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May 20, 1985

BEIJING REVIEW

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A CHINESE WEEKLY OF
NEWS AND VIEWS

Reforming Economic Structure

Golden Age of Archaeology



TIANJIN'S
TAKEOFF

Changes in Flood-Stricken Henan



Buoyant country girls in Huaiyin County.



Large orchard in Xihua County.

SPOTLIGHT



Peasants in Hancheng County expand production according to local conditions. Here a group of men enjoy their good catch.

The ducks of one specialized household.



A large tree belt has been planted on the former loess wilderness.

In 1938 the Kuomintang government blew up the Huanghe (Yellow) River dam in eastern Henan Province to hold back the invading Japanese. The torrent which followed flooded thousands of hectares in Huaiyin, Xihua and Hancheng counties.

Today the area wears a different face—one of prosperity and health, without a trace of fear.

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CONTENTS

NOTES FROM THE EDITORS	4
Upgrading Existing Enterprises	
LETTERS	5
EVENTS & TRENDS	6-9
Prices Go Up as Beijing Imple- ments Reform	
Deng Praises Sino-Burmese Ties	
Deng Urges Arab Unity in Strug- gle	
Private Doctors Get Ministry OK	
INTERNATIONAL	10-12
South Africa: Another Plot to Control Namibia	
West Germany: Cemetery Visit Resurrects Emotions	
The Warsaw Pact: No End in Sight for the Pact	
Safeguarding World Peace an Urgent Task	13
On Reform of Chinese Economic Structure	15
SPECIAL REPORT	
Port City Profiles: Sagacious Tian- jin Businessmen on the Go	20
Japanese Help Renovate Harbour	24
FROM THE CHINESE PRESS	27-28
BUSINESS & TRADE	29-30
CULTURE & SCIENCE	31-34
COVER: A Tianjin shopping district lights up at night.	
Photo by Li Changyuan	

HIGHLIGHTS OF THE WEEK

World Must Struggle for Peace

Though no global conflagration has erupted in the 40 years since World War II, world peace is jeopardized by intensifying East-West conflicts, especially the superpower arms race, and by North-South tensions. In marking the 40th anniversary of the victory over fascism in Europe, a *Renmin Ribao* (People's Daily) editorial called on the people of the world to take actions to maintain world peace (p. 13).

Whys and Hows of Economic Reform

At a symposium entitled "China Faces the Future" held recently in Beijing, well-known economist Huan Xiang talked about China's on-going economic reforms and explained why and how the reforms have been carried out in both rural and urban areas (p. 15).

Beijing Hikes Non-Staple Food Prices

With an aim towards regulating the economy through the law of value, the Beijing municipal government May 10 raised the prices of meat, eggs and other major non-staple foods while subsidizing city residents. The hikes have aroused some complaints, but they are understood by others who think the reform will benefit both the food producers and consumers (p. 6).

Sagacious Tianjin Businessmen on the Go

Overseas investors have been flocking to Tianjin since the city began its ambitious modernization drive. Also among the new arrivals are 12 Japanese advisors whose know-how and hard work will help turn China's second largest harbour into one of the world's best (p. 20).

Recent Finds Shed More Light on Ancient Life

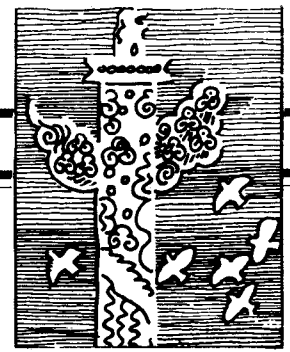
Large-scale archaeological excavations in recent years have brought to light a great number of valuable cultural relics, which provide additional clues for the study of China's ancient history. Our article introduces some of the major findings with photos (p. 31).

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Upgrading Existing Enterprises

by JIN QI
Economic Editor

China's development strategy has recently seen a shift from building new factories to upgrading existing enterprises and tapping their potential.

The principle was put forward by Premier Zhao Ziyang in his government work report to the Fourth Session of the Fifth National People's Congress held in late 1981. Since then, the technical transformation of old factories has been carried out in a planned way and satisfactory progress has been made.

In 1984 total allocations for this purpose reached 30.4 billion yuan, equivalent to 40 percent of the total capital construction investment for the year. A total of 38,839 projects were completed, helping greatly boost energy output, transport and communications, light industry, metallurgy, machine-building, electronics and raw materials production. The move to new equipment also aided the development of new products, improved quality and reduced consumption of energy and raw materials.

For instance, the Harbin Electric Cable Factory invested 22.34 million yuan in an oxygen-free copper rod production project. As a result, its annual production capacity increased by 33,000 tons, and the quality of its products was brought up to international standards. The updated machinery can also save 166 million kwh of electricity and 881 tons of copper a year, and has solved the problem of local water pollution. Compared with building a new factory, the project

brought quick results and needed less investment.

Chinese enterprises, especially old ones, urgently need to renew their equipment and technology if they wish to develop further. This could not be done in the past, however, because factories did not have the necessary funds and materials; they even had to pay the state depreciation funds for their fixed assets. They also needed the approval of higher authorities at several levels if they wanted to keep even a small part of their funds for their own use. These obstacles have now been removed through the reform of China's economic structure.

Over the past several years, factories have been granted more decision-making power. They have become relatively independent, although they remain under the guidance of state plans and policies. They now can do many things with their funds, and pool the portion of profits they are allowed to retain. Of the 30.4 billion yuan invested in renewing equipment and technology last year, 15.9 billion yuan came from the factories themselves—52 percent of the total. Bank loans accounted for 30 percent and state investment for 15 percent, while investment from other sources made up the remaining 3 percent. This shows that the enterprises are now stronger, and more able to manage their own development.

Last year also saw state allocations for capital construction replaced by bank loans. This reform was introduced in view of a long-standing "investment hunger" for

new factories. Now, however, managers must first consider how long it will take them to recover their investment. They must also consider which is more worthwhile—building a new factory or upgrading their existing facilities.

China's open policy has also brought new vitality to the country's factories. In 1984 businesses signed 1,620 major technology import agreements worth US\$1.56 billion, up 160 percent over the year before. Some projects were completed and put into operation within 12 months. Of the 36 import projects undertaken in Wuhan, for instance, 21 are already producing results. Ships built with imported technology by the Dalian Shipbuilding Industrial Company are considered "world class" by some international specialists.

China's 3.68 million factories employ about 128 million people. Among them, 833,100 state-owned enterprises have a total payroll of 56.81 million workers. More than 2.8 million enterprises are owned by collectives employing 70.28 million people. In addition, there are over 2,000 joint ventures with Chinese and foreign investment and enterprises exclusively owned by foreign businessmen. They employ more than 160,000 people.

Of course, new factories will still be built in some high-priority industries. But the nation's hopes for modernization lie in bringing its old enterprises to full efficiency by equipping them with modern technology. It is indeed inspiring that such a good start has been made in this regard.

Photos Relieve Dullness

I feel extremely delighted that *Beijing Review* is becoming more resourceful and is now appreciated by readers all over the world.

The "Letters" column has carried the various suggestions from your European readers for more pictures, more space for culture and tourism reports, and so on. But I think *Beijing Review* is a magazine of current affairs, reporting mainly on Chinese politics, economics and culture. Of course, we hope some unclear phrases will no longer be used, and more colloquial language will replace them when reporting on Chinese current events, people's lives and China's stand on international issues.

Carrying more colour pictures will increase the costs of production and delivery. Therefore I think you should not try to carry too much colour. However, the cover should be a beautiful photo of a scenic sight, government leaders, model people from various fields or outstanding adolescents. On this point, I advise you to study the covers of the American magazines *Time* and *Newsweek* (The covers of Japanese magazines would not be very helpful, as they are almost all close-ups of beautiful women). In any case, I hope some articles will be run with more and bigger photos, in order to avoid the dullness which some long articles can convey.

I think it is good for you to devote some of your pages to introducing China's cities, tourism, hotels, local customs and specialties. The articles about the 14 open coastal cities, including Ningbo, are very well written, and

I hope you will keep it. It would be nice if you also provided some information about travel routes and hotels.

Masatoshi Sawada
Akashi, Japan

World News Is Best

I have been a faithful reader of *Beijing Review* for more than two years, because I like the magazine. This year I renewed my subscription for another two years.

Although I don't read all the articles in every issue, I especially appreciate your world news reports, particularly the ones about world peace and the responsibilities of the world's leaders.

Magdeleine Younne
Fort-de-France, France

Some Photos Unclear

The layout of *Beijing Review* is quite good, and the articles are rather distinctive. But most of the black-and-white photos are not clear enough. I hope the "Sports" column will be more lively with better pictures.

The four pages of colour photos in your issue No. 9 were delightful and brought more beauty to your magazine. I suggest the front inside cover also be in colour so as to attract more readers.

I do not read the whole magazine, but only the columns which interest me most: "International," "Articles and Documents," "Business and Trade," "Culture and Science" and "Sports."

Ngoma Joel
Madzia, Congo

Wishes for Friendship

I have seen two issues of your magazine so far, and find the qual-

ity quite good. The contents are excellent and give an insight into the people and their ideas.

As for myself and my friends, even though our governments have not been close in their ideologies, we have had a great love for the people of China and longed for a close friendship between our peoples. I hope our nations will continue to develop an understanding and respect for each other. Your publication is a big step in that direction.

Lester H. Clarke
Pennsylvania, USA

More About Ancient History

I enjoy reading articles on ancient history and on different geographical parts of China, especially on new trends in history that current archaeology may reveal (such as the report on the terra-cotta warriors of Qin Shi Huang in issue No. 14, 1985). The articles that I enjoy the least are those on international events, although it is interesting to see how China views these things.

George B. Cauthen
South Carolina, USA

More Coverage on Changes in China

I am a regular reader of your magazine. I like to read "Culture and Science," "Events and Trends" and "International."

The articles "Changes on the Banks of the Haihe River," "Glimpse of Changing China" and "Chinese in a Coastal City" were very useful to me. So I want to know more about the changes taking place in China.

Shyam Krishna Rijal
Kathmandu, Nepal

Prices Go Up as Beijing Implements Reform

Dramatic price rises in Beijing have prompted grumbling from many residents. But municipal officials say the hikes are necessary if the government is to get out of the business of subsidizing farmers and allow free floating of prices to invigorate the market. They stress it is a positive step which has to be carried out.

Beijing residents were informed of the price rises several days before they took effect on May 10, but the exact amounts of the hikes were not announced until May 8. The news prompted many residents to stock up on pork, eggs and canned goods. Egg sales skyrocketed from an average daily total of 50,000 kg to 1,250,000 kg on the three days before the new prices took effect. Canned meat and fish products that usually sell slowly were also bought up in record numbers.

Price rises were approved for

most meat, poultry, eggs, fish, vegetables, canned goods and other major non-staple foods. Pork rose from 2.20 yuan per kg to 2.98 yuan, lean pork from 2.92 yuan to 5 yuan, beef from 2 yuan to 4.40 yuan, mutton from 2 yuan to 3.60 yuan, hairtail fish from 1.06 yuan to 3.20 yuan and eggs from 2.20 yuan to 2.60 yuan. Prices for cooking gas, matches and public bath admission also rose.

The prices for staple items, such as grain and edible oils, were not raised. The municipal government, however, did not indicate whether the price freeze would continue indefinitely.

To help residents cope with the higher prices, the city government announced that all 5.5 million urban residents will receive a 7.50 yuan monthly subsidy. Hui Muslim minority people, who rely on mutton and beef, will receive a 9 yuan subsidy, as will college students.

Hui college students will receive 10.50 yuan a month.

Foreign experts working for the government in Beijing, instead, will have a pay rise of 80 yuan a month, and foreign students on scholarship will also receive subsidies.

Altogether, the city government will pay out more than 400 million yuan a year in subsidies, according to the Ministry of Commerce. And nationwide, the state will earmark 2.2 billion yuan for meat subsidies alone.

The May 10 hike was Beijing's sixth price readjustment since late 1978 and the largest one. Despite the buying spree in the days before the new prices took effect, most stores had ample supplies of food. Many stayed open until midnight on May 9 to accommodate last-minute shoppers. "We foresaw the situation and were prepared to cope with it," said one shop manager.

Beijing Vice-Mayor Han Boping assured residents that the 7.50 yuan subsidy will allow them to maintain their standard of living. This sum, according to the Ministry of Commerce, is based on the ratio of food consumption expenditure. On average, each Beijing resident consumes monthly 2.2 kg of pork and one kg of eggs.

"The rises are aimed at regulating the economy and encouraging production through the law of value," said Yang Pengyu, an official of the Ministry of Commerce. He said China's current price system is quite confused due to the long neglect of the law of value and due to historical reasons. The prices of many goods neither re-

Despite a price rise of more than 300 percent, yellow croaker are still popular with Beijing residents.



flect their true value nor the relationship between supply and demand. "Quite often," said Yang, "goods that should have higher prices are cheap, while those that should be cheap are expensive. This has hindered the economy from developing and does not satisfy the needs of people."

Yang said that the government has long planned to reform the price system. "Now the conditions are ripe, with the economy improving," he said. He noted that the reform will reduce the scope of uniform prices set by the state and give rise to more floating prices that will be determined by market forces.

Yang pointed out that the Beijing price reforms come on the heels of changes in many provinces, autonomous regions and cities, including Guangzhou, Sichuan and Wuhan. Only three provinces and one autonomous region retain price controls — Jiangsu, Shaanxi, Gansu and Xinjiang. They will relax such controls in June, he said.

"The forerunners' experiences have proved that when price controls are relaxed, the market is invigorated; and, consequently, the goods are in better supply and prices tend to stabilize," Yang said. He noted that both producers and consumers in the decontrolled markets have benefited.

Despite the assurances, some Beijing residents are worried.

"Never have I seen such large-scale price rises since liberation (1949). It's terrible," complained an elderly man who was standing in line waiting to purchase meat. "I don't think I can maintain or improve my standard of living, as some officials have promised. This 7.50 yuan subsidy will not make up for my loss in the price rise," he said.

One shopper said she would like to support the price reforms, but

she doesn't understand why the prices must rise. "I was getting along well without price readjustments in the past few years. If reform means price rises, I prefer to maintain the status quo rather than reform. This bad news has confused people," she griped.

"I don't think it's bad news," said Xu Shouzhi, an engineer in his 50s. "The price rise is not as dreadful as some people thought. During the 1970s, peanuts were 1.60 yuan per kg, but they were so rare I could never buy them. Now finding peanuts is no problem. Although they are up to 2.20 yuan, you can get them everywhere." Xu said.

"I would rather see a market full of goods, even if they are expensive, than one with 'price stability' in which you can hardly buy anything," Xu added. The engineer said he believes the reform will encourage more farmers to raise pigs, sheep, cattle and poultry, thus providing a better supply of meat.

Zhu Yebi, a chemical plant official said that she had always feared price reform. But what she saw in her hometown of Guangzhou erased her fears. "In the spring of 1982, soon after Guangzhou relaxed its price controls, I

returned to the city and found high prices. Fish and chicken, for example, were more than 6 yuan per kg. And there was a shortage of eggs. But this January when I went to the city again, to my surprise, fresh fish was 2.80 yuan per kg, and almost everything was available," she said.

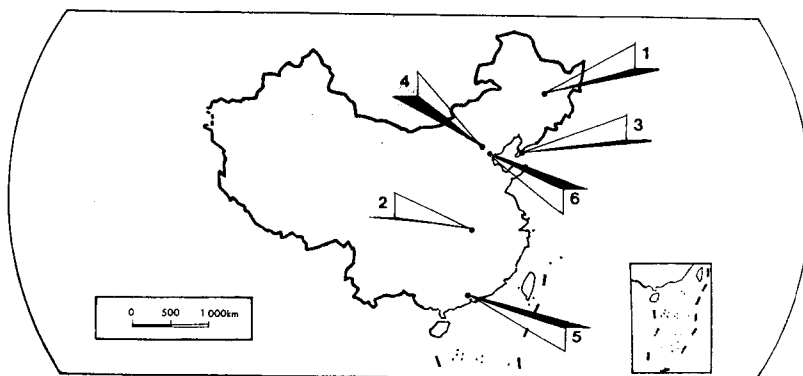
Deng Praises Sino-Burmese Ties

Chinese leader Deng Xiaoping on May 4 told visiting Burmese Party Chairman Ne Win that China and Burma are models in implementing the Five Principles of Peaceful Coexistence initiated at the Bandung Conference 30 years ago.

The Burmese Socialist Programme Party chairman made his 12th visit to China from May 4-9. He was the first foreign guest invited to Beijing by Deng, now chairman of the Central Advisory Commission of the Chinese Communist Party.

The two countries understand each other well and have no major problems. The frequent exchanges of visits by their leaders indicated the high degree of their friendship, Deng said.

PLACES IN THIS ISSUE



- (1) Harbin (p. 4) (2) Wuhan (p. 7) (3) Dalian (p. 4).
 (4) Beijing (p. 6) (5) Guangzhou (p. 7) (6) Tianjin (p. 20)

News in Brief

China will launch another drive against industrial dust and toxic materials, a senior official said recently.

Nearly 20 types of industrial pollutants are listed as serious health hazards. Factories are required to take safety precautions, while trade unions are urged to support their members when they refuse to work because they are exposed to such dangers. Enterprises which fail to follow these regulations will be fined or punished, the official said.

China's longest high-voltage DC power transmission line will begin carrying electricity from the Northwest China Power Grid to north China in 1988.

The 1,300-km. line, running from the Qinghai provincial capital of Xining to Shijiazhuang in Hebei, will ease power shortages in industrial areas around Beijing and Tianjin.

Seven mainland colleges have decided to enrol students from Hongkong, Macao and Taiwan, as well as overseas Chinese students. They are Beijing, Qinghua, Fudan, Zhongshan (Sun Yat-sen) and Shenzhen universities, the Sun Yat-sen Medical College and the South China Institute of Technology.

A zoo devoted exclusively to birds will be built in Shenyang, capital of Liaoning Province.

The first of its kind in China, the Bainiao (Hundred Birds) Park will display 180 species. It will open in 1988.

Ne Win agreed there are no special problems between China and Burma. He also noted that all past problems have been smoothly resolved on the basis of equality, mutual understanding and mutual accommodation.

During his six-day visit, Ne Win also met other top Chinese leaders, including Premier Zhao Ziyang. Zhao, who visited Burma in 1981, held talks with Ne Win on May 5. He and Ne Win agreed that leaders of both countries will continue to exchange friendly visits like relatives.

Deng Urges Arab Unity in Struggle

Chinese leader Deng Xiaoping on May 11 called on the Arab countries, the Palestinians included, to unite and work towards their common goal.

Deng, chairman of the Central Advisory Commission of the Chinese Communist Party, made the call at an hour-long meeting with a Jordan-Palestine joint delegation led by Yasser Arafat, chairman of the Executive Committee of the Palestine Liberation Organization (PLO), in Beijing. The delegation included Jordanian Deputy Prime Minister Abdul-Wahab Al-Majali.

"Your struggle is a protracted one," Deng told the visitors, "and there is no place for rashness. But something must be done and you have to move towards your goal step by step. We hope that Palestine and the other Arab countries, with the great Arab cause in mind, will seek common ground while reserving differences and strengthening unity."

Deng pledged China's steadfast assistance. "Our position on this issue will never change," he said.

Private Doctors Get Ministry OK

The Chinese government is now allowing doctors to set up private practices as part of its efforts to provide more and better medical services for its one billion people.

All doctors, nurses and paramedics in state-owned hospitals are now allowed to make private house calls, set up clinics and offer midwifery or other medical services, according to a recent Public Health Ministry report which carries the approval of the State Council.

China has now about 670,000 hospitals with 2.16 million beds and 1.35 million doctors. There is an average of 2.07 hospital beds and 1.33 doctors for every 1,000 people. This puts heavy pressure on the existing state-run facilities.

More than 80,000 private doctors are now practising in China, a 63 percent increase over last year, according to the report. The number of private practitioners has more than doubled in Shaanxi, Hebei, Guizhou, Anhui, Shandong, Jiangxi and the Inner Mongolian Autonomous Region, it said.

The increase in private practices is much lower in the cities than in the rural areas. However, the limited number of private doctors are already playing an important role in diverting patients from the over-taxed public hospitals in Beijing and Wuhan.

In Beijing the 200 private practitioners in Xicheng and Xuanwu districts treated more than 40,000 cases last year, while the private doctors in Wuhan dealt with 385,000 patients, the equivalent of a public hospital receiving 1,000 outpatients a day.

In Wuhan and some other cities, a number of private doctors have started up maternity wards, first-



Farmers Open Beijing's First Riding Stable

The Daoxianghu (Daoxiang Lake) Riding Stable, the first in Beijing, began receiving riders May 5. The 4.7-hectare stable, located in Sujiatuo Village, Haidian District, northwest of Beijing, was built and is run by local farmers. The riding complex, which has a 400-metre oval track and a 1,000-metre straight track, has viewing stands with a combined capacity of 400. In the future the complex may host non-betting horse races. There are currently 10 trained horses, which Beijing horse lovers can rent by the hour.

aid stations or small private hospitals with impatient facilities.

Some local health authorities have signed contracts with private medical professionals to provide inoculations or to exterminate rats.

Urged by the ministry, the health departments in the cities are simplifying the procedures for private doctors to register. In Shanghai, for example, the city health authorities have announced that medical professionals retired from state-owned hospitals will continue to enjoy their retirement benefits after they start up private practices.

The report called for the establishment of more medical and health institutions. Hospitals and clinics run by enterprises and other organizations should be open to the public. Currently, most of the country's factory clinics and hospitals serve only their own workers.

The report also urged hospitals

to improve their services and management and to emphasize prevention and cures. While they must not seek profits, they should try to be self-supporting instead of relying on state subsidies.

Hospital working hours will be prolonged and doctors are encouraged to make house calls. Medical establishments in rural areas, run by either collectives, individuals or groups of medical workers, should try to provide emergency services and sufficient medical care while improving their ability to prevent and cure diseases, the report said.

In more developed areas, the report said, local governments and people are encouraged to pool their financial resources to start their own hospitals or medical schools. Students in these schools should return to their hometowns upon graduating.

Equal attention should be given to building more rest and recuperation centres, the report said.

China & the World

Zhao to Visit Europe

Chinese Premier Zhao Ziyang will visit Britain, the Federal Republic of Germany and the Netherlands in June. Vice-Premier Li Peng will also tour the German Democratic Republic, Poland and Hungary in the second half of the month.

Youth to Strive for Peace

It is the common goal of the contemporary youth of the world to unite and to strive for a better world, a world living in harmony and enjoying prosperity, said Hu Yaobang, General Secretary of the Chinese Communist Party on May 14.

Hu told the heads of foreign delegations, who are attending the Asia-Pacific Region Youth Friendship Meeting held in China May 10-24, that the world faces many issues, of which the threat of wars and the burden of poverty are the major ones.

China Opposes Nicaragua Embargo

China opposes the US practice of exerting pressure on Nicaragua through trade and transport embargoes and other means, a Foreign Ministry spokesman said in Beijing on May 8.

China, Japan to Fight Pollution

Chinese and Japanese environmental protection officials have agreed to cooperate closely in the battle against pollution. The two sides plan to promote exchanges between cities and non-governmental organizations.

South Africa

Another Plot to Control Namibia

An interim government suggested for Namibia by South Africa is a refurbished version of the so-called internal solution, where South African authorities will control the process of Namibian independence.

by WU YIXIN

THE recent attempt of the Multi-Party Conference (MPC) to establish an interim government in Namibia, at the suggestion of South Africa, has aroused international concern that South Africa is again trying to manipulate the outcome of Namibia's independence process.

The MPC is a mixture of the Democratic Turnhalle Alliance (DTA), the National Party and four groups representing various political forces in Namibia.

At the end of last year the MPC invited the South West Africa People's Organization (SWAPO) to attend a reconciliation conference on Namibian independence. The invitation said that if SWAPO did not respond, the MPC would negotiate on its own with South Africa.

The proposal was rejected by SWAPO, and the MPC, encouraged by South Africa, proposed on March 25 establishing an interim government. South African President P.W. Botha told his parliament in Cape Town on April 18 that South Africa accepted the MPC proposal with reservations.

According to the MPC proposal, an executive cabinet, national parliament and constitution committee will be formed. The constitution committee will draft a constitution within 18 months. The defence and

foreign affairs of the transitional government would remain under South Africa's control and administration and legislation would be in the hands of the transitional government. The administrator-general would be recalled in favour of a governor who represents South Africa. The transitional government would continue to keep the territorial troops of South West Africa, the army of South Africa and the police of South West Africa, and would ask South Africa to provide continuous aid to the state budget.

The transitional period would continue until Namibia's actual independence. After the transitional government is formed, the international community would deal directly with it; South Africa would not represent Namibia in negotiations concerning its independence.

However, the South African authorities, while supporting most of this proposal, have insisted that the transitional government would be only an internal body in charge of the territory. They have not agreed to recall the administrator-general and have stated that only they have the right to negotiate with the United Nations and the international community concerning Namibia's independence.

The MPC's interim government proposal does not mention UN Security Council Resolution 435, which calls for elections first and

a constitution afterwards. SWAPO which has the support of the majority of the people of South Africa will probably win the elections and organize the cabinet.

South Africa has been pulling out all stops to exclude SWAPO from the process of Namibia's independence. In 1978 the first South Africa-designed interim government, led by the Democratic Turnhalle Alliance, failed to achieve its political aims. Since then South Africa has organized and supported the MPC to oppose SWAPO.

But the South African authorities know that a real settlement which will be recognized by the international community must come under the terms of Resolution 435, with the participation of SWAPO. Therefore, Botha has said that the transitional government would be an "interim arrangement."

The obvious aim of this "interim arrangement" is to set the MPC up as a powerful political alternative to SWAPO. This would be more favourable for South Africa when Namibia becomes independent.

The MPC's proposal has been opposed by the majority of the Namibian people and rejected internationally. Pointing out that the proposal runs counter to Resolution 435, SWAPO leaders expressed their continued support for armed struggle against South Africa's control of Namibia. They held a mass rally in a suburb of Windhoek to protest the plan to set up a transitional government.

Meanwhile, UN Secretary-General Javier Perez de Cuellar, the Organization of African Unity (OAU) and the conference of non-aligned countries recently held in New Delhi have condemned South

Africa for this latest move. UN Security Council President Birabongse Kasemsri (of Thailand) declared on May 3 South Africa's establishment of a so-called interim government in Namibia null and void. China and many other countries have also condemned South Africa.

The latest MPC-South Africa plan does not conform with Resolution 435 or with the wishes of the Namibian people. The South African government's insistence on controlling the process of Namibia's independence will surely complicate the issue, but will never succeed.

West Germany

Cemetery Visit Resurrects Emotions

US President Ronald Reagan's visit to a cemetery containing Nazi SS graves has reopened old wounds.

by **YI MING**

"Beijing Review" News Analyst

US President Ronald Reagan's visit to the war cemetery at Bitburg, which contained the graves of 49 members of Adolf Hitler's elite SS guard, resurrected the horror of the Nazi extermination of 6 million Jews and the tragedy of World War II.

The brief Bitburg visit, which Reagan made with West German Chancellor Helmut Kohl to honour the fallen German soldiers on the 40th anniversary of the end of the war, provoked a storm of worldwide protest. But it also won the support of a majority of West Germans, who saw the ceremony as a symbol of the reconciliation between the United States and postwar Germany.

From the moment it was discovered that the cemetery contained SS graves, protesters urged Reagan to forgo the visit. In an effort to counter the criticism, the White House scheduled a memorial service at the Bergen-Belsen concentration camp, but the protests continued.

On the day of the visit, May 5, 1,400 demonstrators marched through the streets of Bitburg and

another 700 protested outside the cemetery. Back in the United States, hundreds of rallies were held across the nation. In New York, 250,000 gathered at the headquarters of the United Nations to protest, and similar demonstrations were held in Washington, Chicago and Boston.

Many demonstrators were survivors of the holocaust or descendants of those who died. They called Reagan's visit an insult to the memory of those who died at the hands of the Nazi murderers.

The reaction from the Soviet Union was harsh. The Soviet newspaper *Izvestia* said the visit was tantamount to paying homage to the Third Reich and making up with the fascists. The newspaper contended the ceremony blessed the rise of neo-Nazism.

But US Secretary of State George Shultz defended the visit, arguing that the world must draw lessons from the past, yet never forget. Kohl agreed, saying that the German people recognize their responsibility and will never forget the horrors of Nazism.

Interestingly, there was also a section of the German public who supported the visit. Reagan

was praised for going through with the visit though it certainly damaged his political position at home. When the president drove through Bitburg on his way to the cemetery, Germans, young and old alike, lined the streets and shouted in English, "Welcome! Welcome!" Many of them waved American flags. A pair of public opinion polls in West Germany taken before the visit showed that 64 percent and 72 percent of those polled favoured the Bitburg visit.

These people apparently felt the merits of reconciliation outweighed the costs of dredging up the bitter memories. Reagan, in his speeches at Bergen-Belsen and Bitburg, spoke of the need to forgive the German nation as a whole. "We do not believe in collective guilt," he declared. "We are here today to confirm that the horror cannot outlast the hope — and that even from the worst of all things, the best may come forth."

Still, his arguments failed to convince many. Elie Wiesel, the most noted writer on the holocaust in the United States, lectured Reagan in a public ceremony prior to the visit. "The devoted and the treacherous can never exist side by side," he told the president.

There is a similar Chinese saying. How could Reagan mention the victims of Dachau in the same breath with the Nazis who killed them? How could Reagan use the 40th anniversary of the war's end to give any honour to those who were branded as criminals, not just soldiers?

Still, it is impossible to blame all the people for the past. Those who go down in history as the instigators of infamy are a handful at most.

During World War II, the Chinese people were also the victims of the Japanese aggression. China holds that the guilt committed by the Japanese militarists, such as the

large-scale massacre in Nanjing, could never be obliterated. But just as the late Premier Zhou Enlai said on the occasion of the normalization of Sino-Japanese relations in 1972, the Japanese people, too, suffered a great deal from the war.

The Bitburg controversy indicates that 40 years have not erased the deep-seated hurt felt by many in the world.

In addition, many question Reagan's true reason for seeking reconciliation with Germany. If he really hoped to welcome post-

war Bonn back into the fold of the West, it wasn't that successful. His visit turned out to be a setback for Franco-German relations and European co-operation. And it is hard to tell what kind of impact the controversy will have on West Germany's relations with its East European nations.

Some contend that Reagan's real reason for "forgiving" Germany was to boost the United States' position in its contention with the Soviet Union. If that is so, it was not reconciliation with an old enemy that Reagan sought, rather confrontation with a new foe.

produce any new initiatives on arms reduction, as had generally been expected. The communique pledged that Warsaw Pact countries will continue to "take the necessary measures to maintain their joint defence capacity at the appropriate level." It stressed that they do not seek military superiority over the West, but will not permit the West to gain military superiority over them.

Soviet leader Mikhail Gorbachev said after the signing ceremony that if the United States continues its preparations for the "Star Wars" space weaponry system, the Soviet Union will "have no other choice but to undertake counter moves, including the strengthening and upgrading of nuclear arms." He reiterated the Soviet position on the Geneva arms talks, and accused the United States of multiplying the risk of nuclear war. The essence of President Reagan's Strategic Defence Initiative, said the Soviet leader, is to "achieve the possibility of an initial nuclear strike with impunity."

The Western countries received the Warsaw Pact renewal quietly. However, Gorbachev's speech stirred their dissatisfaction. The United States expressed disagreement with the Soviet Union in its account of the Geneva talks, while a spokesman of Federal Germany said he regretted Moscow's stern attitude in dealing with the "Star Wars" programme.

The communique also offered to dissolve the Warsaw Pact in return for the dismantling of NATO. But it added that so long as NATO exists and the danger to peace in Europe and the world continues, the pact countries will strengthen their defensive alliance.

No sign shows NATO will accept the offer, and it is plain that there will be no change in Europe in the near future.

The Warsaw Pact

No End in Sight for the Pact

The Warsaw Pact decides to continue its competition with NATO, and peace in Europe and the world remains under the shadow of the two military blocs' confrontation.

by WANG ZIYING

THE seven leaders of the Warsaw Pact nations agreed to renew the East European military alliance for 20 years following a meeting held on April 26 in the Polish capital. They also decided to extend the treaty a further 10 years after 2005 if there are no objections from its signatories.

The meeting marked the second renewal of the pact since it was enacted in 1955. It was also extended for 10 years in 1975, when it reached its first expiry date. According to a communique issued after the signing, the current renewal was intended to ensure the security of the pact countries and their close co-operation in international affairs.

The Soviet-dominated alliance was formed in response to the founding of the US-led North Atlantic Treaty Organization

(NATO). For 30 years, the two military organizations have pursued an increasingly fierce rivalry — a struggle that threatens the security of Europe. The risk of a hot war has increased remarkably in the past two years, as the United States and the Soviet Union compete to deploy medium-range missiles in Western and Eastern Europe.

The Warsaw Pact was originally signed by the Soviet Union, Czechoslovakia, Poland, Bulgaria, Hungary, Romania, the German Democratic Republic and Albania. The Albanians, however, withdrew in 1968 when Soviet troops entered Czechoslovakia. The chief staff and commander of its unified armed forces have been appointed by the Soviet Union since the pact's inception. Moscow now has about 400,000 soldiers stationed in Democratic Germany, Poland, Czechoslovakia and Hungary.

The April 26 meeting did not

Safeguarding World Peace an Urgent Task

"Renmin Ribao" (People's Daily) on May 9 published an editorial entitled "Safeguarding World Peace Is the Urgent Task of All Mankind" in marking the 40th anniversary of the victory of the anti-fascist war in Europe.

We reprint the editorial here with our subheads. — Ed.

FORTY years ago today, World War II came to an end in Europe. The conflagration erupted as a result of the profound capitalist crisis and inflicted enormous sufferings on the human race. The victory in Europe paved the way for the defeat of Japanese militarism in Asia and laid the foundation for the ultimate victory of the anti-fascist war. It was an event of extreme importance in contemporary world history.

Unleashed by the Axis of fascist Germany, Italy and Japan, the war involved more than 60 countries and about four-fifths of the world's population, caused incalculable property losses and claimed a toll of 50 million dead. The powerful anti-fascist alliance composed of the Soviet Union, China, the United States, Britain, France and some 50 other countries smashed Hitler's forces after heroic battles, washing away the fascist filth. The Soviet Union, the major target of Hitlerite fascism, made huge sacrifices and tremendous contributions in the great struggle and performed immortal feats for mankind. Today, as we celebrate the 40th anniversary of the victory over fascism in Europe, we call for warm remembrance and pay lofty tribute to all the fighters who laid down their lives in the war for human justice and peace.

People Are Final Winners

World War II was catastrophic, but it educated the people. They

won the war and made progress.

In the 40 postwar years the world has changed a lot. A group of socialist countries have emerged, and old-line imperialism has been weakened. The centuries-old global colonial system rapidly collapsed in the face of powerful national liberation movements, and a large number of colonial and semi-colonial countries in Asia, Africa and Latin America have shaken off the colonial yoke and won national independence. As an important force in the world political arena, these countries are playing an increasingly significant role in international affairs.

In this historical process, people of the world have experienced a further awakening. They oppose power politics and hegemonism and demand that a new international order of peaceful coexistence be established. They object to aggression and expansionism, but want to maintain national independence and state sovereignty. They are against arms expansion and war preparations, and are for a peaceful international environment in which they can develop their national economies and use modern technology to improve their living standards.

These changes in the postwar international situation, together with the just struggles of the people of

all countries, have prevented another world war and maintained peace for 40 years.

Two Dangers to Peace

But the peace is an extremely unstable one. The international situation has remained unsettled for the past 40 years, with unceasing regional conflicts and small-scale wars. Two superpowers wielding far greater economic and military strength than any other countries have emerged in the postwar world. Although these two countries have professed a desire to defend peace and wish not to be valued on a par with one another, and although their peoples have long-standing friendships with the Chinese people and both governments have expressed repeatedly their desire to develop friendly ties with the Chinese government, their actions regrettably can lead to only one unpleasant conclusion: That they are now locked in a bitter confrontation for world hegemony by force of arms and other high-handed measures, and have gone so far as to invade other countries. This is the salient feature of the postwar international relations and the key factor affecting the world situation.

What causes particular concern is that the two superpowers are now engaged in a new super large-scale arms race of a scope unknown before World War II. The arms race poses a grave threat to world peace and the survival of humanity. Opposing the nuclear buildup, demanding disarmament and safeguarding world peace have

therefore become urgent tasks for the world's people.

Another factor threatening world stability is the existing unfair international economic order. This has been aggravating the poverty and backwardness of most third world countries, worsening their economic problems and broadening the gap between the developed and developing countries generally termed as "North-South." The aggravation of such conflicts is no longer a pure economic problem; it is also becoming a major political issue. If the "South" countries, who account for 80 per cent of the world's population, continue to be bogged down in poverty, social unrest and political turbulence, while the superpowers are using the situation to their advantage, how is it possible to maintain world peace and tranquility?

All this clearly shows that the two major factors which threaten world peace are East-West and South-North conflicts.

What is worrying is that rivalry between superpowers — especially in the arms race and in their battle for nuclear superiority — is intensifying, and that the danger of nuclear war overshadows the whole of mankind. Moreover, the potential danger of "North-South" problems has not been fully recognized.

Be Mobilized and Save World Peace

When celebrating the victory over fascism in Europe and reviewing its moving and tragic history, people all over the world could well draw one lesson: all peace-loving peoples must be mobilized before it is too late to take practical action to save world peace and prevent the outbreak of a new war.

World War II could not be avoided because international politics were at that

time manipulated by a few countries. The majority of the world's people were powerless.

Although the two superpowers have professed a desire to defend peace and wish not to be valued on a par with each other, their actions regrettably can lead to only one conclusion: that they are now locked in a bitter confrontation for world hegemony by force of arms.

When facing conflicts between the big countries, the nations threatened by fascism could not unite, and some of them adopted a policy of appeasement towards the aggressors. This increased the fascists' arrogance, and they brazenly launched a world war in hopes of realizing their ambition.

The world of today is fundamentally different from what it was before World War II. Tens of millions of people who were once subjected to slavery have become masters of their own fates, and it is no longer easy for a few big powers to manipulate world politics and push the world into war. The balance of strength between the forces of peace and those desirous of war is no longer what it was before World War II. This has been proved by the fact that many aggressive wars in the postwar period have ended in defeat.

Therefore, though the threat of war still exists in the world today, and even though fascist remnants and newly emerging fascists are

ready to make trouble in some countries, the forces in favour of peace have grown in strength. So long as the people of various countries unite on the basis of the Five Principles of Peaceful Coexistence and support each other in their resolute fight against superpower hegemonism and the arms race, and enforce the "South-South" cooperation to help obtain the third world's prosperity and security and promote the establishment of a new international economic order, world peace can be maintained.

China Wishes to Make Contributions to Peace

Although the international situation has been unsteady since World War II, the Chinese people, together with the other peoples of the world, have persistently fought for world peace. The Chinese government and people have carried out an independent foreign policy, and stood against hegemonism and for world peace. China has, as always, stood on the side of the third world countries, supported the non-aligned movement and demanded the improvement of North-South relations. The Chinese government and people have constantly opposed arms expansion and war preparations by the superpowers or any other countries, and stood for arms reduction. We are wholeheartedly carrying out our socialist modernization programme and developing our economy. All these are favourable to world peace, and are China's duties towards world peace. The task is huge and the road is long. In celebrating the 40th anniversary of the victory over fascism in Europe, the Chinese government and people will, as always, stand with all peace-loving countries and peoples and make their due contributions to the just cause of preventing a new war and safeguarding world peace. □

On Reform of Chinese Economic Structure

by HUAN XIANG

CHINA is now carrying out the reform of its economic structure. The resolution adopted by the Central Committee of the Communist Party of China in October 1984 provides a blueprint for comprehensive reform.

China's original highly centralized planned economic system was gradually formed in the First Five-Year Plan period (1953-57).

Because China's development level was low and its economic structure was extremely brittle and irrational in the period immediately after the founding of the People's Republic, the establishment of this system did play a positive role in socialist construction. However, with the development of productive forces and increasing economic complexity, this system became more and more out of step with the needs of socialist construction, and became extremely rigid. Its main defects are as follows:

Serious Shortcomings

— There is no clear line of demarcation between the functions of the government and the functions of enterprises. The government intervenes directly in the management of enterprises. The enterprises are administered by the different agencies of the central government or the various local governments to which they belong, and formulate their development strategies in the light of their own needs. Thus the links inherent in economic development are severed.

The author is a famous economist and an adviser to the Chinese Academy of Social Sciences. This is the text of a speech he delivered on May 8 at the "China Faces the Future" symposium in Beijing.

— There is excessive control by the various government agencies over enterprises, and the enterprises lack autonomy. Plans for the enterprises are handed down to them by the government, which also controls the transfer of raw materials, purchases all products and controls the distribution of all labour. Excessive administrative directive planning from the top down does not meet the needs of a complex economy.

— There is disregard for the role of commodity production, the law of value and the market, resulting in dislocations between production and demand, and the inability of plans to meet changes in market demand.

— There is excessive equalitarianism in the distribution of income. Most profits are remitted to the government, and all losses are covered by the government. The enterprises' and workers' rewards are not a function of their performance, resulting in enterprises "eating from the big pot of the government" and workers "eating from the big pot of the enterprise."

— There is irrationality in the economic structure. The collective economy has not undergone due development, while the individual economy has been greatly suppressed. The modalities of operations are also rather uniform, something inconsistent with the existence of multiple levels of development in China.

These defects seriously hampered the initiative and creativity of the enterprises and workers, and to a great extent emasculated what would otherwise be a vigorous economy. The consequences of overcentralization are: the more centralized, the more rigid; the more rigid the economy, the lazier the people; the lazier the people,

the poorer they are; and the poorer the people are, the greater the need for centralization, forming a vicious circle. From 1953 to 1980, the value of China's fixed assets increased by 26 times, gross industrial and agricultural output by only eight times, national income by only four times and actual standards of living only doubled. In order to further emancipate productive forces, it is imperative to effect comprehensive and systematic reform to the economic structure.

Restructuring Agriculture

The current economic reform began at the end of 1978. It was not until October 1984, after six years of discussion and trial and error, that the blueprint for comprehensive reform contained in the resolution on economic reform adopted by the Central Committee of the Communist Party of China was put forth.

China's economic reform obtained great success first in the rural areas. The central feature of this reform was the establishment and perfection of the agricultural production responsibility system.

— The production responsibility system, with the household as the basic production unit, became widely accepted. Under the condition of upholding socialist ownership, land is contracted to the peasants. The highly centralized production modality of collective farming has been changed into one with certain functions centralized and others decentralized. The system of "three-tiered ownership with the production team as the basic unit," which is incompatible with the present level of development in rural areas, as well as an organ-

ed labour and a centralized income distribution system have been completely abolished, bringing into play on an unprecedented scale the initiative of the peasants. This modality of production rapidly spread from the poor areas to the other areas and from farming to forestry, animal husbandry, sideline production and rural industry. By the end of 1983, 99.8 percent of production teams adopted this system.

— The government adopted a series of major economic policies with regard to agriculture. The main ones are as follows: increasing the purchasing prices of agricultural and sideline products and introducing a premium price for products sold above the quota; exempting poor areas from agricultural tax; allowing peasants to purchase tractors, trucks and other major production tools and permitting them to engage in long-distance transport; significantly reducing the number of agricultural products for which the government has purchasing monopolies; and giving peasants a greater degree of autonomy in production.

— The agricultural production structure was adjusted to facilitate specialization and commercialization. The agricultural production responsibility system brought about a significant increase in labour pro-

ductivity and a marked surplus labour, thus providing conditions for the comprehensive development of production of cereals, cash crops, forestry, animal husbandry and fishing as well as rural industry, commerce, transport and service trades in general. Through the adoption of various incentive policies and measures, a diversified production structure has gradually emerged and agriculture is moving in the direction of large-scale modern commercial production. By the end of 1984, the commodity ratio of agricultural products reached over 50 percent, with the total output value of rural industry standing at 57.5 billion yuan, 53.2 percent higher than in the previous year.

— The system of people's communes embodying both government and production functions was changed. From 1980 on, experiments were first carried out in Sichuan Province, and was later extended to the country as a whole. The basic content of this reform is: the people's commune ceased to be the lowest level of government in rural areas (in most places it has been replaced by the township or *xiang*) and became a purely economic organization. Its former government functions are now fulfilled by the *xiang* government. The relationship between the com-

mune and the production team (which is now the village) is no longer an administrative superior/subordinate one. So far, 80.36 percent of the communes have already undergone this change.

— The new system of cities assuming jurisdiction over counties has been introduced. This reform began in March 1983. By the end of 1984, 87 percent of the cities under the jurisdiction of provinces had assumed responsibility for counties which now number over 500. This new system is beginning to change the situation of rural/urban administrative overlap and regional protection, and creating conditions for easy rural/urban economic, technical, and cultural exchanges.

As a result of the above reform, the rural areas of China have undergone tremendous changes. The development of the rural economy and the successful experience of rural reform were both powerful stimuli to, and favourable conditions for, economic reform as a whole and urban economic reform.

The reasons for the rapid agricultural development through reform are three-fold. First, these reforms have yielded great benefits to the peasants and the income of peasants is directly linked to their performance. Second, they have helped bring into play the initiative of the peasants, who now engage in production independently and bear responsibility for their work. Third, they have helped promote the commercialization of the rural economy, and this in its turn has helped raise agricultural productivity.

Urban Reform

The reform of urban industry is much more complex. The defects that were cited at the beginning of this speech can all be found in the industrial economic structure. The industrial economic

Two young rural women negotiate over buying modern farming techniques at a scientific and technological fair held in Guanxian County, Sichuan Province.



structure here mainly refers to the system of "state economy." Since October 1978, reform of the industrial sector has been in progress, first in certain experimental factories in Sichuan Province and later in other parts of the country, and has already made major headway. In sum, the reforms which are, or will be, carried out are mainly of the following kinds:

— Expanding the autonomy of enterprises. In view of the overcentralization of economic management powers in the hands of various government agencies and a lack of autonomy on the part of enterprises, the urban economic reform proceeded from a readjustment of the relationship between the enterprises and the government. In 1978, the funding system was introduced to give the enterprises certain powers in managing their own finances. In 1979, there began experimentation in enlarging enterprise autonomy in over 100 enterprises, and a certain amount of autonomy for enterprises in production and marketing was initially defined. In particular, the system of profit retention for enterprises helped to establish a preliminary link between the economic benefit of an enterprise and its performance. In 1979, the State Council issued five decrees on enlargement of enterprise autonomy, on adoption of the profit retention system, on the levying of a fixed capital tax, on increasing the depreciation rate and improvement of the use of depreciation funds, and on credit. By 1980, the number of enterprises in which the experiments were carried out increased to 6,600. In 1984, on the basis of this prior experimentation, the State Council issued its Temporary Regulations on the Further Enlargement of Autonomy of Enterprises in State-Owned Industries, further expanding the powers of enterprises in 10 aspects. These are the formulation of production plans, marketing of products, setting prices, purchases

of production inputs, use of funds, disposal of assets, institutional structure, labour and personnel management, setting wages and bonuses and merging. A big stride was taken towards making the enterprises into relatively independent socialist commodity producers.

— Various forms of the production responsibility system were set up. These were tried out in some enterprises and regions in 1980, and extended to all state-

tutional structure of enterprises be simplified; and that the labour management system and wage and bonus systems be reformed, and modern management systems be promoted. Practice shows that all those enterprises that have adopted the economic and managerial responsibility systems have greatly increased their efficiency.

— Corresponding reform of the financial, taxation, price, and banking systems. With respect to



At a questions and answers session held by the Shanghai Guangming Glassworks, a worker poses questions to factory directors.

owned enterprises in 1981. This system requires that the relevant government departments, the enterprise, the workshop and the worker all be clear about their responsibilities to the state; that corresponding rights be given to the enterprise, the manager and the worker; and that the relationship between the state, the enterprise and the worker is handled well with all interests coordinated and economic responsibilities and benefits of the enterprise and the worker well integrated. In 1984, experiments were carried out in 2,913 enterprises on entrusting full production responsibility to managers. In the main, this entails that a system of appointment of cadres be established, and a fixed term of work be set; that the insti-

the financial system, reform mainly means adopting a system of apportioning revenues and expenditures. There have also been reforms carried out regarding certain specific aspects of the financial system. With respect to the taxation system, reform mainly involves the two-stage transformation of the profit remittance system into a taxation system. With respect to the price system, a system of government-enterprise-free market prices has been introduced. The prices of agricultural and side-line products and certain industrial products have been readjusted. The so-called "small commodities" are now totally subject to the forces of the market, and a system of floating prices has been set up for certain other products. With

respect to the banking system, the system of government appropriations of funds for capital construction has been replaced by one whereby the banks make loans. All working capital is now under the control of banks, and various specialized banks have been set up.

— Vigorous development of multiple economic elements and forms of economic operations. While consolidating and developing the state sector, great efforts have been made to develop the collective economy and the private sector, and the flexible and multifarious forms of co-operation among the three, thus greatly reinvigorating economic life. Collective or individual contracting, leasing or management according to methods prevailing in the collectively owned enterprises have been tried in small state-owned enterprises, particularly those in the retail trade, the catering industry and the handicrafts industry.

— Opening to the outside world. The policy of opening to the outside world has become a long-term fundamental policy of the government. The government first made a decision to adopt special policies and flexible measures in Guangdong and Fujian provinces, and later established the four special economic zones of Shenzhen, Zhuhai, Shantou and Xiamen, opened up 14 coastal cities and Hainan Island, actively enlarged the scale of external economic and technical exchanges and co-operation, and actively utilized foreign capital and made efforts to attract foreign enterprises to China to set up joint ventures, co-operative production projects and all foreign-owned firms. In 1984, the 14 coastal cities alone signed over 400 agreements on utilizing direct foreign investment and nearly 1,000 agreements on taking loans from foreign entities for effecting technical transformation, with the total amount of foreign capital used con-

stituting 1.5 and 2.5 times that of the sum total of the previous five years.

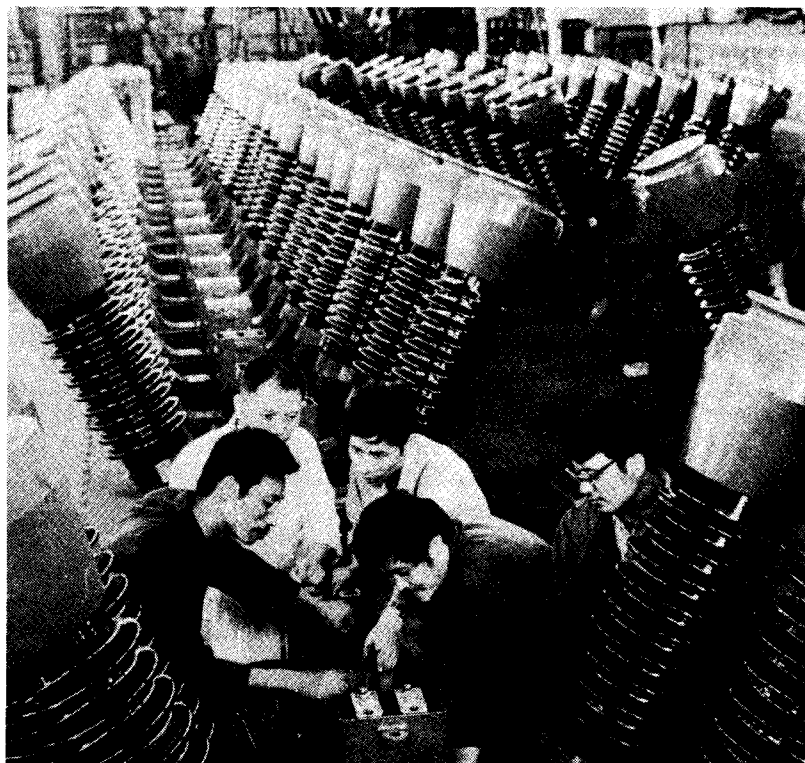
— Reform of the distribution system. Multiple economic elements, forms of buying and selling, and distribution channels have been promoted. At the same time, the number of regulated industrial products has been reduced and rationing has been abolished for several dozen industrial products. The nature of collective ownership has been restored to the supply and marketing co-operatives. Fairs for agricultural products and trade centres for industrial products (including means of production) have been set up in the cities. By the end of 1984, there were 1,360 trade fairs throughout the country, out of which 1,098 were for industrial products and the rest were for agricultural products.

— Experiments with comprehensive economic reforms in the cities have been carried out.

With the development of the commodity economy, the city should become a centre of finance, information, commodity distribution, and science and education, and should play a more important role in economic life. Prior to 1983, these experiments were mainly conducted in such cities as Shashi, Changzhou and Chongqing. Since 1984, they have been quickly extended to 54 cities, 22 of which are provincial capitals, while eight are open coastal cities. This reform has played an important role in changing the situation of administrative compartmentalization and regional protectionism, and in the formation of open economic networks and centres with major cities as key links, and has provided experience for comprehensive reform.

A great deal of work has also been done in the reorganization and merging of certain enterprises, reform of the building industry

Workers in the high-voltage workshop of the Hubei Switchgear Plant have increased production since the economic reforms were introduced. They fulfilled their 1984 production quotas two months ahead of time.



and the system of capital construction, and reform of the scientific research and educational systems. However, such reforms are still partial, experimental and exploratory in nature, and the various defects constraining the development of productive forces in the urban economy have not been fundamentally removed. We need to sum up our experience so far and engage in systematic and comprehensive reform.

Problems to Be Solved

The above-mentioned experiments have been carried out gradually according to a sequence of experimentation, summing up of experience and extension and promotion of successful experience. This approach has enabled us to avoid committing major mistakes, and to overcome certain small mistakes if and when they are made. However, such an approach is also liable to result in a lack of co-ordination among the various reform programmes. At present, our reform has already confronted a series of problems. Here, I only want to cite a few.

First, we are now in a period of transition, with the old system being replaced by the new one. The old system is dissolving, but has not completely dissolved. The new system is growing, but has not become a powerful institution. The smooth management of this transitional period, promoting the rapid growth of this new system while accelerating the dissolution of the old system without major oscillations, is indeed a very difficult problem for us. 1984, the first year of our urban reform, already witnessed the excessive growth of our national economy. Too fast a growth is likely to result in the loss of control at the macro-economic level, and therefore must be constricted so that it will not hamper our reform programme in the years ahead. This situation is now being remedied.

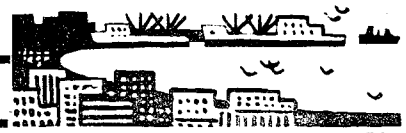


The Heilongjiang Synthetic Detergent Plant has doubled its daily packaging output since introducing a piecework wage system.

Second, in the years ahead there will be a relatively long period of time in which the centralized economic system and the decentralized economic system will coexist, for both have their respective advantages and disadvantages. It is hoped that a new economic system will be set up which keeps the advantages of both and avoids the disadvantages of each. In such a pursuit, the new system which is likely to be designed may be a "two-tiered economic system." It is easy to say that planning should be well integrated with market regulation, but to actually do it is very difficult indeed. A cautious approach should be taken with regard to the theoretical and practical problems, which are unprecedented in history.

Third, our policy is to let some people and some regions become rich first. This may raise the question in the minds of some people whether polarization may once again occur. We hold that even in socialist countries, due to differences in mental and physical powers, cultural and technical levels, management skills, and attitudes towards work among labourers, there cannot and should not be equal pay for all. It is unfair and against the principle of "from each according to his ability and

to each according to his work" to arbitrarily equalize the income of all labourers. Hence, letting some people become rich first is a necessary consequence of adhering to this principle. Also, common prosperity is something that is realized with the dynamics of wave movement. The fact of some people becoming rich first as a result of their hard work will serve as an example of rewarding the diligent and punishing the lazy, and will get more people to join the ranks of the hardworking in their march towards the goal of common prosperity. Common prosperity is not simultaneous prosperity. It is impossible to realize the goal of common prosperity for a large country such as China, with its 1 billion people, all at one go. A time lag, and a difference in the rate of growth, is bound to exist. This is an objective fact in the endeavour to realize common prosperity. The question of polarization does not arise here. In addition, the government is now in the process of drafting a law on a progressive income tax, so that it will be able to regulate income disparities with a method universally used throughout the world. The government is also taking measures of all kinds to help poor areas gradually become rich. □



Port City Profiles

Sagacious Tianjin Businessmen on the Go

This is the last of our Port City Profiles series, the first of which appeared in issue No. 38, 1984. Together with another series entitled "Hainan — A Treasure Island," these articles will be revised, with more details added, and compiled into a booklet for readers all over the world. — Ed.

by **LU YUN**
Our Correspondent

THE Hongkong conference on investment in China's 19 cities last November resulted in the signing of hundreds of contracts, agreements and letters of intent between city delegations and overseas companies. Friendship and mutual understanding prevailed, but the tension of competition was equally unmistakable, as Tianjin, showing unusual shrewdness and panache, outpaced the other cities to walk away with 116 contracts.

The Hongkong episode indicated that China's second largest port city has begun large-scale utilization of overseas investment after a period of careful, sometimes hesitant, experiments.

Tianjin's success at the Hongkong conference had much to do with the fact that it is north China's leading port, industrial base and trade centre. Its position as one of the 14 port cities recently opened to foreign investment and co-operation is yet another plus factor in its drive to drum up funds and technology to fuel an ambitious modernization programme.

In 1984 Tianjin used 1.8 times as much overseas capital as in the previous five years. In the same year, the city concluded 78 contracts worth US\$160.44 million in World Bank loans and foreign in-

vestment. 1984 also saw Tianjin sign 235 contracts on technology and equipment imports valued at US\$250 million, up 69 percent over 1983.

High Efficiency

A maddeningly slow pace of work was, and perhaps still is in many cases, a headache for foreign industrialists and entrepreneurs who sincerely want to co-operate with Chinese companies. Business talks often bog down because the Chinese negotiators lack the power to make on-the-spot decisions.

In its race against time, the Tianjin government has effectively solved this problem by sending

the men who can make the deals to the negotiating tables. The delegation to the Hongkong investment conference, for instance, was composed of industrial directors, technical experts and trade officials, all of whom had the facts and figures on prospective projects and would-be overseas partners at their fingertips. Tianjin's mayor, Li Ruihuan, happened to stop over in Hongkong during the conference, pausing long enough to give his personal go-ahead to some projects his negotiators found it hard to decide on. This boldness stems from new, central government-mandated power: The Tianjin authorities can now approve the construction of all non-industrial projects and industrial projects worth up to US\$30 million.

Interestingly enough, most of the deals Tianjin agreed to at the Hongkong conference were not on its published list of investment

One of the new residential quarters.



projects. The negotiators jumped at the available opportunities and made impromptu decisions not only because they had the power but also because they knew what their city needed. Some agreements were concluded in train compartments — a far cry from the times when Tianjin officials used to sit behind closed doors, waiting for overseas investors to come to them. "In those days you were lucky if you could get in touch with eight investors a year," said Wang Shuming, director of Tianjin's second light industrial bureau. "This time in Hongkong, at least seven came to talk with me a day, and in 13 days I struck more bargains than I could have done in two years."

Business "horse sense" is yet another Tianjin hallmark. When searching for trading opportunities, city officials see to it that their overseas partners also profit from their co-operation. They never haggle over trivial details, and are quick to compromise lest time be wasted and valuable opportunities slip through their fingers.

Once, a Hongkong businessman complained about high land price while negotiating on a porcelain-making joint venture. The Tianjin representative patiently explained to him that the price compared favourable with those in other countries, but then offered a lower price. A contract was signed only a fortnight after the negotiation began. "They are indeed something, the Tianjin people," the Hongkong man declared. "They are the ones who can do big things."

This financial agility has also helped Tianjin officials speed up talks on bigger deals. Within one month, the city concluded agreements with Italian companies on the import of refrigerator compressor and plate glass production lines, each worth over US\$10 million. Within 22 days, a city dele-

Facts and Figures About Tianjin

ONE of three Chinese municipalities granted provincial status, Tianjin with its 13 urban districts and five counties covers 11,300 square kilometres and has a population of 7.85 million.

The city faces the Bohai Sea 120 kilometres northwest of Beijing. Pierced by the Haihe River and its five tributaries, Tianjin has long been a shipping centre vital to China's industrial north and northeast.

The nearby Dagang Oilfield is one of the country's leading oil and gas producers. Bright prospects are also predicted for offshore oil reserves in the Bohai Sea, where prospecting and trial drilling are now in progress. Tianjin also sits over 10 recently discovered geothermal formations covering 2,968 square kilometres.

Prawns are a major export. The city's Changlu Saltern accounts for one-fourth of the nation's total salt output.

An old-line seaboard industrial and commercial city, Tianjin has an industrial network embracing 4,400 industrial enterprises with 1.3 million employees. Many Tianjin-made products are highly competitive on both domestic and world markets, including carpets, wrist-watches, bicycles, motor vehicles, tractors, forging equipment, elevators, TV sets, meters and instruments and medicines.

Tianjin harbour connects China with 150 countries and is an important link in a network of domestic air lines, railways, highways and rivers. The city's posts and telecommunications services reach countries throughout the world.

Years of continuous development have given Tianjin a solid economic base with 170,000 scientists and technicians and 98,000 social researchers. There are 21 universities and colleges and 65 other institutes of higher learning, and 1.17 million students are studying in the city's various schools.

Tianjin has forged sister-city ties with Kobe and Shikoku in Japan, Philadelphia in the United States and Melbourne in Australia, Sarajevo in Yugoslavia and France's Nord-Pas de Calais (Straits of Dover) Region. Tianjin harbour has also established friendship links with harbours in Tokyo, Kobe, Melbourne and Philadelphia.

gation toured West Germany, returned home to compare notes and then went back again to finalize the purchase of equipment for a factory making 100,000 motorcycles a year.

Joint Ventures

Shortly after China adopted its open policy in 1979, Tianjin was visited by a number of far-sighted overseas industrialists and entrepreneurs who came to run joint ventures with their Chinese counterparts. With their advanced technology and modern management techniques, the joint ventures soon established a reputation for top-quality products.

A winery opened in 1980 by a Tianjin farm and the Remy Martin Co. of France is now selling its "Dynasty" semi-dry white wine in Japan, Europe and North America. In 1984 "Dynasty" won gold medals in China and at international fairs in Leipzig, East Germany, and Ljubljana, Yugoslavia. The Sino-French winery is now working to double its production while developing new products.

The Liming Cosmetics Co. Ltd, a joint venture between Tianjin and West Germany's Wella Company, is yet another success story. It began operation in 1983 and is now producing shampoos, hair lotions, hair dyes and four other products, all of them highly ac-

claimed by customers in China and Japan. These early achievements have prompted the partners to start putting up new factory buildings.

A pharmaceutical plant run jointly by the Ofsuka of Japan and Tianjin has produced 6 million polystyrene bottles of saline solution since it opened a year ago. The products meet standards set by the World Health Organization and have been selling well. The plant is now considering an expansion plan that will double its annual output.

To date, Tianjin has signed contracts on 85 joint ventures, 19 of which are now in operation. Most of them quickly began showing profits, and some have already recovered their initial investment. The latest crop of joint ventures agreed upon since 1984 have shown some new trends:

- They have been spreading to all sectors of the national economy;
- They have been growing in size and value, although most are still small or medium-sized;
- While most are industrial enterprises, the number of hotels, restaurants and taxi companies is on the rise;

• The ranks of their investors have been swelled by businessmen from Japan, the United States and Western Europe. Previously, most came from Hongkong.

• It is getting easier to start a joint venture, with less time elapsing from the signing of contracts to the opening of the business. Six such ventures went into operation in Tianjin last year, all after start-up periods of less than 12 months.

Good Partnership

Tianjin joint ventures feature strict management systems which help ensure the quality of their products and the efficiency of their work. According to Chinese law, joint ventures are run by a manager accountable to a board of directors.

And although these businesses may differ in structure and organization, they still have one thing in common: Versatile managers and workers who can do several jobs in order to make full use of their working hours. Punctuality is also prized, and nobody leaves work earlier than they should. Business is their business and there is no dillydallying or fooling around during the work day.

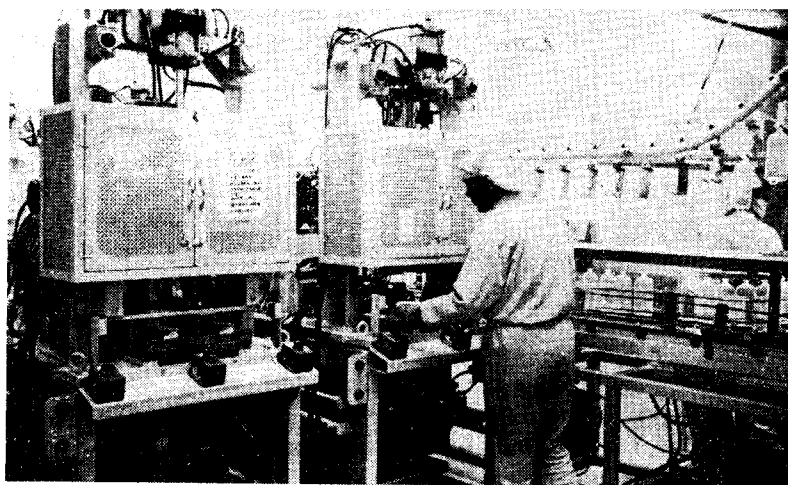
All this has made Tianjin's joint ventures highly productive. The aforementioned Sino-French winery, for instance, turns out 400,000 bottles a year — yet it employs only 22 workers and staff. The Liming Cosmetics Co. ensures its smooth operation by unsparingly awarding the diligent and strictly penalizing the lazy, while the China-Ofsuka Pharmaceutical Company sacked two workers, who had violated plant rules. Another worker also had his wages docked for leaving his post without a proper reason. While enforcing strict discipline, the factory teaches its workers that a high sense of responsibility is vital not only to the company's future, but also to their own interests. This has turned every employee into a well-disciplined part of the joint venture.

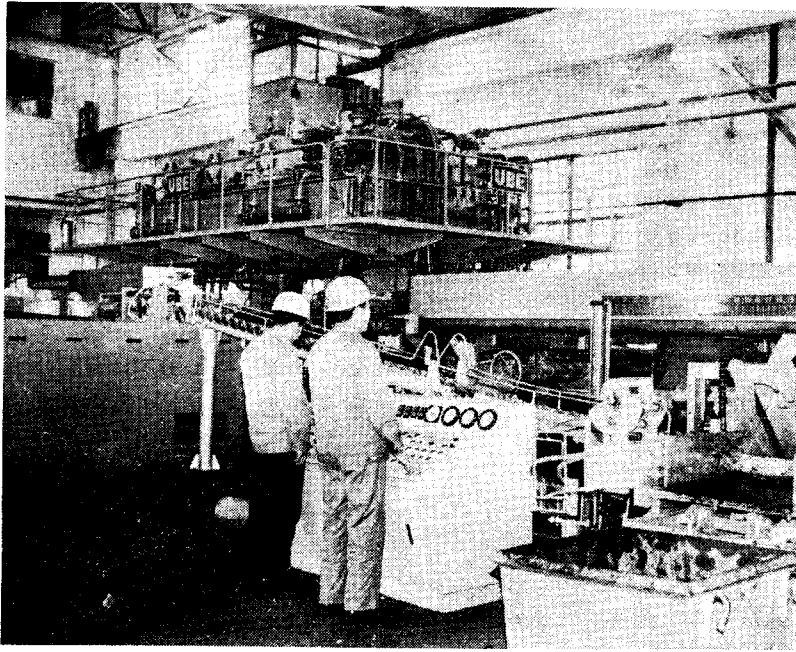
The Liming Cosmetics Company now turns out products that are as good as those produced in other Wella companies. Steven Lang Sung, Liming's American managing director, said this was due to simple hard work: "Everybody is mindful of the company's interests and does more than required. Here you can see things rarely seen in Europe and the United States — office workers pitch in as porters, and servicemen also work as electricians and warehouse workers."

He was also satisfied with relations between the venture's American managers and their Chinese counterparts. "Everybody here speaks his mind. We do have different opinions, and sometimes we quarrel with each other. But that is all for the good of the Liming Company," Steven said.

Liming is doing better than expected. The company controls its own foreign exchange earnings, and its American partners have never had trouble remitting foreign exchange profits and income out of China. This has boosted the

In a workshop of the Tianjin-Ofsuka Pharmaceutical Co.





Equipment imported from Japan enables the Tianjin Aluminium Alloy Factory to vastly increase its output and win a national gold medal for top-quality product in 1983.

Wella's confidence in China, spurring its decision to expand.

But the past two years have not been without problems. According to Liming's managing director, things are sometimes more complex than anticipated. He blames this on China's current management system, now just beginning to be revamped. "We want to make hair-dressing products," he said, "but we find it hard to get permission because in Tianjin, cosmetics and hair dressings are under the charge of different industrial bureaus. Besides, the current cadre system has also got in our way when we try to recruit English-speaking professionals," he added.

Importing Technology

Tianjin has imported 22,000 sets of equipment in the last several years to revamp 108 enterprises producing colour television sets, acoustic equipment, electrical materials, electronics, rubber products, plastics, printed matter,

foodstuffs, bicycles, clocks, watches and light bulbs.

In 1984, Tianjin considerably increased purchases for technology-intensive projects, including some equipment related among the best on the world market. These include a 1 million-refrigerator-a-year assembly line from France, West German technology for producing mining cables and compressor production technology from Italy.

Development Zone

Trucks and bulldozers are working around the clock on Tianjin's newly opened economic and technical development zone, a vast stretch of land along the Bohai Sea 50 kilometres southeast of downtown Tianjin.

The zone will soon be filled with factories where overseas investors will enjoy more or less the same incentives now provided in special economic zones. All economic activities will be regulated by market forces rather than cen-

tral planning. The zone will make an ideal heaven for foreign investment as it offers convenient transport and has good access to market information. The Beijing-Tianjin-Tanggu expressway, now under construction, will enable goods to arrive from Tianjin harbour in only 10 minutes, or from Beijing in a little more than one hour.

The zone will give top priority to industrial projects that help update Tianjin's technology and product quality, particularly those introducing sophisticated expertise and equipment without causing environmental pollution.

The factories to be built there in the immediate future will mostly be small plants specializing in trades including electronics, new energy sources, optical telecommunications equipment, chemicals and consumer goods. Some enterprises will aid offshore oil development and shipbuilding.

Negotiations are now under way on more than 100 high-tech projects involving business representatives from over 20 countries.

Tianjin has China's largest container dock.



The zone's development has been placed in the hands of a team of experts and entrepreneurs who are shrewd, straightforward and quick to make decisions. A Hong-kong businessman was so impressed by their efficiency that he quickly signed contracts on marble quarrying and processing, silicon solar battery production and two other projects. Within three days this February, the zone's administrative office reached agreement with an American company on a printed circuit joint venture. At first, both the Chinese and foreign partners were uncertain

whether the necessary factory buildings could be put up in time. On hearing this, one of the zone's chief engineers and his assistants immediately set pen to paper, produced all the needed blueprints and put them on the negotiating table the following day. This was enough to convince the Americans, who readily signed the contracts. It is expected that before the end of this year a number of factories will begin operation at the Tianjin economic and technical development zone. This will undoubtedly provide a fresh spur for Tianjin's modernization drive.

its list of key construction projects. The State Council has also put the harbour under the leadership of the Tianjin municipal government; in the past it was run by the Ministry of Communications. Now the harbour puts all its profits into renovation and expansion. While the port "goes it alone" in management, the Ministry of Communications still drafts rules and regulations and sets quotas for it, and supervises the way they are implemented.

The municipality is now working on solving the harbour's cargo movement problems by expanding its freight handling capacity.

As the first step, a year ago the city opened a sluiceway where the Haihe River empties into the sea, so ships can sail upriver to reach five 5,000-ton class berths.

The berths had been unused since the early 1970s, when water levels dropped and the gate had to be closed to prevent sea water from flooding in. A local engineer once suggested that air compressors be used to produce an underwater barrier to hold back the salt water while keeping the sluiceway open and the docks in use. The cry for opening the sluiceway became all the louder after Tianjin solved its drinking water problem by diverting water from a faraway river. But a prevailing fear of soil salinization kept that suggestion pigeonholed until Torii entered the scene. After repeated surveys and calculations, the Japanese suggested opening the gate at the time of day when the river rose level with the sea. The municipal government accepted the suggestion on May 1, 1984; as a precautionary measure it also installed air-screen equipment and mapped out plans for a new sluiceway farther up the Haihe. The reopened river

Japanese Help Renovate Harbour

WHEN Mayor Li Ruihuan gave a banquet in honour of Yukio Torii, Tianjin harbour's new Japanese adviser, he told his new friend, "In making you our top adviser now, I too can feel the pressure. It's like binding two people to a ship: If you fall into the water, I can't survive either."

"True, we are tied to the ship which I call 'Tianjin,'" replied Torii, who was Japan's Kobe harbour and bay bureau chief before assuming his Chinese task, "but I don't think the ship will ever capsize."

A year has passed, and the Japanese adviser is quite satisfied with the way things are today.

"The ship *Tianjin* is on the right course and not falling behind schedule — I mean the harbour is being refurbished just the way we want it," Torii said.

Indeed the ongoing transformation has given the port a new face. The suggestions put forward by

Torii and his group of advisers have quickened its modernization.

Expanding Capacity

Tianjin harbour was built in 1939, but as late as 1949 it still had only five berths for 3,000-5,000 ton ships. Thirty-one docks were built in the ensuing three decades, enabling the port to receive 30,000-tonners and handle 16 million tons of cargo a year. This year three more berths will be added for container ships.

Despite this considerable growth, however, the harbour is still not in a position to meet the country's economic needs. Slow cargo movement has long been a serious problem. Ships have to drop anchor somewhere outside the breakwater and wait at least two weeks before entering the harbour. The delay is caused by a shortage of docks and advanced equipment. A lack of incentives for workers also has much to do with it.

To help solve this problem, the state has put Tianjin harbour on

docks have helped reduce the queues of waiting ships.

Reform Sparks Enthusiasm

Although the Tianjin government co-ordinates and guides the port's work, it leaves all operational decisions to the harbour administration. This has given harbour officials a free hand to do whatever they see fit to boost cargo-handling capacity.

In the past the harbour's chief administrator was allowed to approve technical renovation projects, equipment replacement and capital construction worth up to 150,000 yuan. Today he can say yes or no to joint ventures with an investment up to US\$10 million.

Last year, with the profits at its own disposal, Tianjin harbour installed 94 new loading and unloading machines and ordered 562 pieces of high-efficiency equipment from foreign countries. This year, it has decided to buy 268 more pieces of equipment as part of a plan to replace all time-worn machines.

New equipment has been arriving at the harbour in a constant stream. This includes a crane capable of lifting 40.5-ton

containers, shipped whole from Japan's Niihama harbour 1,200 nautical miles away. Machines delivered this way can be used two months earlier because time is saved on installation, testing and adjusting.

Once the harbour officials' main task was to organize daily operation. Now they are able to concentrate on improving management and think about future plans. All the operation zones have been turned into financially independent companies which make their own decisions in management, personnel affairs, use of equipment, distribution of earnings and so on.

For Jiang Zhirong, being manager of the port's container company is a mixture of failures and successes. In April last year his company introduced a piece-work system for stevedores and truck drivers, but in doing so set their quotas a bit too high. The workers were disgruntled. Required to finish loading a ship in five days, they once dragged the task out to 18 days. The incident was an object lesson for the managers. When they assumed full responsibility for the company last September, they let the dock workers' congress discuss the

quota system before making their decision. When the same ship docked in Tianjin again, it was loaded and ready to sail in only four days.

Following this experience, Jiang had suggestion boxes put up around the docks and warehouses. He also meets the workers every Thursday afternoon to listen to their grievances. The workers' congress conducts regular opinion polls to assess the company managers' popularity.

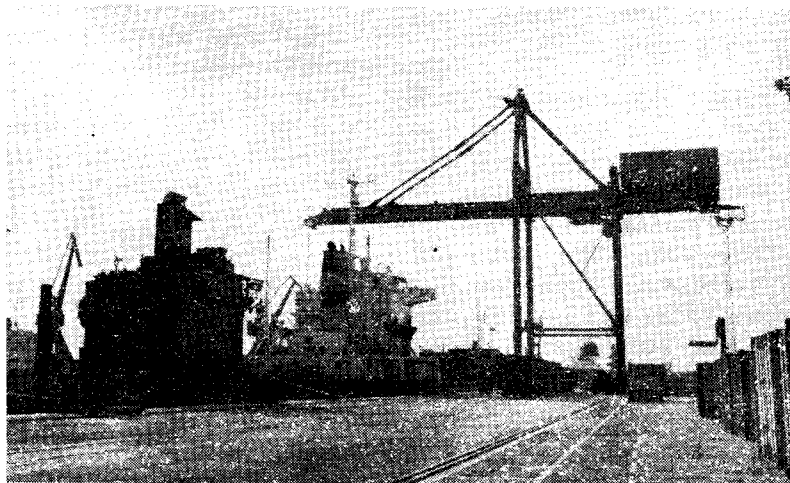
Tianjin stevedores now elect their own leaders, who in turn choose their own team members. This practice has made high productivity a virtue. Sun Zhiyuan, a 23-year-old longshoreman, was one of those who were most affected. Notorious for his sloppy work, he became an unwanted man when group leaders started reorganizing their teams. "That was hard on me, because those in the teams were making more money for more work done, and they were united as one man," he said. "This made me think twice, and I decided that I should work very hard. So I found the head of Group No. 4 and told him that I wanted to join him. I was accepted, and now I am deputy team leader."

Indeed the longshoremen are earning more as their output rises. In Sun's company, the average worker used to make 110 yuan a month. Today that figure is up to 190 yuan, with the highest wage hitting 300 yuan per month. With its higher productivity, the harbour can now finish seven ships a day instead of the previous five, while its total freight tonnage, profits and other major economic indicators have all hit all-time highs.

Japanese Advisers

Yukio Torii's 12-member Japanese advisory group is now working to help improve Tianjin har-

A bulk cargo wharf.





Harbour operation is monitored through TV screens.

bour's technology, management and daily operations. Torii established his reputation as Japan's Kobe harbour and bay bureau chief. Thanks to his creative work, which drew heavily on the experiences of the world's best harbours, Kobe solved a long-standing problem with slow cargo traffic and became a world-class container port.

Watching the Japanese advisers at work is a rewarding experience. They fan out on fact-finding tours during the day and return to the hotel at nightfall to study their findings—often deep into the night.

The Japanese advisers have held 150 discussion meetings in Tianjin and collected large amounts of data. In their first work report, they put forward a series of suggestions, including opening the sluiceway on the Haihe River, and building quays from which rolled steel could be moved from big ships onto small barges and shipped into the city through the Haihe. They also suggested opening new operating lines, replacing old equipment, adding more trucks and building more freightyards.

The municipal government and

harbour officials have acted upon most of the advice, or given explanations when they feel they are not in a position to do things on which further discussion is needed.

When they returned from a winter holiday in Japan earlier this year, the Japanese advisers came up with a second report which is actually a five-year plan for the harbour. They will continue their study to pave the way for a long-term plan for the port's development.

All their hard work has paid off handsomely. According to Torii, the harbour has in the past 12 months reduced the number of waiting ships from 45-50 to 25. Services for visiting foreign ships are being improved.

But there are other things which need to be done gradually, such as widening and resurfacing the port's highways, improving telecommunications, importing computers and training personnel. "I believe that a harbour can only succeed if it has high-efficiency equipment and offers high-quality service," Torii said.

The chief adviser was impressed by the comfortable life Tianjin provided for people like him. But as

a man accustomed to winning in the business world, he pointed out that Chinese society as a whole has yet to foster an adequate understanding of competition. In his opinion, "Tianjin harbour cannot afford to lose its competition with Shanghai and Dalian. It should also be prepared to compete with harbours and ports in the world's most developed countries." But how to gain the upper hand? "The first thing is to learn advanced expertise. China's quick economic headway in the past four years has shown that he who does not take backwardness lying down can achieve his purposes."

Torii takes great delight in being one of the foreign advisers in China. "China's policy of opening to the outside world is very correct," he said. "This is because the world must be seen as a whole. Only by opening its doors can China foster stronger ties with other countries. In this way the Chinese can go and have a look at the outside world, and foreigners can come to help."

In his opinion, inviting foreigners to work in China is better than sending people abroad to see for themselves. China, he said, should be quick to learn foreign ideas and follow its own plan of advance. "It is my belief that Tianjin can catch up with and surpass Kobe, just like the Chinese women's volleyball team came from behind to beat the Japanese women's volleyball team." □



Develop Nuclear Power Properly

from "RENMIN RIBAO"
(People's Daily)

LI PENG, vice-premier of the State Council, recently wrote an article on developing nuclear power in China. Its main points are as follows:

Nuclear power stations are an important aspect of the peaceful use of nuclear energy, as well as an important way of solving energy shortages, because nuclear power is a safe, clean and advanced source of energy. In light of China's conditions, our main efforts should go towards building hydroelectric and thermal power stations to meet the national demand for electricity. But at the same time, appropriate efforts should also be made to develop nuclear power.

There are three reasons for this: First, China is rich in uranium, which is the source material of nuclear power. Second, China has made great achievements in developing nuclear weaponry. A relatively comprehensive nuclear industry has been established and a corresponding contingent of technical personnel have been trained, providing the technological conditions for developing nuclear power. Third, there is a need for developing nuclear power, especially in coastal areas, which are economically developed but short on energy.

China has already lagged behind in this field and should catch up as soon as possible. But its present economic conditions can't afford large-scale development. According to tentative plans, three or four large and medium-sized nu-

clear power stations will be built around 1990, and by the end of this century their capacity will probably reach 10 million kw.

In order to have the techniques for building and managing large-scale nuclear power stations, China is going to buy some major nuclear power equipment from abroad through economic and technological co-operation.

In developing nuclear power, China mustn't depend on imported equipment for long. It should gradually increase the output of domestic equipment through co-operative production and the introduction of manufacturing technologies from overseas. Therefore, in purchasing foreign equipment, the transfer of corresponding tech-

nologies should be regarded as one of the important prerequisites. The Guangdong Dayawan Nuclear Power Station, the first large nuclear power station in China, has been established with Chinese and foreign investment, and construction of the plant has begun. In Qinshan, Zhejiang Province, a medium-sized station with a capacity of 300,000 kw is being built mainly by Chinese. This will contribute to strengthening our self-reliance and help us digest and command the technologies of large-scale nuclear power.

The construction of nuclear power stations involves complicated and comprehensive engineering work. In order to ensure safe construction and operation, China has established the State Nuclear Energy Safety Bureau to supervise the peaceful use of nuclear energy.

Planting Trees to Commemorate Life

from "GUANGMING RIBAO"
(Guangming Daily)

READER Yu Fang wrote an article suggesting planting trees to commemorate life. It reads in part:

When a child is born, his or her parents could plant a tree; when a couple gets married, the husband and wife can jointly plant a tree; and when someone dies, his or her relatives may plant a tree. This should become a custom, for it will contribute a lot to afforesting the country, beautifying our surroundings and cultivating lofty sentiments.

The tree that is planted by the parents to mark the birth of a

child can be named the "same-age tree." While nurturing the child, the parents also cultivate the tree, fostering the child's love for trees from an early age.

When getting married, the new couple can jointly plant a "love tree" to hope for a harmonious family life.

When someone dies, his relatives, friends and colleagues can plant an "evergreen tree" to commemorate him. The name of the deceased may also be marked on the tree, which would thus replace both tomb and tombstone. A tree is a much better tomb. It is a better form of mourning, replacing traditional burial customs as well.

Special areas may be designated for memorial forests. After some years, bleak and barren hills and

innumerable bombs and cinerary caskets will be replaced by stretches of beautiful forests.

Peasant Investment Enlivens Cities

from "SHI CHANG BAO"
(Market News)

THE Chinese peasants who have recently prospered but are trying to do even better are looking towards the cities, where the shortage of hotels and restaurants has made life inconvenient for both residents and visitors. Aware of the demands, the peasants are investing heavily in the construction of service facilities.

By the end of last year, 250,000 peasants had opened service businesses in cities and towns in Anhui Province's Anqing Prefecture. In Hebei Province's Handan Prefecture, peasant investment in urban enterprises has outstripped state investment by more than five times over the past couple of years. In Chongqing, Sichuan Province, 100,000 peasants have opened businesses in urban areas and peasant-run hotels have increased the city's number of hotel beds by one-third.

What the peasants in Beijing's suburban Yuyuantan Township have accomplished is even more remarkable. They have pooled investments totalling 19 million yuan to open nine Beijing hotels, which can accommodate 300,000 visitors annually. They are now building several posh hotels. Peasants in the suburbs of Guangzhou have invested 160 million yuan in 900 stores and service centres and 300 restaurants, which have significantly eased the overcrowding of the city's other restaurants. In Wuhan, Hubei Province, peasant-run businesses now include indoor

rollerskating rinks, dance halls, amusement parks, cinemas, theatres, travel agencies, taxi companies, and labour and service companies.

Obviously, the rise of industrialization is turning many of China's peasants into prosperous investors rather than drive them into bankruptcy. Small wonder many see this as a "miracle in the history of economic development."

Where Did the Tomato Originate?

from "CHENGDU WANBAO"
(Chengdu Evening News)

SCHOLARS have long believed that tomato originated in Peru, South America, about 400 years ago and was introduced into China within the last century or so.

They were forced to revise their views, however, after tomato seeds were discovered in a 2,100-year-old tomb in Sichuan Province in 1983.

In July of that year, archaeologists from the Chengdu Museum excavated a tomb dating to the Western Han Dynasty (206 BC-24 AD) in the Fenghuang Mountains, north of the provincial capital. In it, they found rice, chestnut and other seeds in square rattan and bamboo containers. The archaeologists covered the containers with pieces of wet cloth to keep them from drying or cracking. By early

August, they found that 40 of the seeds had sprouted. The sprouts later flowered, yielding their first tomatoes in early December, 1983. The archaeologists planted more of the ancient seeds, and harvested 10 tomatoes in late December, 1984. The flavour of the tomatoes was similar to that of modern tomatoes.

To check their origin, the seeds were taken to the Nuclear Science and Technology Research Institute of Sichuan University. Researchers there found that the trace elements they contained were quite different from those of modern tomatoes. At the same time, the Chengdu archaeologists reinvestigated the Han tomb to eliminate suspicions that the seeds were brought there by grave robbers, small animals or some other means. They were able to prove that the seeds were, in fact, survivors of the ancient dynasty.

Chinese Character Used Beyond China

from "YU WEN BAO"
(Language and Literature News)

CHINESE characters are used by people in Japan, South Korea and Singapore as well as in China. In Japanese, they are used together with *kana* (a Japanese syllabary created after simplifying the phonetic part of some Chinese characters). Some Chinese characters seen in South Korea differ in shape, pronunciation and meaning from those in use in China. Han people on the mainland and overseas Chinese in Singapore use simplified characters, while those in Taiwan and Hongkong still use them in their original complex form. Chinese characters were used by the Vietnamese before they were replaced by a romanized alphabet in 1945.

World's Bankers, Entrepreneurs Meet

The conference has clearly shown that Europe and Japan are keenly interested in the future of China, said Rainer E. Gut, chairman of the board of Credit Suisse, at the recent Beijing international conference on "China Faces the Future." This may sound like a salesman's talk, but it speaks volumes that we Westerners do want very much to carry out co-operation with the People's Republic of China for our mutual benefit.

The three-day (May 6-8) conference, the first of its kind ever held in Beijing, was jointly sponsored by the Bank of China and *Euromoney*, a London based journal with a worldwide circulation. It was also backed by the Arab Bank and nine other banks in Belgium, Britain, Canada, the Federal Republic of Germany, Japan, Switzerland and the United States. More than 400 bankers and entrepreneurs from 23 countries and regions participated in the conference. Leading members from relevant Chinese ministries and commissions, from the four special economic zones and 14 coastal cities also attended the conference.

Many participants shared Gut's view. They said they are willing to offer their help, raise funds, provide consulting services and train qualified personnel for China's modernization programme. Yasushi Watanabe, president of the Bank of Tokyo, and Morimasa Yamada, executive managing director of the Nomura Securities Co. Ltd., reiterated at the conference, panel meeting and press conference that they are ready to

devote their efforts to China's economic growth. The president and his colleagues of the US Chemical Bank took great pains to remind their Chinese counterparts of the need to pay attention to the risks of changing foreign exchange rates while expressing their willingness to co-operate with the Chinese side.

Discussions at the conference covered a widerange of subjects concerning China's economic growth and its implications for the world, questions of interest to all parties involved. The conference enabled foreign bankers and entrepreneurs to have a better understanding of China's open policy, its investment environment and the prospects for economic development, and enhanced their confidence in co-operation with China. An executive director of the Banque Bruxelles Lambert said that there is a world of difference between viewing China from Brussels and the country from Beijing. In Beijing, he said, we could hear top Chinese leaders' speeches directly and understand that China's open policy will remain unchanged for a long time to come.

The Chinese participants showed great interest in the special reports given by foreign experts, obtained the latest information and broadened their field of vision. All this has laid a solid foundation for future co-operation between China and its foreign counterparts.

During the conference Premier Zhao Ziyang received the participants. He said that China attaches great importance to co-operation

with foreign financial circles. China has rich resources and a vast market, but it is short of funds. Banks can play an important role in this respect.

On behalf of the Chinese government, Zhao reiterated that China's political situation is stable. Its open policy will not change, and if there should be any change, it would be that china will become more open to the rest of the world.

174 Projects Set For Co-operation

Shanxi Province in north China has selected 174 projects this year for co-operation with overseas firms, deputy governor Bai Qingcai announced at a May 7 news briefing in Beijing. Discussions on the projects will be held during a Shanxi's export commodities fair in Hongkong in July, and at a symposium on international economic and technological co-operation to be held in the provincial capital of Taiyuan in August. The projects will include coal mining, iron and steel, machinery, chemicals, textiles, light industry, household electrical appliances and foodstuffs.

Bai said that in order to encourage foreign investment, the provincial government will provide preferential treatment including local income tax reductions and exemptions. It will also offer land and transport, communications and infrastructure facilities to wholly foreign-owned enterprises, joint ventures and co-operative businesses.

Shanxi is a major coal mining centre and a hub of heavy industry and chemical production. It has verified coal reserves of 200 billion tons, or one-third of the nation's



Bai Qingcai (third from right) toasts the guests.

total. The province mined 180 million tons of coal in 1984, 24.2 percent of the nation's total. It also has large reserves of bauxite, iron ore, copper and gypsum.

Shanxi also has more than 9,800 large and medium-sized industrial enterprises, making it one of China's key construction centres.

The region abounds in cultural and historical sites including the Wutai Mountain, one of the four sacred places of Chinese Buddhism. The mountain's more than 100 temples now house several thousand monks and nuns. So the prospects are bright for developing tourism.

Shanxi offered its first group of 140 projects for overseas co-operation last year. By the end of this March, contracts had been signed on 83 of them. Of the total, 16 have gone into operation, with good results.

First Sino-Belgian Joint Venture

Shanghai will begin producing China's most modern programme-

controlled telephone exchanges when the Shanghai Bell Telephone Equipment Manufacturing Company, a Sino-Belgian joint venture, goes into operation in October.

The company, financed by the China Posts and Telecommunications Industry Corporation and the Bell Telephone Manufacturing Company of Belgium, plans to produce 30,000-channel telephone exchanges this year and 70,000 more in 1986. By 1987, the venture will be able to turn out 300,000-channel telephone exchanges.

The venture will employ up-to-date technology, and is expected to be a strong competitor on the Chinese market. Orders for 110,000-channel telephone exchanges have been received to date.

J. Loontjens, director and general manager of the venture, said that his company will likely be able to produce 300,000-channel telephone exchanges 12 months ahead of schedule. He also hopes it will become one of the world's largest telephone equipment manufacturers.

NEWS IN BRIEF

- China will sign a new co-operative agreement with the European Economic Community (EEC) in Brussels this May. At the same time, activities marking the 10th anniversary of the establishment of diplomatic relations between China and the EEC and the second ministerial consultations will be held.

China and the EEC will hold a week-long trade activities in Brussels by the end of this year.

- The South China International Leasing Co. will go into business sometime this summer. The company will be an international leasing enterprise financed by Chinese and overseas financial groups, including the Bank of China (Shenzhen branch), the National Bank of Paris (Hongkong branch), the Hokkaido Takushoku Bank of Japan (HK branch), the Bank of Communications (HK branch), the China Merchants' Steam Navigation Co. Ltd. and South China Sea Oil's Shenzhen Development Service Co. The Bank of China and the National Bank of Paris will each own a 30 percent share in the venture.

To implement relevant agreements and contracts, the company will lease Chinese and foreign machinery, equipment, materials, implements, instruments and meters, airplanes, steamships, and computers. It will also lease or sublease other kinds of advanced technology.

- Yak meat from Qinghai Province is becoming a popular food in Hongkong. Since 1980 the province has exported more than 30,000 live yaks and 5,500 tons of frozen yak meat to Hongkong.

Qinghai is one of China's major pasturelands. More than 5 million yaks graze on Qinghai's 33.3 million hectares of grassland. Yak meat is lean, tender and high in protein.

New Discoveries Reveal Ancient Life

China's archaeology has entered a golden age.

Major achievements have recently been made that have shed light on prehistoric life. With the exception of Fujian and Xinjiang, Old Stone Age ruins have been found in every other province and autonomous region. New Stone Age ruins have been discovered all over the country, and archaeologists have reported their findings on more than 7,000 sites. A clear understanding of the basic characteristics of primitive cultures, their chronological order and their distribution throughout China has been acquired.

In areas along the middle and lower reaches of the Huanghe (Yellow) River, early New Stone Age ruins, dating back 7,000-8,000 years, have been uncovered. These discoveries offer clues as to the origin of agriculture, animal husbandry and ceramics in China.

New archaeological findings indicate that Chinese cultures entered the Bronze Age no later than 4,000 years ago. Ruins of an early Shang Dynasty (c. 16th-11th century BC) city discovered in Yanshi, Henan Province, gave archaeologists an idea of how the slave society worked.

Yin Dynasty (later Shang Dynasty) ruins in Anyang of Henan Province were excavated more than 50 years ago. The ruins include palace buildings, workshops and tombs in a 24-square-kilometre area. Relics unearthed include many tools, articles for daily use, ritual vessels, musical instruments,

and inscribed oracle bones and tortoise shells.

Archaeological studies of the Western Zhou Dynasty (c. 11th century-770 BC) got under way after the founding of the People's Republic. Among the many findings made since then are the ruins of a group of palace buildings with two courtyard houses and a

Major achievements have been made recently to shed light on prehistoric life. A clear understanding of the basic characteristics of primitive cultures, their chronological order and their distribution throughout China has been acquired.

group of tile-roofed temple buildings. Also found were numerous inscribed bones and tortoise shells and many bronze objects engraved with long epigraphs, some of which contain valuable historical records.

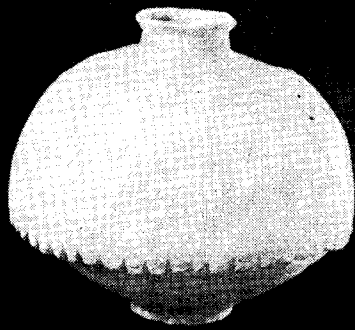
The findings prove that Chinese people had mastered iron smelting skills by the end of the Spring and Autumn Period (770-476 BC). They also indicate that the development of iron smelting was followed closely by the appearance of cast iron. By the Warring States Period (475-221 BC), people were producing steel by decarbonizing cast iron. Protracted field work by archaeologists in the capital cities of the various states has brought the wealth of the early cultures to light.

Extensive excavations at the ruins of the Qin Dynasty (221-207

BC) capital as well as capitals of the dynasties that followed, such as Xian, Luoyang and Beijing, have enabled archaeologists to gain a better understanding of their layout and evolution.

As for the tombs of the various dynasties, thousands have been excavated. Major excavation projects undertaken in the last dozen years include the terra-cotta warriors and horses and bronze chariots near the tomb of Qin Shi Huang (the first emperor of the Qin Dynasty) in Shaanxi Province; Qin Dynasty tombs in Shuihudi, Yunmeng County, Hubei Province, which contained bamboo slips inscribed with legal codes; Han Dynasty (207-220 AD) tombs in Mawangdui, Changsha, Hunan Province, which contained many documents copied on silks and other silk fabrics; Han Dynasty tombs in Mancheng County, Hebei Province, which contained clothes made of strips of jade sewn together with gold thread; Han Dynasty tombs in Yinqueshan, Linyi County, Shandong Province, which contained bamboo slips inscribed with *The Strategy and Tactics of Sun Wu*; and the tomb of the King of the State of Yue in Guangzhou, Guangdong Province. The excavations yielded thousands of valuable cultural relics, including many exquisite handicraft articles. The relics offer valuable clues as to the path of economic and cultural development in early China.

Following are some of the most valuable treasures unearthed in recent years. All the photographs and captions were provided by Fang Guojin, a curator at the Palace Museum in Beijing.



Red Pottery Jar. This jar was unearthed from Neolithic Age ruins near Karuo village, Qamdo Prefecture, Tibet. The carved patterns, made up of heavy and light lines, give a three-dimensional effect.

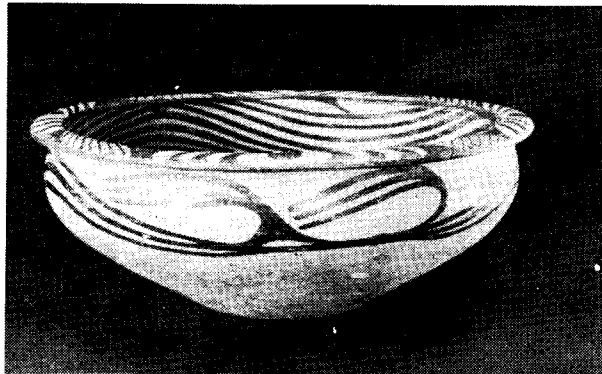
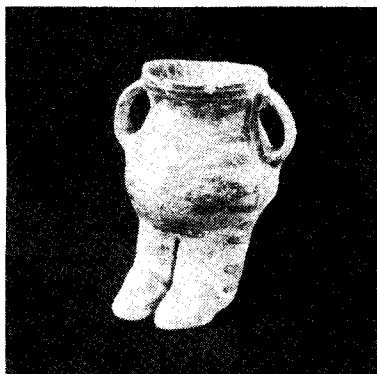
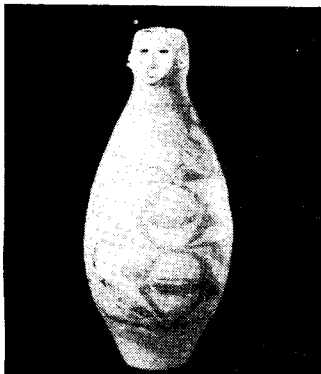
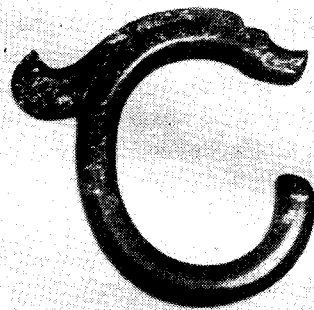
The excavation at Karuo village, the first archaeological dig ever undertaken in Tibet since the founding of New China, began in 1978. The unearthed artifacts are in three major categories — stone, bone and pottery. The stone implements were ground or cut into shapes, including hatchets, scrapers and chisels. All the pottery artifacts were handmade. Most of the black, grey or red sand-mixed pottery are carved with geometric, circular and belt patterns. Among them there is a unique double-bodied pottery jar. Judging from these artifacts, the primitive villagers had acquired a sense of aesthetics.

Archaeologists involved in the excavation at the Tibetan village also found that the housing architecture was similar to that found in the heartland of China. The stone implements unearthed there have characteristics similar to stone artifacts found in the grasslands of northern China. And the shapes of the pottery objects are similar to those found in Yunnan Province in southwestern China. These similarities indicate that people in the Karuo area established contacts 4,000 years ago with people elsewhere in China and lived a settled life, primarily based on farming and hunting.

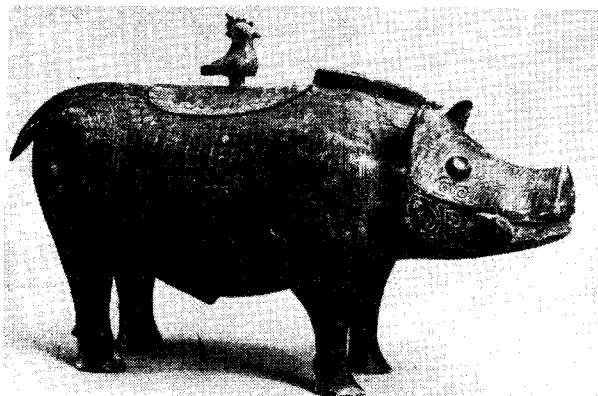
Jade Dragon Unearthed in Inner Mongolia. This jade dragon object unearthed in Wengniute Banner (a banner is an administrative division at the same level as a county) in the Inner Mongolian Autonomous Region is blackish green and 26 cm high. The jade carving depicts the mouth, eyes, body, beard and tail of a dragon.

The jade dragon was produced by the Hongshan Culture of the New Stone Age 5,000 years ago. To date, more than 100 jade objects from the Hongshan Culture (mainly in northwestern Liaoning Province and southern Inner Mongolia) have been found. Most of them are in the shapes of birds and animals. The existence of a dragon carving is particularly unusual, because, although the carvings were not meticulously crafted, they usually bore accurate images of birds and animals.

In the ruins at Dongshanzui in Kazuo County, Inner Mongolia, more than 20 pottery figurines were found. The biggest is about half the size of a human being. The large figurines depict people sitting cross-legged or standing. There are also small statues of pregnant women. The works are vividly sculptured and reflect the sculptors' grasp of human proportion. Judging from the fairly high artistic level of the works, archaeologists believe they were crafted by specialists 5,000 years ago.



Earthenware From the Upper Reaches of the Huanghe (Yellow) River. Large quantities of pottery artifacts have been found in areas along the upper reaches of the Huanghe River. Their shapes are varied and the carved patterns are distinctly original. Most of them are well-preserved. One pottery vase unearthed in Gansu Province has a mouth shaped like a human head, and another vase is shaped like the lower part of the human body, complete with legs and feet. Both vases are unique, and indicate that the potters possessed a vivid imagination and artistic skills. This pottery basin unearthed in Qinghai Province is beautifully shaped and colourfully decorated.



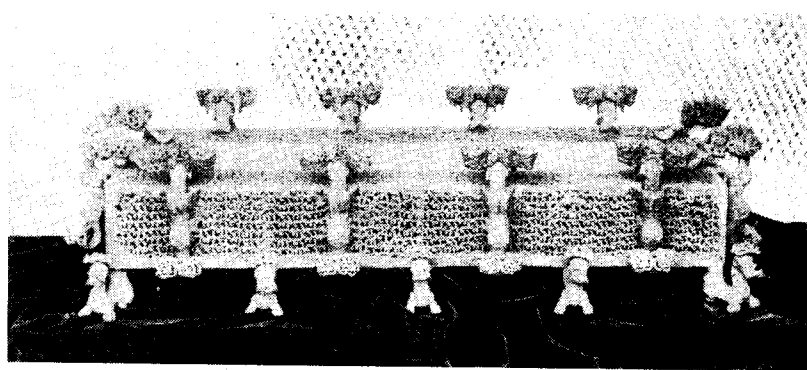
Shang Dynasty Hog-Shaped Bronze Wine Vessel Unearthed in Hunan. This unusual vessel is shaped like a hog. On the hog's back sits a small bird, which serves as the handle for the lid. Carved patterns cover most of the object. Experts say it is very rare to find the image of a hog used for a bronze wine vessel.

Bronze implements were quite common in the Shang and Zhou dynasties, a period of prosperity in the development of China's slave society. As the existence of bronze ware reflects a higher level of civilization, the two dynasties are known as the "bronze culture" or the "bronze age." The smelting, casting and decoration of bronze developed and matured during the 1,400 years of the two dynasties.

Of the Shang Dynasty bronzes discovered, there is a very peculiar phenomenon: Nearly all the large, exquisitely made bronzes were discovered in cellars rather than in tombs. This has perplexed archaeologists, who think this has provided a new area for study.

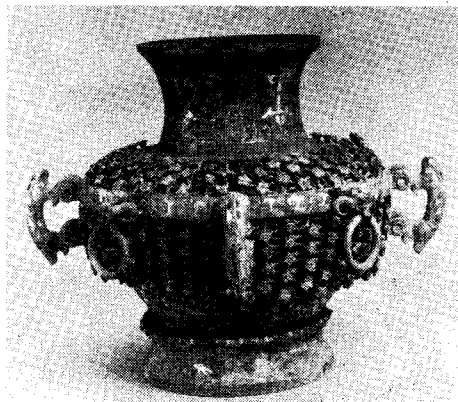


Bronze Basin Unearthed in Fufeng County, Shaanxi Province. This basin was among 103 bronze objects found in a cellar in 1976. All of them were made during the Western Zhou Dynasty (c. 11th century-770 BC) and are extremely valuable for the study of history. The basin, 13.4 cm high with a diameter of 47.4 cm, is decorated with bird-like patterns, and a 284-character epigraph is etched on the flat inside surface. The epigraph records the contributions of the first six kings of the Zhou Dynasty, thus making it a valuable source for the study of the dynasty.

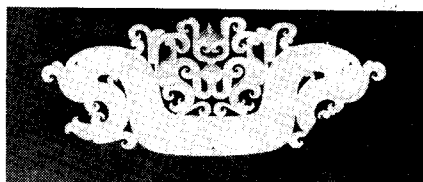
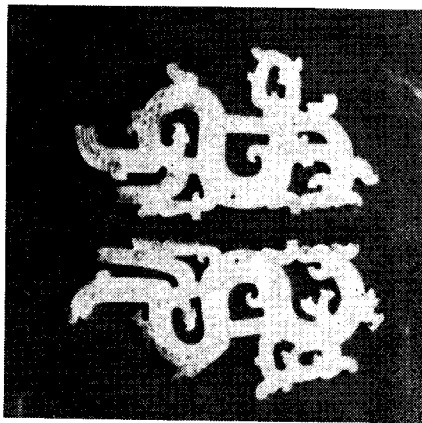


Bronze Credenza Unearthed From the Chu Tomb in Xichuan County, Henan Province. Used to hold wine containers and goblets, this credenza was made during the Spring and Autumn Period (770-476 BC) when the slave society was crumbling and the feudal society was budding. At that time, Chinese society was in a period of rapid change. The appearance and improvement of iron smelting greatly promoted the development of production and culture. From the bronze articles of that period, one can acquire a general view of the cultural and artistic development. Rectangular in shape, the credenza has 10 legs. Twelve tiger-like animals are welded to the four sides. The beasts, with wide-open eyes, appear greedy. Apart from casting, welding and riveting, the lost wax method was also used in casting. The lost wax method, also known as *cire perdue*, involves a wax model of the object and casting an outer mold over the wax model. In the past, some experts believed the lost wax method was first used during the Warring States Period (475-221 BC), as demonstrated by a shallow wine container found in the tomb of Marquis Yi of the State of Zeng. The discovery of the Spring and Autumn Period bronze credenza means the method was used at least 120 years earlier.

Found in the same tomb with the credenza were nine bronze tripods of various sizes. They are short and have flat bottoms. Around the middle of one vessel is a relief sculpture of six dragons. On the inside bottom is an 84-character epigraph, which says the utensils were cast before 552 BC as burial articles for a prince of the State of Chu. Many of the epigraph characters were complicated, shaped like birds and worms, thus making the find extremely valuable for studying the history of calligraphy.

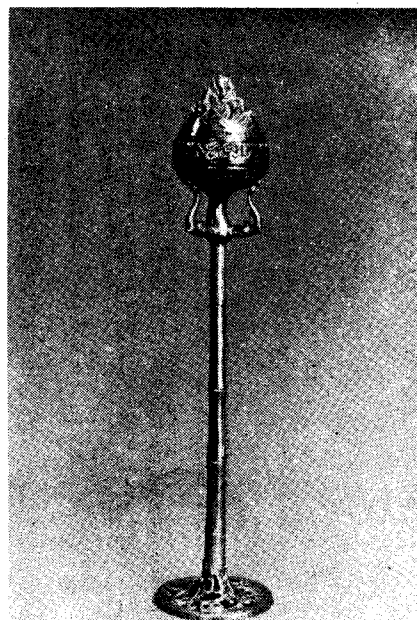


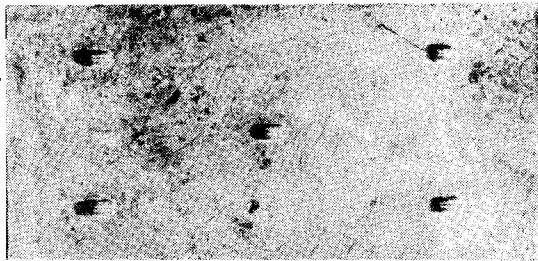
Dragon-Decorated Bronze Wine Container Unearthed in Jiangsu Province. This wine container is graced with beautiful and unique designs. Made during the Warring States Period, it consists of two parts—the jar itself and a casing. After the jar was cast, it was then inlaid with gold and silver. Then, bronze threads were woven into 96 dragons and were fixed into place with 576 petal-topped nails. As the last process, the jar and the casing were cast together. The wine container reflects the high technological level and superb artistry achieved in bronze casting, mounting, riveting, engraving and casing.



Jade Articles Unearthed in Anhui Province. This pair of large, meticulously carved dragon-shaped jade pendants and the semi-circular jade pendant uncovered in Anhui belong to the Warring States Period. Many early Warring States Period relics have been unearthed in Shaoxing, Zhejiang Province. The most precious artifact discovered thus far is a bronze model of a house. The model is square and 17 cm high. In the middle is a totem pole, on top of which rests a turtledove. The model shows an open, three-walled room with a window at the back. Kneeling in the room are six musicians in two rows, some holding musical instruments, such as a drum and "sheng" (a multi-piped wind instrument). The two sitting with crossed arms might be singers. The model is a valuable tool for studying early architecture in China.

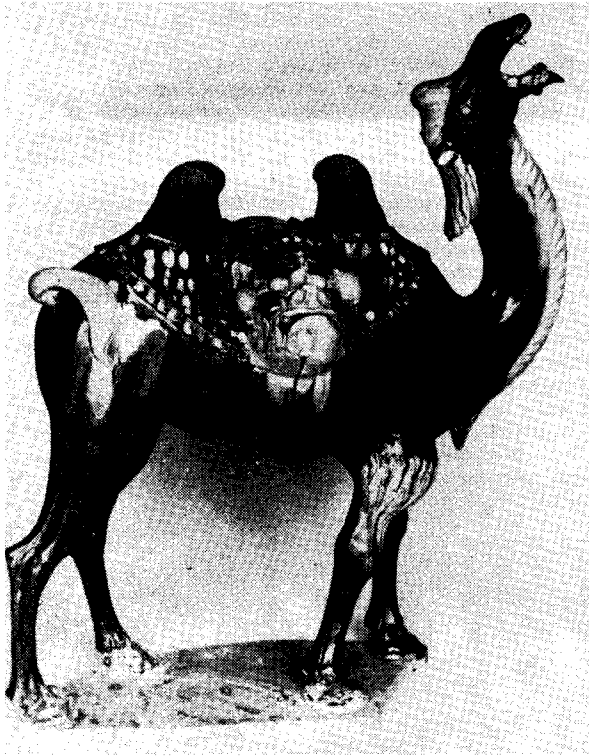
Incense Burner Atop Bamboo-Shaped Pole Unearthed in Shaanxi Province. This piece was made in 150 BC, a time of political stability and prosperity. The Unified dynasty allowed the arts and culture to flourish.





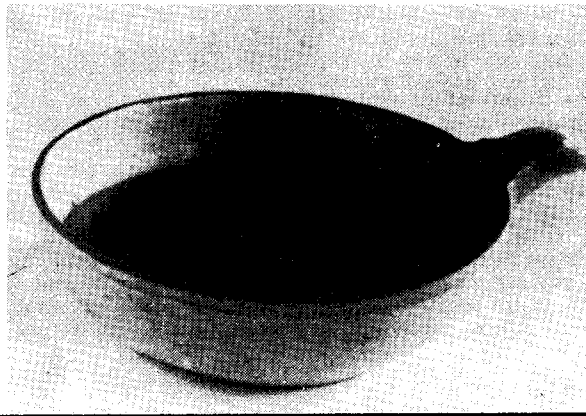
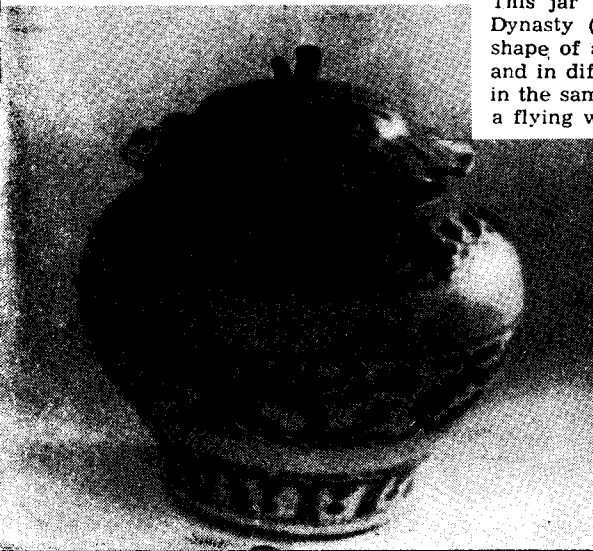
Dragon-Design Copper Mirror Unearthed in Linzi County, Shandong Province. This mirror, 120 cm high and 80 cm wide, weighs 56.5 kg. The whole mirror is decorated with a "kui" dragon, a design often seen on artifacts from the Western Han Dynasty (206 BC-24 AD). But a rectangular mirror of this size is a rare find in China.

An important discovery from the excavation of the tomb of Li Xian and his wife of the Northern Zhou Dynasty (557-581) in Guyuan County, Ningxia Hui Autonomous Region, was a Persian gilded bronze vase. Around the vase are three groups of relief sculpture, each depicting two people. The vase is a rare piece of fine art, testifying to the long history of exchanges between Ningxia and Persia during the Northern Dynasties (386-581).



Tricolour Camel and Horse Unearthed in Luoyang, Henan Province. These figures are vivid and lifelike. Both objects show the high level of sculpture achieved during the Tang Dynasty (618-907), the zenith of China's feudal society. At that time, the country was united and prosperous. The economy, culture and art developed at an unprecedented pace.

Blue Dragon-Design Jar Unearthed in Gaoan County, Jiangxi Province. This jar with lotus flowers and two dragons was among more than 100 Yuan Dynasty (1271-1368) porcelain articles discovered in a cellar. The lid is in the shape of a lotus leaf. The porcelain articles are decorated with various patterns and in different coloured glazes, but most of them are blue. Another rare finding in the same excavation is this underglazed red short-handled basin decorated with a flying wild goose design.



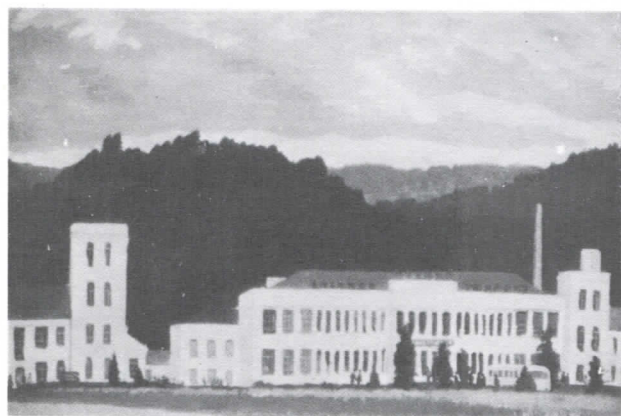
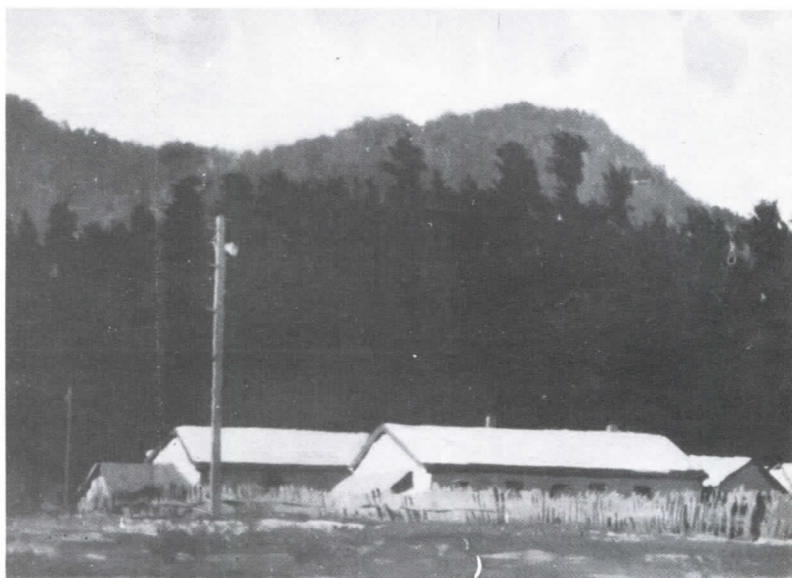


Autumn.

Homes of the forestry workers.

Powder Gouache Sketches by Song Yuanwen

Song Yuanwen was born in Xinjin County, Liaoning Province in 1933. He now teaches at the Central Academy of Fine Arts. These four sketches were made in the forests of Heilongjiang Province.



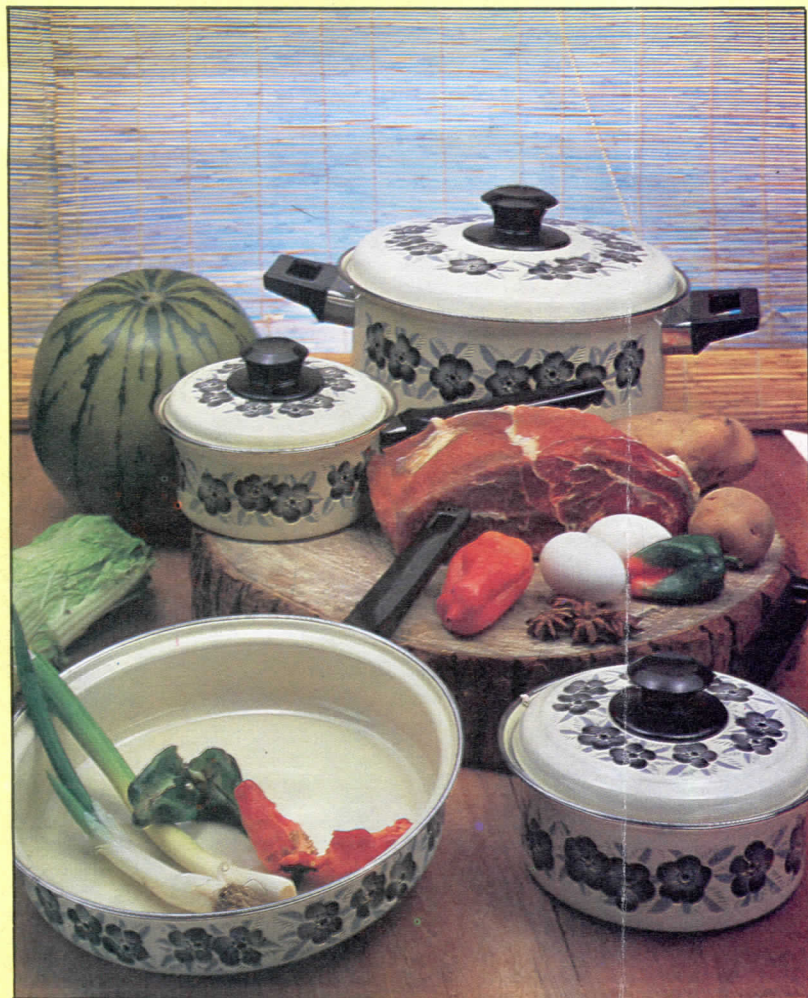
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