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April 29, 1985

BEIJING REVIEW

北京周报

A CHINESE WEEKLY OF
NEWS AND VIEWS

Hu Begins South Pacific Tour
New Law for Foreign Contracts

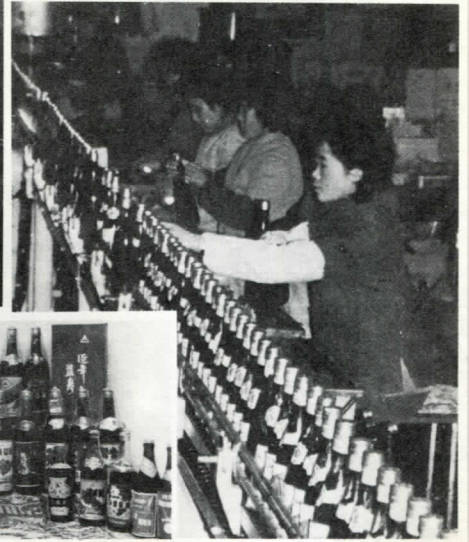


**Lianyungang — China's
Burgeoning Port**



Leaders of the Huanan County Fruit Company in Heilongjiang Province study how to carry out economic reforms in their company.

The county's winery is famous for its mountain grape wine.



Reforms Take Shape in Huanan County

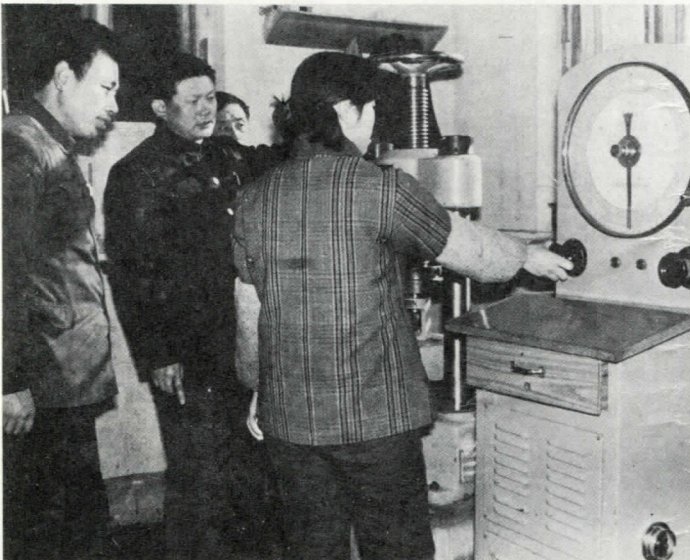


Wang Zhonghai (first from left), a deputy to the National People's Congress, works at a quarry with the peasants.

Fishermen pull in their nets at Xiangyangshan Reservoir.



Yan Hongda (second from left), director of the county cement plant, talks with technicians in the plant's laboratory.



Trucks transport newly harvested timber from the Mengjia gang Forestry Centre.



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COVER: Night scene in the port city of Lianyungang in northern Jiangsu.	
Photo by Zeng Humin	

HIGHLIGHTS OF THE WEEK

Hu Visits Australia

Under an exceptionally warm atmosphere Chinese Party General Secretary Hu Yaobang visited Australia April 13-18 as the first leg of his tour of five South Pacific nations (p. 6).

Hu Clarifies Stand on Cultural Contamination

There was nothing wrong with the principle of battling "cultural contamination," although improper measures were taken by some localities and organizations, said Hu Yaobang in a recent talk on the nature, tasks and duties of China's mass media. He also criticized the unchecked circulation of unhealthy tabloids in many cities (p. 8).

Recalling China's Atomic Weapons Development

In this excerpt from his recently published memoirs, Marshal Nie Rongzhen, who was in charge of national scientific and technological development from 1956-1966, describes the hard work and difficult decisions made in atomic weapons development programme. Nie movingly describes the joy of all involved in the project when success was achieved — made sweeter by the fact that the Chinese had done it all themselves (p. 15).

NPC Passes Law on Sino-Foreign Contracts

China's Law on Sino-Foreign Contracts, to take effect this July, finally codifies the policies and regulations governing business contracts with firms and individuals abroad.

The law clearly spells out the obligations and rights of each party to a contract, making business more convenient for everyone in China (p. 21).

Lianyungang — Door to the Heartland

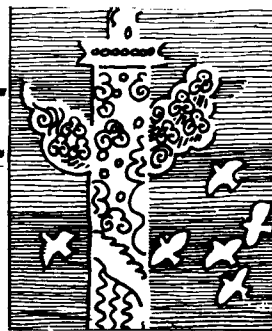
Lianyungang, an open port city on the southern coast of the Shandong Peninsula, has great potential for development when its advantages — fertile land, rich resources, convenient transportation and lovely tourist areas — are fully developed (p. 24).

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Coastal Open Economic Areas

by **WANG DACHENG**
Economic Editor

China's opening to the world was given new momentum in February, when the government announced its decision to open the Changjiang (Yangtze) River delta, the Zhujiang (Pearl) River delta and the Xiamen-Zhangzhou-Quanzhou delta to foreign investment.

This bold programme only began in 1979, with the trial opening of four special economic zones at Shenzhen, Zhuhai, Shantou and Xiamen. In 1984, Hainan Island and 14 more coastal cities, including Shanghai, Tianjin, and Guangzhou, were opened to foreign investment. The latest announcement confirmed the repeated statements made by the Chinese government leaders that China will not only continue its open policy, but will open its doors ever wider.

The three new zones will be opened gradually, with emphasis first on the cities of Suzhou, Wuxi, Changzhou, Changshu, Jiaxing, Huzhou, Quanzhou, Zhangzhou, Foshan, Jiangmen and Zhongshan, and their 50-odd surrounding counties or key industrial satellite townships, and then on to the vast countryside.

The Liaodong and Jiaodong Peninsulas will also be opened in the future at an opportune time, making the entire east China coast a new economic beachhead that will in time be extended gradually to inland cities.

This step-by-step measure will

provide China with opportunities to sum up its experience, thus enabling the opening policy to expand in a healthy way.

The opening of these coastal areas is extremely important to China's economic growth.

China's coastal region is in a position to play a bigger role in economic development as it is an area embracing 200 million people with a higher economic and cultural level than that in the hinterland. Its progress was badly retarded by China's isolation from the outside world, and particularly by the turmoil of the 10-year "cultural revolution." But favourable changes have since taken place both at home and abroad, and the government is now emphasizing the coastal areas as crucial to the nation's development. The newly opened coastal areas will soon wield considerable economic influence by speeding up structural reform, absorbing advanced technology from abroad and adopting modern management methods which conform to socialist production. They will first become economically and culturally advanced areas, and then spread their technology and experience to the less developed hinterland.

With grain production growing quickly and improved supplies in local markets, the open coastal cities can now go on to further readjust their economies. They will build their processing industry according to export requirements and develop their agriculture and the production of raw and semi-finished materials to meet the needs of the process-

ing industry. Great efforts will be made to boost exports of fresh aquatic products, to update existing textile and food processing plants with advanced technology and to expand production of high-tech products, machine-building and electronics industries and tourism.

Foreign business people who invest in the coastal areas will be given preferential treatment. Many joint ventures, co-operative enterprises and foreign-owned businesses which are productive or research oriented, the agricultural, forestry, animal husbandry projects and aquatic farms with direct foreign investment and whose products are for export, will benefit from a 20-percent income tax reduction, for example.

Energy, transportation and technology-intensive projects with direct foreign investments or productive projects with a foreign investment of over US\$30 million and a long production cycle will be taxed at an income tax rate of 15 percent. When remitted overseas, the legitimate profits shared by foreign businessmen will be duty free. When the products of these enterprises are exported, they will be exempted from export tax and consolidated industrial and commercial tax.

It is presumed that the coastal areas will be the first to rise to prosperity, on the basis of the open policy and their economic reforms. A national economic takeoff will follow when the coastal areas join hands with the Chinese hinterland.

More Reports of Daily Life

I am very glad to write you my views concerning your magazine.

When I get the facts of some events from your reports, I am so pleased that I want to express my congratulations. Your comments are fair and your presentation is fine. Your magazine enables me to know what is happening in various fields in China. I am glad I can read such a prestigious magazine.

As a suggestion, I hope you publish more articles covering the daily life of ordinary Chinese people. Your reporters should live with different families, describing their ways of living, their clothes, their household electrical appliances, etc. The reports should also cover how their children dress when they go to school.

Another suggestion is that you should open a "Beijing Review Readers Club," through which the readers can exchange their views and opinions and raise suggestions. In addition, they can also exchange stamps, souvenir coins and postcards.

D. Felix Juan
Argentina

I am most interested in the articles which deal with the life of the Chinese people and the problems which need to be resolved. I think your magazine is very objective with regard to political viewpoints. The layout is also well done.

In order to quench the curiosity of your foreign readers, especially those in France, would it be possible to give more space to articles on China's ancient buildings and art?

J. Briffod
Nice, France

Wider Coverage

I have been reading *Beijing Re-*

view for six years. Compared with the past, the content of the magazine is now better and the coverage is wider. This is a very good thing for your readers.

I am very interested in the photos on the cover and the inside front cover. Of course, I also like photos in the articles.

With regard to the content, I most like the column "Notes From the Editors," and hope that the articles in this column will be more factual.

I read with great interest the article about the miners' lives ("Miners' Past and Present," No. 10—*Ed*). I also hope you will give more space to "From the Chinese Press," because it is very informative.

Hytaro Narita
Cendai, Japan

Different Perspective

As an American, I appreciate the non-US orientation of your publication. Many of the articles are filled with information that does not appear in the US papers and magazines, particularly about Asia. This I value highly. My favourite section is the small articles, that have been translated from *Renmin Ribao*, etc. These are usually interesting and informative about small issues and stories.

Janis Shough
Connecticut, USA

More International News

I particularly appreciate your international news on pages 11-14 and the section on culture. I also enjoyed the article on the US dollar versus other Western currencies (in No. 10).

I personally would like more international news. The American press is especially lacking in this area.

The general format seems adequate for a news magazine weekly. Colour and glossy paper would be nice but the extra cost that this would necessitate would make the subscription price much higher. I would prefer a real bargain with the lower subscription price as it is now.

Curtis E. Hinkle
South Carolina, USA

More Feature Reports on People

My wife and I both enjoy your publication very much. I am particularly interested in your excerpts from the contemporary Chinese press and your weekly article focusing on a different geographic part of the People's Republic.

I find your economic analyses rather dull, mainly because I could never become interested in this subject.

I think there is an overabundance of photographs. My suggestion is: Cut the photo content by 50 percent while keeping the same number of pages and use the resulting space available for a feature story on an interesting Chinese personality—real or fictional, contemporary or historical.

One personality I would like to learn more about is Dr. Ma Haide (George Hatem), because he and I are natives of the same community.

David Coffey
New York, USA

Hu Makes His Oceania Visit

Chinese Party General Secretary Hu Yaobang set off on an 8,000-kilometre trip across three seasons, to begin a five-day visit to Australia at the invitation of Australian Prime Minister Robert Hawke.

He left spring behind in Guangzhou on April 13, arriving in autumnal Perth, capital of Western Australia and the fifth-largest city in the country, the same day. He was met by welcoming crowds and Prime Minister Hawke, who later accompanied him to Canberra and the other stops on his route.

The Australian prime minister visited China in February 1984. Scheduled to meet Hu in Nanjing on the last day of his tour, Hawke took off from Beijing, only to see bad weather force his plane to detour and land in Shanghai. Informed of this, Hu rushed there to meet his Australian guest. It was during that meeting that Hawke invited him to visit Australia. Hu accepted readily.

At a banquet in Perth held in his honour, the Chinese Party leader was in high spirits. "The Australian economy is in good shape. Economically speaking, you are in harvesting time while China is still in the sowing season," he quipped. "Let's sow and harvest together," Hawke replied diplomatically.

It was in this warm atmosphere that Hu and his delegation kicked off a 12-day South Pacific tour that will also take him to New Zealand, Western Samoa, Fiji and Papua New Guinea.

His Australian tour is aimed at helping promote the further development of friendly relations and co-operation between the two countries. The current state of Sino-Australian affairs, Hu said, "not only conforms to the fundamental interests and common aspirations of our two peoples, but also makes for peace, stability and prosperity in the Asian-Pacific region."

During Hu's talks with the Australian leaders, both sides expressed their readiness to boost co-operation. Hawke assured Hu of the Australian people's support for the goal China seeks to achieve: "a modern, efficient nation committed to a stable and prosperous region." He said his country will try to make Sino-Australian co-operation an example for countries with different social systems to follow.

Sharing a mutual desire for stronger ties, both countries saw it in their interest to pursue new links. According to a communique issued after the talks, Australia needs to strengthen its regional economic ties and will remain a reliable, competitive supplier of mineral and agricultural raw materials, manufactured goods and technology necessary for China's development. Both China and Australia will consider involvement in each other's development.

But Hu also stressed that China's trade deficit with Australia totals more than US\$5 billion. Although China did not seek an absolute balance and hoped to promote the sale of Australian goods on its domestic market, he said, Australia should seriously consider ways of helping China increase its exports. If the flow of red ink continued, Hu added, "China's payment ability will become so weak that it will not be able to afford to buy things from Australia as it wishes."

The Hu-Hawke talks resulted in the signing of three documents, one of which provides for the opening of two new Chinese consulates, in Melbourne and Perth,

Party General Secretary Hu Yaobang was welcomed by Australian Prime Minister Robert Hawke and local residents at Perth airport.



Hu on S. Pacific Nuclear-Free Zone

China's socialist development needs a lasting environment international peace, Party General Secretary Hu Yaobang said April 16 at a luncheon in the National Club in Australia. We do not want war, and we hope there will be no war in this century, better no war in the next century, and of course still better if there is no war for good.

China would like to see the complete prohibition and

thorough destruction of nuclear weapons. China supports the opposition of the South Pacific countries to the threat of a nuclear war and their desire to make the South Pacific a nuclear-free zone. "We hope that the United States and the Soviet Union will reach an agreement through sincere negotiations on a drastic reduction of their nuclear arms, so that international tensions may be eased," Hu declared.

later this year or early in 1986. Australia will also open new consulates in two Chinese cities to be specified later. At present China has a consulate in Sydney, while Australia has one in Shanghai. The other documents cover technical co-operation in the iron and steel industry, and a plant quarantine project. The Australian contribution to the latter is valued at 725,000 Australian dollars.

Hu has now wrapped up his Australian visit, a tour which has brought both countries new confidence in their strengthening relationship. His four-day visit to New Zealand began on April 18.

China needed peace badly in order to achieve its goal of modernization, he added, and this was why the country did not attach itself to any power blocs.

"An independent foreign policy is the most beneficial to peace," said Deng, also noting that the Chinese policy of opening to the outside world was aimed at winning friends and speeding China's development.

Martens was in China from

April 15-22 on an unofficial visit. While in Beijing he met Premier Zhao Ziyang to sign three agreements on April 18. The pacts covered co-operation in the peaceful use of nuclear energy, the avoidance of dual taxation and the prevention of tax evasion, and Belgian state loans to China.

During his April 17 meeting with Martens, Deng also said world peace and security required a powerful and united Western Europe; the late Chairman Mao Zedong and Premier Zhou Enlai had been supporters of unity in Western Europe, as he himself was, he observed.

China and Western Europe had no political conflicts, and could co-ordinate their relations to help each other. Once China became well-developed, its market potential would be quite significant, Deng added.

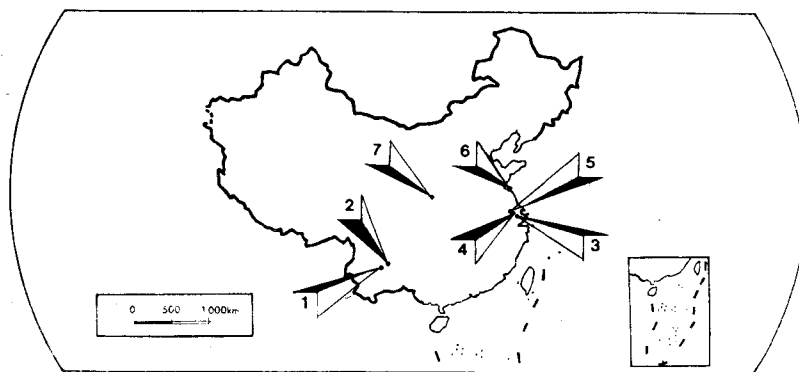
He said he was very glad that Deng and other Chinese leaders advocated a strong and united Western Europe and regarded it as a major factor in the maintenance of world peace. The Belgian prime minister also praised China's foreign policy of independence and non-alignment.

Deng: China, Europe 'Forces For Peace'

China and Western Europe are two powerful forces in checking the danger of world war, Chinese leader Deng Xiaoping told visiting Belgian Prime Minister Wilfried Martens.

The danger of war still existed, but the forces for world peace were growing stronger, the CPC Central Advisory Commission chairman said during their talks on April 17.

PLACES IN THIS ISSUE



- (1) Luquan (p. 8) (2) Dongchuan (p. 8) (3) Suzhou (p. 22)
(4) Wuxi (p. 22) (5) Changzhou (p. 22) (6) Lianyungang (p. 24)
(7) Qinling (p. 32)

News In Brief

Two airports in north-western China, one in Shaanxi and the other in Qinghai, will be built this year to accommodate Boeing 747, 707 and 737 jets.

More than 80,000 private doctors are now practicing in China, a 65 percent increase over one year ago, according to a spokesman for the Ministry of Public Health.

To ease the shortage of doctors, the ministry has encouraged private doctors to become partners in clinics and hospitals.

China's first non-government university for minority people opened recently in Beijing.

Sponsored by Beijing's Society of Minorities Folk Art and Literature of and funded by donations and state and individual loans, the university offers courses in fine arts, law, industrial management and political science.

An earthquake hit Yunnan Province on April 18, killing 22 people and injuring more than 300 others, according to the National Seismological Network.

The tremor registered 6.3 on the Richter Scale. It was centred in Luquan County and Dongchuan City, about 100 km north of the provincial capital, Kunming. Relief work is now under way, according to the local authorities.

Key to Sino-Soviet Rapprochement. Answering questions from Belgian reporters before meeting Martens, Deng suggested that Moscow could improve Sino-Soviet relations by gradually removing the three main obstacles between them, starting with the Kampuchean problem.

The three obstacles — Kampuchea, Afghanistan and the stationing of Soviet forces along the Chinese border — were of equal gravity because each constituted a threat to China, said Deng.

If it was too difficult for the Soviet Union to solve all three problems at once, the easiest one to start with would be to encourage Viet Nam to withdraw its troops from Kampuchea, he said.

Stand on Cultural Pollution Clarified

There was nothing wrong with the principle of battling "cultural contamination," although improper measures were taken by some localities and organizations and had to be speedily redressed, Chinese Communist Party General Secretary Hu Yaobang said recently in Beijing.

During a talk on the nature, tasks and duties of China's mass media the text of which was released last week, Hu quoted Deng Xiaoping's definition of cultural contamination as the "corrosive influence of the decadent ideas of the bourgeoisie and other exploiting classes and the dissemination of non-confidence in socialism, communism and the leadership of the Party."

"The introduction of the policy of opening to the outside world has brought us many benefits and many 'germs' as well. Therefore, we should view this issue in two ways. On the one hand, we must

firmly carry out this policy; on the other, we must resolutely boycott decadent capitalist things, including bourgeois ideas and the bourgeois style of life," Hu said during an earlier attack on cultural pollution two years ago.

The only problem came when some localities and organizations expanded the anti-contamination drive to include lifestyles and styles of dressing. This was wrong, and a misunderstanding of what cultural contamination meant, he said.

Hu also criticized the unchecked circulation in many cities of unhealthy tabloids. If these newspapers were allowed to spread unchecked, they would poison the minds of the young and sap the fighting will of the people, he warned.

Underlying Hu's explanation of anti-cultural contamination drive is an April 20 State Council regulation, banning the import, manufacture, duplication, selling and distribution of obscene materials.

Obscene materials, according to the regulation, refer to audio and video tapes, movies, TV programmes, slides, photos, pictures, books, newspapers, magazines and manuscripts that "specifically portray sexual behaviour or publicize pornographic and lascivious images."

Toys and articles with such pictures as well as aphrodisiacs and sex aids are also banned, according to the regulation.

Not included, however, are literary works with artistic value, paintings showing the beauty of the human body and scientific works on physiology and medicine.

Chinese Leaders Honor Epstein

Deng Xiaoping, chairman of the Central Advisory Commis-

sion of the Chinese Communist Party, on April 20 joined more than 250 people at a reception marking more than half a century of work in China and the 70th birthday of Israel Epstein, editor-in-chief of the magazine, *China Reconstructs*.

Deng told Epstein it was not easy for him to rise again and work so vigorously for China after having been wronged for five years in the "cultural revolution" (1966-76). "I ought to know it, because I was wronged for six years," Deng said.

Epstein is also a standing committee member of the National Committee of the Chinese People's Political Consultative Conference and a council member of the Soong Ching Ling Foundation.

Now a Chinese citizen, he was born in Poland and moved to Tianjin with his parents when he was only two years old. He began his career as a journalist at age 15.

Since 1933, when he came to know Edgar Snow, he has devoted himself to the Chinese people's revolution and later to socialist construction. He is the author of many works, the latest being *Tibet Transformed*.

On the day, General Secretary of the CPC Central Committee Hu Yaobang, who was on his South Pacific tour, wrote a letter of congratulations to Epstein.

Hu praised Epstein for closely linking his destiny with that of the Chinese people for more than 50 years, and for his contributions to China's revolution and development.

"The large amount of fruitful work you have done to introduce socialist China to the outside world has set a fine example for China's journalists. You were greatly wronged in the ten years



Deng Xiaoping and Deng Yingchao toast Israel Epstein at his 70th birthday reception.

of political turmoil (the "cultural revolution"), but this did not in the least shake your love for and confidence in the Chinese Communist Party and the Chinese people. You have proved yourself to be a staunch internationalist fighter and a loyal and patriotic citizen," he said.

Calligraphic inscriptions of congratulations from Chinese President Li Xiannian and Chairman of the Standing Committee of the National People's Congress Peng Zhen were read at the reception.

In his speech, Vice-Minister of Culture Zhou Weizhi recalled that when the War of Resistance Against Japan broke out in 1937 Epstein rushed to the front where he did frontline reporting under enemy fire.

In 1938 he began to work with the China Defence League, a patriotic organization formed and led by Soong Ching Ling, and edited its newsletter, a publication which told the people of the world the truth about the anti-Japanese war, sought their support for

China, and gave support to their anti-fascist struggles.

In 1951 he was invited by Soong Ching Ling to help found *China Reconstructs*. Since 1979 he has been editor-in-chief of the magazine.

Epstein said that it was the Chinese people who nurtured him, educated him and gave him the opportunity for service—giving broad meaning to his life.

"In the years left to me I shall try to contribute more than I have hitherto to the progress and prosperity of the Chinese people, to the growth of friendship and equality among all people and to the great cause of socialism and communism," he said.

China Needs More Modern Technology

China needs more advanced foreign technology and equipment to boost its modernization pro-



Sweet Music for Peasants' Children

An invited music teacher gives a lesson to the children of Sijiqing (Evergreen) Village in the suburbs of Beijing. The peasants of the village have long been interested in entertainment and music, but in the past they could not afford a systematic music education. Now that they are prospering, they have organized a beginner's class for children. They hope their children and grandchildren can learn what they could not. Fifty children, aged 2 and a half to 5, joined the class.

gramme, according to Zheng Tuobin, newly appointed minister of Foreign Economic Relations and Trade.

Zheng told a recent national conference on technological imports that most of China's 400,000 enterprises need to be updated. More efforts are called for to expand co-operation in technology with other countries, with a view to importing equipment and techniques. This is particularly important for businesses trying to sell goods on the world market, said Zheng.

China began importing technology in the 1950s. According to incomplete statistics, about US\$15.3 billion worth of equipment and know-how for more than 1,600 projects has been imported over the past three decades.

Zheng said the country's open policy and domestic economic reforms have brought about a rapid growth in technological imports over the past three years.

He said that his ministry alone

examined and approved contracts for technological transfer involving US\$1.87 billion from 1982 to 1984. More than half of these projects were approved just last year.

Another 741 joint ventures were also approved last year, involving about US\$1.1 billion in foreign investment. This is a 466 percent increase over 1983. Co-operative projects involved another US\$1.5 billion, 195 percent higher than in 1983.

The power to examine and approve technological imports has now been decentralized, and rests with the provincial authorities. Some big corporations may even handle their own import decisions.

In Hubei Province, for example, authorities plan to import technology and equipment to update 237 projects. These cover a wide range, from light and heavy industries, communications, energy, minerals, electronics to agriculture and farm and sideline produce processing.

Around the Globe

Qian on Sino-Soviet Relations

Chinese special envoy and Vice-Foreign Minister Qian Qichen on April 22 said in Moscow that Chinese leaders were concerned about Sino-Soviet relations and sincerely hoped they could be improved on the basis of the Five Principles of Peaceful Coexistence. China had to be concerned about its own security, Qian said, adding that it had also noticed Soviet desires for a major improvement and hoped the Kremlin would do something in this regard. Qian was in Moscow attending the sixth round of consultations on normalizing Sino-Soviet relations. The talks, held from April 9-22, will resume in Beijing in October.

S. African Plot Condemned

A Chinese Foreign Ministry spokesman on April 20 denounced a South African plan for a transitional government in Namibia. Two days earlier, Pretoria announced the establishment of the new regime which will exercise limited autonomy. "This is a new plot aimed at further blocking Namibian independence in defiance of UN Security Council Resolution 435 on the Independence of Namibia, and an open challenge to the international community," he said.

China, Argentina Sign Nuclear Energy Pact

The agreement, signed on April 15, is expected to encourage and promote the co-operation between the two countries on the peaceful use of nuclear energy.

Democratic Kampuchea

10-Year Struggle for Independence

The Kampuchean people have waged a heroic struggle against the Vietnamese aggression during the past 10 years, and have won great victories in defending their national independence and sovereignty.

by **REN PING**

APRIL 17 is the 10th anniversary of the founding of Democratic Kampuchea. In that time, the Vietnamese have constantly waged an aggressive and provocative war against Kampuchea in order to piece together their Indochinese federation. However, the Kampuchean people have fought heroically for their national independence and sovereignty. To mark this occasion, the Chinese people wish to express their great respect for the patriotic Kampuchean army and people as they fight on the front lines against the Vietnamese invaders.

The Kampuchean people have travelled an arduous road. The Vietnamese authorities tried for many years to annex Kampuchea. After the anti-American war ended in 1975, Viet Nam sent its troops to occupy Pulo Wai. In September 1977 they launched a large-scale attack across the Kampuchean border, creating new conflicts. Then, in late 1978, the Vietnamese marshalled a force of more than 100,000 troops to occupy Phnom Penh. They set up the puppet regime of Heng Samrin in an attempt to legalize their occupation.

The Vietnamese invasion of Kampuchea has not only trampled upon the independence and sovereignty of Kampuchea, but has also threatened the peace, security and stability of the entire Asian and Pacific region. Because of their

actions, the Vietnamese have met resolute resistance from the Kampuchean people and suffered fierce denunciations from all over the world.

The Kampuchean people have strengthened and expanded their resistance during these years of hard struggle. Today, the patriotic Kampuchean forces, led by the coalition government headed by Samdech Norodom Sihanouk, have taken the anti-Vietnamese war to a new stage.

Although the Vietnamese captured some resistance bases along the Thai-Kampuchea border during their latest dry-season offensive, they now find themselves in a difficult position. Kampu-

Lebanon

New Clashes Lead Karami to Resign

Amid renewed factional fighting, the prime minister admitted his failure to achieve national unity and bowed out. The government crisis seems unsolvable any time soon.

by **YI MING**

"Beijing Review" News Analyst

THE resignation of Lebanese Prime Minister Rashid Karami on April 17 was the direct result of renewed factional conflicts in Beirut, the capital, and Sidon, the largest city in southern Lebanon. "What has happened is horrific nightmare," said Karami of the latest fighting between the dom-

chean forces are carrying out coordinated guerrilla operations inside Kampuchea. As a result, Viet Nam is bogged down in the quagmire of an unwinnable war.

The ongoing anti-Vietnamese struggle is a just fight against outside aggression. It is a battle for the national independence and sovereignty of Kampuchea, and will contribute to the maintenance of peace in Southeast Asia as well as in other parts of the world. Because of this, the Kampuchean people's struggle has received firm support from the Chinese people, and has won the sympathy and assistance of the international community.

Until the Vietnamese unconditionally withdraw all their troops from Kampuchea, the Chinese people will continue to support the Coalition Government of Democratic Kampuchea. This support will be maintained until the Kampuchean people are victorious in their patriotic struggle against Vietnamese aggression.

inant Shiite Amal militia and Sunni irregulars in west Beirut.

Immediately after the battle, which was reportedly the fiercest between the rival factions in more than a year, Karami, a Sunni Moslem, telephoned President Amin Gemayel to submit his resignation.

Earlier Karami and three other Moslem members of his cabinet announced they would boy-

cott cabinet meetings until moves were made to end Christian-Moslem bloodshed in Sidon.

The Sidon fighting began on March 18, a month after Israeli troops evacuated the area. Because of Israeli intervention, the situation got worse at the end of last month and the flames of war spread from the suburbs to the city proper. Two Palestinian refugee camps in the eastern suburbs were bombarded and more than 30,000 people had to flee.

Efforts by the government to send reinforcements to Sidon to disengage the warring factions ended in failure. The prime minister made up his mind to leave office.

The chaos in southern Lebanon is directly connected with the pull-back of Israeli troops, which is now in its second stage. The third and final stage is scheduled to be completed early in June. In March about 220 resistance attacks were launched against the occupation army in southern Lebanon, a big increase from the 50 in October 1984. In order to shield its withdrawing troops, the Israelis deliberately incited violence among the antagonistic factions, trying to draw their attention away from the Israeli retreat. The Israelis also attempted to move Christian residents from Lebanon's south, especially those north of the Litani River, to border areas, while forcing the Shiite inhabitants south of the Litani River northwards. Using the Christians to fend off attacks from the Shiites and Palestinians, the Israelis hope to establish a 50-km wide (18 mile) security zone along the Lebanese-Israeli border to protect its frontier after withdrawal.

While the Israelis are pulling out, the various factions in Lebanon are mustering all possible strength and watching for opportunities to expand their spheres of influence. The opposition faction in the Christian Phalangist Party,

with support from Israel, is eagerly hoping to draw close to the border, in order to preserve its strength.

This faction, headed by Samir Geagea, put forward a proposal to set up a federation or confederation or district based on a decentralized government. Karami rejected the idea as a cover to partition the country.

By provoking clashes in Sidon, the Christian opposition is also trying to bring pressure to bear on Gemayel from the south, and to consolidate its position to lay the foundation for further separate rule of administration.

After Karami tendered his resignation, Gemayel asked him to stay on as caretaker until a new government can be formed. Karami has agreed.

Karami's national unity government was formed a year ago with the aim of ending the 10-year civil war by uniting all the major sectarian factions and political organizations. The government did take some small steps forward during the past year, recovering some semblance of control over Beirut, re-opening the airport and harbour and beginning the long task of re-building.

Since Lebanon renounced the US-mediated Lebanese-Israeli ac-

cord on troop withdrawals in March 1984, any attempt to establish a pro-West, pro-Israeli Lebanon was dashed. Gemayel, a Christian, turned to Syria for help, hoping that Syria would use its influence over certain Moslem factions to bring reconciliation and unity to Lebanon. In the past year Syria has secretly moved to push the warring factions into compromise. However, this progress has been blocked by the recent clashes. And the emergence of an opposition group within the Phalangist Party has become another roadblock to efforts to stabilize the situation. The Phalangist opposition believes that the government has made too many concessions to Syria and to the Moslem factions, which could not endure.

Now the Phalangist opposition basically controls the country's northern Christian area and the eastern part of Beirut. The commander of the Lebanese forces in south Lebanon also expressed his support for the opposition. It is reported that Gemayel's armies lack the strength to check opposition activities, and official government forces can offer little help. Syria seems so far to be backing the president, but has had little impact on the opposition. Under these circumstances, many observers believe that the current political crisis cannot be resolved any time soon.

Latin America

Central America Hopes for Peace

Peace is budding in Central America, but its growth may be nipped by tense US-Nicaraguan relations.

by ZHU MANTING

A two-day meeting of representatives from the Contadora Group and the five Central American countries of Honduras, El Salvador, Costa Rica, Guatemala and Nicaragua ended April 12 with good omens for new pro-

gress towards peace in Central America. But US-Nicaragua relations were still tense, and threatened to destabilize the troubled region. While Washington and Managua argued over the "peace proposal" put forward recently by US President Ronald Reagan, the other Latin

American countries held a wide variety of views on the plan, and the area appeared to be approaching yet another delicate turning point.

Scheduled to open in mid-February, the Contadora meeting was postponed by a diplomatic quarrel between Costa Rica and Nicaragua. The Costa Ricans accused Nicaragua of violating laws of asylum by breaking into their Managua embassy in December to arrest a Nicaraguan student who took refuge there to escape recruitment. Costa Rica demanded the student's release before it would agree to participate in the Central American plenipotentiary meeting. Honduras and El Salvador sided with Costa Rica, adding to the delay.

The Central American countries did not want to see their peace efforts handicapped, however, and all expressed their support for the Contadora Group's efforts when the session failed to open on time. Nicaragua, hemmed in by both domestic and international difficulties, was even more eager for relaxation of the stalemate. Early in March, it handed the runaway student over to the ambassadors of the Contadoran countries, adding that it was willing to cooperate with the group. The Costa Rica government immediately responded with a request that the meeting take place. On March 16, the Contadora Group and the five Central American countries reached an agreement in Brasilia, setting the date for April 11-12.

The meeting's agenda concentrated on a system of international supervision for Central American security proposed by Honduras, El Salvador and Costa Rica. Disagreement on the issue largely prevented the Central American countries from signing a peace protocol last September. But this time the negotiations bore

fruit, although some disputes continued, and all the participants agreed to set up three committees to supervise the implementation of the peace agreements.

The complex problems of Central America, however, involve more than squabbles between the countries of the region themselves; they stem from the intervention and interference of the superpowers as well. Since the beginning of Reagan's second term, his administration has again taken a hard line in dealing with Nicaragua. The deterioration of US-Nicaragua relations constitutes a major source of instability in the region. At the beginning of this year, Washington broke off its two-way talks with Managua after nine sessions without giving a reason. Later, to help urge Congress to approve US\$14 million in assistance for Nicaraguan rebels, the Reagan administration levelled strong attacks on the Nicaraguan government. In order to improve relations with the United States, Nicaragua said on Feb. 27 that it was willing to dismiss some of its Cuban military advisors and delay the purchase of Soviet Mig fighters if Washington would return to the negotiating table. Nicaragua refused to budge, though, on its refusal to talk with the anti-government rebels. The United States sniffed at the

proposal, and accused Nicaragua of posturing on the issue. President Reagan later initialled his April 4 "peace advice," asking for an armistice between the Nicaraguan government and the rebels. He also called for negotiations to work out an agreement between them within 60 days, and popular elections under international supervision. In return, the US\$14 million in US assistance for the insurgents would not be used for military purposes. The plan was promptly turned down by Nicaragua. President Daniel Ortega sent letters to government leaders in the Contadora Group, Latin America and Europe, describing the Reagan move as an "ultimatum" that wantonly interfered in the internal affairs of his country. He also urged the Contadora Group to uphold the principles of non-interference.

Elsewhere in Latin America, there was a mixed response to the US proposal. Some said it showed some positive elements in asking both sides to cease hostilities, and signalled a thaw in the US stand. Other countries, particularly Cuba, termed the US move a heavy blow against the Contadora Group.

The group's April meeting did not mention the Reagan plan. But US-Nicaragua relations remain a thorny problem for its mediation efforts.

Greece

Conflicts Sharpen Election Tension

The conflict over the election of Greece's new president reflects tensions to come in the upcoming general election.

by ZHANG QIHUA

EARLY this month Greek authorities called a general election for June, four months ahead of schedule. In the wake of a narrow re-election victory for

the president and moves to modify the present constitution, politics in Greece have grown increasingly tense.

The current Greek parliament was elected in October 1981 when the Panhellenic Socialist Move-

ment (PASOK) defeated the ruling conservative New Democracy Party (NDP), occupying 172 of 300 seats. It was Greece's first postwar socialist government. The NDP, holding 115 seats, became the largest opposition party.

The two parties have very different political programmes, and often come into sharp confrontation. Although the PASOK government has failed to carry out the socialist campaign platform to the letter since it was formed four years ago, its domestic social reforms and its independent international policies are out of tune with the West-oriented policies adopted by the NDP. The struggle between the two parties has never ceased.

Both parties have made all kinds of preparations for the upcoming election. Prime Minister Andreas Papandreou reshuffled his cabinet for the fourth time last year and did his best to stimulate the Greek economy, which had been slack for several years. Meanwhile, Greece's busy diplomatic activities have been aimed at raising its international prestige. The PASOK hopes to use this to advantage by moving up the election.

The NDP also wants to hold the election as soon as possible, because party leaders think the situation favours them. They believe PASOK's policies have failed to win the support of Greek moderates, and a part of the constituency has lost confidence in the ruling party.

Last September the NDP called a national convention and picked a strong leader, Constantine Mitsotakis, to head the party. Having adjusted their policies and reorganized their associations, they believe the lax discipline plaguing the party over the past four years has disappeared.

The two parties have fought one another since the beginning of this year on the issues of re-

electing the president and modifying the constitution. The ruling party took the offensive first. The leader of PASOK declared on March 9 that his party would not support President Constantine Karamanlis, a member of the NDP, for another term of office. Instead, they nominated Christos Sartzetakis, a supreme court judge. On March 10 Karamanlis resigned. His mandate was due to expire May 15.

At the same time, PASOK insisted that the president's rights to dismiss the parliament and endorse referenda are harmful to the democratic parliamentary system. They put forward a draft to revise the constitution limiting the powers of the president.

Both their candidate and their draft met with strong opposition from the NDP. When Sartzetakis won 180 votes, the bare minimum the law demands, and was elected president on the third ballot, the NDP immediately pointed out that the 180 votes included one of the parliamentary speaker, who was filling in as head of state until a new president could be elected. They alleged the election was invalid and mobilized tens of thousands of people for a mass rally. By raising a no-confidence motion, they refused to acknowledge the lawful position of the president. On the first ballot, NDP parliament members also voted against revising the constitution.

Both parties hope to win a favourable position in the coming elections. The acute conflict between them makes the political situation before the election even more complicated.

Some Western observers believe PASOK is trying to boost the morale of the socialists and weaken the position and influence of the NDP, creating the conditions for a long party dynasty. But others say both the ruling and op-

position parties are very strong, and so other political parties and moderates will hold the balance in the battle for victory.

International Studies

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Dutch Foreign Minister Van Den Broek Speaks in Beijing

How China Develops Its Nuclear Weapons

The author, a marshal and one of the main leaders of the People's Liberation Army (PLA), was in charge of national scientific and technological development from 1956-66. This article, excerpted from his recently published memoirs, describes the tortuous course of China's atomic weapons development programme. The heading, footnotes and subheads have been provided by the editor. — Ed.

by NIE RONGZHEN

IN October 1956 the Party Central Committee was discussing work assignments for some leaders. One day Comrade Deng Xiaoping, then general secretary of the Party and vice-premier in charge of the daily work of the State Council, called on me. After inquiring about my health, he said, "In regard to the arrangement of your work, the Central Committee has decided on three plans for you to choose from: The first is to take over the scientific and technological work in place of Comrade Chen Yi,* because he has been transferred to a diplomatic post. The second is to take charge of Beijing, since you have experience in this field. Comrade Peng Zhen** is too busy, so the Central Committee is considering relieving him of the concurrent post of mayor of Beijing. The third option is to continue as head of the national defence and weaponry industry."

Taking Up the Post

I knew immediately what I wanted, and told him, "I don't wish to be a mayor, but I am quite interested in science and technology. Our country is too backward and badly needs to develop in this field. The national defence industry is closely related to science and technology, so I may as well hold this post concurrently in the future if possible. I'll leave it to the Central Committee to decide."



Nie Rongzhen.

Firm and straightforward as usual, Comrade Xiaoping immediately gave his consent, saying, "So that's settled." Not long after, I was appointed vice-premier of the State Council, in charge of science and technology.

Discussing With Moscow

In August 1956 Comrade Li Fuchun*** visited Moscow. Thinking it a good chance, we asked him to discuss the issue of technical aid for China's missile research with the Soviet government and to suggest that we send a delegation to negotiate. But the reply the following month was that the Soviets could only help China train personnel, and would accept just 50 students.

We were really in a quandary. According to the experts, it was no problem for Chinese engineers to design the propellers, shell bodies

and aeromechanics of a rocket like the US Honest John. The problem lay in the complicated electronics, appliances, precision instruments and sensitive meters. China's development in these areas could not meet the needs of sophisticated weapons.

Self-Reliance

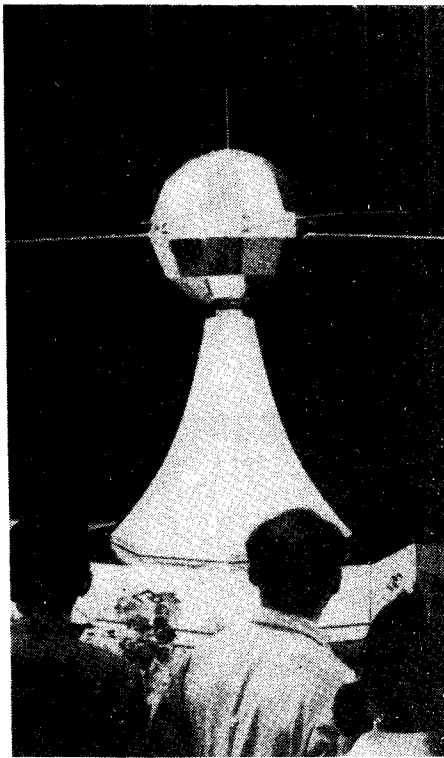
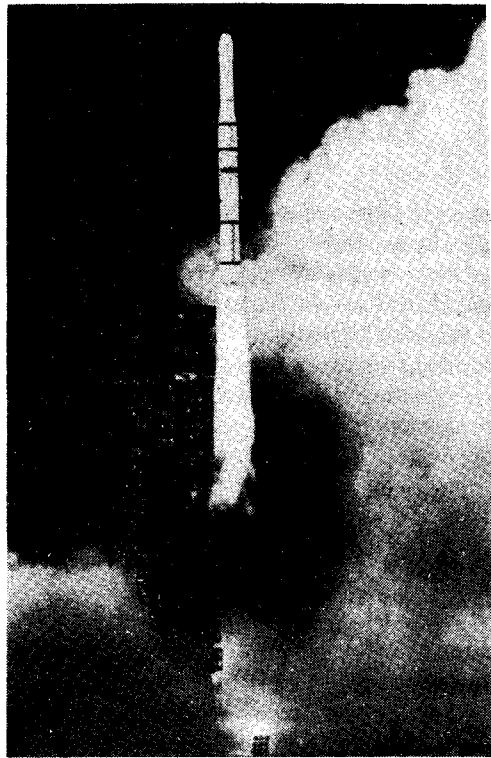
Considering the situation, I suggested to the Central Committee and the Central Military Commission that we start our own preparations for research to develop missiles, atomic bombs, new fighter planes and other sophisticated weapons, while striving to continue the negotiations with the Soviet Union, trying everything possible to get help. The Soviet government had agreed to train 50 missile specialists, and I said we should make the most of this chance. I also suggested that we try to purchase some components and instruments from the Western countries for our research. But this turned out to be impossible because of the limitations of the international environment at that time.

Today, if we review the course we took during our development of sophisticated weapons, we are convinced that the policy of relying mainly on our own efforts, while seeking external assistance as an auxiliary as determined by the Central Committee, was not only correct, but also vital. If we

* A PLA marshal and China's Foreign Minister from 1958 to 1967. Chen died in 1972.

** He was then a member of the Secretariat of the Central Committee and is now chairman of the Standing Committee of the NPC.

*** Formerly vice-premier of the State Council, died in 1975.



Right: China's first man-made satellite launched in 1970. Left: On April 8, 1984 China's first experimental telecommunications satellite was sent into orbit by large carrier rockets.

had relied solely on foreign aid or on purchasing foreign products for our weaponry, we wouldn't have made such quick achievements, our development would have become entirely dependent on others and would have made us vulnerable to outside manipulation.

Some Outside Aid

After October 1956 Soviet leader Nikita Khrushchov showed some signs of flexibility in offering technological aid. I thought it was a very good chance. I said to Comrade Zhou Enlai, "What do you think if we have another talk with them, asking them to give us a bit of help, send us some experts and provide some material and samples, while we go ahead with our own research?"

Zhou replied, "You should have a talk with the Soviet advisers first."

In July 1957 on the instructions

of Comrade Enlai, I called on I.V. Arkhipov, then the Soviet general adviser to China in charge of economics and technology. I told him we hoped his country would give technological aid to China's programme to develop sophisticated weapons. After listening to me, he said warmly, "I myself agree, and I'll give you the official reply when I get instructions from my government."

On July 20 we got the reply from Arkhipov: the Soviet government supported China's request. He was also authorized to announce that the Soviet Union agreed to receive a Chinese delegation in Moscow to negotiate the matter. I immediately reported this message to Comrades Mao Zedong and Zhou Enlai.

Negotiating for Technology

In September 1957, with the approval of the Party Central Committee, Chen Geng,* Song Ren-

qiong** and I led a delegation to Moscow to negotiate with our Soviet counterparts. The meeting lasted 35 days, and on October 15 we signed an agreement that the Soviet Union would aid China in such new technologies as rockets and aviation.

After its signing, the agreement was implemented smoothly through 1957 and 1958. Although the Soviets only supplied us with a few outdated missiles, airplanes and material samples of other military equipment, along with the relevant technological material and some experts, all these won us time and enabled us to narrow the gap between our weapons technology and that of the advanced countries.

However, even this help didn't last long.

Development Stalled

During the enlarged conference of the Political Bureau of the Party Central Committee held in Shanghai in January 1960, I made a special report to the Central Committee about Sino-Soviet co-operation in science and technology during which I pointed to the unreliability of Soviet aid. The Soviets wanted to leave China at a stage where we could only replicate what they made, keeping us dependent and several steps behind their own development.

By August 1960 the Soviets had withdrawn all their technical experts from China.

Three Suggestions

In the light of the deterioration in Sino-Soviet relations, on July 3, 1960 I wrote a report to the Central Committee and Comrade

* A general and vice-minister of national defence, he died in 1961.

** Now a member of the Political Bureau of the Party Central Committee.

Mao Zedong, putting forward three suggestions:

1) It is irritating that the Soviets keep us in check on the key points of important technologies, but it is no use being indignant. We must prove our worth. Their actions may eventually turn out to be the impetus for us to develop our own science and technology, and may spur us to more resolutely carry out the policy of self-reliance in science and technology, instead of depending on foreign aid. (Comrade Enlai annotated my report "Independence, self-reliance and based at home.")

2) New methods should be adopted in future exchanges of science and technology. We should inquire about the items in the agreement when they are due to be delivered and we still want them. If the Soviets refuse, we will not press them again but will keep an account. We will not make new requests beyond the agreement.

3) Maintaining independence and basing ourselves at home in no way means isolating ourselves.

Ask, Learn, Buy

Comrade Enlai wrote on my report, "As regards science and technology, four approaches can be applied. First, to request. It is still necessary to make requests for what is badly needed, but if they refuse, we won't press them. Second, to learn. Exchange students, trainees and postgraduates who are already there must study hard. If they don't teach us, we won't insist that they do. It is necessary to send people to learn from the experts already in our country, but if they won't teach, we will not insist. Third, to buy. All purchasable important technological material should be bought from Western capitalist countries by all possible means. Fourth, to study creatively. No matter whether we succeed or fail in requesting, learning and buying or how much we can

request, learn and buy, we have to depend on ourselves to study creatively. If we fail to do this, we won't be able to have any unique inventions or discoveries, nor can we put into use or further develop what we have obtained by request, learning or purchase."

Because Mao Zedong, Zhou Enlai and other leading comrades of the Central Committee had always supported scientific research, they soon approved my suggestions.

There are always two sides to everything. The withdrawal of Soviet experts forced us to more quickly enter a new stage of independent scientific research, with good results. It marked a turning point in the history of our scientific research. On this point Comrade Mao Zedong once said humorously, "Khrushchov should be awarded a one-ton medal."

Pushing for Sophisticated Weapons

By the early 1960s we had achieved much in science and technology, but were also facing great difficulties caused by three years of natural disaster, policy mistakes, and the loss of all Soviet aid, precipitated by the Khrushchov leading group.

In light of these problems, we were not sure if we should continue our scientific research projects and try to manufacture sophisticated weapons, especially missiles and atomic bombs. It was a difficult decision.

Some people held that since times were hard, the development of a modern national defence should be slowed down.

As for me, my opinion was always clear. To get rid of imperialist bullying, which China had suffered for more than a century, we had to develop these sophisticated weapons. At least then, we could effectively counterattack if

China were subject to imperialist nuclear attack.

Mao's Guidance

At this crucial moment Comrade Mao Zedong, then in Hangzhou, asked his secretary to tell me his opinion by phone, which was formed after studying my report. Mao said that China's industry and technology was a far cry from those of Japan. Our guiding principles were worth discussing, and he said he would have a talk with us in August.

Mao's opinion paved the way for solving the heated dispute. We finally came to some decision, and as a result, our scientific research continued with quick results.

After hearing Mao's opinion, I immediately called comrades together from the Commission of Science and Technology for National Defence, the Missile Research Institute, and the Second Machine-Building Industry Ministry, who were then attending a meeting in Beidaihe, to discuss Mao's opinion and analysed exactly where China stood in sophisticated weaponry.

Our Decision

It is an established fact that China had no sophisticated weapons at all before 1958. But in the three years between 1958 and 1961 we made considerable progress. Everyone at the meeting agreed that with persistent efforts to tackle key scientific and technological problems, backed by correct policies and measures, it was entirely possible for us to make breakthroughs in sophisticated weapons in three to five years, or a bit longer.

Party Support

We reported our findings and our determination to produce sophisticated weapons to the Par-

ty Central Committee. Mao Zedong, Zhou Enlai and other leaders of the Central Committee all agreed with our analysis. Comrade Chen Yi said that even if we had to pawn our pants, China was still determined to make its own sophisticated weapons. He told me humorously many times that as foreign minister he still felt he couldn't straighten his back. If China could make the missiles and atom bombs, then he would have strong backing. The Party leaders' determination and Chen Yi's clear support greatly encouraged us.

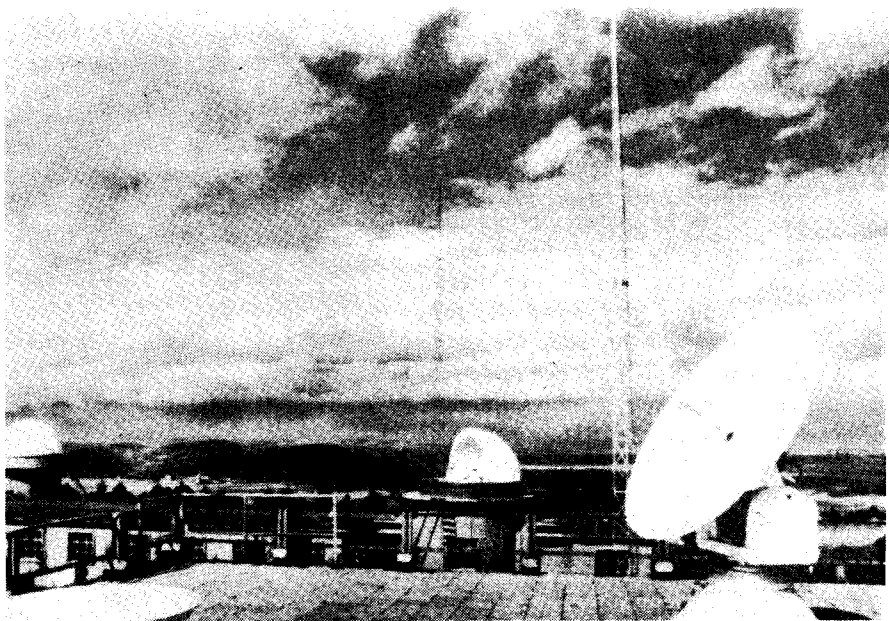
Focus and Priorities

After repeated discussion, we decided, first of all, that the course of scientific research should be shortened by focusing on key problems, while readjusting our policies on science, technology and intellectuals. Overextended course of scientific development would make everything impossible. So our principle was to shorten our course by arranging our tasks to ensure the solution of key problems. We emphasized scientific research over production and advanced weapons over conventional ones.

In our missile programme, we were mainly interested in developing medium- and long-range surface missiles. We strove to develop the medium-range missiles in about three years and the long-range ones in five years or more.

We also did some research on surface-to-air missiles. We were interested in them because at that time the Taiwan authorities often flew U2 pilotless high-altitude reconnaissance planes over the mainland.

In the nuclear field we were working both on building nuclear fuel plants and on studying, designing and manufacturing atom bombs. We planned to make a bomb in about four years.



Chinese-made radar and other equipment track carrier rockets.

Seven Necessities

In addition we kept up our work on raw materials, precision instruments and meters and large equipment. Actually, development went quickly in this field. I often said to comrades who worked alongside me, "How can we get along without fuel, rice, oil, salt, soy sauce, vinegar and tea—the seven chief daily necessities? In my view, new raw materials, precision instruments and meters and large equipment are as important to the national defence industry as the chief daily necessities are to a family."

Later, my remarks were widely circulated, and the "seven daily necessities" became synonymous for the materials and equipment we needed.

If we hadn't unified our thinking and clearly ordered our priorities in this way, China's modern national defence programmes would never have gotten off the ground.

The First Test

After several years of hard work, we were successful first with the missiles and rockets, and

then with atomic and hydrogen bombs.

On October 16, 1964 China exploded its first atom bomb. The event excited everybody in China. Comrade Zhang Aiping, who is now defence minister, personally organized and directed the test on the spot. Working day and night on the Gobi Desert, hundreds of scientists and engineers, together with thousands of ordinary workers and security personnel, overcame numerous difficulties to prepare the explosion.

On the day of the test, Comrade Zhou Enlai and I waited by a phone in Beijing for news from the site, keeping in close touch with Comrade Zhang Aiping. The "zero hour" for detonation had been set for 3 p.m., Beijing time. On hearing the news of the bomb's success, we were overjoyed.

Exciting Moment

The next day the Standing Committee of the Second National People's Congress held its 127th meeting at the Great Hall of the People to hear our report about the successful atom bomb test. Some leaders of the units involved and noted scientists were also invited.

Report on the Execution of the State Budget for 1984 and on the Draft State Budget for 1985

(Excerpts)

(Delivered on March 28, 1985 at the Third Session of the Sixth National People's Congress)

Wang Bingqian

State Councillor and Minister of Finance

I. Execution of the State Budget for 1984

WITH the sustained, steady and harmonious development of the national economy, the country's financial situation continued to improve, with a considerable increase in state revenues. The 1984 state budget was overfulfilled.

According to present estimates, total state revenues in 1984 stood at 146.5 billion yuan and total expenditures at 151.5 billion yuan, showing a deficit of 5 billion yuan. It will be made up by an overdraft from the People's Bank of China after the final accounts are worked out.

Of the total revenues for 1984, domestic receipts amounted to 143 billion yuan, or 111.1 percent of the budgeted figure; foreign loans came to 3.5 billion yuan, or 68.6 percent of the budgeted figure. The essential breakdown is as follows:

(1) Tax receipts totalled 93.787 billion yuan, or 115.8 percent of the budgeted figure. The increase was mainly attributable to the rapid growth of industrial and agricultural production, expanded commodity circulation and improved tax administration. Another contribution factor was additional tax payments by state enterprises following

the start, in 1984, of the second phase of our reform to replace their profit deliveries with taxes.

(2) Receipts from enterprises totalled 25.98 billion yuan, or 87.1 percent of the budgeted figure. Apart from a portion of enterprise profit being delivered to the state as tax payments, the shortfall was due to increased state price subsidies for grain and cotton purchases which considerably surpassed the plan owing to another rich harvest last year.

(3) The portion of basic depreciation funds of enterprises turned over to the central financial authorities reached 2.661 billion yuan, or 115.7 percent of the budgeted figure.

(4) Receipts from state treasury bonds totalled 4.15 billion yuan, or 103.8 percent of the budgeted figure.

(5) Funds collected for the construction of key energy and transport projects amounted to 11.952 billion yuan, or 149.4 percent of the budgeted figure. They were paid out of extra-budgetary funds according to set ratios. This remarkable overfulfilment of the quota was due to a fairly marked increase in extra-budgetary funds last year and the eagerness of localities and departments to contribute funds in active support of the country's key construction projects.

Of the total state expenditures in 1984, those appropriated from domestic funds amounted to 148 billion yuan, or 112.3 percent of the budgeted figure; and appropriations funded with foreign loans for capital construction amounted to 3.5 billion yuan, or 68.6 percent of the budgeted figure. The essential breakdown is as follows:

(1) Budgetary expenditures for capital construction totalled 47.859 billion yuan, or 108.4 percent of the budgeted figure. Overspending was mainly due to greater investment in energy and transport and in infrastructure to undertake more key construction projects and meet the needs of opening to the outside world.

(2) Funds to tap enterprises' potential, finance their technological transformation and subsidize the trial manufacture of new products totalled 9.826 billion yuan, or 132.6 percent of the budgeted figure. The expenditure was far more than budgeted because additional allocations were made to further strengthen enterprises' technological transformation and progress.

(3) Expenditures to aid rural production and other operating expenses for agriculture totalled 9.438 billion yuan, or 116.5 percent of the budgeted figure. Apart from additional allocations provided by the central financial authorities to aid the fight against natural calamities, overspending was due mainly to additional outlays for agriculture that localities made out of their own reserve funds.

(4) Operating expenses for culture, education, science and public health services totalled 26.343 billion yuan, or 112.1 percent of the budgeted figure. During the year, the central and local financial departments, which attach great importance to developing cultural, educational, scientific and public health undertakings, considerably increased allocations for these categories in keeping with revenue increases.

(5) Expenditures for national defence accounted for 18.073 billion yuan, or 101.1 percent of the budgeted figure.

(6) Administrative expenses amounted to 12.077 billion yuan, or 144.1 percent of the budgeted figure. Apart from additional expenses for the continued strengthening of public security, judicial and procuratorial work, the considerably increased expenditure was mainly due to a lack of strict controls over the authorized size of administrative departments leading to marked increases in staff members and, correspondingly, more wage payments and administrative spending.

II. The Draft State Budget for 1985

The state budget for 1985 has been drawn up according to the following guidelines: Work hard to explore new financial sources and increase revenue on the basis of expanded production and improved economic efficiency; satisfy the needs of the key construction projects and the economic structural reform, of the continued development of cultural, educational and scientific undertakings and of the continued improvement in the people's living standards to the extent of our actual capability; and, strictly control expenditures and ensure a sustained basic balance between revenue and expenditure through better overall balancing and financial management.

The draft state budget for 1985 projects total revenues at 153.5 billion yuan and total expenditures at 156.5 billion yuan, for a deficit of 3 billion yuan.

Total budgeted revenues for 1985 are 7 billion yuan, or 4.8 percent over estimated 1984 figure. After deducting 3.5 billion yuan in foreign loans, there will be 150 billion yuan in domestic receipts.

Due to changes in revenue mix following the start of the second phase of the reform to replace profit delivery by state enterprises with their tax payments and following the reform of the industrial and commercial tax system, it has been necessary to adjust items of budgetary revenue according to the new itemization. Thus the essential breakdown for 1985 revenues is now as follows: (1) Tax receipts will be 162.18 billion yuan; (2) Receipts from enterprises amount to 4.284 billion yuan (mainly profits turned in by the small number of state enterprises not yet covered by the second phase of the reform to substitute tax payments for profit delivery, as well as contracting charges collected from small state enterprises); (3) Receipts from state treasury bonds will reach 6 billion yuan; and (4) Construction funds collected for key energy and transport projects will come to 12 billion yuan. Moreover, subsidies for enterprise losses and price adjustments will form a separate item, totalling 39.422 billion yuan. These subsidies are covered by deductions from the budgetary state revenue and have thus been subtracted from the latter total.

According to the draft 1985 plan for national economic and social development, total industrial and agricultural output value is to increase by 7.4 percent over last year. Why, then, are total budget-

ary state revenues for 1985 to increase by a mere 4.8 percent? This is because some established policy measures call for deductions for state revenues, which have already been entered into the 1985 budget. These policy measures include the following: That part of enterprises' basic depreciation funds formerly turned over to the central financial authorities will be retained by the enterprises for their own use, beginning this year. With this year's wage reform, there will be an increase in the state enterprises' total payrolls. Moreover, the 50 percent of increased wages borne by the enterprises since their wage adjustments in 1983 will be completely provided by the state, also beginning this year. These two policy measures involve more deductions from budgeted state revenues. Some flexible policy measures were adopted last year when we began the second phase of the reform to abolish state enterprises' profit delivery in favour of tax payments. Also, to support the technological transformation of some big enterprises, certain financial and tax allowances will have to be made. All the above mean a total cut of over 8 billion yuan in state revenues. Calculated in terms of comparable factors, however, this year's state revenues will increase by 15 billion yuan, or 10 percent, over last year.

Total budgeted expenditures for 1985 will increase by 5 billion yuan, or 3.3 percent, over last year. The essential breakdown is as follows: (1) Budgetary appropriations for capital construction total 48.363 billion yuan, an increase of 1.1 percent over 1984. (2) Funds to tap enterprises' potential, finance their technological transformation and subsidize the trial manufacture of new products total 5.26 billion yuan, 46.5 percent less than in 1984. (3) Allocations for geological prospecting come to 2.75 billion yuan, a rise of 5 percent over last year. (4) Expenditures to aid rural production and other operating expenses for agriculture total 9.4 billion yuan, equalling the 1984 figure. (5) Appropriations for urban construction

and maintenance projects and for civil air defence come to 5.45 billion yuan, or 33.5 percent over the 1984 item. An urban construction and maintenance tax will be levied this year and the receipts will be earmarked for this special purpose. (6) Operating expenses for culture, education, science and public health services total 29.3 billion yuan, up by 11.2 percent over the 1984 figure. (7) Expenditures for national defence account for 18.67 billion yuan, or 3.3 percent over 1984. (8) Administrative expenses come to 11.9 billion yuan, 1.5 percent less than in 1984. (9) Expenditures for repaying principal and interest on foreign loans total 2.8 billion yuan, up by 23.2 percent over the 1984 figure. (10) Allocations for general reserve funds come to 1.5 billion yuan, of which 0.5 billion yuan is at the disposal of the central authorities. (11) Meat price subsidies will total 2.2 billion yuan.

Here, I would like to explain some aspects of the expenditures projected in the 1985 state budget: First, budgetary expenditures are only slightly higher than the estimated figure for last year mainly because, taking into account the somewhat excessive currency issue and the rising trend of commodity prices in 1984, we have to help maintain economic stability by controlling state expenditures and reducing the deficit. Second, to ensure reform of the wage and price systems, the state financial departments will allocate more funds this year through revenue deductions or appropriations under the heading of expenditure. Therefore, with the exception of expenditures for key construction projects and for culture, education, science and public health services, we will have to cut by a certain extent expenditures for other purposes. Third, wage reform in government departments and institutions this year calls for an increase of upwards of 3 billion yuan in expenditures, which has been incorporated into the aforesaid budgeted expenditure items in accordance with the reform programme.

Report on the Draft 1985 Plan for National Economic and Social Development

(Excerpts)

(Delivered at the Third Session of the Sixth National People's Congress on March 28, 1985)

Song Ping

State Councillor and Minister in Charge of the State Planning Commission

IN November 1984, the State Council drew up the draft 1985 plan for national economic and social development to meet the needs of the comprehensive fulfilment of the Sixth Five-Year Plan (1981-85) and to keep pace with the new developments in our economy.

I. Implementation of the 1984 Plan

New and significant successes were achieved in our national economic and social development in 1984. Outstanding among them are the substantial growth of agriculture, light industry and heavy industry and the simultaneous increase of production, construction and people's incomes. The major achievements are as follows:

First, industrial and agricultural production witnessed sustained expansion with the output of major products reaching a new high. Total agricultural output value came to 330.3 billion yuan in terms of the 1980 constant prices, representing an increase of 14.5 percent over the preceding year. Grain output went up by 19.84 million tons over the 1983 increase of 32.78 million tons, reaching a total of 407.12 million tons. Cotton output came to 6.077 million tons, 1.44 million tons more than in 1983. The output of oil-bearing crops, jute, ambary hemp, mulberry silkworm cocoons, pork, beef and mutton and aquatic products all surpassed the planned targets, reaching all time highs. The rural economy as a whole was thriving with diversified economy expanding steadily, various kinds of specialized households, economic associations and

town- and township-run enterprises springing up everywhere, and commodity production growing rapidly.

The total value of industrial output came to 703 billion yuan, an increase of 14 percent over 1983, with the output value of light industry rising by 13.9 percent and that of heavy industry by 14.2 percent. Of the targets for 100 major industrial products in the state plan, those for 89 were fulfilled or exceeded. Coal output reached 772 million tons, a growth of 57 million tons, or 8 percent over the previous year; of this the output of coal mines under unified central control rose by 4.2 percent and that of local small and medium-sized ones by 12.3 percent. Crude oil output was 114.53 million tons, an increase of more than 8 million tons or 8 percent. There were also considerable increases in the output of most textiles and other light industrial goods, especially television sets, tape recorders, household washing machines and refrigerators, which grew by 45 to nearly 200 percent. Considerable increases were also registered in the output of such heavy industrial products as rolled steel, cement, plate glass, automobiles, walking tractors and power-generating equipment. Of the targets for 65 major industrial products in the Sixth Five-Year Plan, those for 43 were fulfilled one year or two years ahead of schedule. Better economic results were attained in industrial production.

The railway, road and water transport, civil aviation and postal and telecommunications departments all exceeded their plans. The total volume of railway freight amounted to 1,212 million tons, up by 4.4 percent over 1983; the total volume of freight by ships belonging to the Ministry of Com-

munications reached 170 million tons, an increase of 8.3 percent; and the total volume of postal and telecommunications services increased by 12 percent.

Second, work on key construction projects was further improved and technological transformation of enterprises was speeded up. Investment in capital construction for state-owned enterprises came to 73.5 billion yuan, a growth of 14.1 billion yuan or 23.8 percent over 1983. Of this, investment in the energy industry rose by 25.1 percent and that in transport and postal and telecommunications services by 34.2 percent, both registering a further increase in their proportion of the total investment budget. Investment in cultural, educational and public health undertakings and in scientific research rose by 30 to 50 percent or more, also with an increased proportion in the total investment budget. One hundred and two large and medium-sized projects and 132 single items in large and medium-sized projects were completed and commissioned. The capacity of coal mining increased by 18 million tons and that of oil production by 13 million tons while installed capacity of power-generation expanded by 3.5 million kilowatts. Five hundred and eighty kilometres of railway were double-tracked and opened to traffic, and 695 kilometres of electrified railways were built and put into operation. Investment in equipment renewal and technological transformation and other undertakings was 42.5 billion yuan, an increase of 6.7 billion yuan or 18.8 percent over the preceding year. A number of key enterprises are making fairly rapid progress in technological transformation.

Third, the urban and rural market was more thriving than ever and the total volume of retail sales increased by a big margin. Total volume of retail sales of commodities came to 335.7 billion yuan, a rise of 50.8 billion yuan or 17.8 percent over the previous year, representing the biggest annual increase ever. Sales of woollen fabrics, knitting yarn, wristwatches, television sets, electric fans, tape recorders, washing machines and refrigerators and other medium- and high-grade goods and other durables increased anywhere from 24 to 130 percent.

Fourth, new records were set in foreign trade and notable progress was made in the use of foreign funds and the introduction of technology. According to customs statistics, the total volume of imports and exports reached 120.1 billion yuan, a 39.7 percent increase over 1983, or 19.6 percent after allowing for price and currency exchange rate fluctuations. With the growth of domestic industrial and agricultural production and the increase of invest-

ment in fixed assets, there were further changes in the structure of import and export commodities. Grain imports were reduced and cotton exports exceeded imports. There were considerable increases in the imports of new technology, rolled steel, chemical fertilizers, raw materials of chemical industry and timber. Progress was achieved in running joint ventures using Chinese and foreign investments, with the amount of foreign funds actually used far larger than the previous year.

Fifth, successes were scored in science and technology and in the training of qualified personnel, and progress was made in culture, public health, and sports. Ten thousand scientific and technological achievements throughout the country were granted awards by the departments concerned under the State Council and by the people's governments of the provinces, autonomous regions and municipalities. The extensive application of a large number of scientific and technological achievements to production and construction enormously enhanced industrial and agricultural production and the technological progress of enterprises. Colleges and universities throughout the country enrolled a total of 475,000 students, an increase of 84,000 over the previous year, registering a record high since the founding of New China and reaching in advance the target set for 1985 in the Sixth Five-Year Plan. The number of hospital beds in the country increased by 58,000, remedying the situation in which state plans were unfulfilled for two years running. Continued progress was made in literature, art, the cinema, television, broadcasting, the press, publishing and the protection and excavation of historical relics. Tremendous and inspiring successes were scored in sports.

Sixth, the people's income further increased and their standard of living continued to rise. The total number of workers and other employees reached 118.24 million in 1984, an increase of 3.09 million over the previous year; and the total payroll reached 111.2 billion yuan, an increase of 19 percent. A sample survey of family income and expenditure showed that the annual per-capita outlays of the families of workers and staff on personal living expenses averaged 608 yuan, representing an increase of 12.5 percent after adjustment for the rise in the cost of living index; the per-capita net income of the peasant families reached 355 yuan, a 14.7 percent increase over the previous year. Urban and rural savings deposits amounted to a total of 121.5 billion yuan at the end of 1984, an increase of 36 percent over the same period in the preceding year.

However, there are still some problems that merit our attention. They are mainly as follows:

First, energy and transport, especially the electrical power supply and railways remain strained, and the shortage of raw and semi-finished materials is becoming ever more acute. An important reason for these problems lies in the fact that some units blindly seek excessively high growth rates in disregard of the availability of energy supplies and transport services and the actual needs of the market.

Second, the structure of industrial production and the mix of manufactured products fail to keep pace with changes in consumption patterns. Despite the high growth rates of agricultural and industrial production, the disparity between market supply and demand is still acute. Some poor-quality, high-priced and low-grade consumer goods are in much greater supply than needed and hence overstocked. On the other hand, the supply of many brand-name, high-quality, medium- and high-grade manufactured consumer goods and some non-staple foodstuffs falls short of demand, and such goods are often out of stock. A similar situation exists with the means of production where supply fails to meet demand.

Third, consumption funds have increased much too quickly and the scale of investment in fixed assets is still on the large side. In violation of state regulations, many units have indiscriminately raised wage grades, issued bonuses and allowances in cash or in kind and failed to hand in above-quota bonus taxes as required. Bank disbursements to cover wages and bonuses in 1984 increased by 22.3 percent over the previous year, far surpassing the 12 percent growth rate of national income. The total amount of fixed asset investment, which increased to a limited extent in 1983, registered an increase of 21.8 percent in 1984, mainly due to the significant increase in investment funds from bank loans and investment funds raised by localities and enterprises themselves. All this led to the excessive amount of currency being put into circulation in the year and to price increases for some goods.

II. Tasks and Main Targets Set In the 1985 Plan

The tasks set for economic work in 1985 are colossal, and there are three important matters that have to be properly dealt with simultaneously. First, pricing reform is to be initiated; second, the wage system is to be gradually reformed; and third, key construction projects and the technological transformation of enterprises are to be kept on an appropriate scale in order to ensure all-round fulfillment of the Sixth Five-Year Plan and make neces-

sary preparations for the Seventh Five-Year Plan (1986-90). The successful handling of these matters will help correct major economic relationships, bring all positive factors into play and effect a virtuous circle in our economic development.

The following are the specific tasks and major targets set in the draft 1985 plan for different trades and professions:

1. Strive to raise economic efficiency and, on that basis, work for sustained growth of production.

In 1985, the total output value of industry is to increase by 8 percent over last year and that of agriculture (including village industry) by 6 percent.

In rural economic development, we are faced with new problems such as readjusting the structure of production, further rationalizing the geographical distribution of agriculture, improving the quality of agricultural products and developing the processing and comprehensive utilization of farm and sideline products locally or close to where they are produced. In the course of readjusting crop patterns, we should by no means relax our efforts for grain production just because of progressive big increases in grain output over the years. Grain output should be further increased both in the grain producing areas and the commodity grain bases. Production in farming, forestry, animal husbandry and aquaculture should cater to the demand on both the domestic and world markets. The feed industry should be expanded to promote animal husbandry and aquatic production.

Although efficiency of industrial production has been improved in recent years, there is much room for improvement. In 1985, we should concentrate our efforts on the following two aspects. First, we should vigorously develop new products, increase the variety and improve the quality of goods so as to meet consumers' needs. Second, we should try to further reduce the consumption of fuel and electricity, conserve raw and semi-finished materials, and make use of substitutes and stockpiled and waste materials. Efforts should be made to reach or even exceed the planned 5 percent growth rate for per-capita labour productivity in industrial enterprises.

Total coal output is to reach 790 million tons. Of this, 400 million tons, a mandatory target, is to be produced by those mines whose products come under unified state distribution. The total volume of railway freight of coal is to reach 506 to 515 million tons, of which 392.7 to 396.7 million tons are produced by the above-mentioned mines.

The draft 1985 plan set the output of electricity at 396 billion kwh.

2. Set the amount of investment in fixed assets at an appropriate level, and conscientiously implement the policy of stressing the technological transformation, renovation and expansion of the existing enterprises.

Total investment in capital construction is set at 80 billion yuan in the draft 1985 plan. Of this, 36.1 billion yuan (including 2 billion yuan from local financial resources) will come from bank loans in place of state budgetary allocations, 8.6 billion yuan will come from other bank loans, 10 billion yuan from foreign investment, 17.6 billion yuan from funds provided by various localities, departments and enterprises, and 7.7 billion yuan from other sources. The investment derived in the form of bank loans in place of state budgetary allocations and the investment derived from other bank loans are to be used mainly for ensuring the success of key construction projects in the fields of energy, especially electricity, and of transport and raw and semi-finished materials. In 1985 we plan to install additional electrical power generators with a generating capacity of 5 million kilowatts and to increase coal extraction capacity by 15 million tons.

The draft plan requires that of the total investment allocated for large and medium-sized construction projects in 1985, 54 percent be devoted to the renovation and expansion of existing enterprises and 44 percent to new construction projects. Among the latter, 92 percent are those already under construction.

The 1985 plan allocates 36 billion yuan for technological transformation.

3. Adapt the method of unified state distribution of materials to new developments resulting from an invigorated economy.

In 1985 most of the newly added materials earmarked for unified state distribution will be used to meet the increased needs of national key construction projects and mandatory production projects. As for routine projects, material supplies will be kept at the 1984 base figure, or lower in some cases. Local authorities, departments and enterprises will make up the shortages, if any, through market regulation.

4. Enliven urban and rural markets to cater to the people's improved standard of living.

The total volume of retail sales of commo-

ties in 1985 is expected to reach 378 billion yuan according to the draft plan. Therefore, an important task for 1985 is to actively adjust the product mix of textile and other light industries and increase the output of textile products, household appliances, brand-name bicycles and foodstuffs to suit people's changing consumption patterns. Commodities in stock for domestic and foreign trade should be reduced and some commodities that fall short of the market demand will be imported to boost the market supply, in accordance with state plan.

5. Open further to the outside world and promote economic and technological co-operation and exchange with foreign countries.

The total volume of imports and exports for 1985 is planned to reach 126.5 billion yuan. We must work better in opening up the four special economic zones, the 14 coastal port cities and the Hainan Island, and in developing the Changjiang (Yangtze) River delta, the Zhujiang (Pearl) River delta and the triangular area in southern Fujian Province into open coastal economic zones.

6. Redouble our efforts to develop intellectual resources and expand our endeavours in the fields of science, education, culture, public health and sports.

III. Carry on Structural Reform, Improve Macromanagement

In accordance with the decision made at the Third Plenary Session of the 12th Party Central Committee, the restructuring of the national economy with the focus on the cities will be carried out gradually in 1985. This will require the introduction of the reform of the planning system in addition to the reforms of the price and wage systems.

In the reform of the planning system, we should exercise effective control over major issues while allowing flexibility for minor ones. Mandatory planning will be applied to products that have a vital bearing on the national economy and people's welfare and must therefore be allocated and distributed by the state, as well as to economic activities that affect the overall interest. Other products and economic activities which are far more numerous should either come under guidance planning or be left entirely to market regulation, as the case may be.

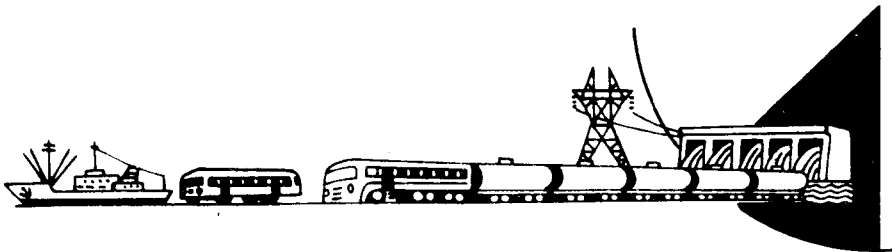
According to the provisional regulations for

improving the planning system, the kinds of manufactured products covered by the mandatory planning of the State Planning Commission will be reduced from 123 to over 60; there will be a corresponding decrease in the number of manufactured products covered by the mandatory planning of the departments and the provinces, autonomous regions and municipalities; and the number of varieties of materials earmarked for unified distribution by the State Planning Commission and the State Bureau of Materials and Equipment will decrease from 256 to 65. In narrowing the scope of mandatory planning and correspondingly broadening the scope of guidance planning, we should exercise stricter control over guidance planning, and specific measures and

necessary statutes and regulations to this effect should be gradually formulated.

We must improve our management of the macroeconomy lest we lose control while carrying out the reforms and the open policy and invigorating domestic economy.

1. Exercise more efficient control over credit and loans and currency.
2. Keep a tight grip on funds for consumption.
3. Keep the scale of investment in fixed assets under control.
4. Strengthen control over foreign exchange.
5. Enforce strict financial discipline and eliminate unhealthy practices.



When Comrade Zhou proclaimed the good news, our eyes were moist with tears. Those present burst into long, thunderous applause. We warmly celebrated the great success.

We also hailed the significant achievements we had made by relying on our own efforts. The superpowers' nuclear monopoly and their attempts at atomic blackmail had failed. The Chinese people would never submit to nuclear pressure. It was also a great victory for the Party's line of self-reliance. The facts clearly showed that the Chinese people had high goals, and were able to achieve what others had. Those who were present will never forget the excitement of that day.

Testing Missiles

On October 25, 1966 I was on the scene for the first time to

direct a nuclear missile test. It was a somewhat risky assignment, because if by any chance the nuclear warhead exploded prematurely, fell after it was launched, or went beyond the designated target area, the consequences would be too ghastly to contemplate.

To encourage confidence and ensure complete safety, I made up my mind to direct each test on the spot. I first went to the missile launching base to hear detailed reports from experts beneath the launcher and in a monitoring station.

It was there that I witnessed the successful launching of China's first nuclear missile. After the launch, I went to the atom bomb test base to see the results of the explosion at the designated target. The missile was deadly accurate.

I was proud of our country, which had long been backward but now had its own sophisticated weapons.

Hydrogen Bombs

On June 14, 1967 I directed China's first hydrogen bomb test. The United States and the Soviet Union spent 10 years in developing hydrogen bombs from atom bombs, while China needed only three years.

Today many facts have shown that the development of missiles and atomic bombs has brought many advances to China's economic development. New kinds of raw materials, advanced instruments and meters and large equipment can be produced in quantity. New production units in the most advanced branches of science would never have come into being without this programme. □

Firm Support for Palestinians' Just Struggle

The Tenth United Nations Seminar on the Question of Palestine was held in Beijing on April 22-26. Experts and scholars from 14 countries and representatives of the Palestine Liberation Organization, the Committee on the Exercise of the Inalienable Rights of the Palestinian People, international organizations and governments attended the seminar. Vice-Chairman of the National People's Congress and Chairman of its Foreign Relations Committee Geng Biao gave an opening address on April 22. The following are excerpts from his speech. — Ed.

by **GENG BIAO**

THE UN-sponsored Seminar on the Question of Palestine begins in Beijing on April 22. The purpose of this seminar is to mobilize public opinion in the world to support the just cause of the Palestinian people and to explore ways and means for a just settlement of the Palestinian question. This is a lofty and arduous task. We are prepared to work

with all of you to achieve this objective.

The question of Palestine is, in essence, the struggle of a nation for the right to self-determination. For nearly 40 years, the Israeli government has persisted in its policy of aggression and expansion, denying the Palestinian people their right to establish a state of their own and even their right to existence. As a result, millions of the Palestinian people are living an intolerable life.

The heroic Palestinian people have waged sustained and indomitable struggle to safeguard their national rights. Especially the birth of the Palestine Liberation Organization gave expression to the Palestinian people's will and determination to fight in unity. The Palestinian people, under the leadership of the PLO and with the support of the people of Arab and other countries in the world, have persisted in armed struggle, frustrating many times Israeli attempts to eliminate the Palestinian resistance forces. In the meantime, they have actively carried out political and diplomatic struggle to win sympathy and support from the international community. As the sole legitimate representative of the Palestinian people, the PLO has been recognized by the

League of Arab States, the Non-Aligned Movement and many other organizations and has been invited to participate in UN conferences and its work in the capacity of observer. All this shows that the cause of the Palestinian people is a just one and the PLO enjoys high international prestige.

The question of Palestine is closely linked to peace in the entire Middle East region. For nearly 40 years, four major wars broke out in the Middle East due to the failure to settle the Palestinian question, and in these wars Israel occupied large tracts of Arab territories. In 1982, it invaded Lebanon once again and has dragged out its stay in southern Lebanon till this day, repeatedly creating bloodshed there. The Israeli authorities' policy of aggression and expansion has brought untold suffering not only to the Palestinian people and the Arab countries which have been invaded but also to the Israeli people. It constitutes a serious threat to peace and stability in the Middle East. In recent years, the desire and demand of the Palestinian people and the people of all the countries in the Middle East, including the Israeli people, for a peaceful settlement of the Middle East question have become ever stronger. The PLO and Arab states have made tremendous efforts and taken much initiative to seek a just and reasonable solution to the Palestinian question so as to bring about peace in the Middle East. The Fez Peace Plan, which was adopted at the 12th Arab Summit Conference held in September 1982, has received general welcome and support from the international community. Since then the PLO and Arab states have also made many appeals for peace and put forward quite a number of fair and reasonable proposals for a peaceful solution to the Palestinian and Middle East questions. Innumera-

ble facts have proved that the PLO and Arab countries are sincere in their efforts to seek peace in the Middle East. Regrettably, however, Israel and its supporters have to date refused to recognize the national rights of the Palestinian people, and this constitutes the basic obstacle to peace in the Middle East.

In order to put an end to the suffering of the Palestinian and other Arab peoples and uphold international justice, in order to avoid further bloodshed and sufferings among the peoples in the region and to maintain peace, the settlement of the question of Palestine, which is a matter of great urgency, brooks no delay.

The purposes of the United Nations include maintenance of peace, respect for the principle of equal rights and self-determination of peoples. The United Nations bears great responsibility for restoring to the Palestinian people their legitimate rights and maintaining peace in the Middle East. With the efforts of the third world countries, the United Nations has adopted a series of important resolutions such as Resolution 3236 and Resolution 3375, stressing the restoration of the inalienable rights of the Palestinian people and has invited the PLO to participate in UN conferences and its work in the capacity of observer. Since its establishment in 1975, the Committee on the Exercise of the Inalienable Rights of the Palestinian People, guided by His Excellency Ambassador Sarre, has done a great deal to seek a settlement of the Palestinian question in accordance with the relevant UN resolutions. We highly appraise what has been done.

The Chinese government and people have all along cherished deep sympathy for the Palestinian people in their plight, firmly supported the just struggle of the

Palestinian and other Arab peoples and strongly condemned the Israeli policy of aggression and expansion. We support the universally accepted basic principles affirmed by the relevant UN resolutions, i.e. Israel must withdraw from all the Arab territories occupied since 1967; the legitimate national rights of the Palestinian people, including the right to self-determination, the right to return to their homeland and to establish their own state, must be restored; the PLO as the sole legitimate representative of the Palestinian people, is entitled to participate on an equal footing with other parties in the settlement of the Middle East question, and all the countries in the region have the right to peace and existence. Here I would like to take this opportunity to reiterate that as long as the Israeli authorities cling to their policy of aggression and expansion and refuse to recognize the rights of the Palestinian people, we will, as always, support the Palestinian people in their just struggle until their final victory. I would also like to reaffirm here that any proposition or effort conducive to the restoration of the legitimate rights of the Palestinian people and the recovery of the lost Arab territories, and in conformity with a fair and reasonable solution to the Middle East question on this basis, will enjoy the support of the Chinese government and people. We call upon the Palestinian and other Arab peoples to strengthen their unity in the fight against the common enemy. We also appeal to all the peace-loving countries and people to make concerted efforts to support the just struggle of the Palestinian people and Arab countries, mobilize just public opinion in the world and exert effective pressure on Israel so as to secure a fair and comprehensive solution to the Palestinian and Middle East questions at the earliest possible date. □

NPC Passes Law on Sino-Foreign Contracts

Enacting the Law on the Sino-Foreign Economic Contracts was necessary for China to implement its policy of opening to the outside world and to further expand its economic co-operation with other countries.

by LIU YIMING

THE Law of the People's Republic of China on Sino-Foreign Economic Contracts, attracting the concern of business people at home and abroad, was approved on March 21 at the 10th meeting of the Standing Committee of the Sixth National People's Congress and will be published soon.

Enacting the Law on Sino-Foreign Economic Contracts was necessary for China to implement its policy of opening to the outside world and to further expand its economic co-operation with other countries. The law will take effect on July 1, 1985, and will apply to contracts between Chinese enterprises or other business institutions and their foreign counterparts or individuals. It does not include international shipping contracts or agreements signed between Chinese and foreign individuals. This is another important step in the development of China's economic legislation, following the recent enactment of the Patent Law.

The seven chapters and 43 clauses of the contract law cover signing and fulfilling contracts, the responsibilities if a contract is violated, transfers, changes and terminating a contract and settling disputes, and the appropriate laws

*The author is deputy director of the Department of Treaties and Law under the Ministry of Foreign Economic Relations and Trade.

for handling contract disputes. These stipulations embody the principles of independence, equality and mutual benefit, and give due consideration to customary international business practices.

According to the law, all parties to a contract must abide by the laws of the People's Republic of China, and must not infringe upon Chinese public interests. Otherwise, the contract will be invalid.

Contracts must be written and signed by the parties involved, and are binding only after they have been approved by the department in charge of the work.

A contract then has the force of law, and all parties are required to fulfil their obligations as set out in the terms of the contract. When one party violates the contract, the other party has the right to demand compensation for the losses or adoption of other reasonable remedial measures. Compensation for a contract violation must be equivalent to the losses suffered, and shall not exceed the losses foreseen at the time the contract was signed.

The framers of the law kept usual international business practices in mind when laying down the stipulations for settling disputes. The signatories to a contract may submit their dispute to an arbitration body if the contract contains an arbitration clause or if they reach a written agreement to accept arbitration. If not,

the case can be brought to court.

Because disputes may be handled by different appropriate laws, the contract law stipulates that the parties to a contract may seek settlement according to the laws they decide are most applicable. If they make no choice, the law of the country most closely involved in the contract will apply. Joint ventures, co-operative enterprises and prospecting and developing natural resources within Chinese territory fall under Chinese law. If there are no relevant stipulations in Chinese law, international norms will apply.

In the event that Chinese laws conflict with international treaties to which China is a signatory, the treaty's stipulations will apply, except concerning articles to which China has declared reservations.

International business people, especially those who have made investments in China, are anxious to know the provisions of the new law. They are especially concerned about what stipulations will apply to the existing contracts on joint ventures, co-operative enterprises and joint prospecting and development of natural resources. The new law makes provisions for this: Contracts which are already legally in force will be fulfilled according to their own provisions. This has been done in consideration for the interest of foreign investors, and reflects the fundamental spirit of China's policy of opening to international business.

Rural, Urban Industries Melded Together

There are inherent relations between township industry and agriculture. Peasants who were forced to enter cities in old China have become positive factors for township industrial development today. The ties between township industries and big and medium-sized cities have become closer with each passing day. The close relationship is a natural outcome of regional economic development. Urban industry, township industry and farm and sideline production each play an appropriate role in the broader spectrum of the regional economy.

by FEI XIAOTONG

TOWNSHIP industry not only has an inherent relationship with agriculture, but has close ties with the economic system of big and medium-sized cities. In the 107 years after Shanghai was opened as a commercial city in 1842, foreign and comprador entrepreneurs thrust their greedy hands from Shanghai to southern Jiangsu villages through the Shanghai-Nanjing Railway. The peasant household handicraft industry was destroyed first. And soon agriculture faltered and many peasants were forced to sell their land and go to work in Shanghai. That was the capitalist way of industrialization in the West followed in China which was then semi-colonial in nature.

Bonds of Co-operation

The peasants who were forced to enter the cities as a result of bankruptcy before liberation learnt up-to-date technologies in factories. Following liberation, many of those technical workers returned to the village and used their skills to develop new township industries. According to the Wuxi municipal government, about half of the metal workers in Shanghai before liberation were from Wuxi and nicknamed the "Wuxi Group." These workers were originally peasants who streamed from the countryside into the cities. Unlike workers in Western countries, most Chinese workers went to the cities alone to make money while con-

tinuing to support their families in the countryside. This practice continues to this day. Almost all the 28 rural factories we visited got started with the help of retired workers or cadres with factory experience who served as "go-betweens" or provided technical advice.

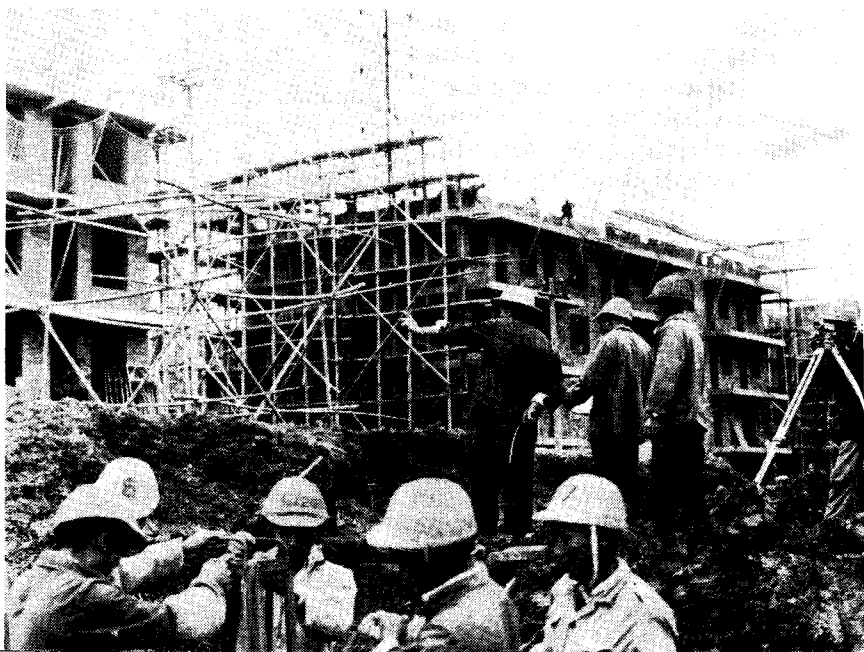
But such local ties served only to catalyze township industries. Other ties between township industries and big and medium-sized cities gradually increased after the adoption of new economic policies in 1979.

A commune-run diesel engine plant in Hutang Town in Changzhou now produces spare parts for a state-owned factory. Prior to their co-operation, the state-owned factory's output fell short of the demand, so factory authorities planned to expand production. But

their plans were limited by a lack of land, funds and labourers. Then they got in touch with the Hutang diesel plant and placed orders for spare parts. Later, on this basis, they established a "dragon" industrial system, with the "dragon head" set up in the city to produce key parts and to handle assembly tasks, while other production steps were contracted to the "dragon tail" in towns or villages.

We saw many light industrial products in Wuxi and Suzhou — such as hydraulic standardized elements and garments — all sporting Shanghai labels. That was because when some Shanghai factories switched to producing high-grade products, they were no longer able to continue producing their old lines to meet market needs. Rather than discontinue the products, they contracted their

Workers from a peasant construction corporation in Wuxi County putting up new housing.



production to township industries.

At present, urban and township industries use several forms of co-operation. They include: (1) setting up joint ventures, with both parties having a share of the products or profits; (2) entrusting rural factories with the task of producing goods the urban industry no longer produces, and distributing spare parts production to rural factories; (3) processing products in rural factories with materials supplied by urban industry and guaranteeing the quality and quantity of these goods; (4) giving technical aid and charging for that assistance; (5) granting financial aid to be paid back in compensatory products; and (6) transferring technology and patents.

Whether this summary of co-operation classifications is exhaustive and scientific remains to be seen. But it demonstrates that China's economy, which has undergone major readjustment, has developed rapidly in the previous five years. The ties between urban and township industries have become closer, and comprehensive and wide-ranging economic and technological co-operation is gradually replacing the informal ties of the past.

Burgeoning Regional Economy

From our visit to four rural areas administered by Changzhou, Suzhou, Wuxi and Nantong, we found that township industrial factories more frequently had ties with Shanghai than with any of the four cities we visited. That is to say, Shanghai exerts a greater impact on and plays the key role in the growth of township industries and in the expansion of the regional economy. Among the 2,000 township enterprises in Wuxi County, 709 have ties with industrial enterprises and scientific research institutes in Shanghai, Wuxi and other big and medium-sized cities. They worked in co-



This township wickerwork factory in Yangzhou sells 100 products to 27 countries.

operation with urban groups on 895 projects.

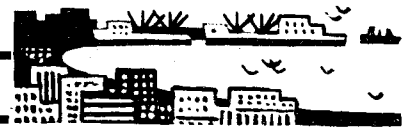
It is thus clear that rural industries depend on urban industries, and urban industries are backed by their rural counterparts. This shows that the relation between urban and township industries has progressed from shallow to deep and from simple to complicated. Their interdependence continues to grow.

The Jinfeng commune-run glass factory in Shazhou County, for example, is supported by the Shanghai Yuehua Glass Factory. It produces 300,000 standard boxes of grass for household use a year, ranking among east China's top glass producers. Township industries in southern Jiangsu have, in fact, become a component in the urban industrial system. This fact explains why factories in Shanghai, Wuxi and other cities in their relations with township enterprises, stick to the motto: "Our hearts should be linked, we should not change our minds and we should work with one heart and one mind." As township industries cannot do without urban industries, so urban industries

cannot do without their rural counterparts. The close ties between the two are the natural outcome of regional economic development.

In southern Jiangsu, urban industries, township industries, and farm and sideline occupations have been melded into one entity. This is the way to realize rural industrialization, under the socialist system, a new method for China's industrialization, under which, so to speak, the "big fish helps the small one and the small fish helps the shrimp."

The details about the relations between the various sectors remain to be studied further; however, it is already obvious that each sector plays a different role. To put it more specifically, big and medium-sized cities play the key role, small towns serve as the link and the countryside acts as the foundation. Viewed from the reality of southern Jiangsu, the economic structure has taken shape and each sector is playing its proper role. Though this economic structure may not be transferable to other regions, it perfectly suits the conditions in southern Jiangsu.



Port City Profiles

Lianyungang — Door to the Heartland

by **LING YANG**
Our Correspondent

LIANYUNGANG, 400 km north of Shanghai in Jiangsu Province, faces the Yellow Sea from its position at the edge of China's heartland. The vast fertile plains of central China and the rich resources of the far west are linked with the port by railways, inland waterways and roads, making Lianyungang an appropriate choice as one of the 14 port cities opened to investment from abroad.

First Impressions

My first look at Lianyungang came from a distance. While visiting Shanghai, I happened upon an art exhibition that featured 70 traditional Chinese paintings of the port city. Through scenes depicting quiet harbours, busy docks, carefree children and the weather-worn faces of old fishermen, I got a glimpse of what I was to see. The views of the landscape revealed the mountains, rivers, coastline and gardens of the city, and a painting depicting a group of girls harvesting kelp during a fierce windstorm spoke of the determination of the people who live there.

The man who painted the Lianyungang views is 47-year-old Wang Hongxi, formerly a fine arts editor in a Shanghai publishing house. In 1973 Wang returned to his hometown to record the life there, and the Shanghai exhibition was the fruit of 10 years of work.

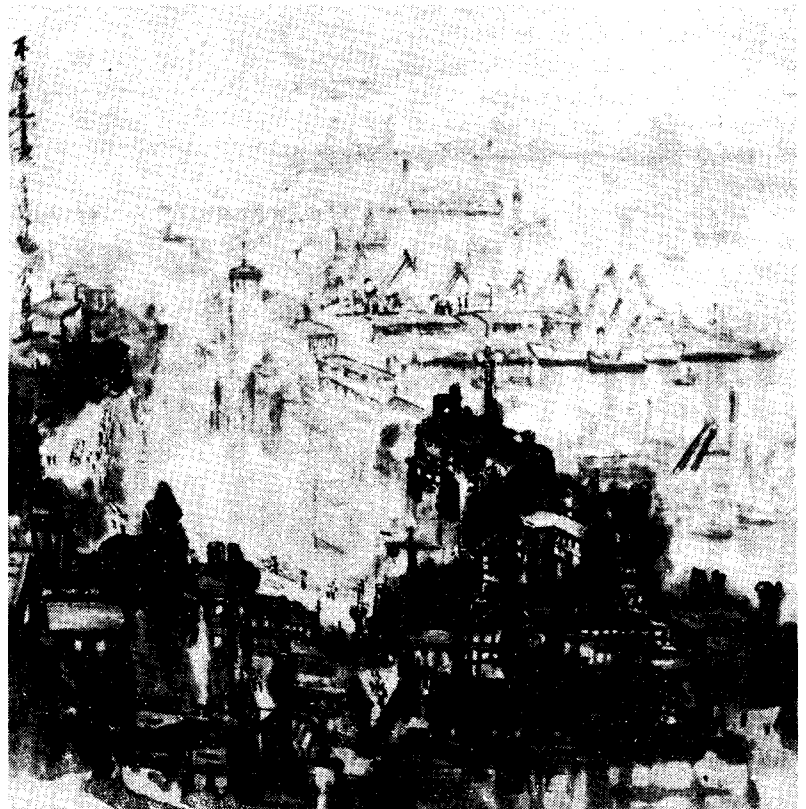
In his house in urban Lianyungang, the painter told me his hometown had been poor and backward for centuries. For three generations his had been a poor peasant family. In his boyhood, he often did not have enough to eat. During the spring when there was often a temporary shortage of grain, his family survived on wild plants. Wang recalled the horrible famine that killed many people when he was 12. When all the tree bark in the village was eaten, Wang had no other choice but to leave Lianyungang and go beg-

ging with his parents.

Fortunately, his hometown was soon liberated and his family returned to build a new life. They were given plots of land during the land reform and Wang was able to attend school. He used paint and brush to describe the new epoch, and in 1960 he was admitted to an art institute.

Wang is now president of the Lianyungang municipal artists' association and many of the 100 association members have studied under him.

Lianyungang Harbour at night.



Wang's works have received increasing attention from the public. Since Lianyungang and Japan's Sakai became sister cities, his name has spread beyond China's borders. He says he is eager to help build a bridge of friendship between peoples.

Economic Development

Compared with the other 13 open coastal cities, Lianyungang is among the most underdeveloped. Historically, however, it has grown at the same rate as the national average. Over the past 30 years, it has been built into a port city based on light and chemical industries and complete with various industrial sectors. It now has great potential for economic development. Some of the nation's best fishing waters are off the coast of Lianyungang. The largest phosphorus ore mining and processing complex is in the city, and its valuable building materials include rock crystal, marble and granite. There are also rich oil reserves in the Yellow Sea continental shelf. But more than anything else, the area's salt industry is key to the national economy.

Along the coast of Lianyungang, between 30,000 and 40,000 people work in salt production. In fact, salt accounts for 20 percent of the city's total industrial output value. The vast salt flats stretching south from the city to the Changjiang estuary at Shanghai constitute one of China's largest sea salt-producing areas. The salt produced there is supplied to people in nearly one-third of the country's provinces and regions, and it has been exported abroad in recent years.

The evaporation and processing of sea salt dates back more than 2,000 years. In ancient times salt was a major source of wealth for the government. Nevertheless, salt making was a hard life and salt

makers were among the poorest people.

An engineer from the Municipal Salt Administrative Bureau told me



A fishing girl by the Yellow Sea.

how electric power is used today to pump sea water into evaporation ponds and how salt brine is collected and transported through pipes for further processing.

A black plastic cover is placed by each salt pond in case the evaporation process is threatened by bad weather. When rain begins to fall, saltworkers start up a machine and the 16,000 square metre salt pond is fully covered within 20 minutes. After the rain, saltworkers roll up the plastic cloth again so the pond is once again exposed to the sun and the evaporation continues to crystallize the salt water.

The machine-operated rain cover has reduced risk and labour intensity and raised efficiency. The saltworks now has an annual capacity of 240,000 tons of salt. The mechanization of the rain cover, said the saltworks manager, has guaranteed stable and high-quality production. The saltworks officials are now striving to improve their processed salt and extract other chemicals from salt water. They hope they can attract development funds to expand the entire processing industry.

At a shipping centre near the salt ponds, I saw that the process of weighing, packaging and ship-

A Brief Introduction to Lianyungang

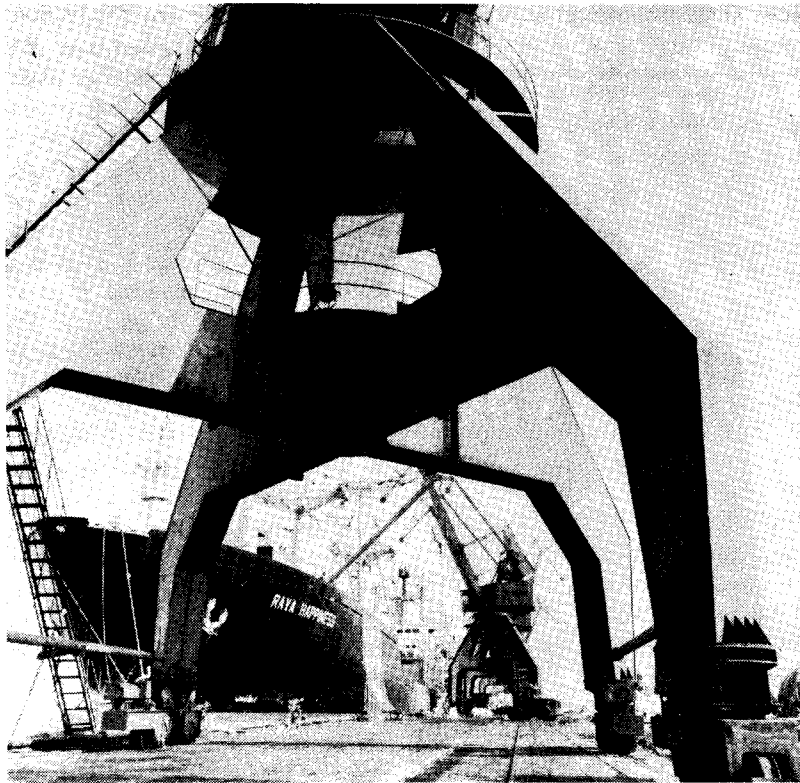
Location and Population. The city is situated on the southern coast of the Shandong Peninsula, midway up China's coastline. It has an area of 6,265 square kilometres, with the city proper spreading over 850 square kilometres. The population is 2.93 million, of whom 430,000 live in the city proper. Lianyungang includes the city proper and three counties under its jurisdiction.

Climate and Geography. The city enjoys the oceanic climate of the southern temperate zone. The annual temperature averages 14 degrees Celsius (57 Fahrenheit). Annual rainfall averages 1,000 mm (39 inches).

Lianyungang has a varied topography. In the northwest, there are small mountains and hills, while in the east a plain abuts the coastal line. A solitary mountain peak just up from the plain. The coastline is 119.1 kilometres long, and there are seven small islands.

Natural Resources and Economy. There are 40 kinds of confirmed metallic and non-metallic mining deposits in Lianyungang. City economic enterprises include farming, forestry, livestock breeding and fishing. Many plants grown in the north and south of China are found here. It abounds in freshwater resources.

Of the city's total industrial output value, light industry accounts for 61.5 percent and heavy industry represents 38.5 percent. There are 1,200 industrial enterprises producing 500 varieties of major products. During the last few years, industrial output value has increased 11 percent per year.



Lianyungang wharf.

ping the salt has been completely mechanized. But some loading procedures are still performed by hand, even though the jobs can be done by machines. This handwork continues to provide employment for job-waiting workers and their families.

At a salt-making institute in Lianyungang's urban district, researchers proudly displayed one of their new products—a low-sodium salt that can be used by those who suffer from high blood pressure. One of the researchers pointed out that 8 percent of the total population in China has high-blood pressure, and many doctors blame the high sodium content of the Chinese diet for the health problem. The researchers have tested the low-sodium salt and found it effective. They now hope to attract investors to build a factory to produce the product for the Chinese market.

The changes in the salt industry are representative of the path of

economic development in Lianyungang. In addition to a few large projects built with state funds, there are ample labour and natural resources for revamping and developing the city's existing enterprises.

Promising Port

Lianyungang's ice-free harbour is one of the nation's most promising. Located midway between Shanghai in the south and Qingdao in the north, transport distances from much of the heartland are shorter to Lianyungang.

After the success of the 1911 Revolution, President Sun Yat-sen planned to build a harbour at Lianyungang, but the plans were never carried out. In 1936 the Dutch built a 1,050-metre-long breakwater and two docks capable of berthing six 3,000-ton-class ships. That construction remains the basis for the harbour. The unique pyramid-like tower at the railway terminal—the only bit of

exotic architecture in Lianyungang—was built in the late 1930s to commemorate the success.

In subsequent years, the invading Japanese army plundered large quantities of China's coal, ore and grain through this port. The harbour fell into disrepair following years of mismanagement by the corrupt Kuomintang government and successive years of civil war.

The port was revamped and expanded many times after the founding of the People's Republic. Its handling capacity grew from 56,400 tons in 1949 to 2.75 million tons in 1972, making it the nation's eighth largest seaport.

Three additional piers have been extended out into the sea and another harbour along the coast has been added. The city has also constructed nine berths along its 1,200-metre waterfront, together with supporting dockyards, warehouses, loading facilities and railway lines. Now 40,000-ton-class cargo ships can sail in and out with the tide. Loading and unloading procedures have been mechanized and the harbour has established trade relations with 167 counterparts in more than 50 countries and regions. The annual handling capacity of the harbour has reached 9 million tons.

But this success is still a far cry from meeting the needs. Every day there are about a dozen ships waiting at anchorage for entry to the harbour.

The port's expansion—which is one of the nation's 70 key projects—is urgently needed. Work is under way on a 6,700-metre-long jetty and a new harbour on the west side of the port. Plans call for six new 10,000-ton-class berths to be completed by the end of 1986, a project which will quadruple the port's handling capacity. According to a long-term plan, specialized wharves for coal, tim-

ber, grain and other goods will be built within the 30 square-kilometre harbour area. Support warehouses and railway and water transport facilities will also be built. The flat expanse of land surrounding the road leading from the urban district will be the site of an economic development zone and a 600,000-ton-a-year soda ash plant. Both are now under construction. A Japanese-made 5,000-ton-class cold storage facility has been completed and plans have been made for building support warehouses and other port facilities on nearby large tracts of land.

The International Seamen's Club and the Friendship Store, which cater to foreigners, are near the port and the swimming beach. They are among the few tourist-oriented establishments in this underdeveloped and unsophisticated city.

The Friendship Store manager said his store has been praised for its ample supply of goods and reasonable prices. Over the years he has discovered that many Japanese visitors, like Lianyungang's prawns, other seafood products and handicrafts. Other Asian shoppers come for foodstuffs, tonics and medicines, he said, and Westerners seem to favour the Chinese handicrafts.

Housed in a newly completed building, a teahouse, restaurant and disco will soon be opened to help keep tourists and visiting business people entertained. The manager said the prawn in his warehouse is one of the most popular commodities in Lianyungang.

City Opens Doors, Both Outside and Inside

"To Lianyungang, the open policy means two things. First, it means we should open our doors to the outside world, boldly and scientifically importing advanced

technology, equipment and funds to upgrade our existing enterprises and develop new ones.

"Second, it means we should also open doors to other parts of China. We will strengthen our relations with neighbouring cities, as well as with the nine provinces and autonomous regions along the Longhai Railway to seek common prosperity."

These remarks were made by Lianyungang Party secretary, Li Yunshi, in a radio interview about how to quickly expand the city's relations with other parts of China and the outside world by implementing the open policy. The interview was broadcast over the train's intercom system just as we entered the Lianyungang railway station.

The strategy of opening doors both inside and outside China has, no doubt, contributed to the rapid development of previously underdeveloped Lianyungang. With its rich natural resources and other advantages, the city is really a great attraction.

In 1979 Lianyungang imported equipment and received loans totalling US\$500,000 from Japan

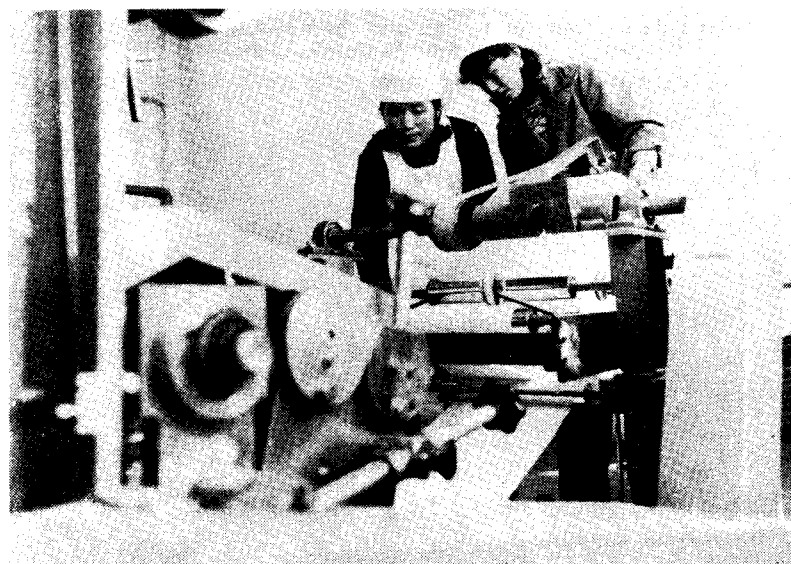
to expand its prawn production. The co-operation has benefited both sides and boosted prawn production.

An updated brewery which began production last November is another co-operative venture with Japanese investors. The joint venture modernized the old brewery in the city with capital supplied equally by the Chinese and Japan's Suntory Company, one of Japan's major beer companies.

In the past, beer was considered a luxury to most Chinese, but it has now become a regular part of the evening meal in many households. In Beijing and Shanghai, beer is so popular that the supply usually falls far short of demand, especially during the hot summer. Lianyungang's beer drinkers, too, have developed a thirst that the local brewery couldn't meet, but the joint venture improvements are expected to make the shortages a thing of the past.

Suntory recognized the demand and the opportunities to be gained by developing beer production in co-operation with Lianyungang. With an eye towards meeting their common interests, the two sides concluded an agreement after

Busy workers at a paper-making workshop.



only one month of negotiations. And six months later the brewery was put into production.

The Chinese production manager, Wang Zunmei, told me the co-operation with the Japanese manager and chief engineer is going well. He said their great ambition is to bring the wisdom and intelligence of the 300 brewery workers into full play and to make a world-class beer. He said the managers plan to fulfil the goal in two steps. First, they want their beer to be named a "famous brand" in next year's nationwide appraisal. Second, the factory is scheduled to produce 45 million litres of beer by 1987, twice the 1984 quota.

To realize this goal will require great efforts, said the manager. Though the brewery hasn't yet achieved major economic successes, it has raised the workers' income almost 100 percent. At the same time, the management has established a strict responsibility system. Workers must follow established technical procedures in their jobs. Professional training has been put on the agenda, and workers attend technical lectures once a week. Some are even released from their regular positions to seek professional study for a short period.

The joint venture arrangement not only provides the brewery with more funds, but also helps improve enterprise technology and management. As for the Japanese investors, Suntory has benefited from China's material resources, labour power and markets, even though the company has only two resident representatives in the country.

For several months running now, Mayor He Renhua has been busy implementing the open policy in Lianyungang. Last November he led a negotiating team to Hongkong to attend a foreign investment seminar sponsored by the 14 coastal open cities. During the 12-day session, Lianyungang officials held negotiations with foreign business representatives on a number of projects. The proposals included port construction, a direct sea route between Lianyungang and Hongkong, a flour mill, a fodder-processing factory, a paper mill, a tannery and a livestock breeding farm. The projects involved a total investment of some US\$360 million.

Soon after He returned from Hongkong, he led a group of officials on a long journey to Xinjiang, the autonomous region in far west China. In January he

returned home with the fruit of his labour. Signed contracts included an agreement for a woollen textile company and a tannery to be jointly run by Lianyungang and Ili, a livestock base in Xinjiang. If things continue as planned, similar contracts will be signed with the city of Hami in east Xinjiang. To satisfy the needs of these remote areas in the west, Lianyungang plans to lend a hand in developing the production of plastic woven articles, foodstuffs and fruits, towels, bedsheets and paper.

In its role as an open city, said He, Lianyungang is an ideal display window for natural resources and products of the hinterland. The city's position at the end of the Longhai Railway on the Yellow Sea also makes it a perfect distribution centre for the nine provinces and autonomous regions along the railroad. The areas have almost one-third of the national population and cover half of the nation's land mass. With this vast rich territory at its back, Lianyungang has a reliable guarantee that economic development will speed forward.

The implementation of the open policy has already begun to bring benefits to the previously underdeveloped city. With its air and sea routes opened last March, Lianyungang is expected to provide a better link to the outside world.

Local painters draw for foreign crew members in the Lianyungang International Seamen's Club.



Prospects for Tourism

Lianyungang abounds in historical sites and scenic spots, though tourist facilities are largely undeveloped. Among the most interesting attractions are:

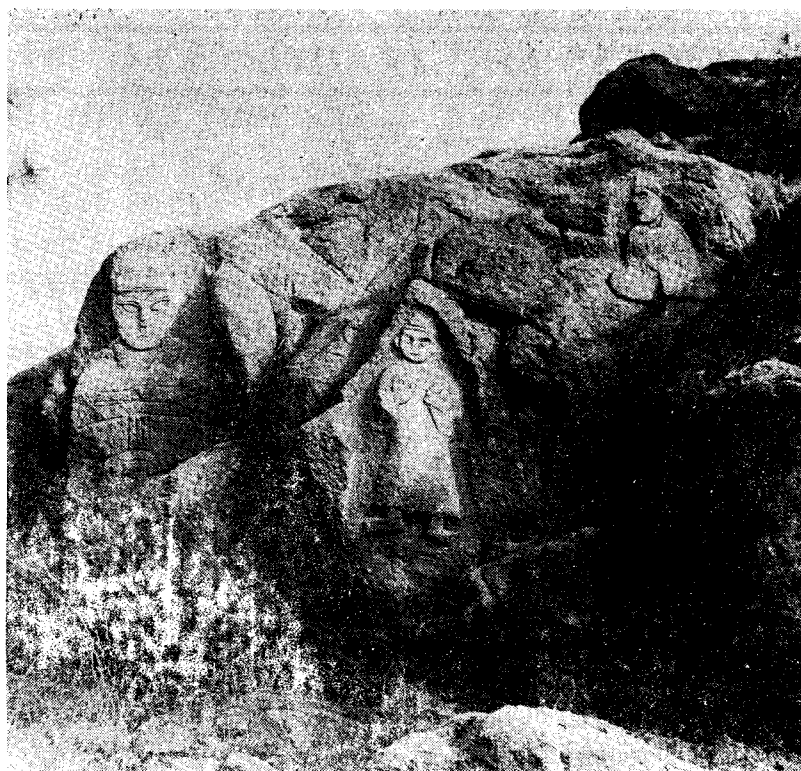
- **Primitive Rock Carvings.** A series of primitive carvings can be found on the slope of a hill about 9 km from the city proper. The engravings depict six human heads. Atop each head is a decorative head dress bearing rhomboidal or net-like designs. Bodies

and limbs were not engraved. On the lower jaw of each head is a line leading to engravings of seedlings and ears of grain. Archaeologists have suggested that these carvings were odes to the farming gods worshipped by tribes 3,000-4,000 years ago.

Other carvings depict totems, blackbirds, the shining sun, the moon, stars, religious symbols and deities, from which people today can study the ancient customs and religions. The carvings are among the oldest in China reflecting ancient farming life.

• **Ancient Buddhist Cliff Statues.** There are more than 100 Buddhist statues carved into the cliffs in the south of the city. The biggest are about life-size and the smallest are only 10 cm high. Some are depicted sitting, others are jumping and still others are sleeping. Each figure is different in appearance. After some 2,000 years, the statues are still in good condition. In addition to the complete statues, there is a group of human heads, both men and women, giving various emotions — grief, sadness, happiness, seriousness. It is a pity that no historical records credit the sculptor of this moving scene. Before the group of heads lies an unruffled sleeping Buddha, Sakyamuni. The relief carving gives the viewer a feeling that the Buddha has died and begun his happy eternal life.

• **Hometown of the Mythical Monkey King.** According to China's classic novel *Journey to the West*, the Monkey King, a hero of the novel, was born at Huaguo Mountain (Flower and Fruit Mountain). Located between the city proper and the port, the mountain is a scenic spot abounding in streams, flowers, shrubs and trees. Most interesting is that many peaks and rocks of odd shapes, as well as buildings, are related to ancient fairy tales. For example, inside a cave there



Ancient Buddhist cliff statues.

is a rock fissure, through which spring water drips like an endless string of tiny pearls. Legend has it that it was through this crack that the Monkey King passed on the way to the Dragon Palace of the East China Sea in order to borrow a magic needle from the Dragon King to conquer the raging sea.

Atop a nearby peak, there is an old Buddhist monastery which dates from the Tang Dynasty (618-907). Visitors today can still see two trees that are more than 1,000 years old: One is a ginkgo tree inside the courtyard of the monastery, and the other, located outside the courtyard, is a cypress tree which resembles a stick with a dragon head on the upper end. A legend about the old cypress tree says that one day a god came to the mountain carrying a walking stick. He came to call the Monkey King back to Heaven. But the Monkey King's disciples made trouble for the god, and he got so angry that he stormed away, for-

getting his walking stick. Elsewhere on the mountain, rocks shaped like the Monkey King, Monk Tripitaka and Pig (Piggy) also have stories related to the classic novel.

Surrounding the city there are many scenic spots and historical sites, including beaches, hot springs, ancient Buddhist pagodas, Old Stone Age ruins and a nature reserve containing many of the plants found in temperate zones.

Tourists could spend from one to five days taking in the area's beauties. And there are arranged excursions that make it easy for visitors to get around Lianyungang.

Lianyungang is an ancient city with a rich cultural heritage. The city's museum has collected more than 1,000 relics, but in the past it has had no enough place to display them. The state has allocated funds to build a museum worthy of the ancient city and its completion is expected shortly. □

Progress in Sino-French Trade

China and France have in recent years seen important breakthroughs in their economic and technological co-operation and trade exchanges, Chinese Premier Zhao Ziyang said, at a meeting with French Minister of Industrial Deployment and Foreign Trade Edith Cresson at Zhongnanhai on April 12. Zhao said China very much appreciates the French government's positive attitude towards Sino-French co-operation and hopes to consider ways of combining trade with technological transfers.

Cresson arrived in Beijing on April 10 for an official visit at the invitation of Zheng Tuobin, Minister of Foreign Economic Relations and Trade. She also hosted the fifth meeting of the Sino-French Mixed Committee. During her visit the French minister met with Zhao, Vice-Premier Li Peng, President of the People's Bank of China Chen Muhua and leaders from the Ministries of Posts and Telecommunications, the Electronics Industry, the Nuclear Industry, the Chemical Industry and Railways and from the Shanghai municipal people's government and Guangdong Province.

Both sides signed a 5-year agreement to develop economic relations and co-operation, a general agreement concerning mixed loans France has extended to China and a protocol on how these loans are to be used. These are the first development loans extended to China by France.

France is expected to have a favourable balance of trade with China. Both sides studied concrete measures to make this more

equitable, in the spirit of friendship, frankness, mutual accommodation and co-operation.

Ling Zhicun, an official from the Ministry of Foreign Economic Relations and Trade, said that while strengthening and developing major traditional products for export, China will also speed up the export of commodities which are needed on the French market and which China can export in large quantities. Ling also said he hopes France will play its role in the European Economic Community (EEC) to encourage the EEC to relax its restrictions on Chinese commodity exports.

France was one of the first countries in Western Europe to establish trade relations with China. Since the establishment of diplomatic relations in 1964,

there have been ups and downs in bilateral trade, but the general trend has been upwards.

In the 1960s the average annual trade volume between China and France was US\$110 million. The figure rose to US\$370 million in the 1970s and came to US\$600 million between 1980-84. The year 1983 was the record year with US\$785 million in bilateral trade.

Sino-French trade will increase even more this year. In the first quarter China signed contracts with France to import 100,000-channel programme-controlled telephone switchboards, 150 electric locomotives and their manufacturing techniques, three A310-200 Airbuses and a contract between the Guangzhou Motor Vehicle Factory and Peugeot Motors to assemble and produce light trucks.

Health Cigarettes Sell Well in Japan

Health cigarettes on show in the Chinese exhibition hall attracted much attention at the 1985 International Scientific and Technological Exposition in Tsukuba, Japan.

Although the cigarette sales centre was just 30 square metres, thousands jammed in to buy Jinjian, Changle, Zhongnanhai and Huanqiu health cigarettes. Despite a purchasing limit, the average daily sales volume reached 450 cartons in the first ten days after the exposition opened. Major Japanese newspapers and magazines such as *Yomiuri Shimbun*, *Asahi Shimbun* and *Science of Japan* did special features on this popular Chinese product.

Health cigarettes contain various kinds of Chinese herbal medicines. After carefully controlled special treatment, they are a satisfying smoke without the harmful effects of tobacco. In fact, constant smoking can have a curative effect for tracheitis and the functions of the lungs. According to clinical tests, the health cigarettes are 94 to 95 percent effective.

"The fact that cigarette smoking is dangerous to your health has received wide publicity at home and abroad," said Liu Jinyu, director of the Beijing Cigarette Factory, which produces all four brands. "This has put some pressure on the cigarette industry. We've been trying to pro-



Director Liu Jinyu (first from right) at the Tsukuba International Scientific and Technological Exposition.

duce cigarettes which are harmless and even healthy, to be of some service to cigarette smokers." After ten years of efforts, the factory has a successful formula and production techniques to put China among the top in this field in the world.

The Beijing Cigarette Factory is one of the five largest health cigarette producers in China. The factory's health cigarettes accounted for 40 percent of its annual output. To meet the needs of the domestic and international markets, the factory will import cigarette-making equipment, expand its production capacity and improve its packaging techniques.

The trademarks of these health cigarettes have been registered in Japan, and are patented in Japan and the United States. Many companies in Canada, Hongkong, Southeast Asia and the Middle East have also placed orders for these Chinese health cigarettes.

Foreign Funds Develop Tourism

"Last year US\$100 million was used for tourism in Beijing, and it is expected that the figure will be no less than that amount this year," Song Wencheng, director of the Beijing Administration for Travel and Tourism, told *Beijing Review* at a news briefing held at the Great Wall Hotel on April 17.

Song said that by last December there were 50 hotels with 27,000 beds for foreign guests in Beijing. Of these, the Great Wall, Jianguo, Yanxiang, Jinglun, Lidu and two others built with foreign capital had 8,000 beds. This was more than all the hotel beds for foreign guests in the capital before 1978. It is expected that even more foreign funds will be used for hotels this year. Estimates are that US\$60 million will be used for the second-phase constructing plans for the Great Wall Hotel alone this year.

Zhong Jinxian, chairman of the hotel's board of directors for the Chinese, said at the news briefing that this luxury hotel is a joint venture financed by the China International Travel Service and the E-S Pacific Development and Construction Co. Ltd. with US\$75 million in investment. The

Chinese own 51 percent of the shares and the US company owns 49 percent. The term of the joint venture has been extended from 10 to 14 years.

Because the hotel still has some problems in its management and operations, last month the board of directors invited senior managerial personnel from the Sheraton Hotels Group to help work in the Great Wall Hotel. The hotel now operates under the Sheraton management system and is known in English as the Great Wall Sheraton Hotel, Beijing.

Zhong also announced at the news briefing that rumours that the hotel's shares will be transferred were groundless.

News In Brief

- The Hangzhou Couplings Factory has signed a letter of intent with the Zeller and Panax Companies of the United States to sell 200,000 couplings to the two US firms this year.

Located in Zhejiang Province, this peasant-run factory employs 720 people and makes 500,000 couplings a year—half China's total.

It will import technology, equipment and funds from the American firms to boost production six-fold to 3 million couplings annually by 1987.

A hall at the Great Wall Hotel.



Underground Palace Found at Qin Tomb

Chinese archaeologists made a substantial contribution to history when they recently uncovered an underground palace at the tomb of Qin Shi Huang, the first Qin Dynasty (221-207 BC) emperor. The palace was discovered near the vaults of terra-cotta warriors and horses uncovered in 1974 and 1976 in Xian. The discovery disproves the ancient records that the tomb palace was destroyed 2,000 years ago, and provides the conclusive evidence that further excavation may uncover a grand museum.

Located under the huge clay enclosure of the tomb 1,000 metres behind the vaults of terra-cotta warriors and horses, the underground palace is a 460×400 metre rectangle, bigger than the entire clay enclosure. The archaeologists found the walls of the underground palace and five tunnels which lead to the palace from the east and one from the north.

According to the records of Ban Gu (32-92), a Han Dynasty historian, Qin Shi Huang's tomb was robbed and his inner and outer coffins burnt out when the underground palace caught a fire. Few have ever doubted this account.

Whether or not further excavations were worthwhile depended on whether the tomb was intact. Since 1974 the truth of Ban Gu's statement has become the key subject of debate among archaeologists studying at Qin Shi Huang's tomb. They made a general survey and then began to drill at 40,000 carefully chosen sites. In the end, the palace was found.

Before Ban Gu, another famous

historian Sima Qian (born 145 BC) said in his great *Records of the Historian* that the underground tomb palace had a mercury river made to flow by a mechanical device. Since 1981 a special team of archaeologists and researchers from the Chinese Academy of Geological Sciences had been testing the mercury content in the tomb area and its surroundings. They found a high concentration in a 12,000 square-metre area, forming regular geometric patterns which, of course, represented the disposition of the palace.

During the excavation, many important discoveries were made. Archaeologists found two holes dug by robbers, almost one metre across and less than nine metres deep, entering the tunnel leading to the west part of the tomb where several bronze chariots were found.

Ban's records were conclusively disproved when the clay under layer enclosing the tomb was found intact, as were the palace walls and the regular concentrations of mercury.

Archaeologists found the entire tomb is surrounded by an inner and an outer city wall. The inner wall has six gates and the outer one has four. They both have watch towers in each corner.

More than a hundred graves of tomb-builders were found, including 18 bodies covered by carved tile epitaphs, the earliest ever found in China. The epitaphs marked the deceased's name, birthplace, and trade.

More buildings attached to the tomb were also uncovered. A group of new pottery figures were

discovered in a large stable pit between the two city walls. They are exactly the same in size and character as the terra-cotta warriors and horses, whose age now can be more firmly placed, thanks to this new find.

Further excavations are under way, and archaeologists expect still more important and breathtaking discoveries from this ancient underground land.

Elegant Artifacts In Ancient Tomb

A tomb dating from the Warring States Period (475-221 BC) was uncovered recently in Gaoan County, Jiangxi Province. The coffins and burial objects within offer new insights into the economic and political affairs of the period and the previous Spring and Autumn Period (770-476 BC).

The tomb consists of a coffin chamber 3.3 metres long, 2.5 metres wide and 1.5 metres high, and a side chamber filled with burial objects. It was first discovered in January when the Jiangxi Gaoan Normal School began building a sports ground on the site.

The coffin chamber contains one set of coffins — an outer one and two inner coffins — made of cypress and camphor wood. All are brightly painted and meticulously sealed. Even the boards between the inner coffins are decorated with delicate carvings in diamond patterns. The corpse inside has turned to dust, and only a thatch of 60-cm hairs remain.

The side chamber contains more



Archaeologists examine the decorative patterns on the bronze sword.

than 30 burial objects, including a bronze sword, a copper mirror, a *ge* (an ancient Chinese weapon with a long shaft and a horizontal blade), painted pottery tripods and fabrics with metallic threads. The decorations on these objects are in a classical, elegant style rarely found among artifacts from this period.

Many Dinosaur Footprints Found

More than 1,000 fossilized dinosaur footprints dating back 130 million years have been found in southwestern Inner Mongolia.

They are scattered on desert rocks over an area extending 35 kilometres across Otog Banner (county). The footprints are densely imprinted. In one place 32 footsteps of one dinosaur were found, covering a distance of 34 metres.

The footprints are between 3 cm and 60 cm, showing three- or four-toed feet; some are thick and heavy, and some thin.

Archaeologists believe that herds of dinosaurs of different species, ages and sizes roamed tropical and sub-tropical forests by

rivers or lakes in Inner Mongolia in remote past.

The discovery provides some information about the size of China's dinosaurs, the environment in which they lived and some important material for research into the ancient ecology.

Prehistoric Elephant Tusk

A 3.24-metre-long fossilized elephant tusk has been found in Xijiazhuang Village at the foot of Mount Wudang, a site sacred to

the Daoist religion in Hubei Province.

The tusk, which is 25 cm across, is possibly the longest ever found in China — 21 centimetres longer than the one found in Heshui County, Gansu Province in 1973. It has been dated to about one million years ago.

Archaeologists believe the climate in the area was probably much warmer and more humid in ancient times — ideal for subtropical animals like this 4.5-metre tall, 9.9-metre long elephant.

Around the fossil some charcoal scraps and traces of ash were found, indicating the remains of a feast of elephant meat. According to these findings, archaeologists believe that the elephant was captured and killed by prehistoric men, who later cooked the meat and shared it among themselves. Due to soil erosion, smaller bones have been lost. Only the tusk is left, offering material for the study of ancient climate, geography, ecology and the development of animals.

Earlier, archaeologists discovered four fossilized primitive human teeth in a cave 25 kilometres from the village, dating back about 690,000 years and therefore possibly older than the famous Peking Man.

A 3.24-metre-long fossilized elephant tusk discovered in Hubei.



First Olympic Gold Medal Won With Ease

It is hard to believe that a shop assistant with only two years' training could make sports history by winning China's first Olympic gold medal, which happened to be the first at the 1984 Olympic Games in Los Angeles.

The man is Xu Haifeng of Anhui Province, who is 27 years old and 1.76 metres tall. "It is a great day for China's sports," said Juan Antonio Samarach, president of the International Olympic Committee, when he awarded the gold medal to Xu.

Xu's path to the top was not smooth. After graduating from senior middle school Xu was sent to the countryside, as were many young people at that time. In five years he worked as a "bare-foot doctor," a wholesaler for tobacco and alcohol and a salesman of chemical fertilizer.

In his childhood Xu had enjoyed playing with a slingshot. Birds and cicadas were his targets. He longed to join his father, an army officer, because being a soldier would enable him to shoot with a real gun. Although he never did join the army, his interest in shooting never faded. Xu saved up his money to buy an air rifle. Shooting was his greatest pleasure in the countryside.

Xu's marksmanship soon became famous in his county. And this caught the attention of Wang Zhenzhe, a sports teacher at Xifu Middle School and coach of the shooting class of the county's spare-time sports training school. Wang found in Xu the kind of character a marksman must have



Xu Haifeng and his family enjoy his gold medal: A moment for rejoicing.

— calm and quiet, though a bit shy. He decided to let Xu join his shooting class.

When he was out on the practice range Xu shot for hours, rain or shine, so that Wang often had to urge him to take a rest. A few times Xu was so tired he collapsed.

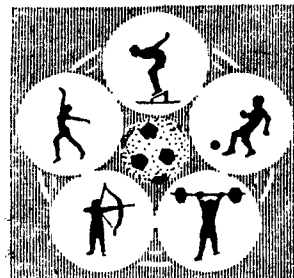
After two months' hard training Xu won the provincial shooting championship.

In 1982 Xu shifted to pistol shooting, which required more hard training to readjust. In March 1983 he won an east China shooting championship and broke a national record.

In 1984 Xu was recruited onto the national shooting team. His aim was the Olympic gold medal. With Xu's calm, self-possessed but introvert character in mind, his new coach focused on fostering

his ability to analyse problems.

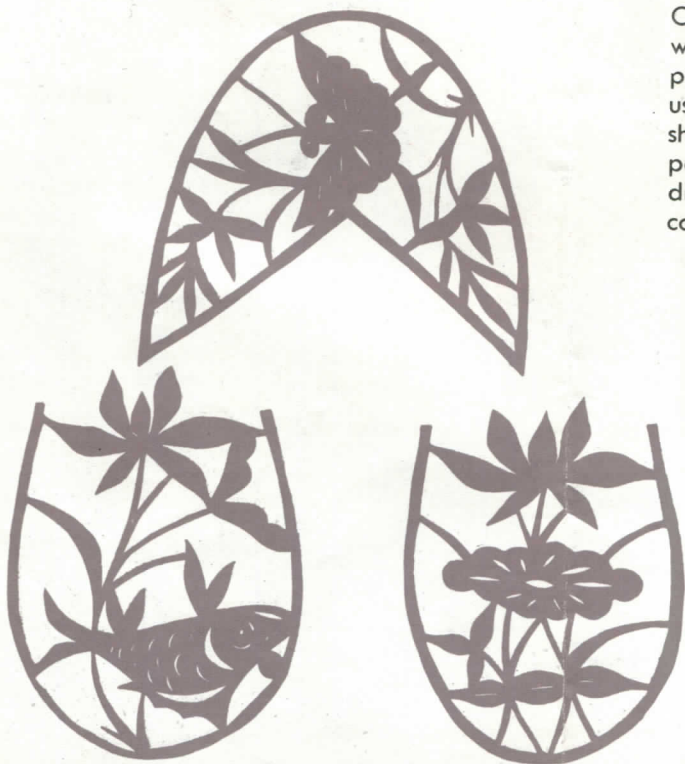
Xu didn't let his coach down. He came to understand his weak points and found an efficient way to adapt to his uneven eyesight. This astute training gave him the opportunity to go to the Olympic Games and to win his fame by scoring 566 points in men's free pistol event.





Folk Papercuts

Papercuts, a popular folk art in China, are often used to decorate windows or to mount on walls. But some papercuts, like those pictured here, are used as patterns for embroidering cloth shoes. The designs reprinted here are popular among people who want to dress up their footwear with a little colour.



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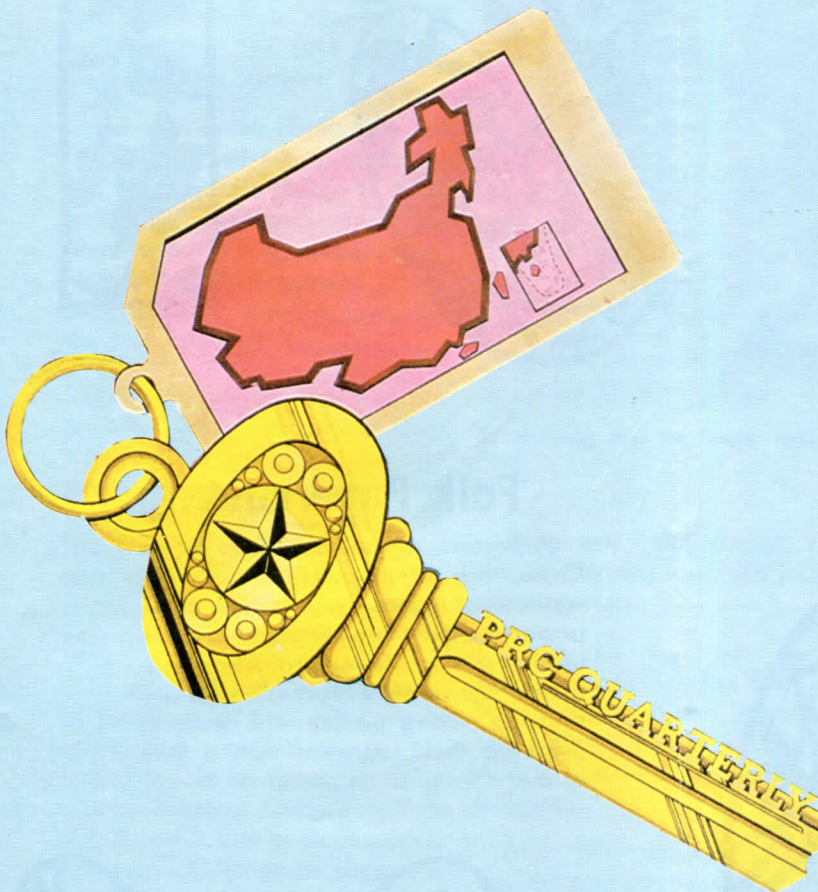
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- * FOCUS: 14 Coastal Cities
- * Peaceful Settlement of the Hongkong Question by *Sun Yueqi, Vice-Chairman of the Central Committee of the Revolutionary Committee of the Chinese Kuomintang*
- * Major Reform of China's Foreign Trade System by *Chen Muhua, Minister of Foreign Economic Relations and Trade*
- * China's Economic Legislation by *Gu Ming, Responsible Official of the State Council's Economic Legislation Research Centre*
- * Seventh Five-Year Plan by *Fang Weizhong, Vice-Minister of the State Planning Commission*
- * 1984: A Year of Sustained Economic Growth by *Zhao Weichen, Vice-Minister of the State Economic Commission*
- * Fruits of Rural Reforms by *Du Runsheng, Director of the Rural Policy Research Centre of the Secretariat of the Central Committee of the Communist Party of China*
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