

A CHINESE WEEKLY OF NEWS AND VIEWS

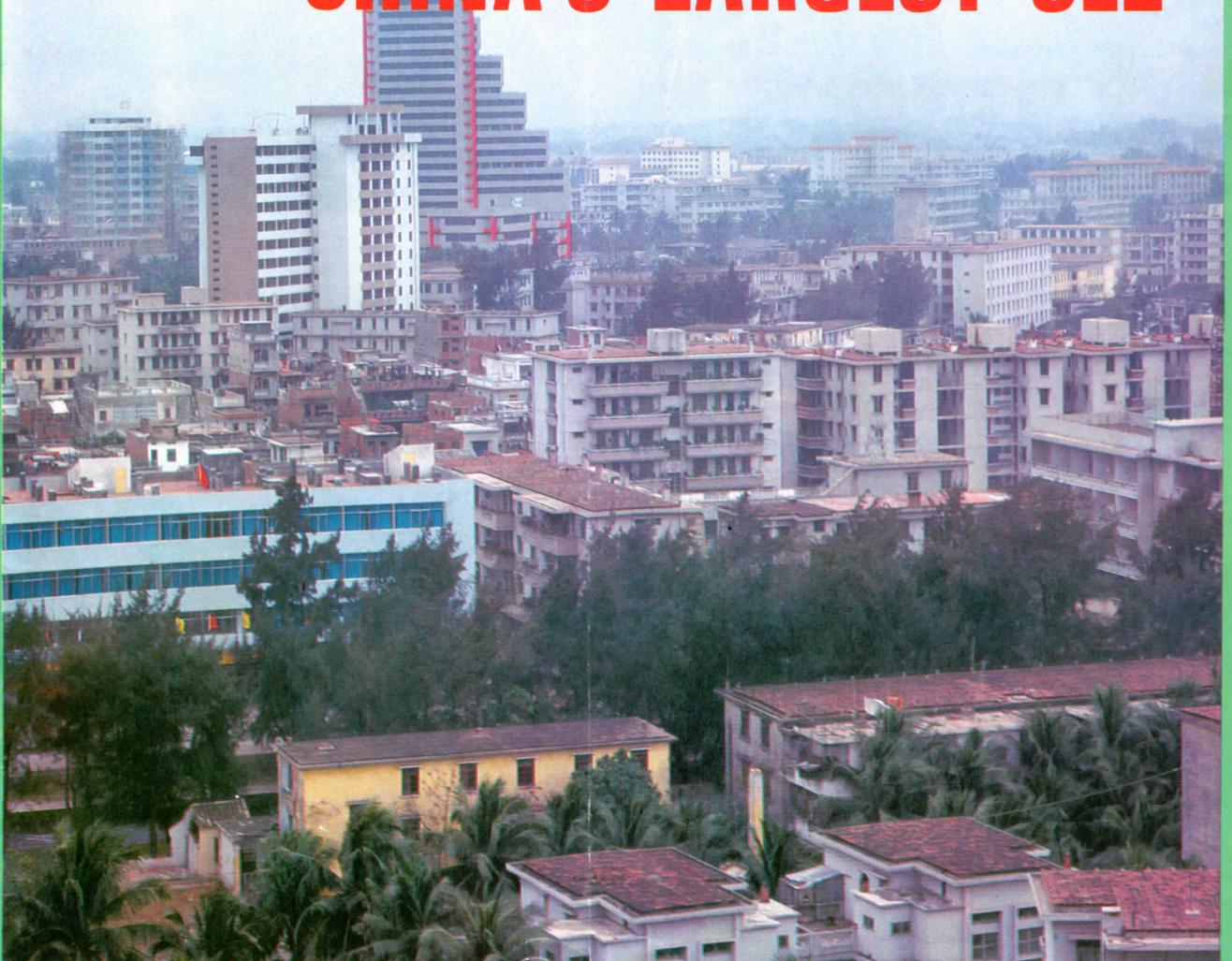
Beijing Review

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US-Soviet Relations & the World Situation

HAINAN PROVINCE — CHINA'S LARGEST SEZ



SHENZHEN AT NIGHT

Chinese cities are usually quiet at 10 o'clock at night. But in the Shenzhen Special Economic Zone, night life is just starting. The three photos show Shenzhen at around 10 pm.

by Chen Xiaopo

Yan Li (right) is a magazine editor. She usually attends a late evening lecture at the Art Training Institute.



The open-air theatre called "Everybody is Happy" attracts many amateurs who have performing talents.

The students of the management department at the Shenzhen University attend a lecture.



VOL. 31, NO. 18

MAY 2-8, 1988

CONTENTS

NOTES FROM THE EDITORS 4

Hainan to Adopt More
Special Policies

EVENTS/TRENDS 5-9

State Council Duties Divided
China Values Ties With Greece
Japanese Envoy Visits Beijing
Price Hikes Hit China's Markets
China Launches Housing Reform
Weekly Chronicle (April 18-24)

INTERNATIONAL 10-13

Palestinian Struggle: Assassination
Will Not Stop Uprising
Japan: Paving the Way to
Send Troops Abroad
Soviet Union: Letter Sets
Off New Debate on Reform
World Bank-IMF: Uncertainty
Lingers After Meetings
Laos: Cautiously Taking
The Road of Reform

Hainan Province — China's Largest SEZ 14

Enterprise Law: A Milestone For Reform 20

Fang Lizhi's Academic Achievements 23

Changes in International Relations 24

TOURISM 29

BUSINESS/TRADE 30

CULTURE/SCIENCE 32-34

COVER: A bird's-eye view of the Haikou
City.

Xue Chao

New State Council Set to Tackle Tasks

■ Honesty in government, tightening discipline and eliminating bureaucracy should be the main principles of the new State Council's work style, Chinese Premier Li Peng said recently at the council's first plenary meeting. He also outlined the new division of labour among government members (p. 5).

Hainan Becomes a Province and the Fifth SEZ

■ The recent NPC session granted Hainan Island the status of province and made it China's fifth and largest special economic zone (p. 4). A report on Hainan's resources, preferential policies and development strategy (p. 14).

Enterprise Law — A Milestone of Reform

■ The Enterprise Law, drafted after nine years of preparation and passed by a majority at the recent NPC session, provides a legal guarantee for the independent management of enterprises. It is expected to increase their vitality and produce a tremendous impact on China's economy as a whole (p. 20).

Changes in the World Favour Detente

■ The world economy is entering a new period of development. The trend towards a multipolar world has been strengthened. All countries, even the United States and the Soviet Union, have found it necessary to concentrate on internal affairs, especially economic and technological development. These changes will help stabilize the international situation and prolong the current US-Soviet relaxation (p. 24).

Assassination Will Not Stop Uprising

■ Abu Jihad, the deputy commander of the Palestine Revolutionary Forces, was assassinated in Tunis on April 16. The atrocity aroused a chorus of condemnation around the globe and new waves of protest by the Palestinians (p. 10).

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Hainan to Adopt More Special Policies

by Yang Xiaobing

The first session of the Seventh National People's Congress, which just closed, granted Hainan Island the status of province and made it China's largest special economic zone.

CPC Central Committee General Secretary Zhao Ziyang once suggested that Hainan could implement more open economic policies than the existing special economic zones (such as Shenzhen) and take the lead in experimenting with political structural reform at the provincial level. Since then, Hainan Island has become the focus of attention of many overseas investors.

According to a reliable source, the special preferential policies for Hainan Island approved by the central government will soon be made public. The major contents of the policies will include:

- Hainan will have the right to raise funds abroad, and accept unlimited foreign loans under the principle that the island bears all responsibility for their repayment.
- Foreigners will be allowed to contract management of state-owned and collectively owned enterprises in Hainan.
- No quotas will be set for export products from Hainan. Products manufactured using raw materials or semi-finished products from the mainland with more than 20 percent added value will be treated as products from Hainan.
- Hainan will be able to import means of production as well as 24 controlled import goods, such as household electrical appliances, with customs duties exempted or reduced. Customs duties will be levied on imported cigarettes and liquor. The use of imports will be limited to the island. If products made using imported raw

materials are sold to the mainland with more than a 20-percent increase in value after processing, full customs duties will be levied on imported raw materials.

- Foreign-funded enterprises (Sino-foreign joint ventures, cooperative and wholly foreign-owned enterprises) usually begin paying over a 15-percent income tax in their third profit-making year. High-tech and development projects, or construction projects for basic facilities other than power, will pay income tax in their fifth profit-making year. The Hainan government has the power to approve tax exemptions or reductions for enterprises facing difficulties. It will be possible for foreign investors to remit profits abroad directly from the enterprises' foreign exchange accounts tax free. A 10-percent tax will be collected on outward remittances of profits from loan interests, equipment rental and royalties.

- Foreign exchange can be freely bought and sold by Hainan enterprises and enterprises in other special economic zones.

- Foreign banks can set up branch organizations in Hainan to handle foreign exchange deposits and loans, bonds and stocks.

- Foreigners holding passports can enter Hainan with visas issued by frontier stations. Compatriots from Hong Kong and Macao can do the same using their ID cards. For Taiwan compatriots, only travel certificates and visas issued by frontier stations are needed. Foreigners travelling to Hainan on business can apply for temporary residential certificates and stay for longer periods of time.

- Foreign enterprises and individuals can acquire land-use rights

through transfer and lease to develop and manage the land or conduct real estate business. The longest term for the transfer of land-use right is set at 70 years.

To supplement the policies adopted by the central government, efforts are now being made to draft relevant local regulations.

Xu Shijie, who has been entrusted by the central government to take charge of the preparations for establishing Hainan Province, expressed the need to boldly use the policies adopted by the central government, but not abuse them. The "motorcar incident" of three years ago, in which the right to import motor vehicles on the island was made use of to sell them on the mainland for profits, is still fresh in people's memories.

The central government has followed two principles in granting more open policies to Hainan — the island must not sell imported goods on the mainland for high profits, and the other places must not take advantage of Hainan's preferential policies to indulge in tax evasion and the illegal procurement of foreign exchange.

To cater to the establishment of a large special economic zone, Hainan has now started reforms to its political structure, with the aim of introducing a system of "small government and greater society." "Small government" involves streamlining government organizations and more importantly limiting government functions to planning, co-ordination, supervision and examination. "Big society" implies using socio-economic units to replace government organizations in charge of real estate, transport and com-



munications, commerce, agriculture and forestry. These socio-economic units will be run like enterprises and operate in line with the laws of the economy.

Compared with China's other special economic zones, Hainan Island is much better off in terms of resources. It has rich oil, natural gas, iron and titanium reserves, abundant tropical fauna such as rubber and coffee, and various marine products and superb beaches. These resources make it possible for Hainan to develop chemical, mineral processing, textile and food industries as well as tourism.

However, Hainan's most obvious advantage is its geographical location. Situated between Japan and Singapore, it is very convenient to sea transport, which is important for international economic co-operation.

Formerly, Hainan's energy, transport and telecommunications industries were quite backward and its industrial infrastructure could not cater for opening to the outside world. Since 1984, continuing efforts have been made to improve basic facilities and this will receive further attention after Hainan becomes a province. So far, gradual improvements have been made in the island's power industry, water and air transport facilities and telephone services. A better investment environment is slowly taking shape.

State Council Duties Divided

Chinese Premier Li Peng outlined the new division of labour among government members at the first plenary meeting of the State Council held on April 18 in Beijing.

As decided at the first State Council Standing Committee meeting on April 14, Li Peng has overall responsibility for the activities of the State Council, with Vice-Premier Yao Yilin in charge of daily and economic affairs. Vice-Premier Tian Jiyun is responsible for agriculture, commerce and trade, while Vice-Premier Wu Xueqian will handle foreign affairs.

Among the state councillors, Li Tieying will be in charge of cultural and educational affairs; Song Jian, science and technology; Wang Fang, legal affairs; and Zou Jiahua, industry and transport. State Councillor Qin Jiwei is concurrently minister of national defence; Wang Bingqian, minister of finance; and Li Guixian, governor of the People's Bank of China. Chen Xitong will be in charge of liaison between central government departments and Beijing municipality as well as of planning and construction in the capital.

State Councillor Chen Junsheng, who is also secretary-general of the State Council, is to assist Vice-Premier Yao in the routine work of the council. At the meeting Chen outlined the regulations that will govern the council's work. The regulations spell out the State Council's functions and powers; the responsibilities of the premier, vice-premiers and the state councillors; and systems and procedures for council meetings, the approval of documents and social consultation and discussion.

Under the regulations, the

premier is responsible for the State Council, assisted by the vice-premiers and state councillors. State Council members are to carry out the principles and policies of the Communist Party of China in their work. The National People's Congress and its Standing Committee supervise the council's work.

The State Council must see that departments and local governments at all levels play a full role. Council members must maintain close ties with the people, listen attentively to their views and carry forward the fine tradition of serving the people. The regulations also call for high work efficiency and reducing bureaucracy in government work.

The State Council can hold three kinds of meetings — plenary, Standing Committee and work meetings. All important issues must be discussed and decided at a Standing Committee or plenary meeting.

Main Principles of the New Council's Work Style. In his speech at the April 18 meeting, Premier Li reiterated that the State Council should put reform at the centre of all its undertakings and push forward in various fields.

"The new government should inherit and keep up the good traditions of previous governments while creating its own unique work style," Li said, adding that honesty in government, tightening discipline and eliminating bureaucracy should be the main principles of the new council's work style.

Expanding on the topic of honesty in government, Li said the council and related bodies must make strict demands on themselves and set an example for the people. "We should start with whatever most displeases the

people," he said. For example, strict control should be imposed on the construction of too many office buildings, hotels and auditoriums, and unnecessary banquets must be stopped.

Organization and discipline should be tightened, he said. "The State Council's decisions should be strictly carried out, and the unhealthy practice of defying orders and prohibitions must be overcome." The State Council welcomes criticism and proposal from the people on the council's work.

On overcoming bureaucracy, "A definite answer should be given on matters submitted by subordinate departments, regardless of whether the problems can be solved." But while the new government should work efficiently, Li said, efficiency does not mean granting whatever is requested. All issues must be handled according to principles. ■

China Values Ties With Greece

China considers that developing long-term and stable relations with Greece is very important, Chinese President Yang Shangkun told visiting Greek President Christos Sartzetakis.

The Greek president and his party, which included his wife, Minister of National Economy Panayotis Rουμελιotis and Minister of Education and Religion Antonis Τritsis, arrived in Beijing on April 19 for a six-day official visit.

Sartzetakis is the first Greek president to visit China since the countries established diplomatic relations in 1972. At a welcoming banquet for the guests, Yang said the visit would promote relations and strengthen friendship between the two peoples.

Yang spoke highly of the Greek

president's friendship towards China and the Chinese people, and praised his efforts to further bilateral relations.

"China and Greece, two of the world's ancient civilized countries, have no conflicts of interest," Yang said. "We are very pleased with the smooth progress in our relations since we established diplomatic relations, and especially pleased with efforts over the past few years."

Sartzetakis said the Greek people have always appreciated the great contributions Chinese civilization has made to the world.

He agreed that relations between Greece and China are good and that his visit would promote further co-operation.

On the second day of his stay in Beijing, Sartzetakis met Chinese Communist Party General Secretary Zhao Ziyang and Premier Li Peng. Zhao told his guest, "An easing of tension in the current international situation is worth welcoming. This trend is partly a result of the efforts of smaller countries which are striving for disarmament and trying to safeguard world peace. But a big

gap still exists between the easing of tension and disarmament, and to achieve this end will require long-term hard work."

Regarding China's domestic situation, Zhao told Sartzetakis that the central government will take further and more concrete measures to develop the socialist commodity economy, which is the key link in China's economic structural reform. The key to the reform of the country's political system is the establishment of a democratic political situation, he said.

Commenting on China's development strategy for coastal areas, Zhao said, "China's economic relations with foreign countries will be greatly strengthened through this plan. I hope more Greek business people will come to our coastal areas to do business with us, so bilateral relations can reach a new height."

Li Peng told Sartzetakis that China is concerned about the problems between Greece and Turkey because both are good friends of China. "China is happy to see the positive changes that

Chinese Communist Party General Secretary Zhao Ziyang meets Greek President Christos Sartzetakis.

WANG CHUANGUO



have emerged in the relations between the two countries following the two meetings between the Greek and Turkish prime ministers," Li said. The meetings were held earlier this year.

Li expressed appreciation for both countries' efforts and said he hopes that they will continue to seek a peaceful, fair and reasonable settlement of their problems.

At an April 20 press conference, Sartzetakis said prospects for economic and trade co-operation between Greece and China are growing and that Greece is willing to do more to develop these ties.

The Greek president also said his warm reception from Chinese leaders reflects the current state of political relations between the two nations.

When Sartzetakis and his party left for a tour of Xian on April 21, Yang Shangkun bade them farewell at the state guesthouse in a western suburb of Beijing.

"The visit was very successful," Yang told Sartzetakis. "We hold identical or similar views on many major issues and we share a common desire to further our co-operation."

Sartzetakis visited Shanghai before leaving China on April 24.

Japanese Envoy Visits Beijing

Chinese leaders told Masayoshi Ito, a special envoy of Japan's Prime Minister Noboru Takeshita, that the Sino-Japanese relationship is friendly and normal on the whole despite the several unpleasant incidents that have occurred in past several years.

Deng Xiaoping, chairman of China's Central Military Commission, told Ito on April 19 that several troubling incidents have cropped up in recent years. "I know that the majority of Japanese friends do not support



LIU SHAOSHAN

Chinese leader Deng Xiaoping meets Masayoshi Ito, special envoy of Japan' prime minister.

such things and have taken measures to try to resolve them. We thank them for their efforts.

"Attention must be paid to the activities of a handful of people belonging to the 'right-wing' forces, as you call them. Dealing with them too leniently might encourage their arrogance."

These incidents, if considered separately, are not major, Deng said, but when seen together, they represent a kind of tendency and a force which could easily sabotage Sino-Japanese friendship and almost certainly arouse a strong reaction from the Chinese people.

"Such things will probably happen again in the future," Deng said, "but we hope that these matters can be resolved in a timely and proper way by following the principles of the China-Japan Joint Statement and the Sino-Japanese Peace and Friendship Treaty, and with the benefit of both sides' years of experience in trying to develop friendly relations."

Ito replied that he also deeply regretted the problems caused by a few people. "The majority of Japanese citizens attach great importance to developing Sino-Japanese friendship."

Ito said he understands that China is unhappy about the activities of a small faction of right-wing agitators. He promised that Japan will try hard to prevent the recurrence of such incidents.

Chinese Premier Li Peng discussed Sino-Japanese economic co-operation with Ito during their meeting. Li said China and Japan can benefit and learn from each other's strengths and compensate for each other's weaknesses on the basis of equality and mutual benefit.

Li mentioned that two Japanese trading companies which had sent exports to China had been searched by Japanese police. He said Chinese businesses, scientific and technological circles are puzzled by this incident and that he hopes the Japanese will handle

the matter carefully and lift more restrictions on the transfer of technology to China.

Ito said the Japanese side will work hard to relax policies on technology transfer to China. He apologized for the harm to China caused by the "Toshiba case."

Ito also expressed Japan's hope for a better investment climate in China. He said the Japanese government will do its best to encourage Japanese business people to invest in China.

Li and Ito also discussed how to handle problems arising from the March 24 train accident near Shanghai in which 27 Japanese students and teachers were killed and 37 injured. Li said the Chinese side will handle the case properly.

Ito also met Wan Li, chairman of the NPC Standing Committee. Wan mentioned that this year is the 10th anniversary of the signing of the Sino-Japanese Peace and Friendship Treaty. "It is our hope that Sino-Japanese friendship and co-operation will continue to grow," he said. ■

Price Hikes Hit China's Markets

Steep retail price rises are turning out to be the major economic problem in China this year, an official from the State Statistical Bureau says.

Bureau spokesman Zhang Zhongji told a press conference on April 19 that the national retail price level increased by an average of 11 percent during the first quarter of this year.

"The average price rise in 32 large and medium-sized cities was 13.4 percent. Prices for non-staple foods grew by 24.2 percent, with a dramatic 48.7 percent rise in the price of fresh vegetables," Zhang said.

The underlying reason for the price hikes is that demand greatly outstrips supply, he said. Accord-

ing to China's *World Economic Herald*, there could be a gap of up to 40 billion yuan (US\$10.75 billion).

Zhang cited the rapid increase in the non-agricultural population and the continuous reduction of vegetable-growing areas in the past few years as the main reason for vegetable shortage. The frost around the middle and lower reaches of the Changjiang (Yangtze) River further widened the gap."

Poor market management has also led to arbitrary price increases in some areas, he said.

Prices have triggered anxieties on the part of consumers, Zhang said. But he added, "For a long time, prices in China have not been reasonable, and in better linking prices to value, higher prices are inevitable."

The key to solving this problem, he said, lies in increasing people's salaries. These must be raised at a faster pace than prices. "The people's standard of living won't be affected if income increases keep up with or exceed price hikes."

The government is experimenting with other measures, such as subsidies for major non-staple foods, and is considering extra living allowances for families in economic difficulties.

Subsidies will differ from place to place according to the local price index. Some have already been given out in Shanghai, Nanjing and Hangzhou, and Beijing residents are slated to get them in one or two months, he said.

Experts say that prices will continue to grow for the next few years as the state tries to rationalize the overall price system to stimulate production. But Vice-Premier Yao Yilin vowed to keep the annual price rises "below 10 percent."

Minister of Commerce Hu Ping said his ministry will focus on checking arbitrary price hikes by

improving economic control, perfecting various contract systems and strengthening legal and public supervision over commercial activities. ■

China Launches Housing Reform

The State Council, China's highest governing body, has decided to carry out housing reform across the country over the next three to five years.

The state has invested a lot in housing construction over the past three decades and more. But under the current system, some people abuse their positions and power to demand several apartments, while ordinary people frequently live in overcrowded conditions.

People's Daily on March 8 quoted one city dweller as saying, "Trying to find an apartment to rent is harder than finding a spouse." Urban housing problems are becoming more acute and housing distribution has become a severe social problem.

A survey conducted in Fujian and Heilongjiang provinces and Xiangfan, Hubei Province, showed that although some urban residents were worried that their standard of living would go down as rents went up and complained they could not afford to buy their own apartment, more than half of the urban residents in the areas surveyed were in favour of reforming the housing distribution system.

Housing reform experiments in several cities over the past couple of years have proved successful and paved the way for the nationwide programme.

According to the plan approved by the State Council, the aim of housing reform is to replace the current system whereby the state builds apartments and distributes them through work units. Instead, apartments would be sold in line with the demands of the socialist

planned commodity economy.

The housing reform will begin with changes to the rental system. Gradually, housing distribution will be put on a commodity basis. People will buy housing or the right to use housing, thus boosting the development of the real estate, construction and building materials industries.

The housing reform will involve the following elements:

— Changing the system of distributing state funds from subsidies for housing construction and maintenance to subsidies for wage earners;

— Replacing the current planning and management system, which considers housing construction as fixed capital investment, with a system that regards it as commodity production;

— Forming a housing fund to rationalize various funding channels through reforms in financing, taxation, wages and prices, and real estate management.

— Launching a real estate market and developing real estate financing.

The tasks of housing reform in the coming three to five years include revamping the rental system for state-owned apartments, easing the housing shortage and encouraging urban residents to buy apartments.

The state will adopt laws and procedures suited to the new housing policies, and will inform people about them through public education campaigns.

According to the initial plan, every province, municipality and autonomous region will select several cities or counties as pilot areas for the housing reform. Experience gained in these areas will be used by other cities, which will begin to carry out housing reform next year. By 1990, all cities, except for those in border, remote and economically underdeveloped regions, are expected to have implemented housing reform. ■

Weekly Chronicle (April 18-24)

POLITICAL

April 19

■ The Chinese Foreign Ministry issues a statement on the murder of Abu Jihad. It says, "We are deeply grieved over the tragic death by assassination of Abu Jihad, member of the Central Committee of the Palestinian 'Al Fatah' organization and deputy commander-in-chief of the Palestinian armed forces.

"The Chinese government and people strongly condemn the Israeli authorities for their despicable act of assassination and gross violation of Tunisia's sovereignty."

■ Speaking on the conflict in the Persian Gulf region, a Chinese Foreign Ministry spokesman says, "We express our grave concern over the renewed US-Iranian military conflict in the Gulf and the resultant heightened tension there.

"China is always opposed to big powers' military involvement and intervention in the Gulf and stands for maintaining Gulf security and freedom of navigation."

April 20

■ A Lhasa police official says the local police have arrested four people accused of killing an armed policeman during the March 5 riot in the capital of the Tibet Autonomous Region.

Two of the four accused are students—one at Tibet University and the other at the Tibet Buddhist Theological Institute. The four were arrested on April 14 after an investigation by the Lhasa People's Procuratorate.

ECONOMIC

April 21

■ Vice-Premier Wu Xueqian will take charge of tourism, in addition to his other responsibilities. ■

Premier Li Peng tells a national meeting on tourism which closes today.

The State Council will set up a tourism committee led by Wu to help co-ordinate tourism development.

■ Construction begins on the second railway-highway bridge over the Qiantang River near Hangzhou, Zhejiang Province.

A key project during the Seventh Five-Year Plan period (1986-90), the bridge will accommodate two railway tracks and four highway lanes at the same level. The 2,860-metre railway section is expected to be completed in 1990 and the 1,792-metre highway section should be open to traffic by 1991.

CULTURAL

April 22

■ Farmers in Shandong Province have given 2.3 billion yuan (about US\$620 million) to build new schools and renovate old ones in the past eight years, Xinhua reports.

This represents 92 percent of the total provincial investment in school construction and renovation.

SOCIAL

April 21

■ More than 500 people, including a delegation from New Zealand, attend a meeting in Beijing to commemorate the late Rewi Alley.

Alley, a social activist, writer and poet, left his native New Zealand to devote his life to the cause of the Chinese People. Arriving in China in 1927, he later founded the Industrial Co-operative (Gung Ho) Movement and the Bailie Technical School which played an important role during the War of Resistance Against Japan. ■

PALESTINIAN STRUGGLE

Assassination Will Not Stop Uprising

The murder of Abu Jihad, the deputy commander of the Palestine Revolutionary Forces, aroused a chorus of condemnation in the international community.

Khalil al-Wazir, also known as Abu Jihad, the deputy commander of the Palestine Revolutionary Forces and the second in command of the Palestine Liberation Organization (PLO), is dead. He was assassinated at his home in Tunis on the morning of April 16 by a group of gunmen. The atrocity was condemned by countries around the world.

A Tunisian committee to investigate the incident, set up by Tunisian President Zine el-Abidine Ben Ali, announced on April 18 that the assassination was planned and implemented by Israel.

Reports of the murder provoked new waves of protest and violence in the West Bank and Gaza Strip. Palestinians in the occupied territories immediately launched a general strike, which lasted three days, and thousands of demonstrators clashed with Israeli soldiers. The assassination sent shock waves through Arab world, and Arab countries condemned it with one voice.

The PLO said the martyrdom of Abu Jihad will inspire the Palestinian revolution, fan the flames of the current uprising and reaffirm the Palestinians' determination to continue the struggle until final victory. Condemning Israel for the murder, the PLO vowed to avenge Abu Jihad.

Events in the wake of the vicious Israeli killing prove that the assassination of Palestinian leaders will fuel, rather than halt, the Palestinian revolt. On April 20, some 500,000 people attended

Abu Jihad's funeral in Damascus.

The assassination shows that the Israeli authorities are at their wits' end in face of the continued violence in the occupied territories. The uprising that was launched by Palestinian youth on December 8 last year continues despite Israel's harsh crackdown. Shootings, beatings, jail, curfews and deportation have all failed to stop the powerful torrents.

The Israeli authorities have miscalculated if they think they can root out the core of the struggle by assassinating Abu Jihad. A new generation of wise and courageous Palestinian leaders is emerging.

The Israeli authorities call the PLO "terrorist," but Abu Jihad's assassination, the Israeli air attack on the PLO headquarters in Tunis in October 1985 and countless other incidents show that it is they who are the real terrorists.

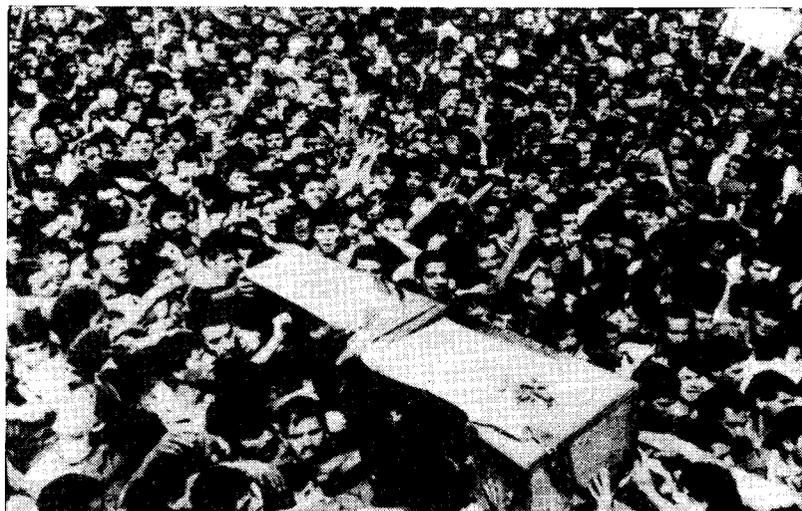
The loss of Abu Jihad represents a setback in the Middle East peace process. Arab leaders have made tremendous efforts to convene an international Middle East peace conference. Against this background, US Secretary of State George Shultz has recently paid three shuttle visits to the region to promote an American peace proposal. But the Israeli authorities have erected a new obstacle to peace by committing this crime.

Over decades of hard struggle, the Palestinians have gained the experience and learned the techniques they need to wage a successful fight to restore their national rights and obtain a just, comprehensive and rational resolution of their situation. They have won many supporters for their cause. The facts prove it will not be defeated.

The assassination shows the enemy's fear of the further development of the Palestinian struggle against Israel. But bullets cannot cow the Palestinian people, who fight for a just cause. Bullets will only increase their solidarity and will to fight, and push to a new stage the struggle against Israeli aggression and expansion and for national liberation.

by Zhao Xin

Hundreds of thousands of people attend Abu Jihad's funeral in Damascus on April 20.



Paving the Way to Send Troops Abroad

A recent report calls on the Japanese government to dispatch troops to the Persian Gulf, an opposition newspaper says. The idea of Japan sending troops overseas has attracted worldwide attention.

A Japanese opposition newspaper recently disclosed the contents of a report to the government by the Strategic Research Centre of Japan. The report urged the government to dispatch minesweeper and escort vessels to the Persian Gulf and to strengthen Japan's security system.

According to the newspaper, the report sees sending Japanese troops to the Gulf as one way of exercising Japan's self-defence right. It calls on the government to exercise its right in this way; to revise the principles of the Self-Defence Forces Law, which prohibit such action; and to define new criteria for resorting to the Self-Defence Forces. The report also suggests that strengthening the "system for dealing with crises" would contribute greatly to perfecting Japan's wartime systems and help prevent the country from becoming isolated.

Japan has been steadily escalating its efforts to mobilize public opinion for dispatching troops overseas. Former Japanese Prime Minister Yasuhiro Nakasone said in the past that Japan could only provide financial support to the escorting action in the Gulf because of the limits imposed by its peaceful constitution. At a cabinet meeting last August 27, however, Nakasone said that the law permits Japan to send troops to the Gulf to sweep mines and escort vessels, but such action would be politically inappropriate. The report of the Strategic Research Centre took an

even tougher tone. It said that dispatching troops overseas should become part of Japan's general political strategy.

The preparing of public opinion for dispatching troops overseas can be traced to Japan's strategic aim of continuously expanding its influence. The Self-Defence Forces were built to defend the country from enemies on its own territory. In 1985 the Japanese government put forward the idea of "wiping out the enemy on the sea," thus extending the potential battlefield. In 1987 the Japanese Defence Agency announced its plan to develop "air defence over the sea" and its decision to procure CG-47 ships with advanced missile-launching and over-the-horizon radar systems. The agency also plans to provide the defence forces with planes that can refuel in midair and airborne warning and control system (AWACS) aircraft. Secret information published by the daily *Yomiuri Shimbun* on January 2

showed that the Japanese Maritime Self-Defence Forces plan to equip themselves with light aircraft carriers which can carry fighter planes.

International concern over these moves is based on a knowledge both of Japan's history and its current military and economic strength. Japan's defence budget for the 1988 financial year is US\$27 billion, exceeding the limit of 1 percent of its gross national product for the second year in a row. The North Atlantic Treaty Organization calculates that Japan's defence budget is surpassed only by those of the United States and the Soviet Union. This gives Japan enormous potential to build up its military might.

Japan's trend towards developing its armed forces has aroused anxieties both in Asian countries and elsewhere. In the United States, Henry Kissinger recently pointed out that Japan could completely rebuild its military forces before the year 2000. He noted that Japan is trying to transfer production facilities abroad, which will encourage the establishment of a defence system to protect its investments. Kissinger forecast that Japan will become a strong military power in Asia.

by Lui Wenyu

SOVIET UNION

Letter Sets Off New Debate on Reform

The three-year-old reform programme in the Soviet Union has again been challenged—this time by the publication of a controversial letter.

A lengthy letter against the current reforms in the Soviet Union has been published in *Sovetskaya Rossiya* (Soviet Russia). The letter launched a new round of debate over the country's reform programme.

On March 13, the newspaper, an organ of the Central Committee of the Communist Party of the Soviet Union (CPSU), published a signed letter by a college teacher questioning basic aspects of Soviet leader Mikhail Gorbachev's re-

forms. In the letter, entitled "I Cannot Renounce Principles," the teacher said that the Soviet Union is deviating from the course of socialism and that the criticism of Joseph Stalin has been distorted and one-sided.

Since the publication of the letter, various Soviet newspapers have published articles attacking conservatives who are against the reform. On April 5 the CPSU national daily *Pravda* printed a full-page editorial criticizing the writer of the letter, which it said was intended to "change policies of the Soviet Communist Party." The editorial called the letter "an ideological programme and manifesto against reform."

Meanwhile Soviet scholars who are in favour of the reform said there has been contention between the reformers and the conservatives since the programme started. The debate is entering its most difficult and decisive period and will continue to escalate, they added. One economist who supports the reform said that if the enraged moves of opponents of reform are tolerated, those in favour of the reform will become confused, vacillators will shrink back and the reform will be affected. The economist also questioned whether the letter had been written by the teacher herself. Some foreign reporters in Moscow believe it was published under the direction of a high-ranking official and reflects the conflicts and differences among the Soviet leaders in regard to the reform.

The Soviet *Literaturnaya Gazeta* (Literary Newspaper) proposed that a planned commodity economy should replace the highly centralized socialist model developed in the 1930s, when Stalin was in power. The old model, the paper said, was tied to the Stalin personality cult and hindered the nation's economic development. In seeking the way to build socialism, the Soviet Union should study the planned

commodity economy in China and the market economy in Yugoslavia, the paper suggested.

The reform programme, which began three years ago, has met with unexpectedly strong opposition from conservatives. They argue that the reform has betrayed the nation's ideals and principles and shaken its very foundation. They suggest that the programme represents a revision of Marxism and Leninism. Some even suggest that it should be halted and an opposite course pursued.

On April 15, *Sovetskaya Rossiya* published an editorial saying it had acted irresponsibly and shown the lack of a "balanced attitude" in publishing the letter. The paper said it had not realized that printing the letter could lead people to deviate from the revolutionary revamping of Soviet society on the basis of democracy and openness. At the same time,

the paper also announced that it would continue to publish articles expressing different points of view.

The current controversy in the Soviet Union is considered especially important because it came as the CPSU is preparing for the 19th National Representative Conference, to be held next month. The meeting is intended to review the progress of the economic and political reforms that have been made and discuss the problems that lie ahead. The reformers warn that the enemies of reform are powerful—whether they have come into the open or are acting behind the scenes—and will likely assail the reform programme at the conference. Conference participants are expected to launch a final and decisive attack on the attempts to abandon the reform.

by Tang Xiuzhe & Xin Dao

WORLD BANK-IMF

Uncertainty Lingers After Meetings

Recent meetings of world financial leaders failed to dispel uncertainties about global economic prospects. The meetings made limited progress on major issues, especially the international debt problem.

Finance ministers and central bankers from 151 countries gathered in Washington last month for the spring meetings of the International Monetary Fund (IMF) and the World Bank. The meetings focused on the mid-term stability of the US dollar and the unabating international debt problem.

The IMF-World Bank meetings provide a rare opportunity for financial leaders to meet and exchange views on a wide range of international issues. This is especially the case for leaders from the industrial countries and those from the third world.

The most immediate concern of almost every country is the outlook for the US dollar. The dollar's exchange rate has fluctuated for months. It is widely recognized that any major change would trigger a ripple effect that would first spread to the securities markets and then the world economy at large. All talks of alleviating poverty and the third world debt burden would become empty at best.

Such a chain effect was seen in the global stock market crash last October, which occurred shortly after the World Bank and IMF

reaffirmed the determination of major industrial countries to co-ordinate their economic policies. October 19—"black Monday" on the New York Stock Exchange—showed that the market is extremely sensitive to, and critical of, what the major countries can and will do.

This time, only 18 hours after the United States, Japan, West Germany, Italy, Britain, France and Canada issued a joint statement reaffirming their determination to strengthen their policy co-ordination, the Dow Jones industrial average fell by 101 points and the central banks of major industrial countries had to put US\$500-700 million in the currency markets to shore up the US dollar. This shows that the markets remain vulnerable to the "fundamentals" of the global economy, and the fundamentals are not very sound.

The market reaction highlighted the fact that as long as the US trade deficit remains large, the markets will be jittery. And without a substantial reduction of the US budget deficit, US domestic demand will remain strong and the lower dollar will not bring as fast an improvement in trade performance as people had expected.

The IMF reported progress in the form of a new lending facility which will enable member countries to get medium-term loans at easier terms.

The World Bank reported that because of debt payments and the reluctance of commercial banks to make further loans, the developing countries' outflow of funds topped inflow by US\$85 billion in the five-year period since 1982. During the previous five-year period, inflow surpassed outflow by US\$140 billion. Total third world foreign debt now stands at more than US\$1 trillion.

The World Bank has been called on to play an increasing role in

international debt management. According to bank president Barber Conable, the bank may cancel some charges on its soft loans to lessen the debt burden of the low-income developing countries and would also like to ease the terms on its variable-interest loans to middle-income developing countries.

The World Bank has launched a multilateral investment guarantee agency that will insure investors who are willing to put money in developing countries against non-

business risks. In addition, the bank is nearing its goal of increasing its capital base from the current US\$90 billion to more than US\$170 billion, which will enable it to raise its annual lending to the third world from the current US\$17 billion to US\$20 billion.

The ideas of setting up a debt conversion facility within the IMF and of providing global debt relief to third world borrowers were killed at the meetings, mainly because of US opposition.

by Zhao Zijian

LAOS

Cautiously Taking the Road of Reform

Laos is slowly opening its doors and letting the winds of economic reform blow in. Its future depends on becoming a part of the world economy.

The People's Democratic Republic of Laos has had a hard time trying to carry out its economic tasks. In the more than 10 years since the founding of the republic, Laos has encountered many economic troubles.

The winds of economic reform have been blowing against the doors of Laos, which has always been closed to international commerce. The country must enter the world economy if its attempts at development are to be successful. Faced with the new global economic situation, Laos is slowly opening up. Having decided on a socialist course, it has re-examined its economic policy and cautiously embarked on the road of reform.

Since 1983 the Laotian government has allowed enterprises to keep 40 percent of their profits to expand production and raise the wages and benefits of their employees. This represents a fundamental change in the original system.

In 1985 the Lao People's Revolutionary Party gave selected enterprises the right to make policy decisions. This experiment, which has been implemented in more than 100 enterprises, has proved successful. The policy of giving enterprises responsibility for their profits and losses has had a rejuvenating effect on the Laotian economy, which had previously been stagnating. The country's second Five-Year Plan (1986-90) further encourages this policy.

With the easing of economic restrictions, private businesses have also prospered. Private restaurants flourish on the streets of Vientiane. The private economy has become a supplement to the public economy.

The second Five-Year Plan is focused on development. The country's rich forest, water and electric power resources give Laos great development potential.

by Guo Qing

Hainan Province — China's Largest SEZ

BY Our Correspondent Yang Xiaobing



Overlooking Haikou, capital of Hainan Province.

CHEN XUESI

On April 13, with the approval of the 7th National People's Congress, Hainan Island, formerly an administrative region of Guangdong Province, became a province and was proclaimed the fifth and largest special economic zone in China.

The move was publicly hailed as another major step by the Chinese government towards opening to the outside world. It is also an important part of the strategy for developing an export-oriented economy in China's coastal areas. The Preparatory Group for the Establishment of Hainan Province has been formed to take care of the work involved in the development of the new province.

Location and Resources

Situated between the South China Sea and the Beibu Gulf, Hainan Island faces Leizhou Peninsula across the Qiongzhou Strait. With an average annual temperature of between 22°C and

26°C and rainfall of about 2,000 mm, Hainan is a lush tropical island. China's second largest island (next only to Taiwan with an area of 36,000 square km), it covers an area of 34,000 square km. Hainan also administers other islands in the South China Sea.

By sea, Hainan is convenient to Hong Kong, Taiwan and Japan. Its 1,500-km coastline is dotted with over 60 well-equipped harbours. It could very well become an important shipping centre for the Asian-Pacific region.

Minerals. Hainan is richly endowed with minerals. Iron ore mines in Shilou boast verified reserves of about 260 million tons. The ore mined here has an average iron content of 51 percent, and can be up to as high as a 70 percent iron content. Shilou is one of the eight largest mines in Asia. Shilou also produces high-grade cobalt and copper.

An iron and steel complex will be built in Shilou with an expected capacity of 1 million tons a year.

The production target for the first stage of the project is 35,000 tons of steel.

Hainan is also rich in titanium which is very much in demand in modern industry. Verified deposits of 1 billion tons of titanium ore are concentrated in the east coastal areas.

Some foreign oil companies have long coveted the oil and natural gas reserves in the north of Hainan Island and the Beibu Gulf and Yingge Sea. Since 1980 China has invited oil companies from France, the United States and Australia to work in the area. Thus far, they have found some oil-bearing layers and sunk one well which gushes out 1.8 million cubic metres of natural gas a day.

Hainan is rich in about 30 different kinds of minerals including brown coal, oil shale, aluminium, manganese, lead, zirconium, gold, uranium, crystal, precious stones, quartz, limestone and refractory clay. Most of these reserves are still totally unexploited.

Tropical Plants. Hainan produces upwards of 130,000 tons of rubber a year, about half China's total output. Rubber trees are to be seen everywhere on the island.

Pepper and coffee are also rich sources of income for Hainan farmers. The island now has 10,000 hectares of pepper plants, an output in the forefront of the nation. At present, only one eighth of the 20,000 hectares of land suitable for coffee growing has been exploited, but foreign investors have expressed a willingness to invest in coffee plantations on Hainan.

Hainan is considering plans to process up to 60 million coconuts each year. The Haikou Canned Food Factory exports coconut jam and the newly developed salted coconut chips and coconut milk.

Hainan's economic crops also include sugar-cane, tea, oil, cashews and sisal hemp. The cultivation of these crops takes up an area of 400,000 hectares. Pineapples, lychees, mangoes, bananas, Chinese flowering quinces, lemons, breadfruit and oranges have become the island's major export items.

Hainan also has four primitive forests with some 1,100 different species of trees, 20 of which have a great deal of economic potential.

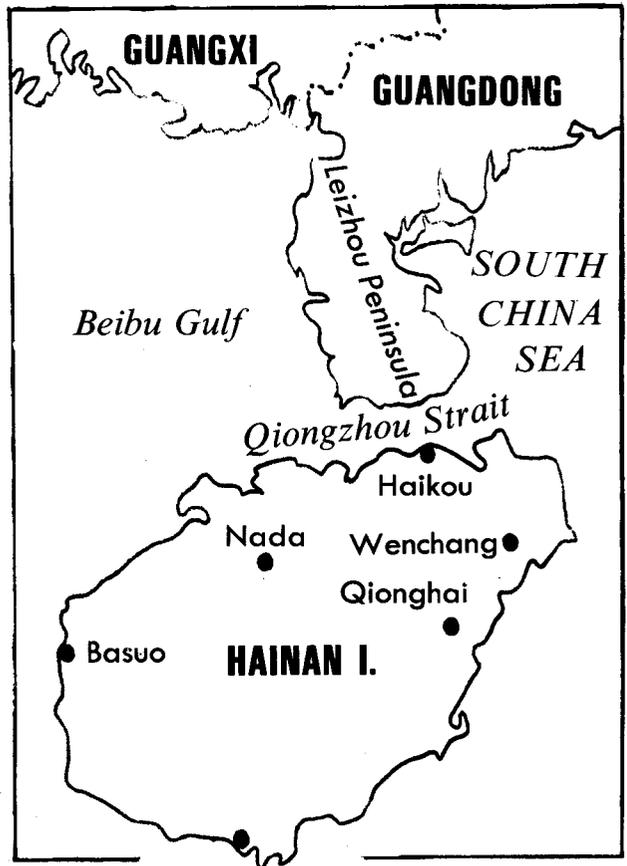
Marine Products. Hainan has 24 fishing ports and fishing grounds which cover 100,000 square nautical miles. Major marine products include groupers, Spanish mackerel, silver pomfrey, hairtails, ink fish, abalone, tuna, lobsters, green turtles, sea cucumber, sea horses and agar-agar. Annual catches amount to about 100,000 tons. Specialists estimate that the waters around Hainan Island are 100-200 metres deep, with potential annual catches of over 200,000 tons.

The artificial breeding of marine life in Hainan has a good future. Surrounding waters of 5-10 metres deep covering an area of 25,000 hectares provide perfect

conditions for the breeding grounds.

Hainan boasts the world's most advanced pearl breeding technology. The Sino-Japanese Nanhua Pearl Breeding Co. began operations in 1984. In 1986 it harvested 2,300 pearls, each measuring over 10 mm in diameter. The largest measures 30 mm and weighs 15 g, a record in China. Lingshui County has six pearl breeding grounds.

Tourism. One of Hainan Island's most spectacular features is its tourism potential. The beaches are superb, particularly at Sanwan. Then there are the well-known Dadong Offshore Bathing Grounds and the Yalongwan with its seven kilometres of magnificent coastline scattered with white sand beaches. The annual average temperature of the surrounding





Export iron ore is transported to the harbour by train.

WEN RENGUANG

waters is 20°C.

The hilly areas inhabited by the Yis and the Miaos also provide an attraction for tourism.

Construction of the island's 30-square-km International Tourist Centre has already begun. The project involves an investment of US\$6.74 million from the well-known Hong Kong businessman Fok Ying Tung.

In 1986 Zhao Ziyang, then premier of the State Council, proposed to make tourism one of Hainan's main industries and the

main force in the island economy. The province is now one of China's seven major tourist areas enjoying priority state investment. In 1987 Hainan received 350,000 visitors. A dozen foreign companies have approached Hainan to co-operate in tourist projects.

Preferential Policies

The Chinese government has formulated special policies for

Hainan which are more flexible than any offered to other parts of China. They include some internationally applied measures which have not been adopted in the other four special economic zones.

According to Xu Shijie, head of the Preparatory Group for the Establishment of Hainan Province, the island will operate on the basis of a market economy with basic socialist features. "Sino-foreign joint ventures, co-operatives and wholly foreign-owned enterprises will enjoy a good deal of the benefits Hainan's economy has to offer," said Xu.

Preferential policies adopted by the central government for Hainan are that:

- No controls will be placed on investment in capital construction. Construction funding will come mainly from abroad as well as Hong Kong and Macao. Hainan is free to borrow overseas according to its debt servicing capacity.

- In principle, all enterprises formerly under the authority of the central government or Guangdong will now be under the

Coconut trees on Hainan Island.

XUE XIANGJUN



Hainan provincial government, to incorporate them into the island's market economy. Foreign entrepreneurs will be allowed to manage, on contract, local enterprises owned by the state or the collective.

■ Hainan will assume all responsibility for profits and losses from trade with the outside world. Local exports will be free of state control. Capital goods, including raw and processed materials, parts and components, fuels and tools, are exempt from import duties. Imports of articles for daily use, including household electrical appliances and 23 other items subject to state restriction, enjoy a 50 percent tax reduction (on the condition that they are used locally). Wine and cigarettes are still taxable items.

■ Foreign-funded enterprises in Hainan (including Sino-foreign joint ventures, co-operatives and wholly foreign-owned enterprises) are exempted from industrial and commercial consolidated tax in the first two profit-making years and an 85 percent reduction in the third profit-making year. Expanding industrial and agricultural enterprises, high-tech industries, enterprises manufacturing new products, and infrastructural facilities (excluding power stations) are exempt from tax on profits during their first five years and enjoy an 85 percent reduction in the following five years. Enterprises facing difficulties in paying tax may apply to the Hainan provincial government for exemptions or reductions. Foreign investors are free to remit their foreign exchange earnings which will be exempt from individual income tax.

■ Hainan's financial system will be locally managed, that is, the Hainan branch of the People's Bank of China will act as the island's central bank. The Haikou branch of the Bank of China will enjoy the same preferential



Lin Biping (front), an engineer with the South China Sea Research Institute under the Chinese Academy of Sciences, working at pearl culture.

treatment as extended to foreign banks. All Hainan Island's banks are empowered to deal in foreign exchange deposits, stocks and securities, and to establish foreign exchange markets. They can also conduct foreign exchange borrowing and lending business with the other four special economic zones. All the foreign exchange income earned in Hainan will be retained by the province.

Foreign banks will be allowed to set up branches in Hainan; these branches will be able to deal in foreign exchange deposits, stocks and securities.

■ Hainan Province will be able to engage in international tourism and have the power to endorse and issue entry visas. Compatriots from Hong Kong, Macao and Taiwan, and foreigners will be issued entry visas from Haikou or Sanwan for a 15-day stay in Hainan on producing their ID cards, travel licences or passports; it will no longer be necessary to apply to the Chinese embassy or

consulate.

Foreign investors and business people staying in Hainan for longer periods of time, may apply for temporary residence cards from the Hainan government; each card will allow them a six month to one year stay and renewal may be granted on application.

The Hainan government will be empowered to approve local residents and cadres (not including governor and deputy governors who will require state approval) to trade and travel abroad. The Hainan government will also have the power to approve local enterprise plans to establish commercial outlets overseas.

Foreign aviation companies will be able to start scheduled flights to Hainan.

The sale, transfer or mortgage of land-use rights will be allowed. such rights can last to 70 years and can be extended by renewing the contract.

If not renewed at this point, the right to use the land and any buildings on it will be returned to the local government gratis.

The state will also provide Hainan with any necessary financial and material aid. Compared to all other provinces, Hainan will have less obligations and enjoy more power.

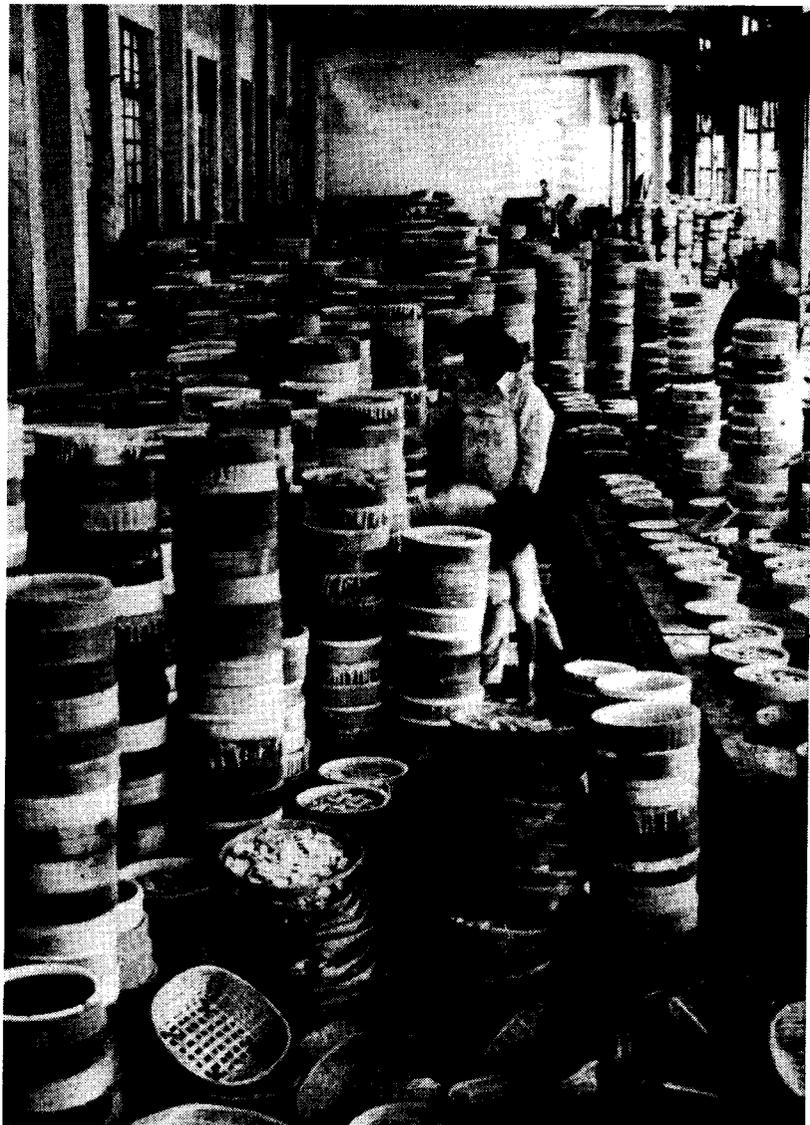
Future Economic Ascent

Members of the Preparatory Group for the Establishment of Hainan Province are working hard. According to the group head Xu Shijie, a number of local laws and regulations will be drafted to implement state preferential policies. The Hainan government will bestow more decision making power on various enterprises and companies to mobilize their initiatives.

***H**ainan resembles Hawaii in climate and natural resources. Hawaii developed on the basis of its agriculture, farm produce processing as well as tourism. We may be able to learn from Hawaii's experience to develop Hainan.*

Development Strategy. While mainly developing its industry, Hainan will also attempt to stimulate agriculture, commerce, tourism and services. International economic exchanges will be actively sought.

According to plan, the island province will be divided into five economic districts. The northern



Ceramics factory workshop in Baisha County, Hainan Island.

XU XIANGJUN

district around Haikou, the provincial capital, will concentrate on light industry, food processing, rubber products, machinery, electronics and service industries. The southern district will centre around the city of Sanya and concentrate on tourism and high-tech industry. In the east, around Qionghai and Wenchang, agriculture, farm produce and food processing, and textile and light industries will be the main concerns. The northwestern dis-

trict will centre around Nada Town and feature production of titanium white, the processing of aquatic products, and petrochemical industries. The southwest with Basuo Town as its centre will concentrate on iron and steel, cement and other heavy industries.

Huan Xiang, a noted Chinese scholar, said that Hainan resembles Hawaii in climate and natural resources. "Hawaii developed on the basis of its agriculture,

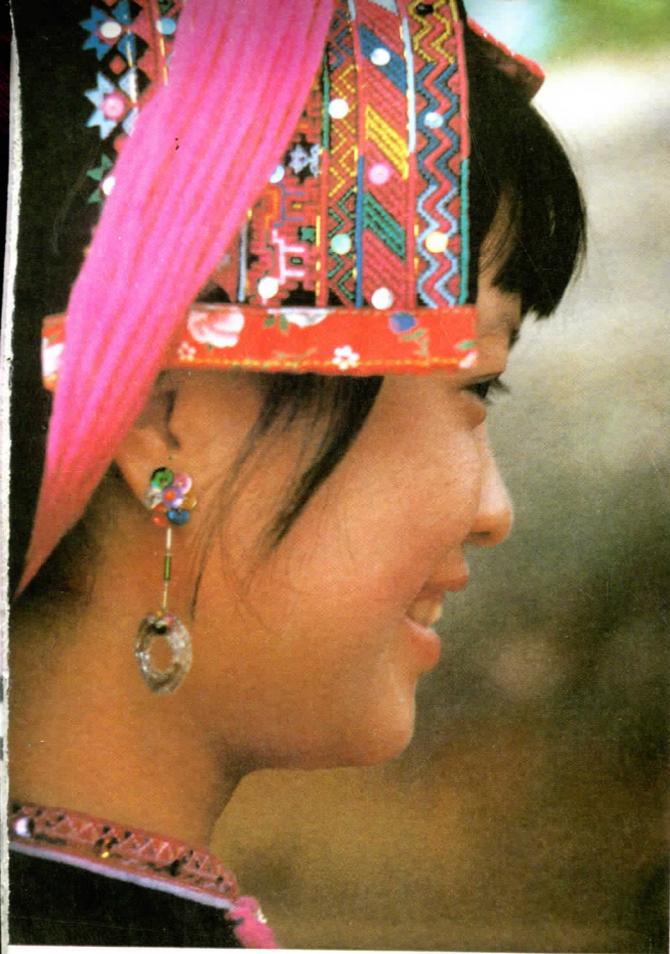
FOCUS: HAINAN ISLAND

by *Our Photographer Xu Xiangjun*

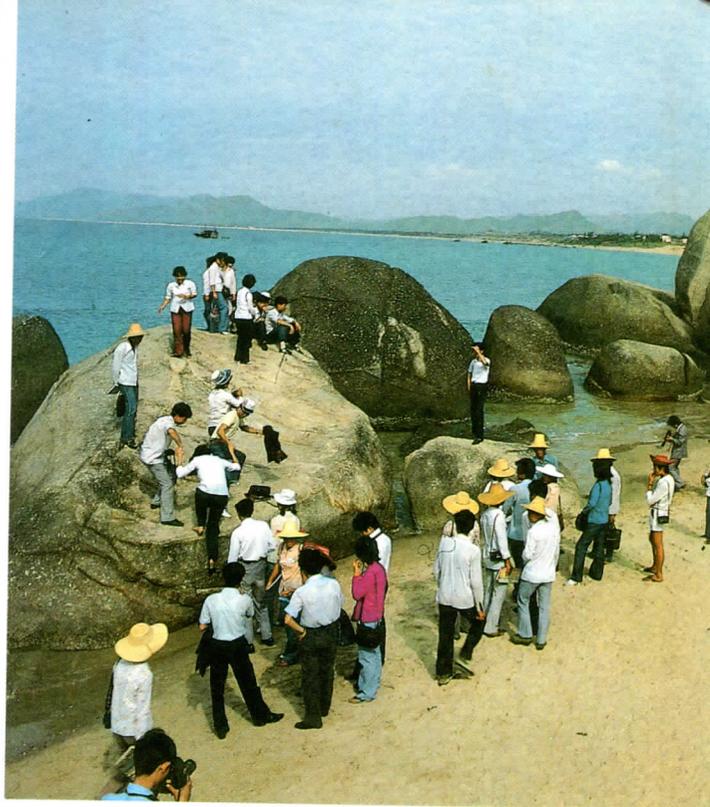
A Li nationality couple presenting each other with gifts after they agree to be sweethearts. This is the climax of a tradition where young people choose each other in a process of responsive singing.

The popular Li "dance of the bamboos."



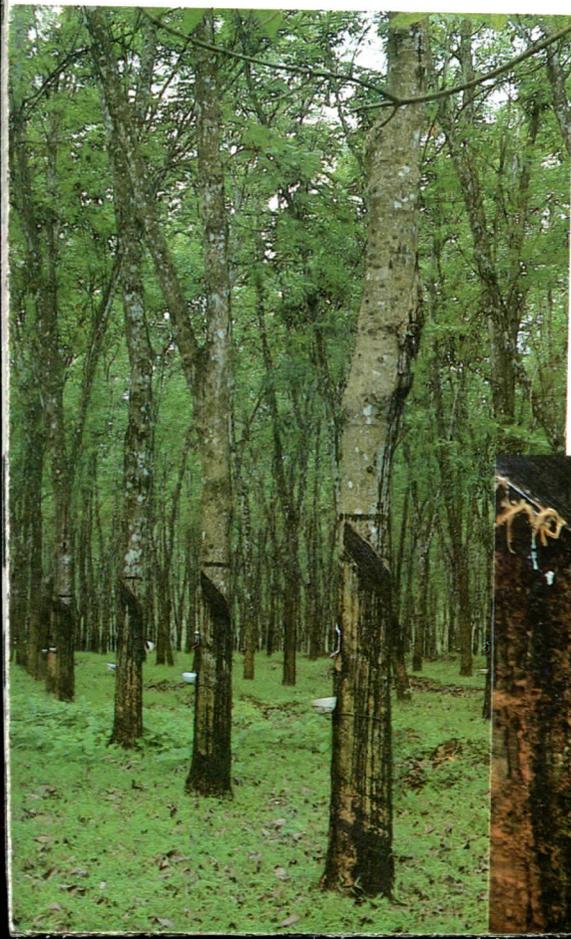


A Miao girl with traditional headgear.



Tianya Haijiao (The End of the Earth), a famous tourist spot in Hainan.

Mon
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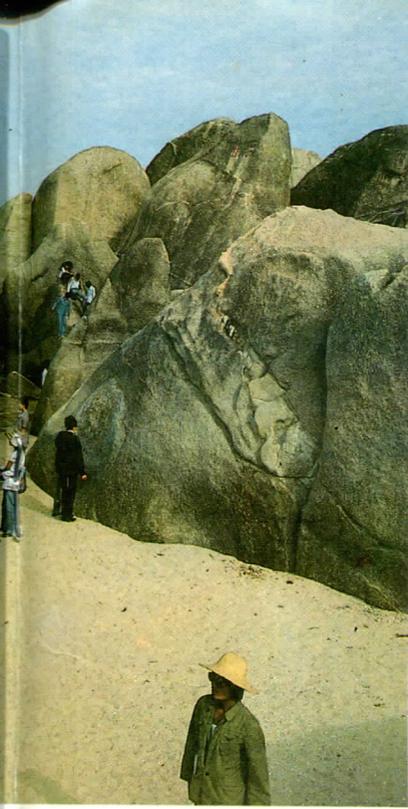


Hainan Island is one of China's major rubber producing centres. *Left:* A rubber plantation. *Below:* Tapping Rubber.



Hainan has a thriving fishing se
breeding farm jointly run with

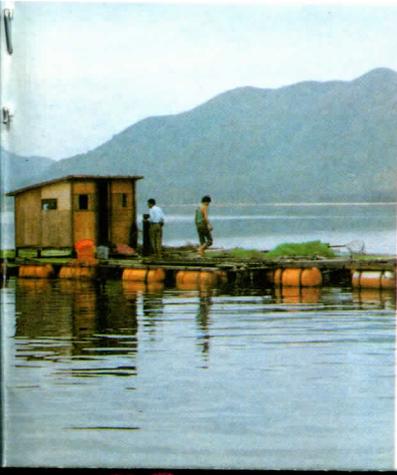




Monkey Island is the only natural reserve in China with many rhesus monkeys.



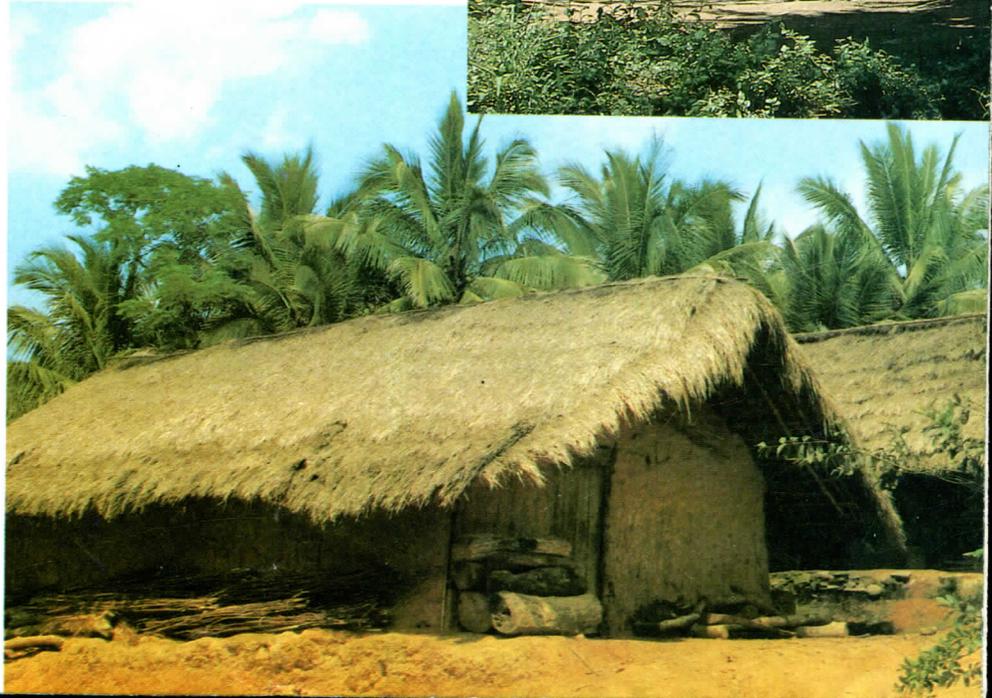
ector. This is a fish farm owned by a Hong Kong firm.



Luhuitou (The Deer Turns Around) Hotel.



Below: Thatched cottage, typical of the homes of minority farmers. Upper right: A few minority farmers, who have made good, have moved into spacious brick-and-tile houses.





Coconuts — a major cash crop in Hainan.



A betel orchard.

farm produce processing as well as tourism," said Huan. "We may be able to learn from Hawaii's experience to develop Hainan."

Infrastructural Facilities. By the end of this year, a thermal power station with a generating capacity of 150,000 kW will be constructed near Macun, a suburb of Haikou, to help ease the pressure on the local power supply. A large hydro-power station will also be built in the western part of the island, and a thermal power station in northwest Hainan this year. Efforts will be aimed at building up a generating capacity of 1.95 million kW by 1995.

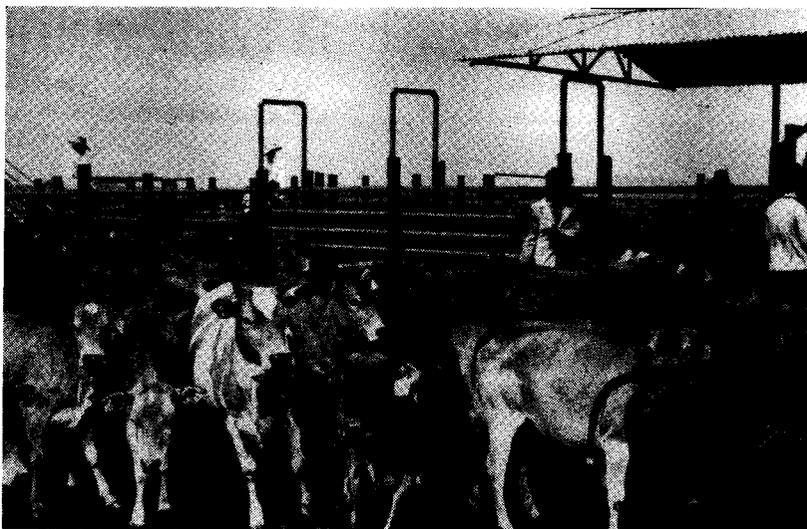
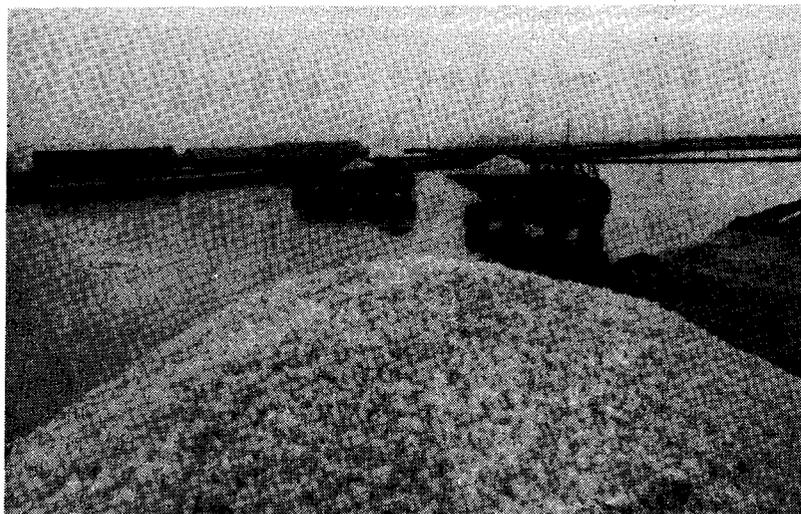
Expansion projects are in full swing at the ports of Haikou, Basuo, Sanya and Qinglan.

The expansion project at the Haikou Airport is nearing completion. The airport now caters for Boeing 757, with air routes to Beijing, Guangzhou, Shanghai and Chengdu. The Fenghuang International Airport in Sanya City will be built and opened in 1990, providing for regular flights to Hong Kong every day.

The 1,000 km of highways across Hainan are generally 12 metres wide and asphalt-covered.

The Yingge Sea Salt Fields in Hainan Province, the largest in south China, produce 200,000 tons of salt a year.

DUAN WENHUA



XU XIANGJUN

Cattle farming on the Shifang pastures in Dongfang County, Hainan Island, is guided by Australian experts.

The Haikou-Sanya Highway is presently being rebuilt.

Hainan's railways extend 210 km from Sanya City to the Shiluo Iron Ore Mine. Another 188 km of rails will be laid to Haikou before 1995.

The 1,800-line telecommunications system, providing links with Guangzhou, Beijing and Hong Kong, started operating in

1987. Digital telephone exchanges, imported from Italy and installed in the central and western parts of the island, have just been put into service. Plans for the laying of optical fibre cables in east Hainan are being discussed and revised.

The Telecommunications Building in Haikou will be constructed in September. Equipped with 5,000-channel programmed telephone exchanges, this building will make it possible for Haikou residents to make direct calls to Shilou, Basuo and Sanya.

Talents. Hainan has four schools of higher learning. However, they can not meet the needs of the latest development, which explains why Hainan Province must recruit talent from other parts of China. Candidates for positions in Hainan numbered 20,000 by the end of last January; another 100,000 applicants submitted written applications to work in the province. About 84 percent of them had college education. The Hainan Talent Exchange Centre is using computers to process information on the applicants. ■

Enterprise Law: A Milestone for Reform

by Our Correspondent Yang Xiaobing

On April 13, the First Session of the Seventh National People's Congress passed the Law Concerning Enterprises Owned by the Whole People by a majority of 2,826 to two votes. The statute heralds the freedom of enterprises owned by the whole people from the trammels of direct government control. Long predominating China's economy, they are now set to embark on a road of independent management and enter the world of market competition.

Legislative Procedure

The new law was on the drawing board for over nine years, about the same period of time which has witnessed the economic structural reform. At a CPC Central Committee working conference held on December 13, 1978, Deng Xiaoping proposed drafting a factory law. The Third Plenary Session of the 11th Party Central Committee convened immediately afterwards, established the policy of reform and opening up to the outside world. In 1979, departments concerned began preparations for drafting the Industrial Enterprise Law.

In the course of the economic structural reform launched in the early 1980s mainly to invigorate the enterprises, some important principles gradually evolved. More decision-making powers have been handed over to enterprises, the "monist" leadership of Party committees in enterprises changed, the director (manager) responsibility system introduced, Party organizations now play a supervisory role and workers take part in democratic

management. All these principles and the experience gained through their practice contributed towards the enactment of the law.

During his term of office (1983-88), Peng Zhen, former chairman of the Standing Committee of the National People's Congress, headed a team of investigators conducting extensive studies into the draft of the law. The draft was discussed and revised several times by the NPC Standing Committee.

On January 11 this year, the NPC Standing Committee decided to publish the draft law in newspapers to solicit opinions from the people as well as economists and legal experts. The conditions were now ripe for the law to be passed. On March 5, the NPC Standing Committee discussed and revised the draft the fifth time and decided to submit it to the Seventh National People's Congress for approval.

The law directly applies to the more than 90,000 state-owned industrial enterprises now operating in China, and accounting for

more than 70 percent of the nation's total industrial output value. But, the principles the law embodies can also be applied to other types of enterprises owned by all the people, including transport and communications industries, the building industry, agriculture, forestry, water conservancy, foreign trade and commerce. Its implementation will therefore make a massive impact on the development of China's national economy as a whole.

Major Contents

The law has 69 articles set out in eight chapters. The major contents include:

■ **Separating Enterprise Ownership From Management Powers.** This is the essence of the law. The aim is to provide a legal guarantee for turning enterprises into socialist commodity producers with independent man-

General Manager of Jinchuan Non-Ferrous Metal Co. Wang Deyong (second left) discusses enterprise management with other NPC deputies



agerial power. The law clearly stipulates that property of enterprises belongs to the whole people and that enterprises can adopt various forms of management responsibility system, including contract and leasing methods, in line with the regulations of relevant government administrative departments.

■ **Rights and Duties of Enterprises.** Enterprises have the right to organize their own production, product marketing, use of funds, labour and personnel. In order to allow enterprises to gradually step into the international market, the law stipulates that they can enter into negotiations and contracts with foreign businesses in line with State Council stipulations. It also states that enterprises can adopt various forms of distribution while maintaining the predominant status of the principle of distribution according to work. Enterprises also have the right to hold shares in other enterprises and issue securities.

The law states the major responsibilities of enterprises as fulfilling the state's mandatory planning quotas, ensuring product and service quality, following relevant state regulations and accepting state supervision, guaranteeing the maintenance of fixed assets, and improving and upgrading equipment.

■ **Implementing the Director (Manager) Responsibility System.** This represents an important change to the former enterprise leadership system. The law, in no uncertain terms, places in the hands of factory directors or managers the power to make decisions concerning production, management and personnel. As the legal representatives of enterprises, they shoulder the responsibility for production and for the development of socialist ideology. Party organizations in enterprises will no longer exercise



Director of the Guangzhou Railway Bureau and successful entrepreneur Yang Qihua (second right) comments on the Enterprise Law during a meeting.

“monist” leadership, but “guarantee and supervise the implementation of the principles and policies adopted by the Party and state in enterprises.”

The Law Concerning Enterprises Owned by the Whole People heralds the freedom of these enterprises from the trammels of direct government control. Long predominating China's economy, they are now set to embark on a road of independent management and enter the world of market competition.

■ **Status of Workers and Staff in Democratic Management.** To ensure the status of workers and staff as the masters in socialist enterprises, the law stipulates that enterprises must introduce democratic management through workers' congresses or other channels. Trade unions in enterprises should represent and protect the interests of workers and staff,

conduct work independently according to law and organize workers and staff to participate in democratic management and supervision.

■ **Relations Between Enterprises and Government.** Enterprises are no longer mere appendages of government bodies. In line with the principle of “the state regulating the market and the market guiding enterprises,” government organizations should serve enterprises and exercise control and supervision over them in accordance with their responsibilities and relevant legal stipulations.

Deputies' Comments

NPC Deputy and President of the China Economic Law Society Gu Ming considered the Enterprise Law adopted by the NPC a major breakthrough, saying it would promote reform and increase vitality in enterprises. Since the law confirms the legal status of enterprises, the enterprises are responsible for their own profits and losses. Performance is thus linked with assets and employees' wages. Poorly managed enterprises risk bankruptcy.

In the past many people thought socialist enterprises should not declare bankruptcy. However, many enterprises were running at a loss and if they continued to do so bankruptcy was inevitable. The Enterprise Law, which goes into effect on August 1 this year, and the Bankruptcy Law, soon to be implemented, will promote China's economic structural reform as a whole.

Wu Disheng, NPC deputy and mayor of Shenyang, one of the first cities to trial introduce comprehensive economic structural reform, said that a law should be strict and accurate, but the Enterprise Law has some imperfections. Some stipulations are open to different interpretations. Wu said that, during the course of reform, it should be perfected but in the meantime it would help mobilize initiative in entrepreneurs and employees.

Wu said during the past nine years and more, China's economic structural reform has proceeded down a tortuous road and Chinese entrepreneurs have had to bear the greatest risks. The new legal guarantees for enterprise rights and interests are conducive to the

society's broader reforms, as they will produce changes in the functions of government from direct to indirect management.

NPC Deputy and General Manager of the Jinchuan Non-Ferrous Metal Co. Wang Deyong felt that enterprise ownership should be separated from management. Since the implementation of the open policy, enterprises have been exposed to the ever-changing international market. Any matter repeatedly submitted for collective discussion will mean the enterprise could lose any chances it may have for making a profit. Hence, a system in which the director (manager) assumes full responsibility must be introduced. Some people fear that directors might abuse their power to promote trusted supporters and make arbitrary decisions, however such a fear is unfounded. The efficient management of an enterprise requires that directors set a good example and appoint people according to their merits.

After the Jinchuan Company introduced the director responsibility system, its number of middle-level cadres was reduced 30 percent. Last March after a democratic appraisal by workers and staff, the company dismissed

19 unqualified middle-level cadres and 130 grass-root cadres, with the assent of almost all employees. Wang said that since the performance of an enterprise has been closely linked with the personal interests of employees, their demands on the cadres have also changed. Incompetence and lack of sense of responsibility are not welcomed. Wang, who in his decisive handling of affairs, has "offended" quite a few people. However, when cadres were appraised at the end of last year more than 90 percent of the votes Wang received were affirmative.

NPC deputy, 34-year-old Wei Lian is a worker of the Qiqihar No. 2 Machine Tools Plant. His main criticism of the Enterprise Law concerned the rights and interests of workers which he felt were not covered in concrete terms. For example, while it is right for directors or managers to form their own "cabinets," democratic discussions should be held with workers beforehand, particularly in large factories. This is essential to build up in the workers their role as masters of their factory and the state.

The Enterprise Law does provide safeguards to the democratic rights and interests of workers, and it is stipulated that questions such as housing distribution, the use of employees' welfare funds, wage rises and labour protection must be submitted for discussion and approval by the workers' congress. But, if a director forces his employees to work overtime due to a fault in his management, who will supervise him? The trade union is also under his direct leadership so who will exercise supervisory power? This issue exposes the pressing need for a Trade Union Law to be drafted. The Enterprise Law cannot solve all problems, Wei concluded. Our legal system needs to be constantly developed and perfected. ■

Chen Yanfa (centre front), mayor of Shantou, Guangdong Province, participating in a group discussion on the Enterprise Law.

photos by XUE CHAO



Fang Lizhi's Academic Achievements

by Li Chun and Liu Yusheng

In early 1987 astrophysicist Fang Lizhi was transferred to the Beijing Observatory after being dismissed from his post of vice-president of the Chinese University of Science and Technology in Hefei, Anhui Province, for outspokenly advocating bourgeois liberalist ideas. In the year since, Fang has achieved a great deal in his research work.

Fang's new home is in "science city" in Zhongguancun in western Beijing. It consists of four rooms and an entrance hall, all wallpapered in pale yellow. In the entrance hall hangs a portrait of Einstein. The sitting room has two huge bookshelves filled with astrophysics books and a set of the Encyclopaedia Britannica.

Taking down some of the five books he edited or published in the past year Fang begins to show them to the reporters. The books are *Creation of Cosmology* which he co-published with his wife Li Shuxian, *Collection of Works on the History of Science* which he edited, *Observational Cosmology, From Newton's Laws to Einstein's Theory of Relativity* and *Quantum Cosmology* which he wrote in English and published abroad.

"Writing and editing five books in one year is my record," Fang says. "It may be the result of my concentrated effort." In that year, Fang also wrote a dozen academic papers, half of which he published abroad.

Fang says there are about 300 astrophysics researchers in China, mainly based in Beijing, Nanjing, Shanghai and Yunnan observatories under the Chinese Academy of Sciences, the Chinese University of Science and Technology, Beijing University, Nanj-

ing University and other institutions of higher learning. He says China has made great progress in astrophysics research despite the small number of researchers and meagre investment in the field. Since 1984, Chinese astrophysics researchers have joined international organizations and China has hosted four international

When Fang was transferred to Beijing Observatory early in 1987 after being criticized for outspokenly advocating bourgeois liberalist ideas, every day he cycled to his office to read newspapers and chat with friends before going back home to concentrate on his research. In the year since, he has achieved a great deal in his research work.

conferences. Many researchers have published papers abroad and China is already well-known throughout the world for its activities in the field.

Fang Lizhi, 52, a physics graduate of Beijing University 30 years ago, is the youngest member of the Department of Mathematics and Physics under the Chinese Academy of Sciences. A world-recognized astrophysicist, Fang holds six positions in international astronomical organizations and is one of the 12 members of the

Academic Committee of the International Centre of Theoretical Physics.

Early last summer, he visited Italy for the 12th time and assisted in studying planned academic activities of the International Centre of Theoretical Physics. During his one-month stay in the European country he wrote two academic papers and discussed the possibility of further co-operation between China and the EC through EC Science and Technology Committee members. He also reached an agreement with the Italian Foreign Affairs Ministry to jointly build an international exchange centre for astrophysics in Beijing. While he was in Italy, his friends tried to persuade him to stay abroad and promised to provide him with everything he needed to live comfortably and continue his academic work. Fang refused, saying that as a scientist he had a social responsibility.

On his return, he busied himself with academic activities which took him to all parts of the country. In August, he visited Guangzhou for an international symposium on gravitational physics experiments and then Mt. Huangshan to participate in the academic activities offered by the "Huangshan Summer Vacation College." In October, he went to Chengde for the Sino-Japanese Galactic Symposium and then returned to Beijing for the Asian-Pacific Astronomy Symposium at which he presented a report. In November, he attended a conference held in Wuxi, Jiangsu Province by the Department of Mathematics and Physics under

the Chinese Academy of Sciences. He then joined his old colleagues at the Chinese University of Science and Technology in Hefei, Anhui Province, to celebrate their winning the first national prize for popular science works with the book *Astrophysics Today* written 10 years before.

Fang now works at the Beijing Observatory not far from his home. Every day he cycles to his office to read newspapers, collect his mail and chat with his colleagues before going back home to concentrate on his research.

While working at the Chinese University of Science and Technology, Fang trained nine post-graduates (four studying for doctorates and the others for master's degrees). This year, he also plans to teach several

postgraduates.

The Fangs form a family of physicists. His wife Li Shuxian is a physics teacher at Beijing University, his oldest son is studying physics in the United States at his own expense, and his youngest son is a physics student at the Beijing Teachers' University. The Fang family has a housekeeper who comes to clean the house and buy vegetables and food once every three days.

Asked about the campus upheavals and the anti-bourgeois liberalization campaign a year ago, Fang says these events at least made people think. "I have't done an all-round, deep study of China's politics and economy. I just speak my own mind."

Fang believes the 13th National Party Congress has made great progress in theory and feels that

people have placed high hopes in the Party. "Although I am not a Communist Party member now, I am very concerned with the implementation of the general line put forward by the 13th Party Congress," he says.

Not long ago, Fang was promoted from a fourth to second-class professor so he expects to be busier this year than last. In March, he went to Yunnan for an astrophysics conference and in June he will give lectures on particle physics and cosmology to be sponsored by the Scientific and Technological Centre and presided over by American-Chinese physicist Tsung-Dao Lee in Nanjing. He will also be attending international academic conferences.

(The authors are reporters of "China News Press")

Changes in International Relations

Faced with many new challenges and problems, all countries, even the United States and the Soviet Union, have found it necessary to focus on their domestic economic development. This worldwide economic concern will be conducive to stabilizing the international situation for a reasonably long period.

by Song Ximin

Relations between the United States and the Soviet Union were tense during the first half of this decade. A turn for the better appeared in the second half of 1985, while 1987 witnessed increasing detente with the signing of the treaty concerning the elimination of intermediate-range nuclear forces (INF). Compared with the detente that emerged in East-West relations in the second half of the 1950s and the first half of the 1970s, the latest period of relaxation is likely to last longer due to the following new features.

I. US and Soviet Economic Troubles

The 27th Congress of the Communist Party of the Soviet Union (CPSU) in 1986 formulated a new policy that calls for giving priority to domestic affairs and gearing diplomatic activities to the needs of internal socio-economic reforms. When Mikhail Gorbachev tried to translate the reform plans into action the following year, he encountered many difficulties, which made it all the

more necessary for him to concentrate on domestic affairs. The Soviet leader had learned from others' past abortive attempts at reform, and proposed that economic structural reform be implemented via political restructuring. This policy has led to various bold actions aimed at promoting democratization and *glasnost* (openness). Furthermore, a plan of action to effectuate a thorough reform of the economic structure was drafted at the plenary session of the Central Committee of CPSU held last

June. However, since the deep-going reforms of the past year have involved redistribution of interests among people of various strata, they have naturally caused social turmoil. The situation has become even more difficult as *perestroika* (restructuring) could not possibly improve production and consumption within a year but, on the contrary, would temporarily adversely affect the growth of the economy. The Soviet leaders admit that the next two to three years will be the most difficult and crucial period for the reform.

The events of 1987 have also forced the Reagan administration to pay greater attention to domestic affairs. These events include the approaching presidential election, the "Irangate" affair and, more importantly, the bankruptcy of Reaganomics. With enormous long-standing financial and trade deficits, which eventually led to the stock market crash last October, the Reagan administration had to increase taxes and reduce government spending. Americans are now speculating on whether another economic recession will come earlier than expected. In an election year the political importance of these economic troubles increases.

Currently both Washington's and Moscow's freedom of action in foreign affairs is limited by their strength—something not seen in the two previous periods of detente. Back in the late 1950s, the United States, boasting a superior strategic force, acted as the world gendarme, while the then Soviet leader Nikita Khrushchev, overestimating his country's power, said that the Soviet Union could catch up with the United States in 20 years and that he could "bury capitalism." In the 1970s, when the United States was on the decline, Leonid Brezhnev, ambitious as he was, declared that

"no part of the world" was not a Soviet "consideration" and accordingly expanded Soviet arms and spheres of influence in the third world as Washington retreated. But now, according to many international observers, each of the superpowers has been weighed down by both internal and external burdens and has a more realistic estimate of itself and its rival. While Moscow has acquired a new understanding of the principles of peaceful coexistence, Washington has realized the necessity of detente.

II. Decline in Strength of the Superpowers and the Trend to Multipolarity

In 1971, when Richard Nixon was president of the United States, he acknowledged that the power of the United States had begun to diminish and put forward the idea that the world would have five poles. In recent years, leaders of the Soviet Union have also admitted that Soviet influence on the world has dropped and they have begun referring to the multipolarization of the world. Of course, it must be admitted that the United States and Soviet Union still have great influence in the world and this situation will not be changed for a long time. Nevertheless, the world is certainly moving into an era of multipolar powers. This tendency can be seen clearly in the world economy. In politics, the time when the United States and the Soviet Union had the final say on world affairs has passed. The idea of acting independently and on the basis of one's own initiative has been developed in all countries because of the reduction in strength of the United States and the Soviet Union, the rise of other forces in the world, and the improbability of another world war. The changes and adjustments

in 1987 in US and Soviet relationships with their allies have demonstrated this tendency.

The US-allied countries in Western Europe welcomed but also showed concern over the INF treaty. They feel increasingly suspicious about the will and the capabilities of the US to defend them. They even believe that the US will not use the nuclear weapons deployed on its territory in a conventional war launched by Warsaw Pact countries. They are also concerned that Washington will reduce the number of US troops stationed in Europe some day. Some people have pointed out that the reaching of the INF agreement indicates that the US nuclear forces will completely withdraw from Europe and this means that the US nuclear umbrella in Europe will cease to be effective. Because of this the West European countries are determined to co-operate to promote their own self-defence strategies. This movement will continue although it will be a long and arduous process. This co-operation between the West European countries will heighten their ability to act independently and force the US to make new changes and adjustments in its relations with them. It will also give rise to new complicating factors in the coming disarmament talks.

The Soviet Union has also made some adjustments in its relations with the East European countries. These have mainly concentrated on the question of socialist reconstruction. The Soviet Union has negated its own rigid model of socialist construction and hopes that the East European countries will also reject such a model. The Soviet Union no longer forces the East European countries to act according to its directions and recognizes that there is a diversity of methods of building socialism. The Soviet Union also admits that

there were some debatable points in its political relations with the East European countries. In his speech celebrating the 70th anniversary of the October Revolution, Gorbachev pointed out that the principles of peaceful coexistence are also vital to the relations among socialist countries. This was the first time he raised the point. He also stressed that for a communist party, responsibility to its cause is tantamount to concerning itself with the common cause of all socialist countries. But for a long period previously, the Soviet Union emphasized the importance of the "common interests" of all socialist countries. The separate interests of all countries were not much discussed. The Soviet Union was also used to believing that the principles of peaceful coexistence applied only to relations between socialist and capitalist countries. Relations between the socialist countries should exceed the level of these principles. In fact, all these points created the foundation for disregard by the Soviet Union for the sovereignty of a country and even at times for infringement on the sovereignty of other countries.

The changes in US and Soviet relations with their allied countries have provided advantageous conditions for the European countries to expand their influence in the world. In 1987, the cooperation between East and West European countries was strengthened in all aspects. Their efforts in calling for improvements in East-West relations are playing a great role in preventing serious confrontations between the United States and Soviet Union.

III. Emphasis on Competition in Technological and Economic Fields

It seems that the Soviet Union has partly changed its concept of

how to achieve security. Realizing that excessive expenditure of resources on military development will ruin the base of its national economy, Moscow has now begun to attach greater importance to the economic factor when considering security. In the report at the 70th anniversary of the October Revolution, Gorbachev gave a positive answer to the question "Can the capitalist economy develop if the capitalist countries do not carry out militarism?"

The Soviet Union has so far put forward various disarmament proposals intended to reduce the arms race. It has indeed made some compromises. It has advanced the idea that it will only seek to reach a reasonable level of military power, that is, enough to repulse an enemy attack. It will raise and lower its armament level at its own pace and may even make some arms cuts that are deeper than those of its rival if it can do so without letting Washington get an edge over it. This new strategy is shown in the INF treaty. Gorbachev also indicated that the Warsaw Pact countries might cut their conventional weapons without requiring a symmetrical reduction by the North Atlantic Treaty Organization. At the same time, Moscow is now paying great attention to the scientific and economic challenges from the West, considering them to be the key factors in the competition between the socialist and capitalist systems.

Washington does not hide its attempt to rely on its scientific and technological advantages to get the better of the Soviet system. Over the past several years, especially during the last year, the development of US military forces has been so heavily limited by the country's economy that it can no longer develop armament at will. The Reagan administration has had to reduce its military expenditures and slow down its

pace in the implementation of the Strategic Defence Initiative (SDI) programme. Although it continues to talk about the Soviet military threat, it no longer considers the threat urgent and serious.

Partly as a result of the declining importance of armament, the two superpowers have signed the INF treaty and are ready to discuss the reduction of strategic nuclear and conventional forces as well as to consider other disarmament steps. It is thought that the near future will see a controlled arms race and partially successful arms talks continuing side by side. Meanwhile, on regional issues, both the United States and the Soviet Union will continue to strive for resolutions favourable to themselves through political pressure by way of diplomacy.

The decreased tension between the United States and the Soviet Union is due to the focus of attention shifting from external affairs to domestic ones. Similarly, many other nations are beginning to concentrate their energy on economic development. In the current period of global economic change and development, countries have to solve many new difficulties and problems facing them so as to keep up with the changes in the world economy. Because of these changes, the relations between the Soviet Union and the United States, and the international situation as a whole may remain stable for a relatively long period of time.

The most common difficulties and challenges facing countries include, first, radical scientific as well as technological changes, and the readjustment of industrial structure and enormous social upheavals following these changes. As the traditional industries decline, new industries develop rapidly, labour productivity increases greatly, technology becomes more precise and the

number of white collar workers grows while manual workers decrease. These changes caused by the development of high technology take place with growing speed as the time used for converting scientific and technological achievements into actual products is minimized. Many countries, including the Soviet Union and Japan, have felt the pressure of the new changes. Soviet scholars estimate that by 1990 about 15 million-20 million workers (about 1/6-1/5 of all Soviet workers) will have to change jobs. Some of them will be trained to improve their skills. This will inevitably bring about further changes. Japan is accelerating the readjustment of its industrial structure by shifting its manufacturing industry to foreign countries, especially the United States. It is estimated that by the mid-90s, about 10 percent of the Japanese manufacturing industry will be transferred to foreign countries along with 1.2 million job opportunities. This will be a great change to Japan's employment situation and a great shock to its unique traditional culture.

All countries, whatever levels of development they are at, are challenged with a scientific and technological revolution which will decide their future position in the world. Many developing nations are aware that if they do not seek to catch up, they may be again reduced to the status of "colonies." Not in the traditional sense of the word, but as "colonies of high technology" just as we already talk of "computer illiterates."

Second, the shared difficulties facing countries include the readjustment of the relationship between consumption and production and the new economic and social problems as a result of the readjustments. For many years it has been a common phenomenon in various countries that the

growth of consumption outstrips that of production. In the West the imbalance is deliberately caused by implementing Keynesian policies to help ease social problems, but it has also brought about many economic deficiencies. Because of this imbalance,

All countries, whatever levels of development they are at, are challenged with a scientific and technological revolution which will decide their future position in the world.

many Western countries are troubled by "stagflation," while the socialist countries have to increase national subsidies or rely on increasing foreign debts and the developing nations have to borrow heavily. Since the 1980s many countries, regardless of political and economic orientation, have begun to implement a retrenching policy, which has curbed their production and importing capacity and cut employment opportunities. The United States, which has not carried out the retrenching policy, became in 1985 the nation with the world largest debt because the nation's high consumption has been based on borrowed foreign money and expected income. At present, the Reagan administration has to cut governmental expenditure but this will lower the standards of people's life and productivity, resulting in decline of the economy.

In 1987, some socialist countries carried their reforms a step further by correcting the tendency of

raising the level of consumption without taking into account the level of production. They are trying to eliminate equalitarianism and instead tie wages to production and workers' performance, freezing increases in salaries for a temporary period, and implementing the retrenching policy to pay foreign debts. The determination of these countries to deal with these problems indicates that they are ready to abolish some of their traditional social policies for the purpose of improving economic benefits. This, however, is certainly not easy to do.

Third, to reduce state interference and fully use the market mechanism have become the major components of the economic readjustments in various countries. This is a common phenomenon in nearly all countries of the world since the 1980s. The Western countries have in recent years pursued a new laissez-faire policy, which includes limiting the scope of state interference and changing the methods of this interference. These countries run their economies mainly through these policies and economic means and do not accept direct interference. The new policy concentrates strongly on the role of the market. The privatization which has already spread in the Western countries developed further in 1987. During the period Prime Minister Margaret Thatcher has been in office, Britain has made big steps in this respect, as has Japan.

The main components of the economic reform in socialist countries have also changed the very concentrated system and methods of administrative leadership and guided the economy by mainly relying on the economic lever. Many countries have adopted a formula of "small government, big market," streamlining or amalgamating some

government organs and reducing the large number of government employees. At present there are 18.6 million such employees in the Soviet Union and they will be reduced to about 10 million. Many countries have advanced their theories about the role of commodities and money, and in practice they place the importance of the co-operative economy at a new high level. They have also removed various measures which limited the individual economy. The developing countries are rethinking their paths to development and adopting similar methods.

However, new problems have appeared. The adjustments in some Western countries have had an impact on the money allocated for state welfare services. For decades these countries used huge sums of this money to ease the social injustice. When the socialist countries recognize the role of commodities and market, they have to change their price policies. In 1987 many countries said that they planned to manage without subsidies for commodities which earlier on would have received them.

Fourth, management has been decentralized and political life is becoming correspondingly more democratic. In the West decentralization of management means that employees participate in a company's decision making and have a share in the company. It is developing quickly in these two respects. Ten years ago there were half a million workers with stocks in the United States and there are now 10 million. It is predicted that by the year 2000 more than 25 percent of the workers will have stocks in their own corporations. The momentum of privatization has promoted this development. In Britain, 8 million employees have become the stockholders. The decentralization in socialist countries focuses mainly on making enterprises more inde-

pendent of authorities and encouraging workers to take a more active part in management and ensuing profit. Thus, 1987 was a year in which many socialist countries put reform of the political system on the agenda.

It is undoubtedly necessary for enterprises to raise levels of enthusiasm and responsibility and create a suitable political situation for economic development. However, this has resulted in a weakening of the trade unions in Western countries. Among US labourers only 15-17 percent are members of trade unions in contrast to 35 percent in the 1950s. The number of British stockholders will soon be higher than that of trade union members.

Fifth, further internationalization of the economy will exert much influence upon the economies of all countries, a fact which is generally recognized. The international relations between the economies of countries are closer now and their interdependence is deeper, and thus mutual influence and clashes are stronger than ever before. The economies of various countries have increasingly become part of the world economy. Whenever countries conduct economic analyses and work out their economic policies, they must consider these on a global basis. Production and employment in one country are becoming increasingly dependent on the consumers, enterprises and government decisions in other countries. The development of the internationalization of economic life has added further complexities to the economic development of every country. In 1987 the contradictions and economic frictions between the Western countries were deepened. At the same time these countries also strengthened their mutual co-operation. This also meant, however, that no single country could be affected economically in

isolation. The situation in socialist countries was very similar to this. The debt problem in 1987 of the developing countries was a more serious problem, and creditors of the Western countries are seeking to solve this problem because no country can risk the collapse of the world monetary market. Imbalance between the developed nations is now appearing while a new imbalance between the developed countries and developing countries has already occurred.

All these points prove that the technological revolution and development of world economic integration have brought different types of economies to a turning-point and a period of new development. Production structures and relations in production and even political life in all countries have changed immensely; they all are expanding and promoting co-operation. The scope and size of this readjustment are unprecedented.

Under such circumstances the role of the economic factors in international relations has greatly expanded. In comparison, the danger of military confrontation has been lessened and ideological standpoints have assumed a less prominent position. Friction and contradictions are taking place, but they are not defined by military blocs or social systems. New alliances as well as differences have emerged on varying issues.

To sum up, this development reduces the danger of large-scale military conflicts, but it also makes various relations more complex and changeable. Therefore, although the prospects for safeguarding world peace are good, the world is not stable. Consequently, we must expand our knowledge of what is happening in the world and make new analyses on which to base decisions which are conducive to lasting world peace. ■

China's Exploration Tours

Exploration tours are part of a new programme recently introduced to China's tourist industry. According to incomplete statistics, nearly 10,000 foreign tourists have already joined in the programme.

At present the China International Sports Travel Corporation—the principal sponsor for these tours—and more than ten of its branches in Heilongjiang, Xinjiang, Tibet and other provinces and autonomous regions have set up a national network to receive tourists interested in exploration tours.

China is a vast land, incredibly diverse in terrain, landform and climate. It has some of the world's highest peaks including Mount Qomolangma, the Changjiang (Yangtze) River, the world-famous limestone caves in the southwest and the vast deserts of the northwest. Then there are the many places of historical interest dating back thousands of years, and of course the cultural traditions and customs.

China exploration tours try to bring these places within the reach of tourists.

■ Mountain Climbing.

China's 30 high peaks include Qomolangma (Tibet), Yulong Snow-Capped Mountain (Yunnan), Gongga Mountain (Sichuan), Jilian Mountain (Qinghai), Taishan Mountain (Shandong) and Hengshan Mountain (Shanxi). All have their own uniqueness. Foreign tourists may choose any peak to climb accompanied by experienced Chinese mountaineers. Large-scale international mountaineering expeditions can also be arranged. In September 1987, more than 300 tourists from nine countries including the USA, Japan and the USSR joined in the

International Taishan Mountain Expedition sponsored by Shandong Province.

■ **Mountain Tours** are carried out mainly in sparsely populated high mountain areas such as Tibet, Qinghai, Sichuan and Xinjiang. Tourists can choose from 27 treks which generally take about 15 days.

■ **Mountain Horse-Riding.** This tour is available once a year. The one-month tour on Alimaqing Mountain in Qinghai Province has already attracted visitors from France and Italy.

■ **River-Drifting.** Over 10 rivers including the Changjiang (Yangtze), Huanghe (Yellow), Jinsha and Lancang rivers are now accessible to tourists. River trips may be taken along the whole length of the river or only along certain sections. Some Japanese and American tourists have already joined this programme.

■ **Hot Air Ballooning.** The first tour of this kind set off in Henan Province in October 1987. The participants were mainly from Japan. In December this year ballooning expeditions will be available in Guilin, Guangxi Zhuang Autonomous Region.

■ **Motocycle Rally Tour.** A 60-day round trip covering a total of 13,000 kilometres from Beijing to Urumqi and back. In September 1987, five Japanese women took part in this tour. This year eight groups of about 100 Japanese plan to take the tour.

■ **Bicycle Rally.** In 1987, 20 Japanese tourists cycled the 3,000 kilometres from Harbin in Heilongjiang Province, north China, to Shanghai.

In October this year, China will host an international motor car rally from Beijing to Urumqi (capital of Xinjiang Uygur

Autonomous Region) in which one thousand participants are expected to take part. The rally will cover a distance of 8,000 kilometres. Competitors will pass through high mountains, and desert and marsh lands along the mysterious ancient Silk Road.

This year China tours will offer many exciting opportunities. Tourists will be able to swim across the Changjiang River, go sailing in the Pacific Ocean in a motorless boat, walk the entire length of the Great Wall or take part in a motor car tour along the famous 25,000-*li* (1 *li* = 500 metres) Long March route walked by the Chinese Workers' and Peasants' Red Army.

Tourists who have ventured on these exploration tours are from all walks of life. The eldest was 70 and the youngest, 17. Some of the tours are very difficult and tiring. Sometimes the tour group will be miles away from anywhere but the Chinese travel guides are well prepared for all the needs of the tourists.

by Han Guojian

Suzhou Garden in Friendship Hotel

Suyuan—a new garden has been completed in the Friendship Hotel in Beijing. It is a Suzhou style garden, a style which was the model for China's ancient gardens south of the Changjiang (Yangtze) River. It covers an area of 8,000 square metres, and includes proportionally located cloisters, a pool, a rockery, a waterfall and a waterside and other pavilions. There are also many flowers and trees there. Bordering the garden is a restaurant which serves Suzhou food.

by Han Guojian

Hitting Out Against Smuggling

Last year China made great progress in controlling smuggling activities but there are still many problems to be confronted.

Statistics from the Chinese General Administration of Customs reveal that in 1987 customhouses handled 13,018 cases of smuggling and discovered 166.9 million yuan worth of smuggled goods, a 30 and 19 percent drop respectively from 1986.

While the number of cases decreased, the percentage of serious cases rose: of the total, 28 involved more than 1 million yuan worth of goods and 305 involved goods worth between 100,000 yuan and 1 million yuan. Another 218 cases to determine criminal responsibility were investigated by judicial organs, a 30 percent increase from 1986.

Of the cases handled last year, 851 were government undertakings and enterprises, and the smuggled goods were worth 80 million yuan or 48 percent of the total value.

Last year's cases of smuggling have the following features:

1. Goods were smuggled through import and export channels. The value of the goods smuggled as import and export goods accounted for 55 percent of the total value of smuggled items. The value of goods smuggled by sea made up 13 percent.

2. The variety of goods changed. In the past, household electrical appliances and motor vehicles were mostly the goods smuggled into China. They have now been replaced by cigarettes. Goods shipped out illegally are usually precious relics and grey cotton cloth. Last year, cases involving 15 million yuan worth of

smuggled cigarettes were uncovered. Chinese customhouses also discovered 8,576 pieces of cultural relics set to be smuggled out last year, a 27 percent increase over 1986. Both the number and grade of smuggled cultural relics increased from previous years. Some pieces date back to the New Stone Age, the Spring and Autumn and Warring States periods (770-221 BC), the Qin Dynasty (221-207 BC) and the Han Dynasty (206 BC-220 AD).

3. More methods of smuggling are being used. Smugglers are finding more ways to disguise illegal goods with forged seals and bills and through channels both inside and outside the country. Last year, there was a serious rise in the illegal sales of semi-finished goods or raw materials imported under preferential customs duties for further processing.

Smuggling became a more troubling issue last year for the following reasons:

1. At home and abroad lawless people began taking advantage of China's opening to the outside and used every means possible to make profits through smuggling. At the same time some enterprises and establishments considered their own units' interests at the expense of the state interest and interfered in investigations into some smuggling cases.

2. Smugglers took advantage of flaws in management, rules and regulations.

3. Customhouses are shorthanded.

4. Some customs officers were bribed by smugglers with money and beautiful women.

This year, customhouses have decided to improve their work in the following areas:

1. Strengthening legislation and punishing smugglers according to law;

2. Increasing the number of customs officers and their capacity to handle cases according to the law;

3. Bringing advanced scientific and technological means into full play to obstruct smuggling; and

4. Co-operating with other departments concerned and at the same time improving co-operative relations with other countries in this field. ■

Sino-Pakistan Trade Increases

According to an official from the Ministry of Foreign Economic Relations and Trade, China plans to import a 17,000-ton bulk container ship from Pakistan this year. The design programme has been affirmed by the two sides and trade talks are now in progress.

In recent years, economic relations and trade between China and Pakistan have been developing steadily. Bilateral trade totalled US\$300 million. But due to the two countries' similar range of commodities, China has maintained a large favourable balance of trade with Pakistan for a long time. The import of a Pakistan ship is part of China's efforts to reduce the trade surplus. China has also adopted some measures to increase the variety of its import commodities and re-establish imports of certain commodities. Last year China resumed its import of cotton which has been suspended for many years, and will increase the

purchase of this commodity further still this year. Trade between the two countries began in 1950. The two countries have signed 13 trade protocols since the 1960s. The main forms of trade between them now include spot exchange trade, transactions for account and border trade. In 1987, border trade increased markedly, with the export value rising from PRs5.5 million (1.21 million yuan) in 1986 to PRs40 million (8.813 million yuan). This was a result of expanded commodity exchange. At present, China exports small hydroelectric generators and coal to Pakistan while Pakistan's exports to China include some new commodities such as rice, rolled steel plates, plywood and polyethylene film.

Pakistan Ambassador Akaran Zaki said that although Pakistan has an unfavourable balance of trade with China, he is confident of the prospects for co-operative economic and trade exchanges between Pakistan and China. According to reports, the 14th trade protocol is now being discussed and will soon be signed.

by Zhang Zhiping

GDR's Commodity Exhibition in Beijing

The Export Commodity Exhibition of the German Democratic Republic was held in the Beijing International Exhibition Centre on April 13-22. The exhibition occupied 6,500 square metres of floor space and displayed more than 800 products and advanced technologies from the GDR in the fields of transport, energy, machinery, electronics and textile industries and agriculture and forestry. Participants included 64 associated enterprises and 38 export oriented enterprises.

More than 40 technical seminars were held and 46 scientists

from abroad delivered reports during the meeting for technological exchange. A computerized consulting device also displayed 2,500 scientific achievements to interested clients.

General Secretary Zhao Ziyang of the CPC Central Committee and Erich Honecker, General Secretary of the Central Committee of the GDR Socialist Unity Party and chairman of the State Council, highly praised the exhibition. "We recognize the exhibition as an important event in the developing relations between our two socialist countries," Honecker said in his cable of congratulation. Zhao Ziyang expressed his hopes that the two sides will make great efforts towards seeking diverse and more flexible co-operation to promote a sustained development of the economy and trade between the two countries.

The government delegation led by the Minister for Foreign Trade Gerhard Bell and the economic delegation by Vice-Minister Jochen Steyer participated in the opening ceremony and other activities. Newly elected Chinese Vice-President Wang Zhen and State Councillor Zou Jiahua also visited the exhibition.

by Zhang Zhiping

Container Liner Trade Route Opens Up

China's first container liner trade route to New Zealand via Japan and Australia was recently established and the ribbon officially cut at Tianjin's Xingang Port on April 19. The next day, the rolling container ship *Peace Mouth* from the Shanghai Ocean Shipping Co. left the port, carrying 430 boxes with a total capacity of 6,000 tons.

The new route passes Yokohama and Kobe in Japan, Sydney

and Melbourne in Australia, Littleton and Auckland in New Zealand and returns via Kobe and Shanghai. The Shanghai Ocean Shipping Co. uses four ships equipped with advanced facilities. Two liners depart from Xingang Port on the 5th and 20th of each month, and take 60 days for the return journey.

The establishment of the route will help China's coastal cities develop their export-oriented economy and improve the transport network for China's ocean shipping in Asia and the Pacific.

by Zhang Zhiping

China Exports Forestry Machinery

Jiangsu's Changzhou Forestry Machinery Plant, the largest of its kind in China, is now holding talks on the export of its timber loading machines with businesses from Japan, Pakistan, Liberia and other countries. So far, a letter of intent has been signed with one of the foreign firms to market 100 such machines. Before this, the plant exported a dozen or so samples to Japan, Egypt and a few other countries.

The Changzhou plant entered into co-operation in the production of timber loading machines with Japanese Komatsu Ltd. It can now produce a complete series of the machines, with their quality and level of operation reaching advanced world standards.

The machines have a wide-range of applications in forestry and transport industries. They are ease and comfort of operation. Major indexes of loading capacity and function are up to American SAE standards. One plant leader believes that in one or two years they will be assembling the machine completely with parts made in China.

by Liu Jianjun

Dance Drama Wins Acclaim

The Opera and Dance Drama Troupe of Sichuan Province recently brought its newest production—a trio of dance dramas entitled *Sound of Souls*. The show was impressive both for its bold and creative conception and its artistic presentation.

Sound of Souls consists of three independent dance dramas adapted from modern Chinese literature, which concentrate on exploring the inner world of Chinese women tortured by their tragic fate in the old society.

The first piece is *Death of Mingfeng*, an exquisite sentimental work based on a segment from Ba Jin's novel *Family*. The drama, which relates the tragic story of Mingfeng, a housemaid,

and Juehui, her young master, tells of the struggle of young people as they try to pursue their dreams under a system of feudal suppression. Mingfeng and Juehui love each other but they are ruthlessly torn apart by feudal overlords. Mingfeng is forced to become the concubine of Feng Leshan, an old eccentric. Hopeless and helpless, she has no choice but to kill herself as a protest.

Mingfeng's dance at the moment of her death is especially outstanding for its portrayal of the violent contradictions between life and death, and the love and hatred in the heart of the heroine. The dance movements accurately convey the complex mental state of Mingfeng, who is deprived of even the right to her own body.

The drama, which focuses on the night before the wedding, is divided into seven scenes. It opens with Juehui protesting in the house. His silhouette by the window frame symbolizes the small world he can live in. Then Mingfeng dances outside the window, recalling their love, which is actually partitioned by a high wall. The drama builds to a climax with the scenes "Death Farewell" and "Death Night." The last scene is "Fire Sacrifice." One unique quality of the drama is that while each scene uses stage settings or props to create the atmosphere and stand for certain characters, it is the dancers and dance movements which delineate the thinking and emotions of the hero and heroine. For example, a Chinese robe hung over a wooden cross stands for Feng Leshan, whom Mingfeng is being forced to marry. To portray Mingfeng's night-marish struggle, two invis-

ible dancers lift her to complete various dance movements and actions which reveal her strong desire to escape the imminent threat. Another scene shows Mingfeng fighting against two huge lanterns with the red characters for "Happiness," portrayed by dancers, which obviously symbolize the forced marriage.

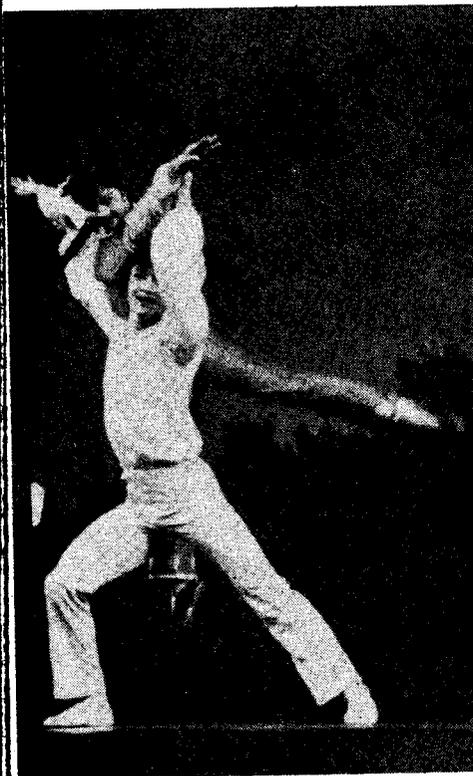
The *Death of Mingfeng* won the Golden Crown Cup at the third international dance works competition held in Japan in January 1986. The jury praised the piece for its creativity in combining traditional Chinese dance idioms with modern Western techniques.

The second drama on the programme was *Meditation in the Sun*, based on Cao Yu's play *The Sunrise*. A long piece of white silk, a symbol of feudal bondage to Chinese women, divided the stage into three small performing areas. Three women dancers appear on the stage. They dance—sometimes together and sometimes separately—revealing their different characters and their sufferings in feudal society which tortures their bodies and robs them of their human value and dignity. The stage lights change with the development of the plots, reflecting the characters' good nature, their yearning for happiness and the hopeless situation they have been plunged in.

The third work was *The Wilderness*, adapted from a play of the same name, also by Cao. It tells the tragic love story of a rural man and a married woman. The drama is divided into four scenes. The first shows the suffering of Jinzi, the heroine, after she is forced to marry into the Jiao family. The following scenes tell of the meeting between Jinzi and her lover Chouhu; their escape after Chouhu kills Jinzi's husband; and Chouhu's suicide in the dark forest.

Unlike the previous pieces, the

"The Death of Mingfeng." XIAO YINZHANG



Prehistoric Fossils Shown in Beijing

An exhibition of prehistoric animal fossils was recently held in Beijing by the Institute of Vertebrate Palaeontology and Palaeoanthropology under the Chinese Academy of Sciences. The exhibition served as an introduction to basic scientific knowledge about fossils and featured some rare specimens that had never been shown before.

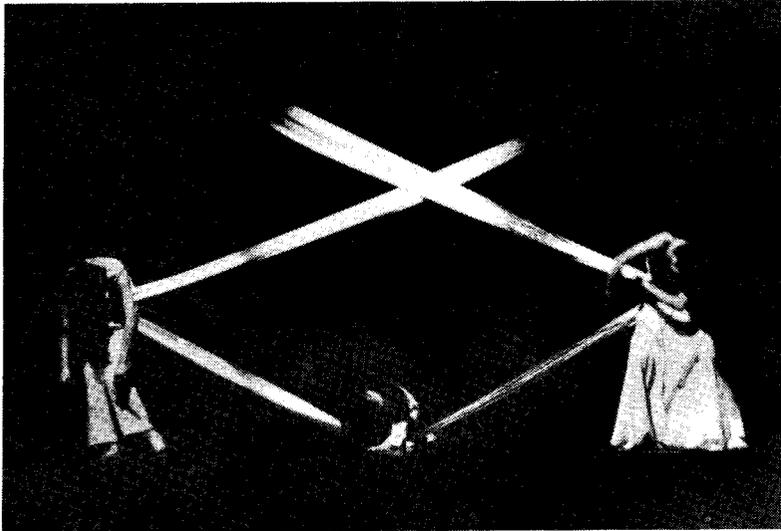
China is one of the countries rich in vertebrate palaeontological fossils. The exhibition also showed the masters of the earth found in China in various prehistoric periods.

The display included fossils of *Eugaleaspis*, the earliest and lowest vertebrate fish. The fish lived 410 million years ago and were found in what is now China's Yunnan Province. They were jawless and lived by eating microbes and other organisms pushed into their mouths by flowing water.

The emergence of the *Agnatha* was a milestone in the history of vertebrate evolution. This kind of fish had jaws to actively capture food. *Agnatha* are divided into *Antiarchi* and *Arthrodira*. The exhibition showed that the earliest *Antiarchi* originated in China and then spread all over the world.

Traditionally it was believed that typical *Antiarchi* emerged 400 million years ago, but fossils of extremely primitive *Antiarchi* found in China date back 440 million years. This conclusion, drawn by Chinese experts after more than 20 years of research on the specimens, has generally been accepted by scientists in other countries.

The most conspicuous specimens on display were the remains of four large reptiles. The *Lotosaurus*, discovered in Hunan



A scene from "Meditation in the Sun."

XIAO YINZHANG

structure of *The Wilderness* is typical of traditional drama in that the story develops in the correct time sequence. But the work is full of dramatic suspense, including the hero and heroine's conflicts with the Jiao family.

Several dances in the dramas are especially successful and clearly show off the dancers' talents. For instance, Jinzi's dance to show her craving for a happy life at the beginning of the second scene is light and graceful. The four *pas de deux* which depict the meeting of Jinzi and Chouhu are also

outstanding. The dance pace changes from slow and smooth to rapid and passionate with the flow of the story.

Although the show still has room for improvement, the artists' effort to introduce innovations into national dance and adopting modern techniques are highly commendable. The show has been warmly received by audiences, and has won the praise of many well-known artists as "representing the future for China's dance drama."

by Hong Lanxing

A scene from "The Wilderness."

XIAO YINZHANG



Province, has no teeth but has a very high dorsal spine. It has never been found in other parts of the world. The Mamenchisaurus, a large dinosaur found in Sichuan Province 150 million years ago, was 22 metres long and 9 metres tall when its neck was stretched out. It is estimated that its live weight reached 40 to 50 tons.

The Lufengosaurus discovered in Yunnan Province is a medium-sized dinosaur, 6 metres long from head to tail. It is an ancestor of the dinosaurs that walked on all four feet in a later period. The Lufengosaurus and the Mamenchisaurus have been studied by palaeontologist Yang Zhongjian, who has made outstanding contributions to the development of palaeontology in China.

Also on display was a Dzungaripterus found in Xinjiang, dating back 120 million years. Its front limbs were turning into wings and its neck and tail degenerated, which enabled it to fly.

China is one of the world's major sites for dinosaur fossils. Since the first dinosaur fossils in China were found in 1904, more than 100 of the dinosaurs that once roamed the country have been identified.

The exhibition also included a stegodon dating back 2 million years. This ancient elephant, discovered in 1973 in China's northwest Gansu Province, was found completely intact — even its more than 100 toe bones. It is the only complete skeleton of a stegodon that has been found in Asia. The skeletal remains of a Rhinotitau, dating back 40 million years, are also unique in Asia.

Since 1980 China's palaeoanthropological and dinosaur fossils have been exhibited in Japan, Hong Kong, Thailand, Singapore, Malaysia, the Philippines, Britain and the other countries. They will go to the United States for an

exhibition in the second half of this year.

by Wei Liming

'The Grassland, My Homeland'

Her sweet and mellow voice tells people that she is Dedema — "the skylark of the grassland." Beijing residents were recently treated to their first solo concert by the mezzo-soprano, following similar concerts in her native Inner Mongolia.



XIAO YINZHANG

Dedema performs "The Beautiful Grassland, My Homeland" in Beijing.

In addition to the traditional Mongolian folk songs which are her speciality, Dedema sang folk songs of China's other nationalities, traditional ballads and popular Chinese songs, as well as foreign folk songs and opera selections, displaying her varied talents.

Her singing is simple, natural and full of feeling, combining the folk idiom with bel canto style. This enhances not only her fine tone quality but her artistic expression and power as well. Dedema sings songs meant

exclusively for sopranos. This bold initiative and her artistic treatment of different songs, as well as her personality were well received by her audience.

Dedema was born into a family of herdsmen. She began her singing and performing career at the age of 13. Later, having gone through professional studies and training, she became a solo and opera singer in the Inner Mongolian Song and Dance Ensemble. She is a favourite of the people of the grasslands.

In 1982, she moved to the Central Nationalities Song and Dance Ensemble as a solo singer. From that point, her fame spread. Her rendition of *The Beautiful Evening on the Grassland* won first prize at the 1984 National Song Competition held for the 35th anniversary of the People's Republic of China. In 1987, she was chosen as one of the best singers by listeners across the country in a contest co-sponsored by the Central People's Broadcasting Station and the Leyou Audio and Video Company, which is affiliated with the Chinese Musicians' Association.

In Beijing Dedema sang, "There are gold rivers and silver rivers on earth, but the one I love is the Ejin River, my mother river..." The song came from the heart of this daughter of the grasslands. She incorporated her yearning for her birthplace into every word and note. One listener said, "Her singing makes people smell the sweet smell of milk tea and experience the flavour of the grassland."

Dedema is full of confidence. She says she will sing thousands of songs and dedicate them all to her homeland.

by Hong Lanxing

ART PAGE

Papercuts by Yu Ping and Ren Ping



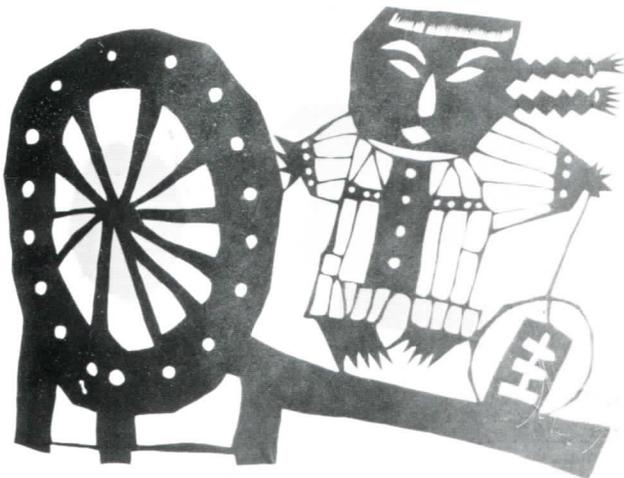
Ox King, from a myth.



Homeward bound with the catch.

Yu Ping and his wife Ren Ping were both born in 1962 in Shandong Province. They teach art at the No. 1 Vocational Secondary School in Yantai, Shandong city of Yantai.

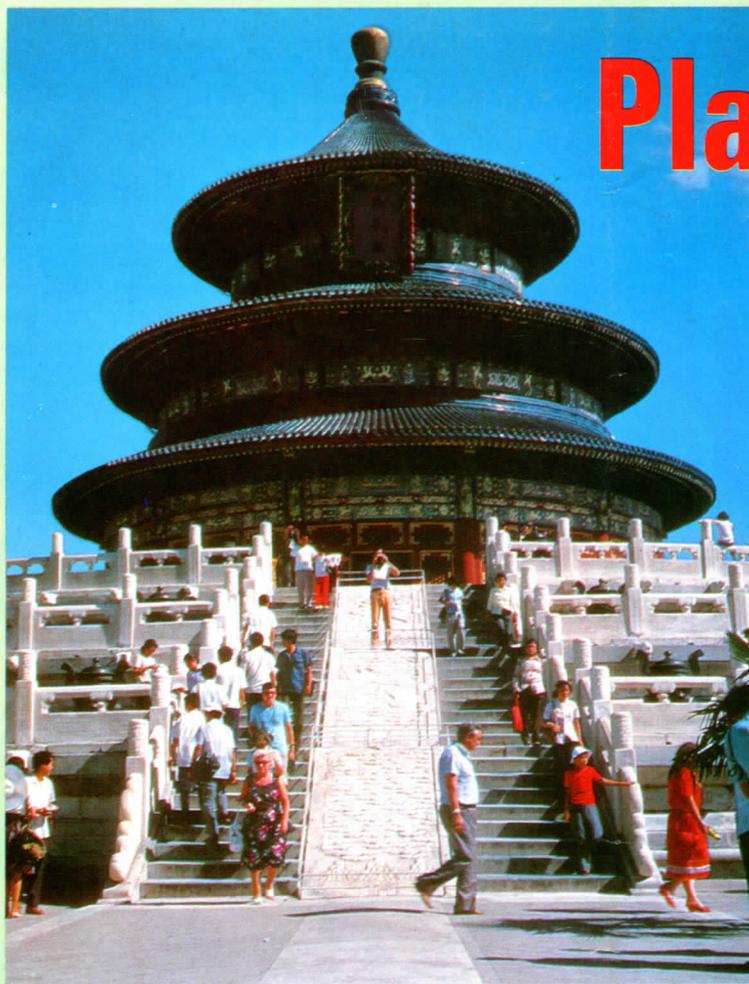
They are particularly fond of papercut folk art, which they admired since childhood. Their works are representative of local papercut art in various historical periods.



Spinning.



Walking in the rain.



Planning a Trip to China?

This is the year of dragon — a particularly good time to visit China. Throughout the country, special activities are being planned. We recommend the following books and tourist maps to help make your trip pleasant, interesting and rewarding.

- How to Tour China** (in English)
- China — An Introduction** (in English, French, German, Spanish, Russian, Japanese, Thai, Portuguese, Swahili and Bengali)
- An Illustrated Guide to China** (in Japanese)
- China Travel Guide** (in English)
- 60 Scenic Wonders in China** (in English)
- The Great Wall of China in History and Legend** (in English, French, Spanish, German, Japanese, and Bengali)
- Home of the Dragon — Tourism and Reunion** (in Chinese)
- Beijing Old and New** (in English)
- Beijing** (in French, Spanish and German)
- Tourist Map of Beijing** (in Japanese)
- Sights & Scenes of Guilin** (in Japanese)
- West Lake Reflections** (in English and Japanese)
- Sights and Scenes of Suzhou** (in English and Japanese)
- Mount Taishan** (in Chinese-English)
- A Visit to Confucius' Home Town** (in English)
- Tourism — China Handbook Series** (in English, French, Spanish, German and Japanese)
- Journey Into Revolutionary China** (in English, French, Spanish, German and Japanese)
- Handbook for Investment and Tourism in Shantou** (in Chinese and English)

- Handbook of Investment and Tourism in Guangzhou** (in Chinese and English)
- 14 Open Coastal Cities & Hainan** (in German and Spanish)
- Beijing Tourist Map** (in English)
- Guangzhou Tourist Map** (in English)

HOW TO ORDER:

Readers in China can order the above books from any branch of the Waiwen Shudian (Foreign Languages Bookstore). Readers in Hong Kong and Macao can order from Peace Book Co. Ltd. Rms. 901-3 Wing On house, 71 Des Voeux Road, Central, Hong Kong

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