand market supplies, and vigorously develop the tertiary industries so as to speed up withdrawal of currency from circulation. These measures are now being implemented in earnest in various localities. We hope that the people's congresses at all levels and their permanent bodies will supervise their implementation so that all these measures will be carried out to the letter.

As China's current economic situation shows, industrial and agricultural production is rising rapidly, with considerable increases in the supply of most commodities. It should therefore be possible to satisfy consumer demands and keep prices basically stable so long as people purchase what they need and refrain from panic buying. As for a small number of high- and medium-grade commodities such as colour TV sets, refrigerators and brand-name washing machines, which are in short supply, the government has decided to introduce

advance sales, supplying them directly to consumers. Their re-sale for profit is forbidden, and their prices will be kept unchanged. With relaxed controls, the prices of a few farm and sideline products, chiefly perishable commodities, may possibly rise somewhat in the short term. Judging by the experience of some localities, however, relaxing price controls stimulates a rapid development in production which in turn is sure to gradually stabilize and moderate prices. Meantime, we will continue to ration a number of major commodities that have a close bearing on people's welfare, such as food grain and edible oils consumed by urban residents, and their retail prices will remain fixed. When price controls on meat are relaxed, the state will offer a fixed subsidy to urban consumers to protect their interests.

All localities, departments and all units concerned must exercise effective supervision and control over the market prices and strictly forbid any attempts to unscrupulously jack up prices and to apply price increases to more commodities in violation of state stipulations. In particular, they must forbid state industrial and commercial enterprises to raise prices at will or in a disguised form. Severe punishments must be meted out for such violations of state price policy and financial and economic discipline as unreasonably raising prices, artificially forcing them up or profiteering through the re-sale of goods on the spot. All localities and units should make efforts to explain things to the people so as to dispel their misgivings about price reform and forestall panic buying. Our country has a population of 1 billion, in over 200 million households. The domestic market, consequently, has an enormous capacity. If everyone rushed to buy the same commodities at the same time, no state, however rich its reserves, could cope with the situation. The result would be man-made strains on commodity supplies, thereby providing opportunities for law-breakers. This would seriously jeopardize the interests both of the state and the consumers themselves.

Experience over the years has shown that, under socialism, it is imperative to pursue a policy of keeping prices basically stable and avoid drastic price fluctuations. This policy is highly important for ensuring steady economic growth and social stability. However, basic price stability does not mean a price freeze, and price changes do not necessarily lead to the lowering of people's living standards. This is because it is completely normal for the prices of some products to fluctuate within a certain margin along with changes in production

costs and the relationship between supply and demand. Recent developments in our country show that rational price adjustments and proper relaxation in price controls with a fuller application of the law of value plus proper handling of the relationship between price changes and increases in people's income not only benefit economic growth but also improve people's living standards, thereby serving their fundamental interests. To eliminate disorder in the price structure arising from persistent violations of the law of value, we have carried out in recent years limited price adjustments. Obviously, increased prices for farm and sideline products have directly benefited the peasants. As for urban workers and other employees, it is true that the cost of living index is now somewhat higher than before, but the real income of the overwhelming majority of their families has increased considerably as a result of increased job opportunities and the rise in their average income. The broad masses of urban and rural residents know from their own experience that there has been significant improvement in living standards in recent years. This year we will take an important step forward in price reform which will again result in a certain rise in the cost of living index for workers and other employees. Nevertheless, their living standards will continue to rise to some extent, given the concomitant wage reform and price subsidies for certain non-staples. In short, we will see to it that instead of declining under price reform, the people's standard of living will improve gradually with the growth of production. This we must and certainly can achieve.

It should be stressed, however, that for many cadres and intellectuals in government departments and research, cultural, educational and public health institutions, there have been relatively small increases in their income over the past few years, and life is fairly difficult for those with heavy family obligations. But they are completely devoted to their duty and are hard-working, making great contributions to socialist modernization. Their dedication to the people demonstrates their noble quality and tradition of "being the first to bear hardships and the last to enjoy comforts." This is highly praiseworthy and appreciated by the people. Nevertheless, the government and departments concerned should attend to and help overcome their real difficulties and gradually improve their living standards along with the growth of our economy and financial resources. In our economic reform of these past few years, we have striven to develop production and to increase the incomes of workers and management in enterprises as well as those of the peasants before increasing wages for work-

ers and cadres in government departments and institutions. This is in line with the actual state of our state revenues and economic development. When production has expanded and the state has grown stronger economically, it will be possible to further increase wages for workers and cadres in government departments and institutions. We believe that this situation can be fully appreciated by cadres and intellectuals.

Under the reform this year, the masses of the workers, peasants, intellectuals and all cadres and particularly urban workers and other employees are faced with difficult but glorious tasks. Both invigorating the urban and rural economy and restructuring the wage and price systems are designed to promote socialist production and meet the rising cultural and material needs of the people. Therefore, all localities and departments, and all enterprises and institutions must strive to improve management and the quality of products, reduce consumption of materials, increase productivity and lower production costs, and they should vie with each other to achieve this. All our socialist workers should contribute to the flourishing of the socialist market and the basic stabilization of prices by providing the community with high-quality and low-priced products and high-quality services through painstaking and fruitful labour. To pin their hope of increasing income on raising prices and to act accordingly contravene the aims of economic reform and run counter to the people's fundamental interests.

Fellow Deputies.

As matters now stand, in order to ensure the sound and unimpeded progress of our reforms and the steady advance of our modernization drive, we must go a step further in unifying people's understanding on the following important issues.

**First, adhere to the principle of seeking truth from facts and making steady progress and resolutely guard against blindly pursuing a higher rate of development and vying with one another to this end.** The average annual rate of growth of our economy has been quite high over the last few years. If this rate is by and large maintained, we shall definitely be able to attain the grand objective of quadrupling China's total industrial and agricultural output value by the end of this century. What we should stress now is much better economic results rather than too high a growth rate. At present, some localities are pursuing unrealistically high targets and competing for higher growth rates

with no regard to society's needs, supply and demand, available financial and material resources or the necessity for balance between revenues and expenditures, between credit receipts and payments, between supply and consumption of materials and between receipts and payments of foreign exchange. Unless checked in time, this practice will not only lead to false statements, formalism and exaggeration and encourage indiscriminate fundraising and gratuitous transfer of resources but will also strain the entire economic life of the country and thus hinder the smooth progress of our reforms. Even if, with strenuous exertion, an excessively high rate of development were attained in some place at some stage, this rate would be difficult to maintain due to an inadequately developed infrastructure especially in energy and transport and to inadequate supplies of raw and semi-finished materials. This would severely damage the entire economy. As economic, political and cultural centres of the nation or a given region, major cities have the important task of supporting national or regional economic construction in many respects. They should not focus on quadrupling their industrial output value, but should do more to rationalize the structure of production, promote socialized and specialized production, accelerate technological progress and vigorously develop the tertiary industries, including commerce, foreign trade, transport, postal and telecommunications services, tourism, banking, insurance, consulting and technical and other services. In so doing, these cities may experience a lower rate of industrial growth, but the growth rate for their total output value may very well be higher. They thus will render greater service to the country as a whole. Therefore, the growth rate of total output value should be made the principal criterion for assessing the economic performance of a major city.

**Second, invigorate the economy and improve management.** We are now conducting a profound reform. We should, on the one hand, continue emancipating our minds and stress opening China to the outside world and invigorating the economy and, on the other, improve management as well as rules and regulations. These two aspects complement each other and form an integral whole. We should continue to implement this principle: Control over major issues but flexibility on minor ones. By improving management we mean taking into account the new conditions and problems and working out a management system and methods that are suited to the needs of reform and of our open policy. All economic management departments, particularly departments for overall eco-

conomic balancing and management and departments for supervision, should make better analyses of macroeconomic activities and the means of economic regulation and do what is necessary to coordinate and balance as well as regulate the economy. We should take strict precautions against major economic activities getting out of hand, so as to prevent serious deviations in the economic reform and, should any deviations occur, to correct them in good time. The financial, banking, auditing, tax, customs, price control and statistical departments and the industrial and commercial administration departments should perform their duties in earnest. We should continue to devise economic statutes and regulations required by China's actual conditions and conscientiously put them into effect.

**Third, take the overall interest into consideration and overcome selfish departmentalism.** Since economic reform has a vital bearing on the fundamental interests of the nation and its economic development as a whole, all major policy decisions and measures concerning reform should be decided on by the central authorities in a unified way after giving them overall consideration. All localities, departments and units should display their initiative and enthusiasm to the full so long as the unified plans and policies of the central authorities are carried out. They are absolutely forbidden to overstep their authority and go their own way, still less to interfere with the unified policy decisions and plans of the central authorities and damage the overall interests of the country in the pursuit of the interests of their own units or small circles. As for new problems that have a vital bearing on the overall situation, all localities and departments should ask for instructions from their superiors in good time if there are no specific regulations to go by. On no account should they make decisions or act on their own. In carrying out reform, we must adhere to the principle of combining the interests of the state, the collective and the individual and of combining long-term interests with immediate ones. Departments and units at all levels should bear the general interest in mind and take the macroeconomic repercussions and overall economic results into consideration before taking actions and introducing measures in the course of the reform. Some localities, departments and units are found misrepresenting reform to justify the pursuit of their own interests at the expense of those of the state and the people, and their pursuit of immediate interests at the expense of the long-term interests of the development of production. Benefiting their own units or even

particular individuals at the expense of the state is totally wrong and must be firmly checked.

**Fourth, continue to follow the principle of gradually improving the people's living standards through increased production, and of building the country through thrift and hard work.** Steadily raising people's living standards through increased production is the purpose of socialist production and constitutes a basic principle of our economic work. It is wrong to overlook the stimulus people's material consumption can give to production and thus fail to strive to meet the needs of normally rising consumption. It is likewise wrong to blindly seek a high level of consumption regardless of production capacity and China's actual conditions. All enterprises and institutions should correctly handle the ratio between accumulation and consumption in the distribution of income in order to facilitate expanded reproduction and development of state undertakings. We should resolutely combat the erroneous practice of dissipating all income by turning production funds into consumption funds. We should have a consumption pattern with characteristics of its own and we should give correct guidance to the urban and rural people in consumption. China has achieved much in its economic development over the past few years, but, generally speaking, its economic foundations are still rather weak, as can be seen from the fairly low figure for per-capita national income. Only by adhering to the policy of building up the country through thrift and hard work can we gradually increase its economic strength and create a solid material foundation for continuously raising the people's living standards.

**Fifth, continue to check all unhealthy practices and remove all obstacles to the current reform.** Malpractices were on the rise some time ago, such as issuing excessive bonuses and allowances in cash or in kind, profiteering through arbitrarily raising prices, abusing power in reselling goods in short supply, giving lavish dinner parties and gifts, and offering and taking bribes. All these practices are extremely harmful to our reform. Unless resolutely rectified, they will not only discredit reform and hamper its smooth progress, but will also sabotage the building of a socialist civilization which is advanced culturally and ideologically as well as materially. We must resolutely carry out the various regulations of the Party Central Committee and the State Council on stemming the unhealthy practices and put an end to them by economic, administrative and legal means. Disobeying orders and defying prohibitions must cease. We must take effective measures to strengthen organizational

discipline and strictly enforce laws and regulations. We should follow correct policies in rectifying the unhealthy practices. As for people who made mistakes in the reform for lack of experience or proper understanding of the relevant policies, we should stress educating them and have them draw lessons. Where a unit or small group has obtained gains by illegal means, the ill-gotten income should be confiscated and, in serious cases, due punishments meted out to those responsible. As for those who violate the law and discipline and engage in embezzlement or other malfeasance for selfish ends by taking advantage of the reform, we must in no case tolerate them, but must investigate their cases and have them severely punished. We must continue our effort to crack down on serious economic and other crimes. At the same time, we should promote to important positions outstanding workers and other employees who strictly observe discipline and work diligently and who are capable and have made significant contributions; and we should protect and commend all those who are bold in exposing unhealthy practices. Comrade Deng Xiaoping recently pointed out that we should encourage all our people to foster lofty ideals and moral integrity, to become educated and cultivate a strong sense of discipline, with special stress on ideals and a strong sense of discipline. The highest criterion for judging observance of discipline, he added, is whether Party and state policies and state laws are earnestly upheld and resolutely executed. All our cadres and people should cherish the high aspiration of realizing the four modernizations and rejuvenating the motherland, and they should act firmly in accordance with Party and state policies and state laws. Only with a favourable social environment characterized by stability, unity and strict discipline can we make the current reform a success.

To sum up, there must be nationwide unity in thinking and action at all levels with regard to major policy decisions, plans and measures for the reform. Our reform must be carried out in a planned and systematic way in firm adherence to the right orientation defined by the Party Central Committee. We must on no account rush headlong into mass action with no regard to what the state and society are capable of. We should, in our reform, give careful consideration to macroeconomic consequences and must not seek partial and immediate interests at the expense of general and long-term ones. Our reform should promote the development of the productive forces, and we should work hard to bring about better economic results. No units or individuals will be allowed to benefit themselves at the expense of the interests



of the consumers or the state, or to seek gains by dishonest means. Strict adherence to these principles will guarantee the progress of our reform along the right course.

Fellow Deputies.

Under the leadership of the Chinese Communist Party, we have in recent years implemented a series of correct policies that are in keeping with historical needs and the people's wishes, scoring one victory after another. The prospects for China to become prosperous and strong and for the Chinese people to attain a high standard of living are very bright indeed. We firmly believe that, pro-

vided we keep advancing by undeviatingly following the line and principles set forth since the Third Plenary Session of the Party's 11th Central Committee, rely on the people and cadres of all our nationalities, persist in the four cardinal principles,\* be modest, prudent, and conscientious and down-to-earth in work — provided we do all this, we shall be able to invigorate our economy, succeed in our reform, bring about an increasingly encouraging situation and realize the magnificent goal of China's four modernizations.

\* Keeping to the socialist road, upholding the people's democratic dictatorship, upholding leadership by the Communist Party, and upholding Marxism-Leninism and Mao Zedong Thought.



large amounts of grain, cotton and cloth subsidies to aid the impoverished areas. Agents have been sent to check how this aid and capital is being allocated.

### Helping Poor Households

Aid is sometimes needed even in prosperous areas because some families lack enough labour or fall victim to unforeseen disasters.

NPC Deputy Yang Jinshan, Party branch secretary of Beiyuan Village, Yongnian County in southern Hebei Province, told deputies that production in his village has developed very quickly since the implementation of the household responsibility system and production diversification. The average annual per-capita income of Beiyuan's 2,400 villagers rose from 90 yuan in 1976 to 850 yuan in 1984.

But one man, Yang Xianzhang, worked hard by himself to support his two children and his wife. He was the only able worker in the family. When he developed cancer of the esophagus in 1981 his family lost its only means of support.

Eventually the village committee decided to shoulder one-third of his medical expenses. When

his health improved the committee helped him and his elder daughter join a unit processing foodstuffs. Last year Yang netted 2,000 yuan. Though he got the most meagre share in the village, his family's life is far better. Yang said, "If it were not for the processing unit, I could never have overcome my difficulties."

### Sharing Their Wealth

The NPC deputy said some affluent peasants hope to make more contributions to the public welfare. In his village a blacksmith named Miao Cuiru established himself as a specialist in repairing farm machinery. Last year he made a net income of 20,000 yuan. When the village planned to fix a transformer he voluntarily assumed half of the cost and set up three electric lines using his own money. He has also announced that he will contribute to the construction of an asphalt road to run near his home.

Yang said there are a large number of people like Miao in his village, although welfare services are usually taken care of by the village committee.

NPC Deputy Shen Yuren is the Party branch secretary of Qian-

wanlou village in Shandong Province. In the past few years he has helped his villagers diversify their economy. Qianwanlou now has a brickyard, a dairy, a flour mill and a food-processing factory. Last year the average annual per-capita income surpassed 1,000 yuan.

Shen contracted 1.7 hectares of land. Last year he sold 10,000 kg of wheat and 500 kg of ginned cotton, squeezing into the ranks of families earning 10,000 yuan or more a year.

Shen said last year the village set aside some of the collective funds to help poorer families develop aquiculture, transportation and processing services. It also provided neighbouring villages with thousands of kilograms of grain seeds, cotton seeds, and pea seeds and a lot of forage grass.

"We are well-off today and so are able to help other villages with their production," said Shen. "We help others because we want to, not because we have been ordered to by any department. But now, certain so-called new companies are asking for our aid. If this continues, it will add an extra burden on us." □

## Rural Child-Rearing Outlook Changes

by XIAO MU and  
YANG XIAOBING

THE days when China's peasants sought to make their fortune by having as many children as possible are gone. The rise of specialized households and rural industries has taken away much of the economic incentive for having children to help with the farming, and

elders no longer have to rely solely on their children for support in their old age. These changes have prompted peasants to rethink the need for having more than one or two children.

A survey of 370 one-child families in the rural areas around Zigong City, Sichuan Province, found that none of the families want more than two children. Only 153 of those surveyed want to have a second child, while the remainder are satisfied with having only one child.

Peasants gave several reasons for wanting a second child: 41 percent hope to be supported by their children when they are old; 39 percent fear having their child die and being left childless; 14 percent want the child to increase their labour force; and 5 percent hope that an extra boy will help carry on the family line.

The survey reflects a change in outlook on child-rearing among peasants in China today. No longer is the saying that "one is bless-

\* Xiao Mu is our reporter and Yang Xiaobing, our correspondent.

sed with many children" a reflection of reality.

### More Time for Productive Work

Zhao Shujun, a rural woman in Ninghe County in Tianjin, has good reasons for not wanting a second child. Her husband works in the township farm machinery station, and they have a son and raise 2,500 hens and 17 pigs. Zhao says she would rather establish a competency than raise a second child. As a matter of fact, it would be difficult for her to handle the chickens and pigs if she were to have another baby.

At present, small-scale farming and the self-sufficient economy in China's rural areas are being replaced by specialized production and a commodity economy. To avoid getting tied down by household chores so that they can throw all their strength to production, peasants are reluctant to have more children.

A transition from the traditionally large family of three or four generations to the small nuclear family is taking place. For families made up of just two generations which are increasing in number, labour force is valuable. For example, a couple with only one child is able to look after the child with only a quarter of their time, leav-

ing them more time for productive work. But if they have two children, one spouse has to spend almost all of his or her time caring for them and that means a person's earnings are used for the living costs of four. At this moment when time means wealth, a wise peasant will not lose the good opportunity to get rich just because he has several children to support.

The number of children obviously has an impact on the economic life of a peasant family. In 1983 the average per-capita income in Tianjin's rural areas was 411 yuan, while the specialized households with only one child had an average income three times as large. According to a survey of Shahe township of Beijing, single-child families have 10 percent more TV sets, 28 percent more electric fans and 60 percent more washing machines, than the average local level.

### Greater Attention to Children

In the past, raising a child was a fairly casual task for the peasants and didn't pose a major burden. But today China's family planning policy urges every household to give their children the attention they need to develop into bright, healthy adults. The peasants understand this and work to develop

their children morally, intellectually, physically and aesthetically.

Village children are now treated to delicious cakes and chocolate rather than just popcorn. Rural children once played with wooden pistols and rode bamboo horses, but now they enjoy electronic toys. To develop their children intellectually, some peasants even hire tutors. Wang Shan, a peasant in Chengguanzhen, Jixian County, Tianjin, subscribes to a dozen magazines and newspapers for his 13-year-old boy. He pointed to a newspaper *China Legal System* and said, "We want to let the child understand and observe the law."

In some relatively wealthy villages near Tianjin, a child's living cost is generally 40 yuan per month, which is about the same as in the city. In addition to day-to-day expenses, annual cost adds up to more than 500 yuan. For peasants who want to raise their living standard, they find it better to put their profits into expanding production rather than raising a child.

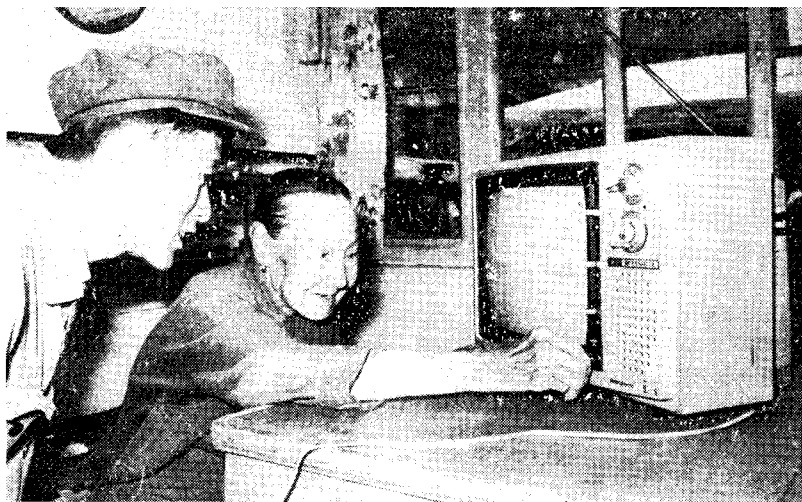
### Women's Status Improving

Over the past several thousand years, village women were the victims of the traditional child-rearing conception. No matter whether mothers were really blessed with many children, they were weighed down with the strenuous housework that resulted from raising large families. Because they were overburdened at home, they could not play an active role politically, economically and culturally. They were reduced to a subordinate position because they had to rely on their husbands for income, and were unable to develop their talents.

Since liberation, this situation has been fundamentally changed. Especially since family planning was popularized in 1970, more and more women are working on the farm. However, prior to rural reform in 1979 — with the imple-

Young mothers and their single children of Yegang township of Minquan County in Henan Province.





A brigade of Jingergou township in Zuoyun County, Shanxi Province, buys a TV set for Wei Danu, one of the childless elderly people who are provided for by the collective.

mentation of the production responsibility system and the development of specialized commodity production — many women were handicapped by the undue stress on grain production and the neglect of the development of a diversified economy. They earned less than men even though they had worked much harder.

After the reform was adopted, those who were not tied down by household chores became the main force in specialized production enterprises such as weaving and embroidery. According to surveys in Nancaicun township in Tianjin and Shahe township in Beijing, women earn an average annual income of about 1,000 yuan, equivalent to a

skilled worker in the city. They have raised their status in the family and in the village, and gained more respect. They study scientific management alongside the men and take part in recreational activities. For the first time, they are approaching true equality with men.

#### No Worries in Old Age

A retired peasant in Liutan village, a northern suburb of Tianjin, told his son, "Both your mother and I can live independently with our pensions and sideline income. Life for the old is turning better. So don't worry that you have only one daughter."

The elders who had a hard time

accepting the idea of having only one or two children have gradually altered their views. The change came with the development of rural collective welfare which meant old people no longer had to rely on their children for full support. The system of five guarantees — clothing, food, housing, medical care and burial — which has been practised for years by the collective will continue. Some comparatively wealthy rural villages have also set up retirement systems. And in recent years, the number of rural homes for the aged has multiplied. For instance, every township in Jilin Province has at least a home for the aged, which is free to elderly residents who have no money. Those who do have an income can also live in the retirement home if they pay a small cost-of-living charge.

Young peasants have gradually realized that they need not worry about not having children to support them in their old age. For example, Yu Zhencheng of Jinghai County in Tianjin, and his wife, who specialized in raising chickens, have only one child. Last year they earned about 6,000 yuan from their enterprise. They thought about having a second child, but Yu said, "We do not want another child, because now we can deposit several thousand yuan in the bank a year. We can live off the interests from our savings without any support from our son." □

(Continued from p. 16)

— Local governments will issue appropriate subsidies to urban dwellers to offset increased pork prices.

— The People's Bank of China raised interest rates on fixed savings deposits from April 1.

— Wages for government employees and workers will be rais-

ed. The real income for most of urban citizens will not be reduced due to the price reform. On the contrary, real income will rise with the development of production.

— The state will control the increase of consumption funds, investment on fixed assets and bank loans. It will reduce administrative spending and group purchas-

ing while increasing the production and supply of commodities in short supply and keeping a lid on the issuance of currency.

These measures will help maintain a balance between accumulation and consumption and between supply and demand.

In general, our country has the power and methods to keep market prices under control. □



## Port City Profiles

# A New Age for Ambitious Wenzhou

by **LING YANG**  
Our Correspondent

**A**FTER an overnight journey aboard a 900-passenger steamship from Shanghai, I arrived in Wenzhou for a short visit.

The city looked timeworn. In the downtown area where I stayed, not a single modern building was in sight, save the forlorn skeleton of a half-finished 16-storey building. The streets were narrow, and there were numerous alleys leading to some distant destination. The sidewalks, usually only a metre wide, seemed forever packed with pedestrians. There was a constant flow of cyclists, weaving their way through the crowd with such agility that they seldom bumped against each other.

The drabness of this port city was somewhat counterbalanced by its colourfully attired people. It was early winter, but many young women were still wearing nicely cut Western-style dresses. The

more fashion-conscious ones sported woollen turtleneck sweaters with wide horizontal stripes. Young men had already shed their suits and ties, which had just become popular elsewhere in the country, in favour of goatskin jackets.

Downtown Wenzhou is clustered with a motley collection of stores. They are of the type commonly seen in South China, showcasing their goods right out on the street. Tags and labels on the commodities indicate that they come from all over the country: Preserved grapes from Xinjiang, litchis from Guangdong, down jackets from Fujian and folding metal chairs from the nearby port city of Ningbo.

When night fell, the numerous eateries and food stalls were crowded with people eager to savour dumplings, noodles, meat-stuffed cakes and other delicacies. "Eating out" has long been part and parcel of the night life of

Wenzhou, a city hitherto rarely visited by foreigners.

Living standards have improved considerably these days, thanks to the policy of invigorating the domestic economy and opening to the world. This policy has sparked the people's ardour for seeking affluence. I met several Wenzhou peddlers on the ship while travelling to the city. They buy goods in Shanghai and sell them on Wenzhou's market, where they get a stall after paying a low tax.

Among the peddlers was a 20-year-old woman who had resigned her factory job to engage in market sales. In quitting her regular job, she gave up a lot — a stable income and free medical care to begin with — and she was asking for the boredom, fatigue and anxiety that come with travelling and sales. Yet she seemed to be enjoying her new career, and she was apparently doing well. She wore expensive cosmetics and a well-pressed wollen tunic over

Wenzhou Harbour.



## For Your Reference

# A General Picture of Wenzhou

**Territory and Population.** Located at 119°04'-121°12' east longitude and 27°04'-28°38' north latitude, Wenzhou has a total territory of 11,784 square kilometres and a population of 6.2 million, 520,000 of whom live in the 183-square-kilometre city proper. The city's jurisdiction covers two districts and nine counties.

**Climate and Topography.** The marine monsoon climate gives Wenzhou a mild climate the year round, with plentiful rainfall. The annual temperature averages 17.9 degrees Celsius, and annual precipitation stands at 1,700 mm.

The city's eastern sector is all flat, fertile land crisscrossed by rivers and canals, and the western, southern and northern parts are mountainous and hilly land. Many isles dot the sea off Wenzhou's 355-km coastline.

**Resources and Production.** Thanks to its ideal natural conditions farming, forestry, animal husbandry and fishing have been extensively developed in Wenzhou. Paddy-rice, jute, essence and other cash crops are produced in large quantities. The area is one of China's major orange and tangerine exporters and a high-yielding sugar producer.

Wenzhou's aquiculture is highly developed, producing several dozen products. Its rivers and reservoirs, rich in nutrients, abound in freshwater fish.

Gradually Wenzhou is changing itself from a commercial and handicraft city into one with modern industries such as machine-building and ship-building. Today it turns out 1,000 industrial products and its industrial output has been growing at an average annual rate of 10 percent over the last few years.

a bright-coloured angora sweater. She also wore a gold watch and a gold ring. I learnt later that 10 percent of Wenzhou's 520,000 residents are on the road doing business.

It is through such thriving small businesses that Wenzhou has embarked on its renaissance. With the open policy making an effect, commerce is in for a bright future. After decades of closed doors, the Wenzhou people have returned to the businesses they were once famous for: Opening restaurants and hotels and other service trades. In fact, the city earned the nickname "Mini-Shanghai" a century ago when Wenzhou's businessmen were known for their sagacity.

### Economic Cornerstone

Though unfamiliar to most people in the world, alunite or

alumstone, is a household word in Wenzhou. The mineral, found in huge deposits around the city, is the cornerstone of Wenzhou's economy. After being tapped for more than three centuries, a big mine near the city accounts for 80 percent of China's total alum deposits.

Situated 110 kilometres from the city proper, the alunite mining area is partially mechanized. Explosives are implanted in holes bored in the rock with pneumatic drills. After blasting, the rock is shipped out by battery-powered trucks. At the present rate of mining, the deposits will last for another five centuries.

Alum is a material widely used in industry, agriculture, fishing, national defence and daily life. Wenzhou alum has one more plus: Rich in nonradiative aluminium, it can be used to make

integrated circuit components. Transparent and shiny, alum is easily mistaken for crystals.

Apart from alum production, Wenzhou is also working to extract potassium, sulphur, aluminium, and some rare elements from alunite.

The Wenzhou Chemical Factory, established in the mid-1960s to produce potash fertilizer, is well-equipped and has a team of competent engineers and technicians. Though it is still in trial production due to a shortage of funds, the factory has come a long way in recent years in developing sideline products such as alumina hydroxide and alumina oxide. Other products include abrasives (used in making toothpaste), defluorinating agents needed for purifying drinking water in north

Wenzhou's fashion-minded women.





Downtown Wenzhou.

China, and high-grade catalysts. Development in this field has encouraging prospects, as the factory is one of the few in China that can turn out a whole series of aluminium-related products.

Wenzhou scientists are still searching for new uses for alunite. After five years of research, they have succeeded in turning the dreg of the ore into bricks, cement and glass. That was no small feat, as the process can turn a major public hazard into an asset.

One researcher has come up with a way to extract a kind of pinkish paint from the alunite dreg, and the paint can be used to finish building walls. The paint has already been used to elegantly finish a three-storey house. Recently the city signed an agreement to transfer this paint extraction technique to Shanxi Province in the north.

Alunite aside, Wenzhou also abounds in granite. The known deposits total 5 billion cubic metres. Wenzhou granite is of superb quality. Ancient walls, bridges and pillars made of it still look as sturdy as when they were built 1,000 years ago. Only recently, however, did Wenzhou granite, with its rich variety and good quality, find its way to other parts of the country and into foreign countries.

The open policy has pumped new life into this medium-sized city. But it will take a while before Wenzhou can completely shake off its backwardness. The economy remains to this day underdeveloped. In the 35 years since the founding of the People's Republic, no major state construction projects have been built in Wenzhou. Its industrial and agricultural output value has been growing at an average rate of 7

percent, lower than the national average. The city's best industries include leather tanning and condensed milk production.

Wenzhou's leather goods have long been known for their superb quality. Some 500 years ago local officials began sending leather goods as tributes to emperors; today, Wenzhou's leather shoes and other leather products are among the best in China.

The city was the first in China to produce condensed milk. And today it still accounts for half of China's condensed milk exports, as Wenzhou's product is highly competitive on the world market.

Both leather tanning and condensed milk production enjoy rich supplies of raw materials; they will do even better if new equipment and technology are introduced.

Crops and fruit abound around Wenzhou. There are, for example, large tracts of orange trees, evergreen chinquapins (from which tannin extract is obtained) and untouched forests. The local people also produce a good variety of handcraft products, including straw mattresses; wooden, ivory and stone sculptures; and embroideries. "What the nation has, we have," said the leader of the city arts and handicrafts research institute. The rich natural and human resources, once fully tapped, will quickly change an underdeveloped city beyond recognition. By that time, many of the people operating small businesses today will quit their time-honoured small-time commerce in favour of better jobs.

### Rural Enterprises

Rural enterprises have emerged in Wenzhou as an economic force not to be overlooked.

Qiaotou, a small town on the city's southern outskirts, reversed its past poverty by involving half of its 8,000 residents in button



production and sales. All year round, 600 townspeople are travelling around the country purchasing buttons. With the buttons thus obtained and those produced by the town's 40 small factories, Qiaotou opened a wholesale button market, which draws a constant flow of customers from every corner of the nation.

Qiaotou's service trades have flourished in the wake of the button bonanza, with hotels, restaurants and stores springing up one after another. The ensuing flow of cash into the town has enabled four-fifths of the residents to move into new houses.

For many years peasants in southern Wenzhou's Yishan District had trouble making ends meet. They were dependent on a small amount of farmland to feed a big population. After the introduction of flexible rural policies, Yishan's residents have gone beyond the small world of traditional farming and embarked upon diverse forms of economic undertakings. They finally hit the key to prosperity when they began to collect acrylic fabric remnants from city factories, regenerate them and weave them into new

products such as garments and handbags. Today, four-fifths of the villagers are engaged in this business. With more money to spend, Yishan residents are buying things they never dreamed of before: Colour TV sets, refrigerators and tape recorders.

Jinxiang Town, situated next to Yishan District, generated new jobs for 90 percent of its residents by opening factories, producing printed plastic cards and coupons. Soon the town took on a new look, with 1,400 new houses going up. More restaurants and small eateries have been built so that townspeople can go out to eat and drink together. In today's Jinxiang, children attend middle and primary school tuition-free, and scholarships are given to those who enrol in universities after passing rigid national entrance examinations. Peasants older than 60 now retire happily with pensions.

The Wenzhou people, indeed, have found a variety of ways to become more prosperous. Peasants in Liushi Town, for example, have prospered by producing hardware and electrical appliances. One-third of the town's labour force manufactures 2,000 different prod-

ucts, ranging from screws to coalminers' lamps, hitting a daily business volume of 100,000 yuan. With their incomes growing, the Liushi people have, for the first time in the town's history, become choosy about what they eat, wear and use.

These few examples demonstrate the Wenzhou people's wisdom and ability to constantly improve their lot. The people, more than anything else, constitute the city's most valuable asset.

### Archaeology and Landscape

A 1,500-year-old civilization has left Wenzhou a rich cultural legacy. And this is amply demonstrated at the city museum.

Many of the 500 objects, photos and stone rubbings on display were collected from the city's 120 neolithic sites, which date back about 4,000 years. Stone axes, adzes, knives and chisels, ploughs, spears, arrowheads and pottery all give the visitor a look at life around 2,000 BC.

The museum's many teapots, bottles and plates point to Wenzhou's history as a porcelain centre. Obtained from the sites of 60-odd ancient kilns, the porcelain is mostly white-and-blue products in different styles and colouring, dating from the 1st through the 14th centuries.

The museum also houses many cultural relics collected by the local people. They include pottery food containers and tripods, bronze swords made 2,000 years ago, and different style of jade carvings from throughout history. There are also examples of ancient clothing, jewellery, paintings, coins, calligraphy and stone tablets.

Housed in a 1,000-year-old monastery on an isle in the middle of the Oujiang River, the museum itself bears witness to Wenzhou's long history. The monastery is but one of many historical sites on the isle. Known as "fairyland,"

Wenzhou is famous for a 1,000-year-old art which combines woodcarving and mosaic.



the isle is studded with pavilions and pagodas in fabulous gardens, where zigzagging corridors thread their way through ancient pine and cypress trees. All the isle's structures, including some monuments to ancient heroes, were built in traditional Chinese style. The gardens and structures make the isle the city's chief tourist attraction. But many people come simply to feast their eyes on a botanical miracle: Two trees, a camphor and a banyan, have been growing hugged to each other for over 800 years.

But no visitor to the isle leaves without feeling disappointed that its most magnificent structure is still closed. This is a monastery built during the height of Buddhism in the Tang Dynasty (618-907), but it later fell into disrepair. The government has allotted 130,000 yuan in an effort to restore the temple to its former grandeur, but the work is not yet finished.

There are hundreds of scenic spots, each with an exotic, natural quality, across Wenzhou's 450-square-kilometre territory. Some of them are unvisited by men even to this day. These include towering peaks and rocks, magnificent waterfalls, bubbling springs and mysterious caves.

The city is also known for its hot-spring sanatorium located amidst bamboo groves in a secluded ravine south of the city. The hot water gushing out of the earth contains radon, an element evolved from radium, which is believed to have a highly curative effect. More than 50,000 people have visited the spring in the past few years.

### Opening to the World

Since becoming an open city, Wenzhou has sought to accelerate its economic growth by attracting

investment and co-operation from foreign countries.

Last November the city sent a delegation to Hongkong, where it searched for capital and technology needed to carry out technical transformation in existing enterprises. In 12 days, the delegation signed 32 letters of intent and agreements with Hongkong and overseas businesses.

But what does this medium-sized coastal city have to offer? An Australian businessman was attracted by the city's ideal conditions for animal husbandry, which will certainly bring in its wake flourishing meat and milk production, fodder processing and leather tanning industries. A Japanese entrepreneur is enchanted by Wenzhou's extensive coastal shallows which offer lucrative opportunities for growing prawns, laver, kelp and sea urchins. Investors are also encouraged by the preferential treatment the city offers regarding land leases, resource prices and profit distribution between Chinese and foreign partners.

The success achieved in Wenzhou's first round of investment negotiations has prompted city officials to map out plans for more ambitious endeavours. Some, for example, have suggested that foreign investment be used to build a 10,000-ton-class wharf. They note that the city's 20 docks, capable of accommodating only vessels below the 5,000-ton class, can hardly serve as an adequate outlet for goods shipped to and from the vast Changjiang (Yangtze) River middle and lower reaches.

A direct navigation line will soon be opened to enable Wenzhou companies to ship much of its annual seafood catch of several million tons to Hongkong. Such a line would also strengthen ties between the two cities.

But the city officials have many

other important tasks to consider, such as the construction of an airport and railways. Postal and telecommunications facilities are badly in need of improvement. And such projects can be built at an early date only by increasing investment.

After many years of economic stagnation, Wenzhou is handicapped by its sluggish pace as it begins to rejuvenate its economy. To help overcome the obstacles, the city is planning to establish an economic development zone and organizations to take charge of the city's foreign economic relations, trade and investment. Scientists and technicians are doing their share in this ambitious endeavour by setting up a non-governmental company which will provide information and take on research assignments.

The open policy will soon bring the city into frequent touch with foreigners, so many residents have started learning foreign languages. Some 1,500 students are now studying English at a spare-time school. In a suburban town, two English classes have been opened for 90 children and factory workers. The city radio station is airing the English-language teaching programme *Thomson's Weekend* every evening at 10, making Wenzhou perhaps the first medium-sized city in China to offer English lessons by radio.

Talking with people in Wenzhou, I could sense an unmistakable pride in their city, which is endowed with ideal geographical conditions, a fine climate and rich resources. But the local people are even prouder of their long cultural tradition. Wenzhou is the birthplace of many famous scholars, mathematicians, men of letters and archaeologists, both ancient and contemporary. With their talent and their fertile land, the Wenzhou people know that they have a bright future awaiting them.

## Enriching Classic Marxist Theories

from "BAOKAN WENZHAI"  
(Press Digest)

YU Guangyuan, a noted economist and adviser to the Chinese Academy of Social Sciences, recently shared his views about China's economy with foreign journalists at a dinner party sponsored by the All-China Journalists Association.

Yu said the current reform in China, which is happening during the period of socialist construction, is anything but a socialist revolution. The reform is designed to revamp the economic structure, not the social system, he noted. A country's system at a certain stage of social development always stays the way it is unless the country's nature is changed, but a country can have changing economic structures.

Said Yu, "On the eve of the October Revolution, Lenin devised the great formula:

Socialism = Public ownership + Distribution "to each according to his work"

But having studied what has happened since the October Revolution, especially in the practice of socialist countries, I think we can reach the conclusion that socialism need both the principle of 'to each according to his work' and commodity production," he suggested that the formula should be:

Socialism =	Public ownership of the means of production	+	The principle of "to each according to his work"	+	Socialist commodity production
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The economist pointed out two problems in applying Marxist theories.

"One is that we have failed to apply the principle laid down in classic works. The other is that more theories are needed than provided by classic works," he said.

"During the 1950s rural economic reform, for instance, we believed in the motto that 'the higher the degree of the public ownership and the bigger the size of the people's communes, the better.' The result was the economy was plunged into the doldrums. According to Marxism, the best relation of production is the one which fits the development of the productive forces. And things over the last few years have been quite different because we have acted upon Marxist principles."

"But you cannot find in Marxist works the answers for many other problems," he said.

"Classic Marxist works are aimed at solving problems in the socialist revolution. But what we

are seeking to solve today are problems arising from socialist construction. Marx's and Engels' works, for example, rarely touched upon today's much-talked-about issue of 'planning.' We have to find the answers by ourselves."

Yu affirmed the correctness of

Marx's theory on reproduction set forth in the second volume of *Capital*.

"But, in my opinion, the second volume is far from an adequate guidebook for the construction work we are undertaking today. This is because the book's formula about reproduction has failed to take the factor of time into account, and, as a matter of fact, it is hard to dwell upon the issue of balance without thinking of the factor of time.

"Therefore, one may use *Capital* to adequately explain the necessity of socialist revolution, but not to elaborate on the necessity of socialist construction."

Yu contended that this problem can only be solved by the development of contemporary Marxist works based on theories laid down earlier. The founder of Marxism were imbued with creativity, he said. "But can we, as successors to Marxism, be considered Marxists if we remain contented just parroting what our forefathers said?"

## Students Stress Independence

from "SHEHUI ZAZHI"  
(Society Magazine)

THE Shanghai University students' magazine, *Society*, recently reported on a survey of more than 300 undergraduates concerning their attitude towards life, career and other areas.

**Independence.** The average age of the students sampled is from 18 to 20. Most students said they are troubled by the mixed feelings of being tied to their parents despite their first taste of independent life, yet finding it hard to adapt themselves to the old ways of thinking. They rec-

ognize the existence of a generation gap. And 90 percent of them say young people of the 80s are not the same as those of the 60s. However, 43.3 percent prefer not to be entirely isolated from the older generation. They believe they should emphasize traditional Chinese morality and feelings.

Facing an increasingly complex society, many students try hard to enter graduate school lest they should fail to measure up to their new jobs after graduation. They hope to be able to get some professional job other than being teachers or administrative personnel after leaving school.

**Lifestyle.** Regarding lifestyles, 54.6 percent of the students questioned preferred the kind of fast-paced life which characterizes the work of a scientist. Another 21.3 percent preferred the romantic existence of an artist, 15.2 percent liked tranquil, idylized life and 16.7 percent favoured the aggressive lifestyle of the military.

In the last few years, pragmatism has gained the upperhand not only in students' attitude towards life, but also in their choice of courses. Many chose their major subjects not according to their interests but to what kinds of jobs are available. As soon as they enter college, most students find that their major subject courses are not what they like most. Most show great interest in Chinese classical and modern (pre-1949) literature and modern literature from other countries, but few have really dug into classics because they must devote their efforts to what they are supposed to learn. As a result, about three-fourths focus their interests on things other than their specialized courses. Only one-fourth really love what they are learning.

Today's younger generation has a totally different attitude towards material life than their parents. Asked what is the purpose of in-



The chain reaction of a soccer game.

by Chen Maosheng

Reprinted from "Dianshi Zhoubao" (TV Guide Weekly)

creasing the living standards, 47.3 percent responded by saying it is for winning more time at their own disposal, 27.1 percent say they need more entertainment and contentment and 14.4 percent believe better living is the symbol of civilized dignity.

**Views on Reform.** Of the students surveyed, 68.1 percent are optimistic about China's on-going reforms. Another 26.1 percent say that they have no confidence in the reforms, considering the numerous obstacles that may make any substantial results impossible. And 4.2 percent simply view the reform policy as a fence-mending expedient.

More than one-fourth are pessimistic about the central government's new measures to improve the political and material status of Chinese intellectuals. However, 60 percent think highly of the rural economic reform.

On the question of what China

can learn from the West, 78.1 percent pointed to science, technology and management methods, 33.5 percent said individualism and competition, 20 percent said democracy and freedom and just 9.8 percent said the drive to acquire luxuries.

Most said oriental morality can surely overcome the negative aspects of industrialization. Some noted that mixing Western technology with oriental morality underlines the fundamental character of Chinese modernization.

**Special Responsibility.** One-third of the students surveyed feel very clearly that their duty is to change China into a strong, modern country, with a standard of living equal to or surpassing that of the most advanced countries. Nationwide it seems to be the consensus that this is the special responsibility of the young. And indeed the Chinese younger generation is shouldering the responsibility.

# China to Expand Joint Cigarette Ventures

China's tobacco industry will increase its foreign trade and co-operation this year. About US\$100 million are expected to be used to purchase machines, and raw and other materials, Hu Gongpu, manager of the No. 1 business department of the China Tobacco Import and Export Corporation (CTIEC) told a *Beijing Review* correspondent.

Hu said CTIEC has a monopoly of the tobacco import and export business in China, including leaf tobacco, tobacco products, tobacco machines, essence for cigarettes and other materials. The industry's equipment is out of date, and immediate technological transformation is called for. To meet the needs of production, CTIEC has integrated technology with trade, and has imported much advanced technology and equipment.

For example, CTIEC signed an agreement last February with Sabis S.A. of Italy to import 100 cigarette packaging production lines and their manufacturing techniques. According to the agreement, the first 45 production lines will be delivered by the end of this year. At the same time, the Italians will help China set up a technical training centre for free teaching of Chinese technicians. The entire project will cost more than US\$20 million, and its annual output will be 100 billion cigarettes, or one-tenth of the nation's total. It is the biggest deal ever concluded between the Chinese tobacco industry and a foreign firm.

The corporation also signed an agreement early this month with



Manager Hu Gongpu.

AMF Legg (a division of AMF International Ltd.) to the tune of more than 10 million pounds sterling to import six cut tobacco-cutting production lines and cutting-machine manufacturing techniques.

The corporation has already imported 42 tobacco machines and MK8 cigarette-making production techniques from Molins Tobacco Machinery Ltd. of Britain. The British firm will send its personnel to offer guidance in production and free training of the Chinese personnel. The project will involve several million pounds sterling, and the first batch of sample machines will be turned out in China by the end of this year.

Hu also noted that there is a great potential for China's tobacco industry to set up joint ventures and co-operative enterprises with foreign firms. CTIEC's policy is that apart from materials which cannot be produced in China or cannot meet domestic needs, all or most of the tobacco products turned out by the joint ventures and co-operative enter-

prises will be sold abroad.

Under this policy the China American Cigarette Co. in Xiamen has been formed by CTIEC and the Reynolds Tobacco International Ltd. of the United States. With a total investment of US\$20 million, both China and the US firm own equal shares in the venture. The project is expected to go into operation next year, and its annual output will be 1.5 billion to 2 billion Camel, Winston, Salem and More brand cigarettes.

Projects now under discussion include:

- In co-operation with Philip Morris of the United States, a factory to produce Marlboro brand cigarettes will be set up in Shenzhen.

- A joint venture to produce filter tips will be set up in Nantong, Jiangsu Province.

- In co-operation with US Tobacco International Ltd., CTIEC will set up a factory in Shandong or Liaoning to turn out smokeless tobacco. All the products produced by the factory will be marketed in other countries.

Hu concluded that the focus of CTIEC's work now is technically transform existing enterprises. The Chinese tobacco industry has 146 cigarette-making factories and 200 flue-cured tobacco factories employing more than 300,000 people. This makes it the largest in the world. But all the techniques, such as cutting and packaging, need to be improved. CTIEC hopes its co-operation with companies from abroad will achieve this.

## Yunnan Develops International Ties

The expanded Bilin Sugar Refinery in Burma went into operation without a hitch early this year. It was another successful project undertaken by the China Yunnan Corporation for International Techno-Economic Co-operation (YIETC). The Burmese sugar refinery has increased its daily handling capacity from 1,000 tons of sugarcane to 1,500 tons. According to the standards of the contract, the finished product is among the best sugar produced in Burma.

YIETC has also built a 100-hectare tea plantation and a tea processing factory producing 100 tons a year in Mali. It is the first home-grown tea in that country. Both projects have satisfied Mali's government and its people.

YIETC's construction of the terminal building at a Mauritius international airport will begin soon. The modern building will cover 15,150 square metres.

YIETC is a state-owned enterprise set up with the approval of

the Chinese State Council. It has six branches doing business in nonferrous metals, architectural projects, roads, bridges, water conservation and electric power projects, complete sets of equipment and forestry. The corporation has 80,000 construction workers and more than 10,000 engineers, agronomists, architects, accountants, livestock experts, doctors, technicians and chefs.

Since 1962 YIETC has been involved in 92 projects in more than a dozen countries, including Kuwait, the People's Democratic Republic of Yemen, Mali, Cameroon, Maldives and Burma. These projects include industrial and housing construction, roads and bridges, and projects in agriculture, medicine and public health, animal husbandry, water conservation and electric power. YIETC specialists have received awards in the countries where they work for their excellence in the contracted projects.

YIETC can contract for a project independently or co-operate as a partner with firms from other countries. Under agreements between China and other countries, the corporation can contract for

all or part of a project, from consulting, surveying, designing, constructing, installation and trial production to supplying plants and materials. YIETC also offers labour and technical services and accepts business entrusted by firms, enterprises or individuals. Its business scope also includes the assembly and installation of related machinery and equipment in heavy and light industries; civil and public projects, transportation facilities, forestry, timber processing, rubber, sugarcane and tea cultivation, land reclamation, animal husbandry and veterinary projects, freshwater fish breeding and planting of fruit trees, vegetables and grain crops.

Address: Kunming, China

Cable: YIETC

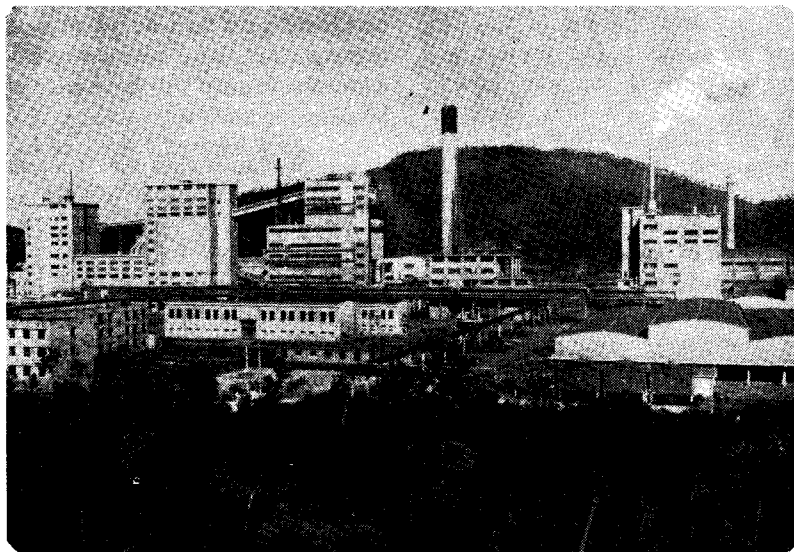
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## German Delegation Visits Anhui

A government economic and trade delegation led by Dr. Ernst Albrecht, Minister-President of the state of Lower Saxony in the Federal Republic of Germany visited Anhui Province from March 27 to 31 at the invitation of the governor, Wang Yuzhao. Three agreements and eight letters of intent were signed during the visit. Two of the agreements involve retired Germans who will work in Anhui Province. According to another, a German bank will extend 20 million deutsche marks in loans to the International Trust and Investment Company of Anhui Province.

Anhui has established close economic and trade relations with the Federal Republic of Germany, and has forged friendly ties with Lower Saxony. It also has a special economic and trade partnership with Rhineland-Palatinate.

The Kunming Phosphate Fertilizer Plant contracted by YIETC in Yunnan.



# Films Dubbed in Minority Languages

As one of the many efforts to strengthen the unity of the country, China has done a great deal to improve the cultural life of the minority people. Now, in addition to over 100 foreign films dubbed into standard Chinese each year, and many into various dialects such as Cantonese, films are also being dubbed into various minority languages in many regions where minority groups live in communities. Many minority people do not have a good command of standard Chinese and so could never enjoy these films before.

In the Yanbian Korean Autonomous Prefecture in northeastern China, film showings were accompanied by explanations in Korean back in the 1950s. Later on-the-spot interpretation was supplied, and now Korean can be heard directly from the screen thanks to the use of applied magnetics.

The dubbing work is done by the prefectural film distribution company in two stages. First, Korean-speaking actors make a recording of the dialogue while they watch the original film. They try to imitate the mouth movements and intonation of the characters on the screen. Then a thin layer of magnetic powder is applied to the edges of the film, forming a strip of magnetic tape which records the dubbed dialogue. But the original language is not removed. A special switch is fixed to the projector which controls the choice of languages. Two languages can also be broadcast simultaneously through two amplifiers. The audience has only to sit in the appointed zones to hear the dialogue

in the language they understand.

This dubbing group consists of 20 people, including one director, translators, actors, actresses and technicians, all Koreans. It usually takes them about four days to finish the dubbing and duplicating work after a script is translated. Last year, they dubbed 88 films and made 264 copies.

Now all 16 mm films distributed in the countryside in this region are dubbed using this technique. Successful experiments have also been made using magnetic strips to dub 8.75 mm film, used specially in mountainous areas and 35 mm films used in urban cinemas.

Apart from the Koreans, 22

more of the 55 minority groups in China, most of whom live in remote areas, have dubbed films in their own languages. About 469 films were dubbed and 1,245 copies made with applied magnetics in 1984.

Since the 1950s, film studios in the autonomous regions of Inner Mongolia, Xinjiang and Guangxi have also dubbed some films using optical recording techniques. This technique requires higher technology and is more limited in conveying nuances of expression. It also costs much more money and takes longer to complete. That's why films dubbed with magnetic strips are so popular with minority people.

## Pear Grower Combats Tree Pests

For more than 40 years, fruit growers in China have followed the advice of guidebooks to cut off two-year-old pear twigs in an effort to combat the girdler insects that kill the limbs or trunk of a tree by eating a ring round it.

Pear shoot girdlers are among the most serious pests threatening trees in China's 17 pear-growing provinces and municipalities.

For many years Chinese guidebooks have said that all girdler insects go through a one-year life cycle from egg, to worm, to pupa and to maturity. The books said the insects slept through winter inside two-year-old twigs.

But Wang Shitian, a 37-year-old Beijing pear grower, has discovered that there are two completely different species: one has a

one-year life cycle and the other has a two-year cycle. The latter is more destructive than the former. The one-year-cycle pear girdler spends its winters in one-year-old twigs; and the two-year-cycle insect hibernates in two-year-old or older twigs. The two species differ completely in appearance and life habits.

Wang is now a fruit tree expert in Miyun County in the northeast suburbs of Beijing. In the autumn of 1974, Wang, together with his partners, followed the old guidebook recommendations only to find they did not work. The damage was made even worse by cutting off the two-year-old twigs. Wang began to think the guidebooks must be mistaken about the girdlers.

As a result, he began his own



Pear grower Wang Shitian (left) and Yang Jikun, an entomologist at the Beijing Agricultural University, study insects which damage fruit trees.

observations. Wang searched out contaminated branches, cultivated the insects and studied their habits. After 10 years of observing more than 1,000 insects at 10 sites, Wang discovered the truth about the two species.

Wang's findings caught the attention of Yang Jikun, an entomologist at the Beijing Agricultural University, and other insect specialists. They examined the specimens Wang had collected over the years and studied carefully his research records. After reviewing his work, the experts confirmed Wang's findings, and the 40 years of confusion was cleared up.

With the help of experts in the fields, Wang published a paper entitled "New Discovery of Pear Shoot Girdlers' Life Cycle and

Habits." He has now begun studying other insects which do damage to fruit trees.

## Rare Plants Being Cultivated

More than 2,000 species of endangered tropical plants have been cultivated in the two botanical gardens of the Yunnan Tropical Botanical Institute, including 80 on the state protection list.

Located near the Xishuangbanna Nature Reserve in southwestern China, the two botanical gardens cover 20 hectares.

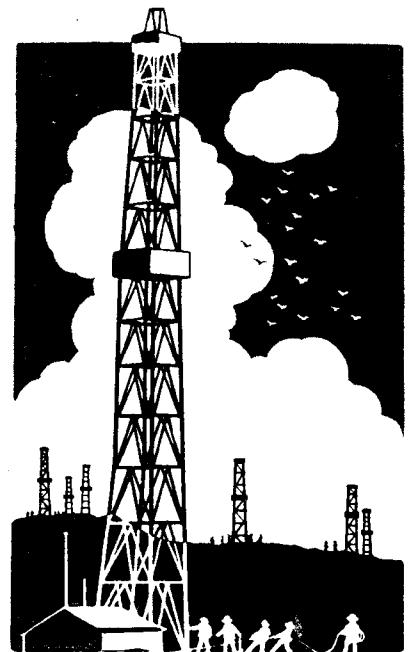
Among the rare species in the gardens is *parashorea* (*Chinese*

*wang hise*), which is on the verge of extinction. This plant was found in a virgin forest in Mengla County in 1977, and 40 seedlings were brought back and planted in the gardens. Now three of them have grown over seven metres high and nine centimetres in diameter.

Another precious species is the golden blossomed *camellia chrysantha*, native to southern Guangxi and the northern part of Viet Nam. The plant has become a favourite subject of horticultural research in some countries. It was brought to the institute from Guangxi in 1972 and now three plants have grown over six metres high, with trunk diameters of eight centimetres.

In addition, a special species was discovered in the gullies of tropical forests and was given the name *Vatica xishuang bannaensis*.

Xishuangbanna, in the tropical plant zone, has some ancient species, called living fossils. About seven of them have been planted in the institute's gardens. They include *Manglietia wangiiltu*, *Cycas siamensis miq* and *Podocarpus imbricata bi*.





## Chinese Paddlers Still Dominate

The 38th world Table Tennis Championships came to a close at Goteborg, Sweden, on April 7 with yet another string of victories for the Chinese team. They carried away the men's and women's singles and team titles, plus the women's doubles and mixed doubles. Host Sweden captured the Iran Cup in the men's doubles, but there was no question that Chinese paddlers continue to dominate the game, despite some doubts raised by recent International Table Tennis Federation (ITTF) rule changes.

After the team victories the president of the ITTF, Roy Evans, said, "China is worthy of the championship titles because it has so much strength." Ichiro Ogimura, first ITTF vice-president, added, "The achievements of the Chinese paddlers show clearly how much depth the team has. They are not dependent on one tour de force."

After the 37th World Table Ten-

nis Championships, the ITTF changed some of the game's rules. Each side the racket is a different colour, and foot stamping and ways designed to conceal a serve are now forbidden.

It was thought these changes would seriously affect the Chinese, and observers predicted they would have a hard time holding onto their titles.

But this was not the case. Chinese paddlers were prepared for, and well adjusted to, the changes. Chen Xinhua, an aggressive player with a powerful slice, disappeared from competition after taking second place in the mixed doubles last year. His year of training at home enabled him to defeat his opponent in the men's team finals with a surprise move.

Chen Longcan, a small but agile 20-year-old from Sichuan, joined the state training team only two years ago. He has a wide reper-

toire of strokes and is quick to seize any opportunity for a counterattack, as Janove Walder of Sweden found out when he was defeated 2-1 in the men's team finals.

He Zhili of Shanghai is a defensive player. Her spinning and looping shots earned her and her colleagues the Marcel Corbillon Cup in the women's team finals.

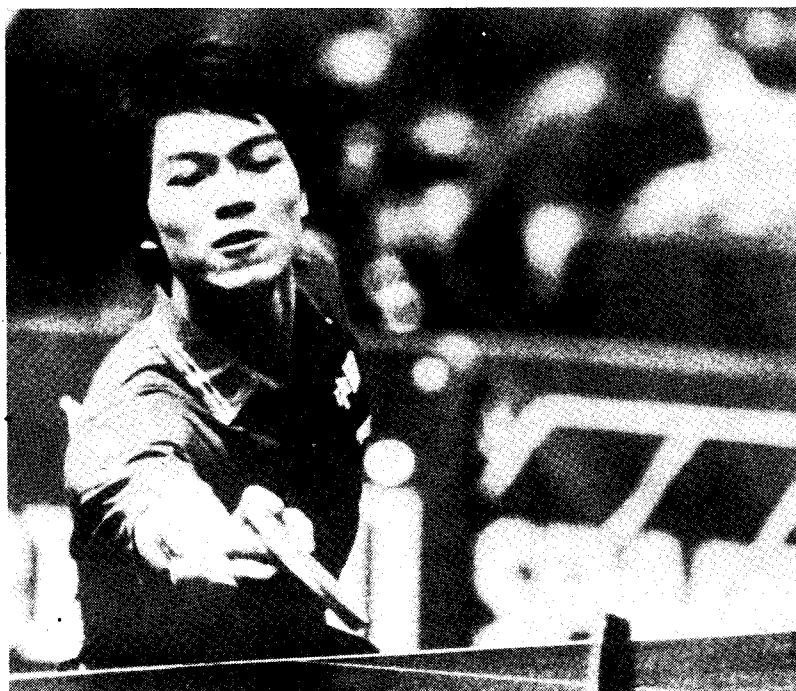
Both Cao Yanhua and Cai Zhenhua were most affected by the rule changes. Yet they hit top form as they captured the Zdenek Haydusek Prize in the mixed doubles finals. Cao also won the G. Geist Prize in the Women's singles and Jiang Jialiang clinched the St. Bride Vase in the men's singles.

The only disappointment came for China in the men's doubles. The Chinese pair of Jiang and Cai were defeated by the Czech pair of Jindrich Pansky and Milan Orlowski 2-1 in the semi-finals.

Throughout the championships two things became clear. First, as the game develops, spin and speed are becoming critical. And second, Asian players are still a notch above their Western competitors. In the women's events the first eight places were won by Asians. They are, no doubt, well ahead of their European opponents in playing techniques, and it will be awhile before the tables can be turned.

Perhaps the only exception to this Asian domination is among the men. Swedish and Polish players have been advancing rapidly, and are already proving themselves in the doubles.

Jiang Jialiang in action.



## Marshal's Memoirs Bring History to Life

China's recent past comes alive with the revelation of a host of hitherto unknown facts about the revolution in the recently published first volume of *Remembrances of History* (in Chinese) by Xu Xiangqian.

The author is a field marshal and vice-chairman of the Military Commission of the CPC Central Committee. His first volume sweeps readers through his experiences from a teenage school boy to his brilliant career after 1929 as commander-in-chief of the Fourth Front Army of the Red Army, then stationed at the Hubei-Henan-Anhui Revolutionary Base Area.

One of the most dramatic moments in *Remembrances of History* is Xu's description of the struggle against Zhang Guotao, head of the base area, who was bent on pushing "leftist" adventurism. Later, after an abortive scheme to split the Party, Zhang fled the base area and joined the Kuomintang's secret service. In Xu's opinion, appointing Zhang head of the base area was definitely a mistake, and did great damage to the Party and the people's revolution.

Xu presents a detailed picture of Zhang's drive to "ferret out counter-revolutionaries." The drive turned out to be a massive disaster, in which Zhang and his followers persecuted loyal revolutionaries by extorting confessions and trumping up charges.

According to Xu, forcing confessions and then fabricating facts to prove them was not really Zhang's invention. It was deeply rooted in the legal systems of

the slave and feudal societies. Unfortunately, the practice is also not uncommon in the history of the Chinese Communist Party and the international communist movement. It was carried to extremes during the 1966-76 "cultural revolution."

By using Zhang as an example, *Remembrances of History* tries to drive home to the readers the fact that in the ongoing socialist modernization drive the law must be followed and that Zhang's ugly practices should not be repeated.

As a Red Army commander, Xu played an important role in the history of the Hubei-Henan-Anhui Revolutionary Base Area. Yet he rarely touches upon his own contributions in his book. Instead, he readily subjects himself to self-criticism.

For example, at the 1931 Jiaminghe Conference which denounced Zhang, Xu helped effectively check Zhang's unacceptable workstyle. But in his book he gives himself no credit. The conference, he points out, was organizationally unfit because it was held without informing the Party Central Committee's sub-bureau, of which Zhang was secretary.

In recalling history, Xu repeatedly points out that he and his comrades in the Hubei-Henan-Anhui Revolutionary Base Area drew heavily on the experiences of Mao Zedong and Zhu De in the Central Revolutionary Base Area in Jinggang Mountains. For example, the Fourth Front Army formulated 10 regulations of discipline based on Jinggang Mountain's "Three Main Rules of Discipline and Eight Points for Attention."

When guerrillas in the central base area manoeuvred according to the formula "The enemy advances, we retreat; the enemy camps, we harass; the enemy tires, we attack; the enemy retreats, we pursue," soldiers in the Hubei-Henan-Anhui Base Area followed similar tactics. Xu regards these principles as an important element of Mao Zedong Thought, which integrates the universal truth of Marxism with the practice of the Chinese revolution. In fact, Mao Zedong Thought is also the crystallization of the experiences and wisdom of Xu and many other Chinese revolutionaries of the older generation.

While the author declines to praise himself, he does describe in great detail the heroic deeds of his comrades-in-arms, many of whom laid down their lives for the revolution.

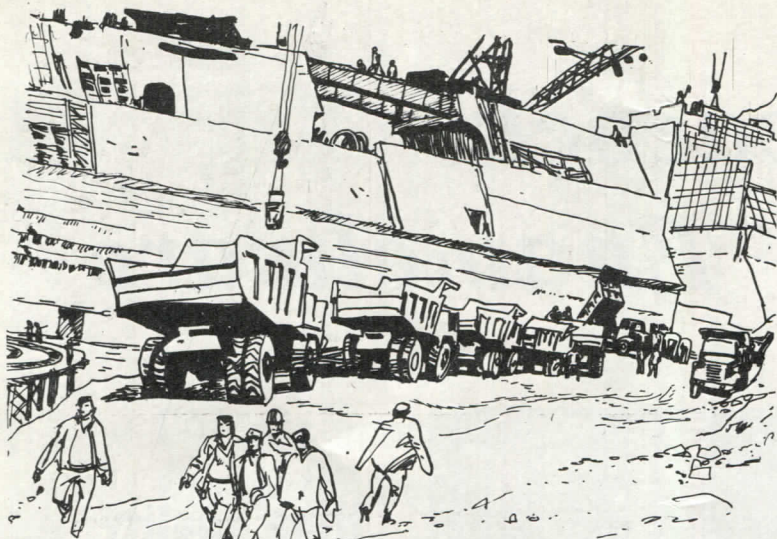
Xu is good at making his points by citing historical anecdotes and quoting classical military writings such as *Sun Zi Bing Fa* (*The Strategy and Tactics of Sun Wu*).

All this, no doubt, is due to the author's good command of the language, which he acquired through studies at a provincial normal school and the Whampoa Military Academy, and to his rich experiences as a gifted soldier.

When the other two volumes of *Remembrances of History* come out next year from the PLA Publishing House, they will recreate a longer stretch of history, right up to the early post-liberation years.

— Zhou Shu

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A Construction Site.



Peasant Girl.

## Sketches by Chen Jinrong

Chen Jinrong, born in 1944 in Beijing, is now a teacher at the Central Academy of Fine Arts in the capital.



Building a Reservoir.



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