

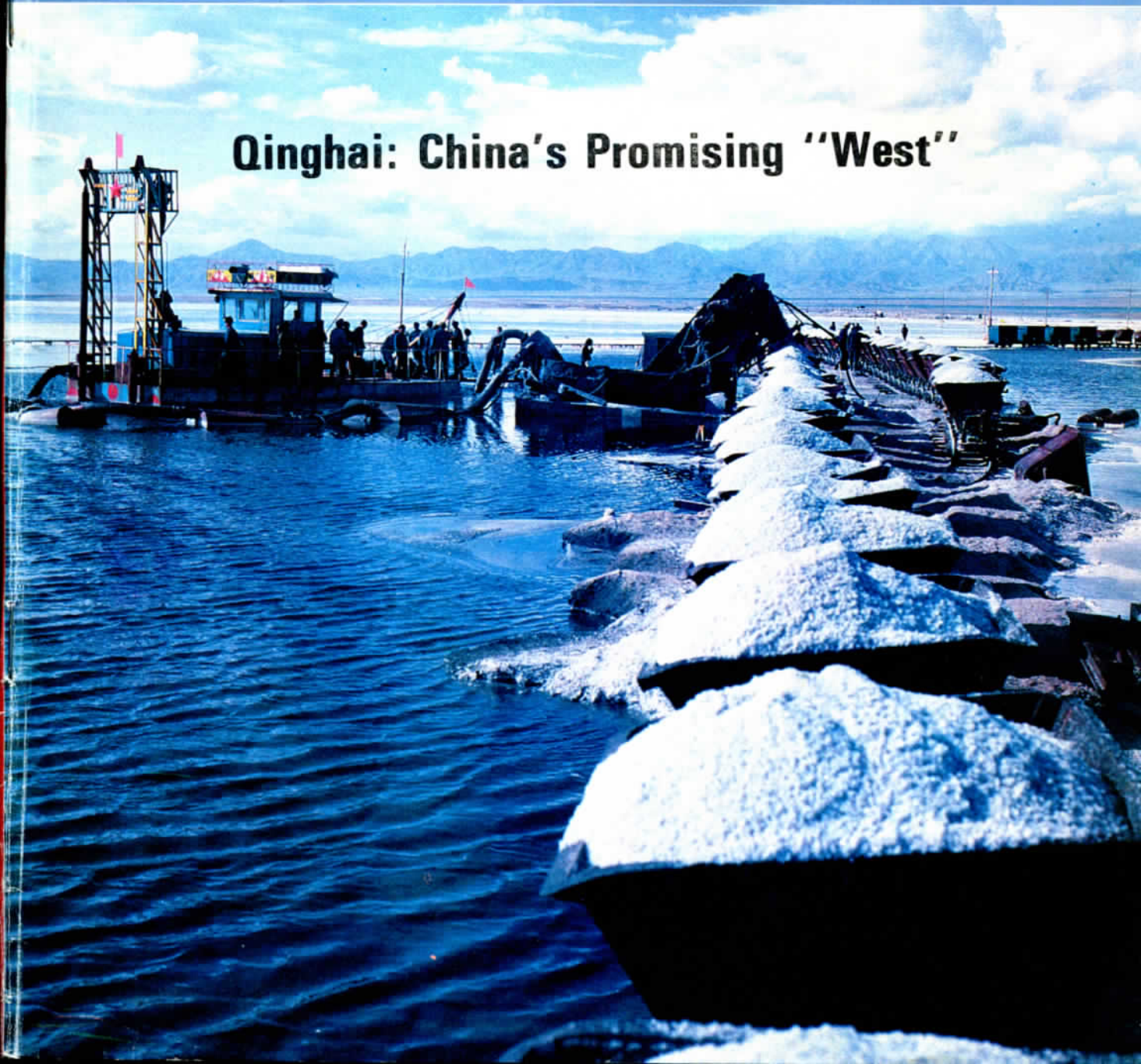
BEIJING REVIEW

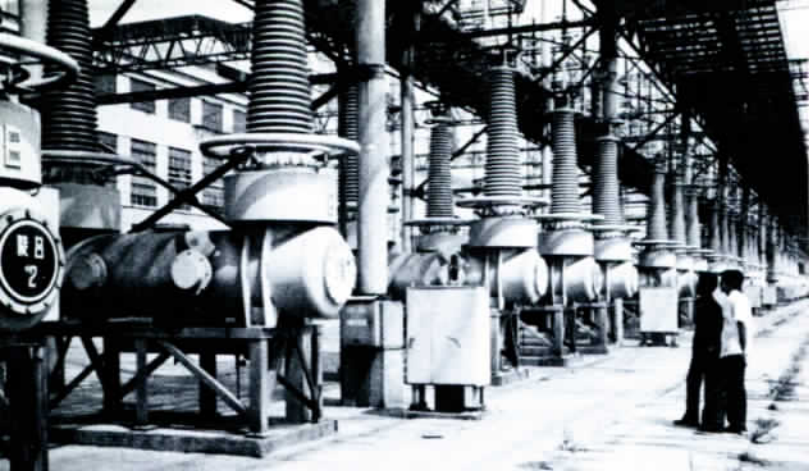
北京周報

A CHINESE WEEKLY OF
NEWS AND VIEWS

- Decision on Reforming Economic Structure
- Deng Xiaoping on "One Country, Two Systems"

Qinghai: China's Promising "West"





Tangshan's Douhe Thermal Power Plant — the largest in northern China.



Touring the Major Construction Projects

The Xinglongzhuang Coal Dressing Plant in the Yanzhou mining area in Shandong, the first plant which can handle 3 million tons of coal a year.



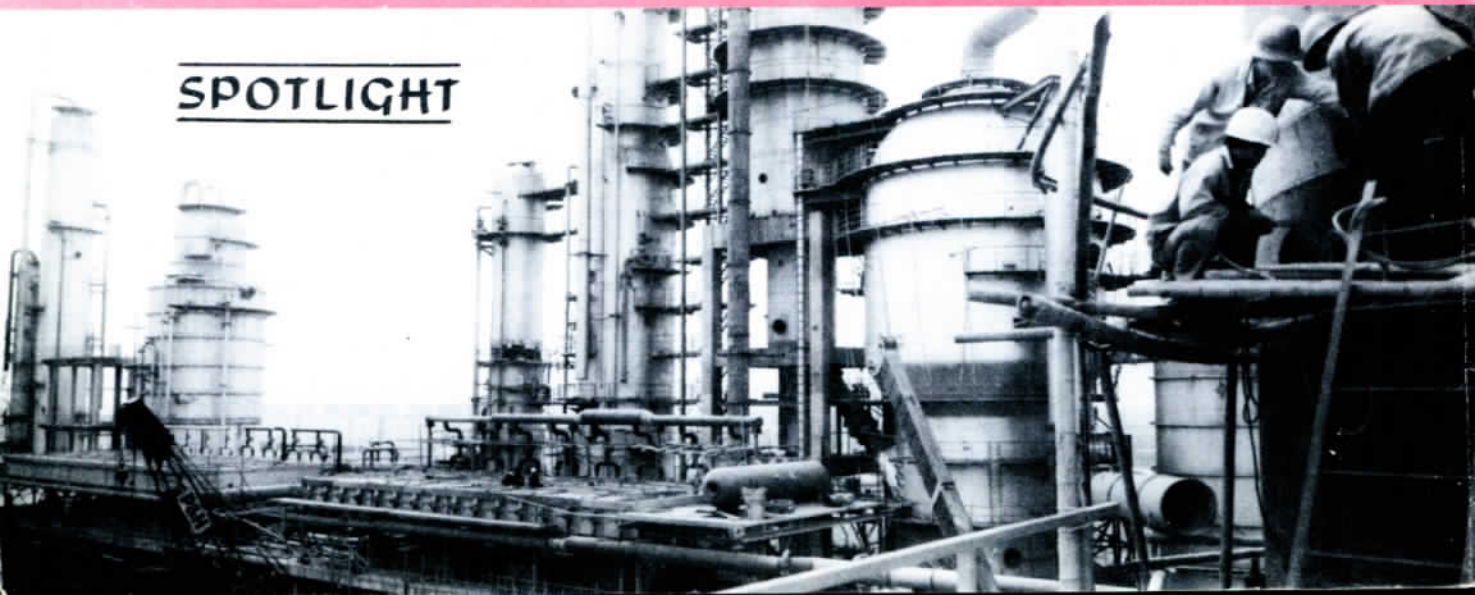
The Liaohe Oilfield will bring energy to northern China when completed.



A new railway in southern Xinjiang runs from Turpan to Korla.

The new Luoyang Oil Refinery in Henan Province can handle 7 million barrels of oil a year.

SPOTLIGHT



BEIJING REVIEW

Vol. 27, No. 44

October 29, 1984

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COVER: Resources in the Caka Salt Lake in Qinghai are now being tapped.	

Photo by Liu Wenmin

HIGHLIGHTS OF THE WEEK

Session Approves Economic Reforms

The recently closed third plenum of the Party Central Committee adopted a decision on reforming the economic structure and scheduled a national Party conference for next September. It called on all people to work hard for the success of the reforms outlined in the decision which will smooth the way for socialist modernization (p. 6).

A Programme for Reform of Economic Structure

Full text of the recently adopted 10-point decision. It explains the necessity and urgency of speeding up widespread economic reforms. Concentrating on urban areas, the decision defines the nature and outlines the basic principles and policies of the reforms (centrefold). Our economic editor explains the background and context of the decision, and points out its wide influence and historic significance (p. 4).

Deng on "One Country, Two Systems"

In recent talks with foreign guests and friends from Hongkong and Macao, Deng Xiaoping explained how this concept came about in China, and how it can be used to solve other complex international problems (p. 16).

Genesis of Responsibility System

In this first article of a series on China's rural responsibility system, our correspondent recounts the development of China's rural economy. The article explains how the contract system was first introduced in poor areas as a way to eliminate poverty and later became widely adaptable (p. 18).

Qinghai — A Land Waiting to Be Opened

Beneath Qinghai's soft grasslands, blazing desert and desolate salt lakes lie a wealth of natural resources. Following the decision to shift the focus of China's economic development to the northwest by the end of this century, these treasures will bring new prosperity to the plateau (p. 22).

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Programme for Economic Structure Reform

by JIN QI
Economic Editor

The Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure, which was adopted recently by the Third Plenary Session of the 12th Party Central Committee (see centrefold pages), is another important step since the policy to emphasize the country's modernization drive was adopted at the end of 1978 and success has been achieved in rural reforms in the last few years.

The decision sums up the experiences of urban and rural economic reforms in the past few years and advances the tasks and ways and means for the reform of the whole economic structure, focused on cities, in the future. This historic plan will exert wide influence.

The decision also offers a systematic and highly detailed explanation of the content and basis of the reform, under the basic tenets of Marxism. It is a programme of action which will guide the reform to success.

Cities are also economic, political and cultural centres. In China they have upwards of one million enterprises, with a total workforce exceeding 80 million people. The taxes and profits from urban industry account for more than 80 per cent of the state's revenue.

In recent years, using the experiences of the rural reform for reference, the cities have tried out their own reforms. Initial programmes have enlivened the economy, making it develop more rapidly and co-ordinately. However, the major defects in the

urban economic structure have not yet been eliminated. For instance, there is no clear distinction between the functions of the government and those of enterprises. The state still exercises excessively rigid control over enterprises. Not enough importance has been attached to commodity production, the law of value and the regulatory role of the market. There is also absolute egalitarianism in distribution.

The basic tasks of the reform are to change all fossilized methods incompatible with the development of productive forces and to set up a socialist economic structure which is full of vitality and uniquely Chinese.

The decision points out that the basic tasks of the reform are to change all these fossilized methods, which have hindered the development of the forces of production, and to set up a socialist economic structure which is full of vitality and uniquely Chinese. The key to restructuring the national economy is to invigorate the enterprises. This will happen when a correct relationship between the state and the enterprises and between the enterprises and their employees is established, when businesses have more decision-making powers, and when the status of the workers and staff members as masters of their enterprises is adequately safeguarded.

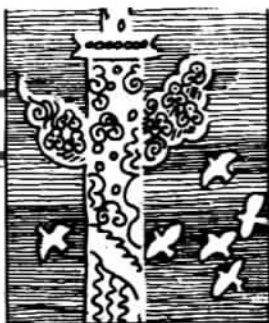
The overall reform involves many other aspects of the existing economic structure, including the planning system, pricing, the func-

tions of state organizations, and the labour and wage systems. The reform in these areas will be carried out gradually, in accordance with actual conditions. Efforts will be made to basically complete these reforms in about five years.

The reform plans closely combine principle with flexibility. Principles which reflect the nature and general interests of a socialist economy, such as the planned economy and distribution according to work on the basis of public ownership of the means of production, will be adhered to. But the differences between various enterprises in their needs, operations and actual conditions, and the complex and changeable nature of economic activities will be taken into consideration. Using all these factors, enterprises will be granted more power, responsibility and economic interests commensurate with their management abilities. In this way, businesses will be able to independently adopt flexible and varied management methods and inspire their workers to work with a will and make constant progress.

The decision explains the necessity of the full development of China's commodity economy at the present stage of socialism, criticizes the traditional concept which sets the planned economy against the commodity economy, and stresses that the law of value must be consciously followed and applied in practical work.

It also points out that the difference between a socialist and a capitalist economy lies not in whether the commodity economy and the law of value are still functioning, but in who owns the means of production, whether or not there



is an exploiting (and ruling) class, what purposes production is to serve, and whether or not the law of value can be consciously applied throughout society.

In view of this, China will gradually reduce the scope of mandatory planning and expand the scope of guidance planning and market regulation. It will gradually change the irrational pricing system, reduce the range of uniform prices set by the state and appropriately enlarge the range of floating prices (within certain limits) and free prices. Thus prices will respond quickly to changes in labour productivity and in market supply and demand. Meanwhile, people must be assured that their standard of living will not drop because of the price readjustments. Because the reform of the pricing system is decisive for the success of the reform of the entire economic structure, it will be conducted gradually and in a prudent manner.

Some China-watchers abroad have said China's reform plans will leave the country with a free market economy. The programme outlined in the Party document clearly shows that this is not the case. The reform is intended to improve some concrete systems, while adhering to the basic socialist system. It will merely change some links and aspects of the relations of production and superstructure which are not suited to the development of the forces of production. The reform is a kind of self-improvement and development of the socialist system. It will not reverse China's socialist orientation.

LETTERS

More African Voices

Your *Beijing Review* is a very useful magazine, because it reports many activities to maintain peace, which, except in the magazines and newspapers of socialist countries, are never mentioned in the press here.

We like your magazine so much that in an exhibition held for the professors and students of our school we showed many issues. Your magazine also tells us that your country has given a lot of help to the national liberation movements of the developing countries.

Mukoka Wa Mukendi
Shaba, Zaire

Every issue of *Beijing Review* provides me with many useful reports which are very realistic.

Your editing is nice. Every column is packed with interest.

Here I would like to give you a suggestion on the Mosque of Douba in Senegal provided by Chen Zonglie. Many of my schoolmates, friends, students and acquaintances all hope to see you write a more detailed and comprehensive report on the Mosque of Douba. This is the key to understanding Senegal and its co-operation with other African countries. Our roads lead to the same destination, so we should compliment each other's work. I believe a sound report can enlarge our readership.

Lamine M' Backe
Mounamadou
Douba, Senegal

I feel very happy to write you my first letter, describing how I carefully read your magazine.

However, I feel you lack enough

reports on other countries and photos. I think you should make some improvement in this field. Nowadays people appreciate a magazine through its photos.

Personally, I am very interested in news about other countries, including China. I hope to read more of your excellent magazine.

Veganaden Yeten
Mauritius

The improvement this year in your *Beijing Review* makes me like it more. You have once more proved that you work hard to help readers know what's happening outside their own countries, and especially in China.

Emmanuel Munyalibanje
Rwanda

I began subscribing to your magazine last year. Through its pages I have learnt much about the lives of the Chinese people.

The new layout makes *Beijing Review* more beautiful, especially the cover. But it's unfortunate that the "Art Page" is still not printed in colour.

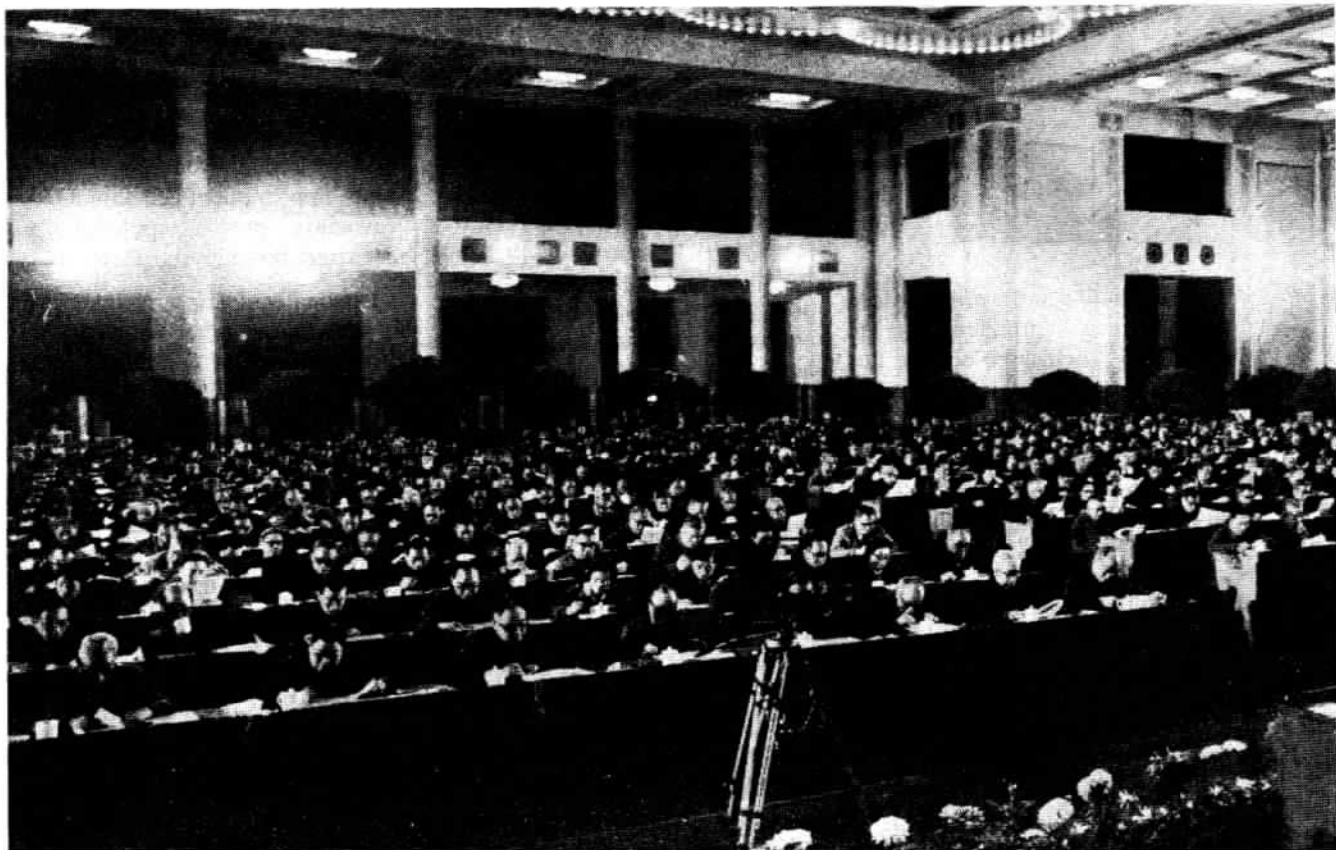
I also hope that you carry more readers' letters, so that we can exchange views with each other.

Hassan Suiai
Casablanca, Morocco

I feel honoured to be asked about my general impressions of your magazine. It may well rank among the world-famous news-magazines, especially since you began having colour covers.

On the sports pages, you should carry more international sports news instead of confining yourself to information about China.

Roland Rabearivony
Madagascar



The Third Plenary Session of the 12th Party Central Committee at work in the Great Hall of the People.

EVENTS AND TRENDS

Session Approves Economic Reforms

Broad reforms of the economic structure that focus on cities were adopted last week by the Third Plenary Session of the 12th Party Central Committee.

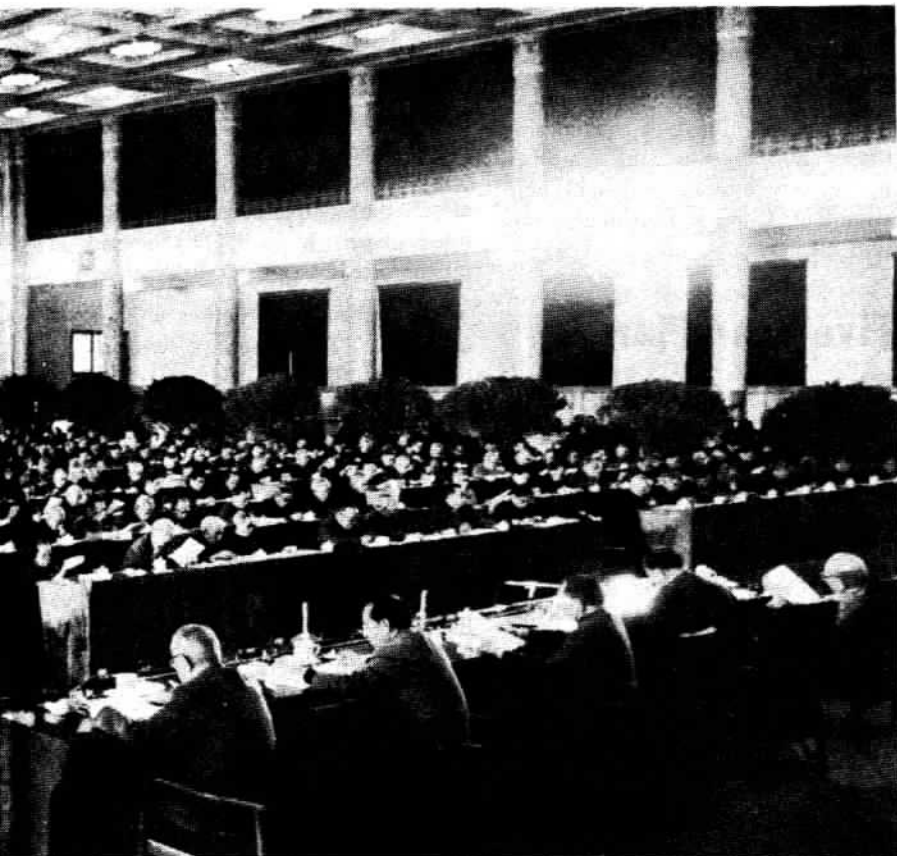
The one-day session was held on Oct. 20 after a six-day preparatory meeting. The principal order of business was the unanimous adoption of an economic reform decision made by the Party Central Committee (for full text, see centerfold). By combining basic Marxist principles with China's current situation, the decision explains the necessity and urgency of speeding up the reforms of the country's entire economic structure, with special attention devoted to the urban economy. The docu-

ment adopted by the session defines the nature, sets the orientation and tasks and outlines the policies and principles of the reforms.

The second major action taken was the scheduling of a national conference of Party delegates next September in accordance with Article 12 of the Party Constitution. Two items will be on the agenda: (1) discussion and adoption of the proposals on the essentials of the Seventh Five-Year Plan for China's economic and social development, and (2) election of additional members of the Party Central Committee, and other organizational matters.

About 1,000 delegates will attend the national conference. They

will include members and alternate members of the Party Central Committee and members of the Central Advisory Commission and the Central Commission for Discipline Inspection. Delegates will also include principal leaders of the provinces, autonomous regions, municipalities directly under the Central Government, Military Commands as well as Party, government, military and mass organizations at the central level who are not members of the above-mentioned committee or commissions, and Party members—especially young and middle-aged ones—who have made major contributions to work in various fields since the 12th Party Congress (in September 1982) will also



participate in the conference. All the delegates will have the right to vote and to elect.

Last week's Third Plenary Session of the 12th Party Central Committee was attended by 321 Party Central Committee members and alternate members. Another 297 delegates were present as non-voting members, including members of the Central Advisory Commission and the Central Commission for Discipline Inspection, and major leaders from relevant local and central departments. The session was chaired by Hu Yaobang, Deng Xiaoping, Zhao Ziyang, Li Xiannian and Chen Yun, all members of the Standing Committee of the Party Central Committee's Political Bureau. Ye Jianying, also member of the Standing Committee of the Political Bureau, was absent due to illness.

The session calls on the whole

Party, the whole army and the people of all China's nationalities to study conscientiously the "Decision of the Central Committee of the Communist Party of China on Re-

form of the Economic Structure" and work seriously and effectively, with full confidence and courage, to make the reform successful in an all-round way, and strive for a new and better situation for socialist modernization.

Planning System To Be Reformed

The State Planning Commission has decided to narrow the scope of mandatory planning for major industrial and agricultural products, and to extend the scope of guidance planning and market regulation, beginning in 1985. This is an important part of the reform of China's planning system.

The State Council has approved the decision to cut the number of industrial products of a mandatory nature from 120 to 60 and the number of agricultural and sideline products to be purchased by the state from 29 to 10. Market regulation will be introduced for products not within the framework of mandatory or guidance planning.

Party General Secretary Hu Yaobang chats with Deng Xiaoping (seated) during a break.



Industrial products produced according to mandatory planning include coal, crude oil, oil products, rolled steel, nonferrous metals, timber, cement, electricity, basic raw materials for the chemical industry, chemical fertilizers, important machinery and electrical equipment, synthetic fibres, cigarettes and cigars, newsprint, and munitions.

All industrial products of a mandatory nature, except that there are other relevant state stipulations, will be sold at prices fixed by the state. However, when an enterprise has fulfilled its output quotas, it will be allowed to sell all its surplus products, except for those which are not allowed to be sold by the enterprise according to specific state stipulations. There can be floating prices according to state stipulations.

Enterprises which fail to meet the state targets will be fined and will have their supply of raw materials and energy cut during the following year.

In agriculture, the state will continue to set purchase or allocation quotas for such things as cereals, cotton, edible oil, cured tobacco, jute and pigs according to their quantity, variety and quality. Peasants can sell their above-quota products at market prices themselves.

The change will grant enterprises more decision-making power and spark their enthusiasm and initiative. It can also maintain a macro-economic balance of the state and make the work of the enterprise conform to the requirement of macro-economic development.

In the past, China's planning system has lacked flexibility. Its main shortcomings were that the state exercised too much control over the enterprises, the proportion of products of mandatory nature was too large, and market regulation was ignored. In planned

management, the law of value and the method of economic regulation were not properly used.

The reform to be introduced next year is aimed at overcoming these shortcomings and establishing a new system that will help stimulate China's four-modernization efforts.

Five-Year Plan Targets Outlined

The Chinese Government recently outlined the targets of its Seventh Five-Year Plan, which is scheduled to begin in 1986. The plan calls for a steady growth of the national economy that will lay the groundwork for invigorating the economy in the 1990s.

The targets of the plan are:

Emphasis on agriculture will continue. Efforts will be made to diversify crops according to market demand, and China will seek to produce more livestock, poultry, milk and eggs in an attempt to improve nutrition.

Efforts will be made to increase electricity supplies. Major projects will be devoted to developing thermal power plants in the immediate future, but hydroelectric power stations will play a larger role over a long time. Nuclear power stations will also be developed, though they will only be supplementary.

A co-ordinated transport network will be developed, so that balanced development of land, river and ocean transport can be achieved.

There will be greater efforts to promote the production of consumer goods, especially the food industry, electrical home appliances, motor vehicles, motorcycles, and the construction industry. Under the plan, they will become the pillars of the national economy.

Investment will be concentrated on transforming and enlarging present enterprises. Apart from crucial new projects, such as large hydroelectric plants, nuclear power plants, strip-mining coal operations, and harbours that affect the whole economic situation, investment will be focused on the already existing enterprises.

The industrial structure will be adjusted. The emphasis will be on developing new industries and introducing new technology so that the country's existing industries can be upgraded. In urban areas, major efforts will be made to develop the infrastructure and to boost research and information centres, high-technology companies and service industries.

Investment in higher education remains high in the plan. An ambitious programme for training professionals is included.

The policy of opening China's economy to the outside world will persist. With the development of domestic production and the opening of 14 coastal cities to foreign investment, the scale of China's foreign trade and use of foreign funds will be expanded substantially, and new technology imports will increase.

China's Sixth Five-Year Plan will be fulfilled next year. The 1980-85 plan called for the gross output value in industry and agriculture to grow 4.5 per cent each year, but the economy has outpaced the plan, growing by an average of 7.8 per cent annually.

A Silicon Valley in Beijing's Haidian?

Haidian, a district in the northwestern suburbs of Beijing, has the highest concentration of scholastic, scientific and technological talent in China. At present, it is making the most of its advantages to develop new products and

techniques and form new enterprises. It is well on its way to becoming China's Silicon Valley — a new kind of economic zone.

The real Silicon Valley is in northern California in the United States. Upon a 48-by-16-kilometre strip of land sit 96 per cent of all American semiconductor companies producing the basic material for the electronics industry — silicon chips. In recent years, almost all products related to electronics have come from there.

China doesn't have any place like the US Silicon Valley yet. But scientists think there should be one electronics centre in the country. The question is where? Shenzhen and Shanghai had been considered. Now Haidian has caught the attention of planners.

Haidian's main advantage is its academic institutions. Thirty-six institutions of higher learning, crowned by Beijing and Qinghua Universities, account for 5 per cent of the national total. Within the district confines there are 80 research centres and institutes affiliated with the Chinese Academy of Sciences. Zhongguan Village, close to the district government seat, has long been called "Science Town." The unparalleled scholastic and technological strength here makes it similar to the US Silicon Valley, which has the highest density of scientific personnel in the United States.

But for a long time in the past, Haidian failed to take advantage of its potential to improve production or to make up for the shortage of skilled technicians in local factories. Many of its enterprises remained hopelessly backward. Among its one million residents, there were only 200 engineers and agronomists.

Sun Jinglun, director of the Haidian science committee, said, "The existing administrative system is largely to be blamed for the past failure. It hinders exchanges be-

tween universities, research centres, factories and enterprises. There had been no way to sell our research achievements to production enterprises. Although teachers were overstaffed at some universities, they were not permitted to go and develop new techniques in production units. What's worse, quite a few people are still unaware of the importance of exchange and co-operation."

In the past two years, things have been improving. Production units and universities have begun to work together and mergers of the two have cropped up in the form of development companies. So far there are 40 such firms in Haidian.

These development companies have to date sold 27 new products or production techniques, including a boiler alarm and a xenon ion laser. The Huaxia New Technology Development Institute, established last spring, has already developed 30 products or techniques. The institute, sponsored by individuals, specializes in electronics hardware and assumes sole responsibility for its profits and losses. It has so far made one million yuan.

Thanks to the popularization of technology, the first half of this year saw Haidian's total industrial output value increase by 17.1 per cent over the corresponding period last year.

Haidian is famous for its scenery, being home of the Summer Palace, Fragrant Hills and Yuanmingyuan (the old Summer Palace). Protection of its natural beauty is high on the agenda. Therefore, the best way to develop industry in Haidian seems to be by focusing on knowledge- and technology-intensive projects, instead of traditional chimney stack industries.

Sun believes that Haidian is only beginning its development. It will be in for difficulties, such as lack

of funds and sluggish exchange of talented people. Information and technology exchanges with other countries also fall short of what is needed.

Sun said, "We hope we will be able to build Haidian into a new economic zone mixed with science, technology, education and production, or rather, China's Silicon Valley. We must try our best. But it is early yet to promise success."

Merchants Heading West for Profits

In northwest China's Gansu Province, a west-bound train rolls down the tracks, its luggage racks crammed full. And not all that luggage belongs to tourists or travellers heading home. One-third was carried aboard by business people who shuttle between the economically developed coastal and interior areas and the mostly underdeveloped west in search of profits.

Due to the relaxed rural economic policies adopted in the last few years, the westward business route has become a well-worn path for China's merchants.

On the Peacock River, north of the Taklimakan Desert in the Xinjiang Uygur Autonomous Region, a trader from the Guangxi Zhuang Autonomous Region is raising ducks. Here on the edge of China's largest desert, he can sell ducklings for 80-90 fen (US\$0.32-0.36). Compared to the price back home, he's earning a mint.

On the streets of Xining, the capital of Qinghai Province, people get their hair cut by barbers who have travelled from Yangzhou in Jiangsu Province. They also enjoy snacks produced in Sichuan Province on the markets.

At the border where Gansu, Xinjiang and Qinghai meet is a small town of 7,000 residents.



An individual merchant in Yining, Xinjiang Uygur Autonomous Region, sells commodities, mostly from Shanghai, Guangzhou and other metropolitan areas.

Street pedlars from coastal Zhejiang Province come to the town to set up stalls, peddling fashionable dresses and repairing shoes for the townspeople.

Many craftsmen and skilled workers have moved from the coastal and developed interior regions to the northwest, where their work brings a better return.

In the eastern city of Nantong in Jiangsu Province alone, more than 10,000 people applied to join a construction team headed for the Xinjiang Uygur Autonomous Region. The construction crew recently finished the Bogeda Hotel, which was painted yellow and hence stands out as the most attractive building in Urumqi, the capital of Xinjiang.

The increase of commodities, pedlars and craftsmen in the northwest has given rise to new information, techniques and competition in the marketplace. The economy in the frontier areas has been invigorated.

In a Mongolian autonomous prefecture in Xinjiang, there are now 53 enterprises run by individual peasants with their own funds. The total 1983 income from township enterprises jumped to 36 million yuan, more than four times the 8 million yuan in 1978.

Despite its rich natural re-

sources, northwest China has long remained an underdeveloped region. But in recent years, aided by the experience of developed areas, the wasteland has begun to take on a new look.

Enterprises in Gansu and Xinjiang now regularly send their employees to universities to receive needed training. And many enterprises have made contacts with companies and schools in Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang and Sichuan to invite them into joint management arrangements or to introduce new technological knowhow. With the boost in education and technology,

many of the northwest China enterprises are today producing their own products, that are sold in coastal and inland markets.

China, Tunisia Agree on Mideast

There is still great potential for developing Sino-Tunisian relations, Premier Zhao Ziyang told visiting Tunisian Prime Minister Mohamed Mzali.

Mzali, who last came to China in July 1961, arrived in Beijing on Oct. 20 for an official visit. Before leaving for China, he told journalists of the Xinhua News Agency that the historic meeting in 1964 between Tunisian President Habib Bourguiba and the late Chinese Premier Zhou Enlai, the founders of Sino-Tunisian friendship, remained fresh in his memory. He said much has been achieved in his country since then.

Speaking at a banquet in honour of Mzali, Zhao paid tribute to the Tunisian Government's adherence to a non-aligned policy, opposition to power politics, efforts to achieve unity among the Arab countries, and support for the

The Prime Minister and Mrs. Mzali are welcomed in Beijing.



Palestinian people's struggle for independence.

In his reply, Mzali expressed satisfaction with the friendly relations and co-operation between Tunisia and China. He said Tunisia also believes in the Five Principles of Peaceful Coexistence advanced by China, and in equality in co-operation.

Meeting with the Tunisian Prime Minister on Oct. 23, Deng Xiaoping, Chairman of the Central Advisory Commission, said development of South-South co-operation would promote the settlement of North-South issues.

Deng said Tunisia plays an important role in the Arab world and Africa. Arab unity, Deng noted, is the key to the settlement of the Palestinian question and the Arab struggle against Israel's aggression and expansion.

An agreement on economic and technological co-operation between the Chinese and Tunisian Governments was signed on Oct. 23.

Li: World Needs Peace, Not War

During his Oct. 19 talks with visiting Chilean Foreign Minister Jaime Del Valle Allende, President Li Xiannian said that the "international situation is grim and unsettled," and he pledged that China stands for peace and disarmament.

"Governments of most countries and peoples in the world, including the peoples of the United States and the Soviet Union, need peace, not war," said Li. "The two previous world wars caused tremendous damage, which remains fresh in the memory of people of our age. We should mobilize the people of the whole world to op-

pose war," said the Chinese president.

Li pointed to the recent Hong-kong settlement as proof that territorial disputes can be settled peacefully through negotiations. Chile, also, has demonstrated that fact, noted Del Valle. Chile and Argentina recently settled long-standing territorial disputes through talks.

The Chilean foreign minister arrived in Beijing Oct. 16 at the invitation of Chinese Foreign Minister Wu Xueqian.

Premier Zhao Ziyang told Del Valle on Oct. 19 that China is satisfied with its relations with Chile, which have made headway on the basis of equality and mutual benefit since the establishment of diplomatic ties in 1970.

Del Valle told Zhao that he has exchanged views with his Chinese counterpart on political issues of common concern and discussed the increase of trade and cultural exchanges between the two countries.

During Del Valle's visit, the two governments signed a cultural exchange plan for 1985 and 1986 and exchanged notes on exempting each other from maritime taxes. The Chilean foreign minister also announced that Chile has decided to buy seven hydroelectric power stations from China.

Writer Murdered, Agents Suspected

Chinese-American writer Liu Yiliang (Henry Liu), who authored a biography of Chiang Ching-kuo, son of Chiang Kai-shek, was murdered in his suburban San Francisco home Oct. 15.

Police suspect that Liu, 52, was killed by well-trained assassins. A United States Senate staff report estimated in 1979 that there were

45 KMT secret agents in the United States, and, due to Liu's writing subjects, a US State Department official said it is "certainly a possibility" that the murder was carried out by Taiwan agents.

Liu Yiliang, who wrote under the pseudonym Jiang Nan, caught the public's attention with the publication of his biography of Taiwan President Chiang Ching-kuo, a critical work that angered Taiwan authorities.

Liu also published *Wu Kuo-chen's Reminiscences*, a biography of the man who had once been the governor of Taiwan but later broke with the Kuomintang and moved to live in the United States. The book recounted Wu's love for and expectations of China's mainland, and exposed the shadowy side of the Taiwan authorities.

Liu's close friends think the murder was certainly politically motivated. Many well-known Chinese-Americans have condemned the murder and called for justice. Former KMT official He Fengshan, for instance, was outraged when he heard the news. "Terrorism cannot gag the people's mouths," he said. He added that the United States should guarantee that no foreign secret agents roam freely in the country.

The Chinese embassy in the United States sent a message of condolence to Liu's relatives. An embassy spokesman said that Liu was a popular writer among overseas Chinese. He was also very concerned about China's reunification. The embassy urged US authorities to investigate the case and punish the murderers.

The All-China Federation of Taiwan Compatriots and many Beijing writers including Liu's close friends sent letters of condolence to Liu's relatives, too. They all asked the US Government to seek justice.

Moscow-Tokyo

Island Dispute Blocks Co-operation

by ZHOU XIANGGUANG

THE three-day round-table conference of Soviet and Japanese public figures held in Moscow from Oct. 10-12 was the largest meeting between the two countries this year. Some 400 representatives of the Soviet and Japanese public, including an 150-member official Japanese delegation, attended the conference.

Timofei Guzhenko, leader of the Soviet delegation and minister of the merchant marine, reaffirmed the Soviet proposal for a friendship and co-operation treaty with Japan. Guzhenko also touched upon the territorial dispute between the two countries, saying the boundaries formed after World War II cannot be changed.

Yoshio Sakurachi, leader of the Japanese delegation and former foreign minister, reiterated that the territorial issue must be settled before a peace treaty can be signed. Clearly, this is the key point for improving relations between the two countries.

In the 40 years since World War II, Moscow has refused to return the four Japanese islands it occupies. In the 1950s, the Soviet Union had promised to return two of the four islands to Japan if a peace treaty were signed. But the Japanese Government insisted that all four islands must be returned.

In the 1970s, Moscow cancelled its original promise and said the territorial issue had already been settled. It refused to hold further discussions with Japan on the subject. The Japanese Govern-

ment responded with sanctions against the Soviet Union including restrictions on official exchanges after the Soviet invasion of Afghanistan. Relations between the two countries finally reached their lowest point since World War II.

Since Japan signed a treaty of military alliance with the United States, that relationship has become the axis of Japanese foreign policy. But the Soviet Union is Japan's close neighbour and Japan is a highly industrialized country with a small domestic market and a shortage of raw materials. The Japanese business community is longing for an improvement in Soviet-Japanese relations, which would make way for better economic co-operation.

Since the chill in US-Soviet relations, Moscow has deployed nuclear missiles in the Far East and stationed a large number of troops on islands north of Japan. In this situation, Japan regards it essential to its security to improve relations with Moscow.

Previous Japanese governments have tried to remove the obstacles blocking Soviet-Japanese good-neighbourliness and co-operation and to recover the northern islands. But, Moscow has been on the alert since the US-Japanese alliance, announcing that its missiles in the Far East are to counter their pact. On a more strategic level, Moscow is also trying to repair Soviet-Japanese relations to weaken the US-Japanese alliance. Meanwhile, the Soviet Union hopes to exploit Siberia with the help of Japanese loans and technology.

Japan has long been the Soviet Union's biggest trading partner in the capitalist world. Co-operative exploitation of Siberia has already begun. But recently, Japan has lagged behind Western Europe, and is now the fifth largest partner. Japanese industrialists and business people are demanding restoration of their lost superiority. Moscow, sensing this, has called on Japan to "separate politics from economics" and step up trade and co-operation.

At the beginning of this year, the Japanese Government decided to actively seek dialogue with Moscow to repair their relations, following the change in Soviet leadership in 1983. Since then, consultations have expanded. The Soviet and Japanese deputy foreign ministers met for two days last March, and agreed to increase such contacts.

In May Soviet leaders accused Japan of being blind to all issues except their claim to the northern islands. The Japanese Government responded with protests. However, contacts and exchanges between the two countries still developed steadily. When a collection of Konstantin Chernenko's speeches was published in Japan last August, Chernenko praised Japan's "three non-nuclear principles" in his preface to the Japanese readers. He also advanced a proposal to increase contacts and dialogue, expand economic co-operation and develop cultural exchanges. Chernenko stressed Moscow's hope to get help from Japan in building the Baikal-Amur trunk railway across Siberia.

Recently, former Japanese Foreign Minister Sakurachi and the present minister of agriculture, forestry and fisheries, visited the Soviet Union, and a delega-

tion from the Presidency of the Supreme Soviet will soon visit Japan. These visits have eased the tension, at least in the diplomatic climate.

Although both countries exchanged views frankly during the recent three-day conference, they have not made any headway on the territorial issue. No substantive improvements have been made in bilateral relations or in important international matters.

Japan considers the issue of the four northern islands as one concerning its state sovereignty, and previous Japanese govern-

ments have insisted that a peace treaty can only be signed after these islands are returned to Japan. Japanese Prime Minister Yasuhiro Nakasone has stressed that the territorial issue is a matter of national pride which cannot be ignored. Japan's Foreign Minister Shintaro Abe also said that it was difficult to promote Soviet-Japanese relations under Moscow's policy of "separating politics from economics." Observers believe relations between the two countries will wander on aimlessly until the northern territorial issue is settled.

East and West European countries will be active in helping resume the dialogue and relieve the tension in Europe. At a banquet in honour of Kadar, the French president said France and Hungary "are not objects of world politics. We are subjects, actors, and we both claim the right to play the roles which belong to us."

From the Paris newspapers it is obvious that top-level contacts between the East and West European countries have greatly increased since the beginning of this year. The prime ministers of Britain, Italy and the Federal Republic of Germany all visited Hungary. Greek Prime Minister Andreas Papandreu and West German Foreign Minister Hans-Dietrich Genscher will visit Poland in the next few weeks. And although planned visits to Bonn by East German and Bulgarian leaders were postponed, they prove their desire to develop relations and promote mutual understanding.

One major change has been the increased contacts between the West European countries and Poland, which became isolated from the West after martial law was imposed in 1981. The foreign minister of Austria recently concluded a Polish tour, and aside from the planned Greek and West German visits, the Italian foreign minister and Britain's minister in charge of East-West relations may visit Poland before the year is out.

The objective basis for increasing exchanges between the East and West European countries is that the densest deployment of nuclear weapons is in Europe, and the number of these weapons will increase. The European countries are the direct victims of the nuclear arms race. They therefore oppose its escalation, and are deeply concerned about peace in Europe and the whole world.

During his visit to Paris, Kadar pointed out that although Hungary

Europe

Signs of Better East-West Relations

by MA WEIMIN

HUNGARIAN First Secretary of the Socialist Workers' Party Janos Kadar visited France on Oct. 15 and 16, at the invitation of French President Francois Mitterrand. At the same time Romanian President Nicolae Ceausescu was in the Federal Republic of Germany. These top-level meetings between East and West European leaders, going on while the United States and the Soviet Union continue their icy relations, show the sincere desire of all European nations to break out of the vicious circle of the arms race and increased tension.

During his stay in Paris, Kadar met twice with Mitterrand, exchanging views on the general situation in Europe, East-West relations and bilateral relations. The two leaders held a joint press conference on Oct. 16 expressing satisfaction with their talks, calling them "fruitful" and "of constructive significance." They agreed to make efforts to check the arms race, renew the dialogue between the East and the West and keep the arms balance at the lowest possible level.

Kadar also met with Prime Minister Laurent Fabius, the foreign minister and other senior French officials.

Although the talks did not yield any concrete or dramatic results, it is significant that while tension in Europe and the world is increasing, two countries with different systems which belong to different alliances can maintain regular dialogue. Kadar pointed out that the manner in which common language was found in Paris should be exemplary.

France's good relations with Hungary is just one aspect of its effort to improve East-West ties. Last April the Polish parliament sent its first official delegation in more than two years to France. In May Czechoslovakia's foreign minister visited his counterpart in Paris, resuming a contact which had been suspended for nine years. At the Oct. 16 press conference, Mitterrand said he will also visit Bulgaria and has already accepted an invitation to visit Romania.

France is not only considering its economic and trade interests in promoting better East-West relations. Mitterrand also hopes the

and France have different systems, what is important is that they have overlapping views. Particularly, he said, "the peoples and governments of our two countries do not

El Salvador

Government, Guerrillas Finally Talk

by YAN ZHENG

THE Salvadoran Government and guerrillas, in their first formal talks, decided to set up a joint commission to continue the search for peace, and agreed to meet again late next month.

The talks, held on Oct. 15 in La Palma, north of San Salvador, were the first face-to-face meeting between guerrilla representatives and Jose Napoleon Duarte, who was elected Salvadoran president last June. They are also the first top-level contact since civil war began in the country in 1979.

President Duarte, the minister for the presidency, the defence minister and other government officials participated in the talks with guerrilla leaders Guillermo Ungo and Ruben Zamora Rivas of the Democratic Revolutionary Front and the commander of the guerrilla forces.

Duarte put forward a 10-point proposal, while the guerrillas also set forth general views and demands. After the talks Salvadoran Archbishop Arturo Rivera, who acted as a mediator during the five-hour session, made public a joint communique.

The communique says that the peace talks will be pursued by the joint commission formed by four delegates from each side, to study all the programmes proposed in La Palma. Both sides said the talks have a positive significance and are "the first step towards peace in El Salvador."

In recent years, the domestic situation in El Salvador has been

want war." He also pointed out that nothing could replace detente, and that an increase in nuclear weapons could only "reduce security."

chaotic. The five-year civil war has brought death to more than 50,000 people in a country of only 6 million. Another 500,000 have fled as refugees.

The guerrillas had suggested dialogue with the government many times. The La Palma talks were proposed by Duarte in his speech before the United Nations General Assembly on Oct. 8. Because Duarte did not regard guerrilla disarmament as a precondition for talks, as the previous government had, the proposal was accepted by the guerrillas immediately.

Middle East

Syrian-Soviet Alliance Faces Test

by CHENG JICHANG
and ZHOU GUOMING

THIS month's urgent meeting between Syrian and Soviet heads of state demonstrated the pressing need for the two nations to co-ordinate their actions in the Middle East, where rapid changes have taken place in recent months.

Syrian President Hafiz Al-Assad made a hasty visit to Moscow Oct. 15-18 to try and determine where the allies stand.

Since its falling out with Egypt in the 1970s, the Soviet Union has regarded Syria as its main ally in the Middle East. Especially in recent years, in order to turn the tide in its favour, the Soviet Union has reinforced Syria's role and position. The Soviets have provided

However, peace still has a long way to go.

The talks made plain the large gap which remains between the government and the guerrillas. Duarte has offered amnesty to all who directly or indirectly took part in rebellion, on the condition that the guerrillas disarm. The rebels find this unacceptable, and have continued their armed offensives.

Meanwhile, the guerrillas have demanded that ultra-Right wing leaders who have been responsible for many civilian deaths be severely punished. But this is not easy for Duarte. El Salvador's politics are extremely complex, with many parties involved. Duarte's government is threatened by the Rightists, and he has been under great pressure since his UN speech. He must hold his own power base together before he can seriously discuss sharing it with the rebels.

Syria a great quantity of military equipment and advanced weapons, and a large number of military experts were dispatched to that country. Economic and trade relations have also made considerable progress.

From their viewpoint, Syrian leaders see the Soviet Union as a "strategic friend" in opposing the United States and Israel. They have repeatedly emphasized that they must rely on the "effective" help of the Soviets to establish a "strategic balance" with the superior Israeli military machine. So, the present Soviet-Syrian relations are simply a marriage of reciprocal need.

But it doesn't mean that the two countries fully agree on all the

major issues in the Middle East. Of late, a series of amazing developments have occurred in the region, and the Syrians and Soviets seem to be in disagreement about what the developments mean. At the end of September, Egypt and Jordan resumed diplomatic relations with one another. Reaction from Syria was very strong. Syrian leaders charged that the resumption of Egyptian-Jordanian ties was a conspiracy hatched by the United States and Israel. But, to date, the Soviets have not said a word about the situation. On the contrary, they themselves re-established normal relations with Egypt last July.

For the purpose of winning more support from Arab nations for its proposal to convene an international conference to settle Mideast issues, the Soviet Union has improved its relations with Egypt, Jordan, Iraq, Lebanon and others. The Soviets have also altered their past position of freezing arms deliveries to the belligerent sides in the Gulf war, renewing their supply of weapons to Iraq. Syria was much disturbed by the renewal of Soviet arms deliveries to its eastern neighbour.

In dealing with the Palestine Liberation Organization (PLO), Syria still insists on the removal of Yasser Arafat, Chairman of the PLO Executive Committee. However, Soviet Foreign Minister Andrei Gromyko recently met with Arafat in Poland. That move also clearly displeased Syrian leaders.

Observers reported that the Oct. 15-18 Soviet-Syrian summit meeting was a "subtle talk" in a "subtle climate." TASS, the official Soviet news agency, said in a communique issued at the conclusion of the meeting that the talks were held "in an atmosphere of mutual understanding." This wording means that there was disagreement between the two sides. Only several hours after the talks were completed the Soviets announced that

Deputy Prime Minister and Minister of Foreign Affairs Tareq Aziz of Iraq will soon pay a visit

Oslo

Bishop Tutu Wins Peace Prize

BISHOP Desmond Tutu, a black South African church leader, will receive the Nobel Peace Prize for his non-violent struggle against racial apartheid policies in his country.

The Nobel Prize Committee of the Norwegian Parliament announced its choice of Bishop Tutu as the Peace Prize winner on Oct. 16.

Tutu was born in Transvaal Province on Oct. 7, 1931. He studied at a Bantu middle school in Pretoria and at the Bantu Teachers College. He worked as a teacher, lecturer and clergyman from 1954 to 1975, became bishop of Lesotho from 1977 to 1978, and was elected general secretary of the South African Council of Churches in 1979. He has received many honorary theology and law degrees from famous universities in the United States and Britain.

For the past 20 years, Bishop Tutu has travelled all around South Africa calling on blacks to struggle against South African government, which practises white supremacy policies. His efforts to liberate South African blacks from racism have been a contribution to peace in southern Africa and the world.

The South African government, while persecuting the blacks and suppressing the black struggle at home, has provoked neighbouring countries and blocked the independence of Namibia, threatening peace in southern Africa. As long as South African authorities persist in their racial discriminatory policies, the situation in southern

to the Soviet Union. The announcement can be viewed as a rebuff to the Syrians.

Africa will be unstable. This constitutes a grave threat to world peace.

Bishop Tutu is the second South African to win the Nobel Peace Prize. Albert Lutuli, leader of the African National Congress of South Africa, received the 1960 Peace Prize.

The Organization of African Unity (OAU) commented on Oct. 17 that the prize is a recognition of the contributions made by Bishop Tutu and the South African Council of Churches to justice, peace and freedom in South Africa. The prize also serves as praise to the innumerable people who have sacrificed much in the drive to establish a just society in South Africa, said the OAU.

At the current United Nations General Assembly, representatives from many countries have denounced South Africa's apartheid policy and the South African attempts to block Namibia's independence. With criticism of South African policies growing, the award of the Nobel Peace Prize to Bishop Tutu carries great weight.



A Significant Concept

The "one country, two systems" concept is that in the People's Republic of China, the one billion people on the mainland practise socialism while Hongkong and Taiwan remain capitalist.

Deng Xiaoping, Chairman of the Central Advisory Commission and Member of the Standing Committee of the Political Bureau of the CPC Central Committee, explained this bold new concept in recent talks with foreign guests and compatriots from Hongkong and Macao. — Ed.

THE reunification of China is a national desire, and if it is not realized in one hundred years it will be in one thousand years, Deng Xiaoping told his guests. "This goal, in my opinion, can only be reached by using the 'one country, two systems' concept. The idea is not formed today. It had been in the making for several years and took shape after the Third Plenary Session of the Party's 11th Central Committee (in 1978)."

Based on China's Realities

"The idea was first put forward with the view of settling the Taiwan and Hongkong issues," Deng said. "There are two ways to settle the issues: peacefully and non-peacefully. The non-peaceful way, or the way to settle the issues by force, was deemed inappropriate. How could these issues be settled peacefully? It requires taking into full consideration the history and present conditions of Hongkong and Taiwan. Chairman Mao's line of seeking truth from facts was re-established in the Third Plenary Session of the Party's 11th Central Committee. All work should be based on reality. So, it is indispensable for us to respect the history and reality of Hongkong and Taiwan when we consider the question," Deng said. "Our proposal for reunifying the mainland and Taiwan is reasonable. After the reunification is realized, Taiwan can still practise capitalism while the mainland maintains so-

cialism, or 'one country, two systems.'"

The Hongkong issue has also been settled this way, Deng pointed

In China, socialism is the dominant socio-economic system. The socialist system will not be changed, but a capitalist system will be allowed to exist in certain special regions, such as Hongkong and Taiwan. So many issues all over the globe are tied up in knots which are very difficult to undo. It is possible, I think, that some of them might be untied through this method.

ed out. The concept, which has been advanced in accordance with our conditions, has drawn international attention. "China's present socialist system cannot be changed and will remain in the future. But, if the capitalist system in Hongkong and Taiwan is not guaranteed, stability and prosperity there cannot be maintained and peaceful settlement will become impossible. So, on the Hongkong question, China must first of all guarantee that the present capitalist system and lifestyle will remain unchanged for 50 years after 1997," he said.

50 Years Unchanged

The "one country, two systems" concept will first be put into practice in Hongkong. After China resumes the exercise of its sovereignty in 1997, Hongkong will remain capitalist for 50 years. When meeting with some friends from Hongkong, Deng told them, "Fifteen years is too short. Let it be 50 years." This is quite a long time, and has been advanced in connection with the fact that China needs 50 to 60 years to completely modernize.

Several things will remain unchanged in realizing the "one country, two systems" concept in Hongkong. The social system and lifestyle, and its position as an international financial centre and free port will be kept. Deng said China's plan for Taiwan is the same. "Our actions will follow our words, and we will never play tricks," he declared. "Not only before 1997, but for 50 years afterwards, conditions in Hongkong will not change. Fifty years of capitalism there will not affect the socialist system on the mainland."

Deng also assured his visitors that the present policy will last. "The policy of 'one country, two systems' is not my personal idea, but a principle and law adopted by the National People's Congress. Therefore it will not change," he said. "The key is whether this policy is correct or incorrect. If it is correct, nobody can change it. Otherwise, it should be changed. The flexible domestic policies of opening to the outside world and enlivening economic activities that

China has followed since the Third Plenary Session have proved successful in the countryside. Who can alter these policies now? The living standard of about 80 per cent of the Chinese people would decrease if these policies were changed, and in that case, 80 per cent of the Party's popularity among the people would be lost."

Socialism Is Dominant

To clarify the concept of "one country, two systems," Deng pointed out that the main system in China must be socialism, which has already achieved success. The socialist system practised by one billion people on the mainland will not be changed, but a capitalist system will be allowed to exist in certain regions, such as Hongkong and Taiwan.

"It is a supplement to the development of socialism that China pursues an open policy and allows some methods of capitalism to be introduced. It will benefit the expansion of the forces of production," Deng said. "For example,

when Shanghai makes use of foreign capital, this does not mean the entire city is practising capitalism. The same is true of Shenzhen, a special economic zone which still practises socialism. So Shenzhen is different from Hongkong. Shenzhen is not a model for Hongkong in the future, nor is Hongkong a model for Shenzhen today. In China, socialism is dominant."

A Way of Settling International Issues

Concerning the practical significance of the "one country, two systems" concept in settling major international issues, Deng said, "We must always decide whether we are going to solve an international issue in a peaceful or a non-peaceful way. We must find a way to break deadlock. When we worked out the idea, we also took into consideration what methods should be used to resolve international disputes. So many issues all over the globe are tied up in knots which are very difficult to undo. It is possible, I think, that some

of them might be untied through this method. Otherwise, disputes will remain unsettled, with the two sides pitted against each other. If both refuse to budge, in the long run hostilities will break out, and even armed conflicts may break out, and war may be used to resolve them. So, if stability is desired, instead of fighting, the only way to settle problems is by the method we have advanced. Using this method we can justify ourselves to the people, stabilize the situation, and neither side is hurt. History is not without such precedents."

Deng continued, "A number of problems cannot be settled in the old way. New ways must be worked out. New problems must be resolved by new methods. To stabilize the world situation we must have fresh ideas. I have said repeatedly that the Chinese are as concerned about international peace and stability as the rest of the world. China needs at least 20 years of peace to concentrate its attention on economic construction." □

Indispensable to a correct understanding of China today

SELECTED WORKS OF DENG XIAOPING

English edition

Compiled by the Editorial Committee on Party Literature of
the Central Committee of the Chinese Communist Party

Contains 47 important speeches made by Deng Xiaoping in
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Peasants' Initiative Unleashed by Contracts

The Chinese countryside has undergone tremendous changes in the past few years, due to the implementation of the rural responsibility system. The Chinese people have hailed the new policy, and more and more foreign friends are coming to realize why China adopted this system.

"Beijing Review" has received many letters from our readers asking about the responsibility system and requesting a systematic explanation of its theory and practice.

In response to your requests, our correspondent interviewed department leaders, cadres and peasants in several counties in the Provinces of Anhui, Henan, Jiangsu and Zhejiang. Questions of common concern were discussed.

How did the production responsibility system, especially the household contract system, come about? How is it implemented?

Does China use administrative decrees to enforce the household contract system? Do peasants have the freedom to choose different forms of management?

Is the household contract system consistent with the nature of socialism? Does it mean abandoning the state plan?

If some peasants get rich first, what about others who are still in a difficult situation? Will polarization take place in the countryside?

Will the responsibility system hinder the development of farm mechanization?

We hope our series, appearing in six instalments, will answer all your questions. — Ed.

by LU YUN

Our Correspondent

THIRTY years ago, land reform gave land to the tillers."

"Thirty years later, under the contract system, responsibility rests with each household."

This New Year's couplet, pasted on the door of a Guangdong peasant's home, concludes, "Socialism is good."

Pasting couplets on the door for the lunar New Year is a Chinese tradition. These lines describe the present in connection with the past, and show one peasant's understanding of how the production responsibility system emerged.

Thirty Years in Retrospect

The first line refers to the land reform movement of the late 1940s and early 50s, just after the People's Republic was founded.

Before liberation, landlords and rich peasants, who accounted for less than 10 per cent of the rural population, occupied 70-80 per cent of all China's cultivated land.

The remaining poor peasants owned only 20-30 per cent of the land.

The landless peasants had no alternatives but to hire themselves out to the landlords and rich peasants, or to rent land from them. Payment was half of their harvest. They fed themselves on grain half the year, and on husks and wild plants the other half.

After liberation, peasants and workers became the masters of their country. With the introduction of the land reform, the peasants' long-cherished dream for land came true. In 1952, all landless and land-poor peasants (except those in Taiwan and some minority areas) were given 46.76 million hectares of cultivated land and a supply of farm tools, livestock, houses and grain.

In 1953 the socialist transformation of agriculture began. Peasants were led on to the road of collectivization through the formation of mutual-aid teams. By 1955, the peasants had set up more than 630,000 elementary agricultural producers' co-operatives, which were semi-socialist in nature. In 1957 there

were 750,000 advanced agricultural producers' co-operatives which were completely socialist. All of these were organized into the rural people's communes in 1958.

The agricultural co-operative movement transformed the centuries-old private ownership of the means of production into collective ownership. As a result, millions of peasants began to take the road of socialism which is in the best interests of all the people.

After liberation, agricultural production increased. Eight hundred million Chinese peasants living on 7 per cent of the world's arable land can now produce grain enough for 22 per cent of the world's population. But for a long time, the old management system and "Leftist" policies hindered agricultural development and stifled the enthusiasm of the peasants.

Managerial Shortcomings

The second line of the couplet, "Thirty years later, under the contract system, responsibility rests with each household," speaks of

Decision of the Central Committee of the Communist Party of China on Reform of The Economic Structure

(Adopted by the 12th Central Committee of the Communist
Party of China at Its Third Plenary Session
On October 20, 1984)



THE Third Plenary Session of the 12th Central Committee of the Communist Party of China, having analysed the current economic and political situation in China and summed up the experience, both positive and negative, in socialist construction, and particularly that of reform of the economic structure in the urban and rural areas over the past few years, holds the consensus view that, proceeding from the overall need to build socialism with Chinese characteristics by integrating the basic tenets of Marxism with actual conditions in China, we must go a step further with the policy of invigorating the domestic economy and opening to the outside world and accelerate the restructuring of the national economy as a whole, with the focus on the urban economy, so as to create a new, better situation for our socialist modernization.

I. Reform Is a Pressing Necessity In the Current Developments in China

China has prepared and practised reform of its economic structure for several years. The Third Plenary Session of the Party's 11th Central Committee, in deciding to shift the focus of the work of the whole Party to economic construction, stressed the imperative need to reform the economic structure for China's socialist modernization. The Party made tremendous efforts after that session to set things to rights and readjust the national economy, and carried out reform mainly in the rural areas. The 12th Congress, basing itself on the historic change consequent upon the rectification of the guiding ideology of the Party, set the explicit task of reforming the economic structure systematically. It pointed out that this reform would provide an important guarantee for keeping to the socialist road and achieving socialist modernization. In the past two years, and particularly since the beginning of this year, the Party Central Committee and the State Council have taken a number of policy decisions and issued major directives, stimulating reform in various fields in depth and breadth.

Our economic restructuring scored great achievements first in the countryside. Agricultural production, which worried us for so long, has been

enabled to develop vigorously in a very short time, displaying the great vitality of our socialist agriculture. This is due fundamentally to a bold break with "Left" ideas. We have changed the structure of China's rural economy that was incompatible with the development of the forces of production in agriculture and introduced across the countryside the system of contracted responsibility for production with remuneration linked to output, bringing into play the enormous initiative of the 800 million peasants for building socialism. The rural reform is going forward and the rural economy is moving towards specialization, large-scale commodity production and modernization. Therefore, there is an urgent need to unclog the channels of circulation between town and country, expand the market for the increasing amount of agricultural products, and satisfy the rising needs of the peasants for manufactured goods, science and technology as well as culture and education. Our successes in rural reform and the demands on the cities by the growing rural economy provide highly favourable conditions for restructuring China's entire national economy, focusing on the urban economy.

Such restructuring has been repeatedly explored and tested in recent years, and a number of important measures have been taken. This has yielded marked results and important experience, and economic life has been invigorated to an extent unknown for many years. Our urban reform is only in the initial stage, however, and defects in the urban economic structure that seriously hinder the expansion of the forces of production are yet to be eradicated. The economic effectiveness of our urban enterprises is still very low, the huge potential of our urban economy is far from being fully tapped, and there is serious loss and waste in production, construction and circulation. Expediting reform is a prerequisite for the growth of the urban economy. The cities are economic, political, scientific, technological, cultural and educational centres where modern industry and members of the working class are concentrated, and they play the leading role in socialist modernization. Firm, systematic reform is the only way that the cities will play their due leading role of invigorating the urban economy and enlivening the domestic economy as well as opening to the outside world and promoting a healthier and faster development of the national economy as a whole.

It should also be noted that emerging on a global scale is a new technological revolution which presents both new opportunities and new challenges to our economic growth. This means that our economic structure must become better able to utilize the latest scientific and technological achievements, promoting scientific and technological advancement and generating new forces of production. Reform, therefore, is all the more imperative.

Political unity and stability in China are ever more consolidated; major successes have been achieved in economic readjustment; the economy has been growing steadily; the major targets of the Sixth Five-Year Plan (1981-85) have been fulfilled ahead of schedule; and the country's financial situation has improved gradually. This has made all comrades in the Party and the people of all nationalities much more confident about socialist modernization. Their wish to speed up reform of the economic structure is much stronger. In particular, the sound all-round consolidation of Party organizations at the central and the provincial, autonomous regional and municipal levels, has set, or is setting, to rights the ideas guiding all fields of work in modernization and has given, or is giving, the reform a clear orientation. Conditions are now ripe for all-round reform of the economic structure. We both can and must raise and expound, in a rather systematic way, a number of major issues related to the reform so as to achieve unity of thinking and enhance it among all comrades in the Party (particularly among leading Party cadres). We must make the reform more effective and give fuller play to the superiority of socialism. The Central Committee hopes and is confident that the Third Plenary Session of the 12th Central Committee will play a historic role in drawing up a blueprint for an all-round reform, quickening its tempo and stimulating the restructuring of the entire national economy with the urban economy as the focus, just as the Third Plenary Session of the 11th Central Committee did in setting things to rights and raising the task of restructuring the economy and promoting rural reform.

II. Reform Is Aimed at Establishing a Dynamic Socialist Economic Structure

The founding of the People's Republic of China and the establishment of the socialist system marked the end of the century-old history of our people's misery in a semi-feudal and semi-colonial

society. The system of exploitation was abolished and the people of all nationalities became real masters of their country. The people of the whole country, led by the Chinese Communist Party, have established an independent and fairly comprehensive industrial as well as national economic system through arduous efforts and have scored tremendous successes inconceivable in the old China, thus laying the indispensable material foundation for building China into a powerful and prosperous modern socialist country with a high level of democracy and civilization. The people of all our nationalities have come to realize through long historical experience that only socialism can save China.

The founders of Marxism predicted that by eliminating the exploitation of man by man, socialism would make possible a higher rate of labour productivity and a faster expansion of the forces of production. The profound changes that have taken place in the 35 years since the founding of the People's Republic are an initial demonstration of the superiority of the socialist system. But this superiority, it must be pointed out, has yet to be brought into full play. Apart from historical, political and ideological causes, a major economic cause for this is a rigid economic structure that cannot meet the needs of the growing forces of production. Following are the major defects of this structure: No clear distinction has been drawn between the functions of the government and those of the enterprise; barriers exist between different departments or regions; the state has exercised excessive and rigid control over enterprises; no adequate importance has been given to commodity production, the law of value and the regulatory role of the market; and there is absolute equalitarianism in distribution. This has resulted in enterprises lacking necessary decision-making power and the practice of "eating from the same big pot" prevailing in the relations of the enterprises to the state and in those of the workers and staff members to their enterprises. The enthusiasm, initiative and creativeness of enterprises and workers and staff members have, as a result, been seriously dampened and the socialist economy, is bereft of much of the vitality it should possess.

China gradually established a unified and centralized economic structure on a nationwide scale in the early post-liberation days and during the First Five-Year Plan (1953-57) when the country faced the heavy tasks of unifying its financial and other economic work, carrying out socialist transformation of capitalist industry and commerce and undertaking large-scale, planned economic construction. However, control then was not very rigid in many aspects and the measures and steps we took for so-

cialist transformation were based on China's actual conditions and were highly creative. But with the basic completion of socialist transformation and the ever-growing scale of economic construction, the measures taken to restrict and transform capitalist industry and commerce no longer suited the new situation. The defect of excessive and rigid control gradually became manifest in some aspects of the economic structure. The Central Committee and especially the comrades in overall charge of economic work, at the Eighth National Congress of the Party in 1956 as well as before and after, perceived this problem and raised some suggestions for correction. However, our Party was, after all, inexperienced in guiding socialist construction. Certain rigid concepts about socialism developed over the years that were not in keeping with the actual conditions in China. The influence of the "Left"-deviationist errors in the Party's guiding ideology after 1957, in particular, resulted in the various correct measures aimed at enlivening enterprises and developing socialist commodity economy being regarded as "capitalist." As a result of all these, the problem of overconcentration in the economic structure long remained unsolved and, what is more, became more and more serious. It is true that we tried to delegate power to lower levels on a number of occasions. But this was limited solely to readjusting the administrative power of the central and local authorities and of the different departments and regions. The critical issue of giving enterprises decision-making power was not dealt with. We therefore failed to break with outmoded conventions.

To bring about a radical change in the economic structure that hinders development of the forces of production, we must conscientiously sum up China's historical experience and study the concrete conditions and requirements for economic growth. In addition, we must draw on the world's advanced methods of management, including those of developed capitalist countries, that conform to the laws of modern, socialized production. In line with the Party's consistent principle of integrating the fundamental tenets of Marxism with China's actual conditions and the principle of adopting a correct approach towards foreign experience, the Central Committee holds that we must emancipate our minds more, follow our own road and build a socialist economic structure with Chinese characteristics that is full of vigour and vitality so as to promote the growth of the forces of production. This is the fundamental objective of our present reform,

The basic contradiction in socialist society remains that between the relations of production and the forces of production, between the superstructure

and the economic base. Reform of China's economic structure means reforming, on the premise of adherence to the socialist system, a series of inter-related links and aspects of the relations of production and the superstructure that are not suited to the development of the forces of production. As a form of self-improvement and development of the socialist system, this reform is to be carried out under Party and government leadership in a planned, systematic and methodical way. It should serve to advance, and not to impair, social stability, expansion of production, improvement of the people's living standards and the growth of state revenue. The essential task of socialism is to develop the forces of production, create ever more social wealth and meet the people's growing material and cultural needs. Socialism does not mean pauperism, for it aims at the elimination of poverty. We must, with firm determination and maximum tenacity, concentrate on economic development and modernize China's industry, agriculture, national defence and science and technology. This is the inevitable trend of history and the wish of the people. In carrying out reform, all Party comrades must unfailingly grasp the above-mentioned basic concept of Marxism and set whether the reform facilitates this task as the most important criterion for assessing the success or failure of all reforms.

III. Invigorating Enterprises Is The Key to Restructuring the National Economy

The chief and direct responsibility for industrial production and construction and commodity circulation falls on urban enterprises. They constitute the main force spurring the growth of the forces of production and encouraging economic and technological progress. China now has over one million urban industrial, building, transport, commercial and service enterprises, with a total work force of more than 80 million. The taxes and profits delivered by urban industrial enterprises alone account for over 80 per cent of the state's revenue. This means that the enthusiasm, initiative and creativity of the urban enterprises for production and operation as well as their 80 million workers and staff members must be brought into full play, in other words, the urban enterprises must have great vitality. This has a vital bearing on basic improvement of the national economy as a whole and of the state's financial and economic situation and on quadrupling China's annual industrial and agricul-

tural output value by the end of the century, a task set by the Party's 12th National Congress. Socialism with Chinese characteristics should, first and foremost, be able to instil vitality into the enterprises. In essence, the drawbacks of our present economic structure are precisely the lack of vitality in our enterprises. Therefore, the key to restructuring the national economy, with the focus on the urban economy, is invigoration of enterprises, particularly the large and medium-sized enterprises owned by the whole people.

With this key in mind, we must handle two types of relationships satisfactorily. That means we should extend the decision-making power of enterprises owned by the whole people by establishing a correct relationship between them and the state, and safeguard the status of the workers and staff members as masters of the enterprises by establishing correct relationships between them and their enterprises.

One of the main reasons why the state exercised excessive and rigid control over enterprises in the past was to equate the concept of their ownership by the whole people with the concept of their direct operation by the state institutions. As Marxist theory and the practice of socialism have shown, ownership can be duly separated from the power of operation. To make the economic activities of all enterprises conform to the overall requirement of economic growth, the socialist state institutions must manage, inspect, guide and regulate the activities of the enterprises, as is necessary, through planning and by economic, administrative and legal means; it must use taxation and other means to concentrate in its treasury that part of enterprises' net income which should be used by the state in a unified way; it must designate, appoint and remove the principal leading members of the enterprises or approve their employment and election; and it must decide on the establishment of enterprises, their removal to other places, their switching over to other lines of products, their merger with others, suspension of operations, or closing down. However, since social demand is very complex and in a state of constant flux, since the conditions in enterprises differ in a thousand and one ways and since the economic links between enterprises are complicated, no state institution can know the whole situation fully and cope with everything in good time. If the state institutions were to directly administer and manage various kinds of enterprises owned by the whole people, it would be very hard to avoid serious subjectivism and bureaucratism, with a consequent suppression of enterprise vitality. Therefore, on the premise of following the state plans and subjecting

itself to state control, the enterprise has the power to adopt flexible and diversified forms of operation; plan its production, supply and marketing; keep and budget funds it is entitled to retain; appoint, remove, employ or elect its own personnel according to relevant regulations; decide on how to recruit and use its work force, and on wages and rewards; set the prices of its products within the limits prescribed by the state; and so on. In short, the enterprise should be truly made a relatively independent economic entity and should become a producer and operator of socialist commodity production that is independent and responsible for its own profit and loss and capable of transforming and developing itself and that acts as a legal person with certain rights and duties. This is the way to ensure both overall unity of the growth of the national economy as a whole and the diversity and flexibility of individual enterprises in production and management as well as their desire to make progress. Instead of weakening socialist ownership by the whole people, this will contribute to consolidating and improving it.

The well-spring of vitality of the enterprise lies in the initiative, wisdom and creativeness of its workers by hand and brain. When the status of the working people as masters of their own enterprise is guaranteed by its rules and regulations and when their labour is closely linked with their own material benefits, their initiative, wisdom and creativeness can be brought into full play. This has been vividly and convincingly proved by our experience in rural reform. In restructuring the urban economy, it is imperative to handle correctly the relationship of the workers and staff to their enterprise so that they are its real masters and can work as such at their jobs. This will arouse their deep interest in the operation and effectiveness of their enterprise, so that their performance is closely linked with their social prestige and material benefits. Modern enterprise calls for centralized and unified leadership and direction of production and strict labour discipline. Because ours are socialist modern enterprises, in carrying out such centralized leadership and strict discipline, we must resolutely ensure the workers and staff and their elected representatives the right to participate in democratic management of the enterprise. Under socialism, there is unity between the authority of the enterprise's leadership and the status of the working people as masters of the enterprise and their initiative and creativity. This unity is a prerequisite for the proper, effective exercise of their initiative.

Correct relations between the state and the enterprise and between an enterprise and its

workers and staff are the essence and basic requirement of the restructuring of the national economy as a whole with focus on the cities. Fulfillment of this basic requirement inevitably calls for reform of every aspect of the entire economic structure. This involves a whole range of reforms including planning, pricing, economic management by state institutions, and the labour and wage system. The Central Committee is of the opinion that these reforms should be carried out step by step in harmony with the inherent connections between the various links of the national economy, according to the degree of ripening of the subjective and objective conditions and in the right order of importance, urgency and feasibility, and that they should basically be accomplished in about five years. Specific plans will be drawn up separately to this end.

IV. Establish a Planning System Under Which the Law of Value Is Consciously Applied For Developing a Socialist Commodity Economy

Socialist society practises a planned economy on the basis of public ownership of the means of production. It can thus avoid the anarchy of production and cyclical crises characteristic of capitalist society and ensure that production constantly meets the growing material and cultural needs of the people. This is one of the fundamental indicators of the superiority of a socialist economy over a capitalist economy. Since the founding of the People's Republic, we have practised a planned economy and concentrated vast financial, material and human resources on large-scale socialist economic construction, with tremendous achievements to our credit. At the same time, historical experience shows that the socialist planning system should be one that combines uniformity and flexibility. We must take into account China's vast territory and large population, the difficulty of drastically improving in a short period its poor transport conditions, its inadequate information facilities and the obviously uneven economic and cultural development of its various regions, and we must realize that because of China's rather undeveloped commodity production at the present stage, it is necessary to stimulate commodity production and exchange. In view of all

this, it is all the more urgent for us to institute this planning system. If the actual conditions of our country are ignored and if we try to incorporate all economic activities into the plans and implement them by administrative orders alone in disregard of the importance of the economic levers and the market, then there will unavoidably be a discrepancy between the subjective guidelines for planning and objective conditions, with the plans seriously out of step with reality. After the October Revolution, Lenin expressed the idea when working out Russia's plan for electrification that "a complete, integrated, real plan for us at present = 'a bureaucratic utopia.'" "Don't chase it,"* he added. Although China's conditions today are vastly different from those of Russia at that time when its economy was in extreme difficulties, our practical experience has proved that this idea of Lenin's was not only applicable to the Russia of that day, it is also of lasting significance. We must be realistic and admit that for a considerably long time to come, our national economic plans on the whole can only be rough and elastic and that we can do no more than, by striking an overall balance in planning and through regulation by economic means, exercise effective control over major issues while allowing flexibility on minor ones. In this way, we will be able to ensure the appropriate proportions between the major economic branches and, in general, the proportionate and co-ordinated growth of the national economy.

In the reform of the planning system, it is necessary, first of all, to discard the traditional idea of pitting the planned economy against the commodity economy. We should clearly understand that the socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied. The full development of a commodity economy is an indispensable stage in the economic growth of society and a prerequisite for our economic modernization. It is the only way to invigorate our economy and prompt enterprises to raise their efficiency, carry out flexible operations and promptly adapt themselves to complex and changing social demands. This cannot be achieved by relying only on administrative means and mandatory plans. Meanwhile, we must also realize that the extensive growth of a socialist commodity economy may also lead to certain disorder in production, and there have to be guidance, regulation and administrative control through planning. This can be achieved under socialist conditions. There-

* V. I. Lenin, *Collected Works*, Eng. ed., Progress Publishers, Moscow, 1966, Vol. 35, p. 475.

fore, a planned economy by no means excludes the application of the law of value and the growth of commodity economy; they in fact form a unity. It would be wrong to pose one against the other. The difference between socialist and capitalist economy, as far as a commodity economy and the law of value are concerned, lies not in whether these are still functioning, but in the difference in ownership, in whether there is an exploiting class and whether the working people are masters of the state, in the different purposes of the production, in whether the law of value can be consciously applied throughout society and in the different scopes of commodity relations. Under our socialist conditions, neither labour power nor land, mines, banks, railways and all other state-owned enterprises and resources are commodities.

In the light of historical experience and the practice since the Third Plenary Session of the 11th Party Central Committee, the basic characteristics of our planning system can be further summed up as follows: First, ours is on the whole a planned economy, that is, a planned commodity economy, not a market economy that is entirely subject to market regulation. Second, production and exchange completely subject to market regulation are confined mainly to certain farm and sideline products, small articles of daily use and labour services in the service and repair trades, all of which play a supplementary but indispensable role in the national economy. Third, our planned economy does not necessarily mean the predominance of mandatory planning, both mandatory and guidance planning being its specific forms. Fourth, guidance plans are fulfilled mainly by use of economic levers; mandatory plans have to be implemented, but even then the law of value must be observed. To reform our present planning system in accordance with the above points, it is necessary, step by step and to an appropriate extent, to reduce the scope of mandatory planning and extend guidance planning. Mandatory planning will be applied to major products which have a direct bearing on the national economy and the people's livelihood and which have to be allocated and distributed by the state, as well as major economic activities that affect the overall situation. Other products and economic activities which are far more numerous should either come under guidance planning or be left entirely to the operation of the market, as the case may require. The focus of planning will be shifted to medium and long-term planning, and annual plans will be appropriately simplified. There should be a corresponding reform of the methods of planning. Full attention should be paid to economic informa-

tion and forecasting so as to raise the scientific level of planning.

V. Establish a Rational Price System and Pay Full Attention To Economic Levers

Because the law of value was long neglected and because of various other historical reasons, there is much confusion in our present system of pricing. The prices of many commodities reflect neither their value nor the relation of supply to demand. This irrational price system has to be reformed. Otherwise it will be impossible to assess correctly the performance of enterprises, ensure the smooth circulation of goods between urban and rural areas, promote technological advances and rationalize the production mix and consumption patterns. This will result in an enormous waste of social labour and seriously hamper application of the principle of distribution according to work. As the decision-making power of enterprises grows, pricing will be increasingly important in regulating their production and operation. It is, therefore, all the more urgent to establish a rational system of pricing. The various aspects of the reform in economic structure, including planning and wage systems, depend to a large extent on reform of the price system. Pricing is a most effective means of regulation, and rational prices constitute an important condition for ensuring a dynamic yet not chaotic economy. Therefore, reform of the price system is the key to reform of the entire economic structure.

Our present irrational price system finds expression mainly in the following: inadequate price differentials for a given product with diverse quality, irrational price ratios between different commodities, particularly the relatively low prices for some mineral products and raw and semi-finished materials; and the retail price of major farm and sideline products being lower than their state purchasing price. From now on, we must gradually redress this irrational situation.

The irrational system of pricing is closely related to the irrational system of price control. In readjusting prices, we must reform the over-centralized system of price control, gradually reducing the scope of uniform prices set by the state and appropriately enlarging the scope of floating prices within certain limits and of free prices. Thus prices will respond rather quickly to changes in labour

productivity and the relation between market supply and demand and better meet the needs of national economic development.

As the reform of the price system affects every household and the national economy as a whole, we must be extremely prudent, formulate a well-conceived, feasible programme based on the growth of production and the capability of state finances and on the premise that the people's real income will gradually be increased, and then carry it out in a planned and systematic way. The principles guiding the reform are: First, we should readjust irrational price ratios on the basis of the exchange of equal values and changes in the relation between supply and demand, lowering or raising prices as the case may be. Second, when the prices of some mineral products and raw and semi-finished materials are raised, the processing enterprises must substantially cut down consumption so that the increased production cost resulting from the higher prices of such products and materials can be basically offset within the enterprises, with only a small part of the increase being borne by the state through tax reductions and exemptions. This will avoid a consequent rise in market sales prices of manufactured consumer goods. Third, in solving the problem of the state purchasing farm and sideline products at prices higher than their selling prices and in readjusting the prices of consumer goods, we must adopt effective measures to ensure that the real income of urban and rural inhabitants does not go down as a result of price readjustments. Instead, with the growth of production and improvement in economic results, the pay of workers and staff members will have to be raised gradually. It must be widely publicized among the people that on the condition of developed production and ever greater abundance of goods, the reform of the price system and readjustment of various irrational price ratios carried out on our own initiative will never bring about a general and spiralling price rise. Such a reform is the urgent need for further developing production and accords with the fundamental interests of the consumers. All enterprises should achieve better economic results through efforts to improve management and operation and should never try to increase their income by price increases. It is absolutely impermissible for any unit or person to boost prices at will by taking advantage of the reform, deliberately generating a tendency towards a general rise in prices, disrupt the socialist market and harm the interests of the state and the consumers.

While reforming the price system, we should further improve the tax system and reform the

financial and banking systems. The more the economy is enlivened, the more attention we should pay to macro-economic regulation and the more we should try to have timely grasp of economic trends so as to use pricing, taxation, credit and other economic levers better. This will help regulate such major proportional relations as those between aggregate social supply and aggregate social demand and between accumulation and consumption, regulate the direction of the flow of financial, material and human resources, regulate the industrial set-ups and the distribution of the forces of production, regulate market supply and demand, regulate external economic exchange, and so on. We have fallen into the habit of using administrative means to keep the economy functioning and have long neglected the use of economic levers for regulation. Economic departments at various levels, especially the departments in charge of comprehensive economic management, must take it as an important task to learn to use the economic levers and make this aspect the focus of our leadership over economic work.

VI. Separate Government From Enterprise Functions So That Government Organs Can Properly Perform Their Function of Managing the Economy

After the proletariat and the whole people take state power in their hands, it becomes a basic function of the state organs to lead and organize economic construction. Over the past 30 years or more since the founding of New China, our state organs have, on the whole, played a significant role in performing this function. But how the state organs, especially government departments, can better lead and organize economic construction to meet the needs of the national economy and social development still remains a question calling for effective solution. The functions of government for a long time were not separated from those of enterprises, which in fact became appendages of administrative organs, and the central and local governments took responsibility for many matters which were not really theirs and at the same time did not do well what they ought to do. This, plus the barriers between different departments or regions and the practice of endless wrangles, increased the difficulties in running enterprises. If this state of affairs were not

changed, the enthusiasm of the enterprises and other grass-roots units could not be aroused, co-operation, association and competition between enterprises could not develop and a unified socialist market would not grow. Moreover, the role that government organs should play in managing the economy would be seriously weakened. So there is a pressing need to conduct reform in line with the principle of separating the functions of government and enterprises, streamlining administration and instituting decentralization in order to invigorate the enterprises and the national economy as a whole.

Practical experience over the years shows the following to be the principal functions of government organs in managing the economy: They should formulate the strategy, plans, principles and policies for economic and social development; work out plans for the exploitation of natural resources, for technological transformation and for the development of intellectual resources; co-ordinate the development plans of localities, departments or enterprises and the economic relations among them; arrange for the construction of key projects, especially those in energy, transport and the raw and semi-finished materials industries; collect and disseminate economic information, learn to utilize economic means of regulation; work out economic regulations and ordinances and supervise their execution; appoint and remove cadres within a prescribed scope; administer matters related to external economic and technological exchanges and co-operation; etc. The performance of these functions requires immense efforts on the part of the governments at various levels. In the past some of the functions were not performed well and others not performed at all. As far as the relations between governments and enterprises are concerned, from now on government departments at various levels will, in principle, not manage or operate enterprises directly. As for the small number of government economic departments that have been entrusted by the state with direct operations and management of enterprise, they must also correctly handle their relations with the enterprises under them through simpler administration and decentralization so as to enhance the capacity of enterprises and other grass-roots units for independent management and avoid drawbacks that may arise from over-centralization. The national and local corporations are economic associations set up for better economic development and mutual benefit of enterprises concerned. They must be enterprises and not administrative organs, and must not follow old practices, but should master modern methods of scientific management.

After the functions of government and enterprises are separated, the central role of cities must be brought into full play and open and inter-connected economic zones of various sizes gradually formed with support from cities, the large and medium-sized cities in particular. In this reform it is necessary to call the attention of all leading urban comrades to the need for the city governments to separate their functions from those of enterprises and achieve simpler and decentralized administration, and not to repeat the past practice of mainly depending on administrative means to control enterprises so as to avoid creating new barriers between departments or regions. City governments should concentrate on urban planning, construction and management; building public facilities; carrying out comprehensive ecological improvement; guiding and promoting the specialized co-operation of enterprises, their reorganization, association and technical transformation and the modernization of their management and operation; guiding and promoting a rational circulation of materials and commodities; improving cultural, educational, public health and social welfare work and various services; promoting the building of a civilization with a high cultural and ideological level, and the fostering of better social conduct; and maintaining public order. Moreover, they should also work out satisfactory medium- and long-term plans for economic and social development based on the general requirements of developing the national economy and on local conditions.

The relationship between socialist enterprises is first of all one of co-operation and mutual support, but this by no means excludes competition. For a long time, people used to consider competition peculiar to capitalism. As a matter of fact, where there is commodity production, there is bound to be competition. The point is that the purposes, nature, scope and means of competition vary under different social systems. Competition between socialist enterprises is fundamentally different from that under capitalism where the law of the jungle prevails. On the basis of public ownership and subject to the control of state planning and laws, and for the purpose of serving socialist modernization, our enterprises are put to the test of direct judgment by consumers in the marketplace so that only the best survive. This will help to break the blockade and monopoly hampering the growth of production, lay bare the defects of enterprises quickly and stimulate enterprises to improve technology, operation and management. It will stimulate the economy as a whole and benefit socialism. As for some undesirable trends and unlawful acts that may

appear in the course of competition, the relevant leading organs at various levels should keep a clear head and strengthen education and control and tackle such problems in real earnest.

More and more norms guiding economic relations and activities will have to be framed in the form of law in the restructuring of the economy and national economic development. State legislative bodies must produce economic legislation faster, the courts should make greater efforts to try economic cases, the procuratorates should strengthen their work in dealing with economic crimes, and the judicial departments should offer active legal services for economic construction.

The separation of the functions of government and enterprises as well as simpler and decentralized administration constitute a deep-going transformation of the socialist superstructure. When the structure changes, the organization and the style of thinking and work should also change. We must unhesitatingly change the working style of government departments in accordance with the principles of serving the people and of streamlining, unification and efficiency and raise the competence of their functionaries. We must end the long-standing practice of leading organs making enterprises and units completely dependent on them, instead of serving the enterprises and other grass-roots units, and eliminate such bureaucratic maladies as organizational overlapping, overstaffing, vague delimitation of functions and endless wrangling. The leading organs at various levels will thus be able to orient their work towards promoting production, serving the enterprises and other grass-roots units, and helping build a strong and prosperous country and bring prosperity and happiness to the people.

VII. Establish Various Forms of Economic Responsibility System and Conscientiously Implement the Principle of Distribution According to Work

Experimental urban reforms in the past few years have amply demonstrated that the basic experience of the system for contracted responsibility in the rural areas is also applicable in the cities. Enterprises must specify in explicit terms the

requirements for each work post and the duties of each worker and staff member and must establish various forms of the economic responsibility system with contracted jobs as the main content so as to invigorate the urban enterprises, raise the sense of responsibility of the workers and staff members and bring into full play their initiative, enthusiasm and creativeness. The basic principles of this responsibility system are a combination of responsibility, authority and benefit; the unity of the interests of the state, the collectives and the individuals; and the linking of the income of workers and staff members with their job performance. In applying rural experiences to urban areas, we must take into account the characteristics of urban enterprises. It is neither feasible nor necessary to transplant mechanically the specific measures of the rural areas. As the nature of trades and the size and production conditions of enterprises differ from one another, urban enterprises cannot follow a single model of responsibility system. Our comrades, leading comrades of enterprises in particular, should always proceed from reality and in the course of practice gradually work out concrete forms of the responsibility system suited to their specific conditions. Then the contracted responsibility system will take root, blossom and bear fruit in the cities.

Modern enterprises have a minute division of labour, a high degree of continuity in production, strict technological requirements and complex relations of co-operation. It is therefore necessary to establish a unified, authoritative and highly efficient system to direct production and conduct operations and management. This calls for a system of the director or manager assuming full responsibility. Party organizations in enterprises should actively support directors in exercising their authority in giving unified direction to production and operations, guarantee and supervise the implementation of the principles and policies of the Party and the state, strengthen the Party's ideological and organizational work in enterprises, improve their leadership over the trade unions and Communist Youth League organizations and do effective ideological and political work among the workers and staff members. While the director assumes full responsibility, we must improve the system of congresses of workers and staff members and other systems of democratic management, give play to the authority and role of the trade union organizations and workers' and staff members' deputies in examining and discussing major decisions to be taken by the enterprises, supervising administrative leadership and safeguarding the legitimate rights and interests of the workers and staff members. All of this expresses the status of the

working people as masters of the enterprise. Their status is determined by the nature of the socialist enterprise and must in no way be neglected or weakened.

With the general replacement of profit delivery by taxes and the widespread establishment of various forms of economic responsibility in enterprises, the socialist principle of distribution according to work will be implemented more fully. An important step already taken in this respect is that enterprises decide on the amount of bonuses for their workers and staff members according to the results of enterprise operation, while the state only collects an appropriate amount of tax on the above-norm bonus from enterprises. In the future, adequate measures will be taken to better link wages and bonuses with the improved enterprise performance. In the enterprises, the difference between the wages of various trades and jobs should be widened, so as to apply fully the principle of rewarding the diligent and good and punishing the lazy and bad and of giving more pay for more work and less pay for less work as well as to fully reflect the differences between mental and manual, complex and simple, skilled and unskilled, and heavy and light work. In particular, it is necessary to change the present remuneration for mental work which is relatively low. We should also reform the wage system in state institutions and public organizations in accordance with the principle of linking wages with responsibilities and achievements. While reform of the wage system in enterprises, state institutions and public organizations is under way, the reform of the labour system will be speeded up.

There has long been a misunderstanding about the distribution of consumer goods under socialism, as if it meant equalitarianism. If some members of society got higher wages through their labour, resulting in wide gaps in income, it was considered polarization and a deviation from socialism. This equalitarian thinking is utterly incompatible with scientific, Marxist views on socialism. History has shown that equalitarian thinking is a serious obstacle to implementing the principle of distribution according to work and that if it is unchecked, the forces of production will inevitably be undermined. Naturally, a socialist society must guarantee its members a gradual improvement in material and cultural life and their common prosperity. But common prosperity cannot and will never mean absolute equalitarianism or that all members of society become better off simultaneously at the same speed. If common prosperity were understood as absolute equalitarianism and simultaneous prosperity, not

only would this be impossible, but such thinking would lead to common poverty. Only when some regions, enterprises and individuals are allowed and encouraged to get better off first through diligent work can there be a strong attraction and inspiration to the majority of the people. More and more people will be prompted to take the road of prosperity, one group after another. At the same time, we must provide social relief for the old, weak, sick, disabled and for widows, widowers, orphans and childless elders who cannot support themselves. We must aid those who have not yet become well-off and adopt special and preferential policies towards some old revolutionary base areas and minority nationality, remote and other areas where the economy is still very backward and give them the necessary material and technical assistance. The difference arising from the prosperity of some people before others is a difference in speed, with all members of society advancing on the road to common prosperity. It is certainly not polarization, which means that a handful of people become exploiters while the vast majority fall into poverty. The policy of encouraging some people to get better off earlier accords with the law of socialist development and is the only road to prosperity for the whole of society.

We must never discard the fine tradition of working hard and building the country through diligence and thrift that was developed during the long period of our revolution and construction. In the new historical period this tradition chiefly means the spirit of working hard and defying all difficulties in dedication to the motherland and the people, practice of strict economy in production and construction, opposition to any act that squanders state materials and funds, and avoidance of erroneous policy decisions that result in waste. It should not be misconstrued as overlooking due growth in the people's level of consumption. According to the basic tenets of Marxism, production is the starting point and the predominant factor of all economic activities and determines consumption; but consumption also determines production in that the growth of consumption gives a strong impetus to creation of new social demands, opens up vast markets and encourages production. We must gradually bring about substantial increases in the pay of workers and staff members and in the people's level of consumption. This should be based on increased production, better economic results, a steady increase in state revenue and a correct proportion of accumulation and consumption. It is incorrect to put forward demands for consumption in excess of the capacity of current production. But it is likewise incorrect not to appropriately increase but keep restricting con-

sumption that is well within the capacity of current production.

VIII. Work to Develop Diverse Economic Forms and Continue to Expand Foreign And Domestic Economic and Technological Exchanges

We must mobilize all positive factors if we are to achieve rapid growth in all fields of production and construction and make our country strong and prosperous and our people rich and happy at a fairly fast pace. Under the guidance of state policies and planning, the initiative of the state, the collective and the individual should all be encouraged. We must work to develop diversified economic forms and various methods of management. And we must actively expand foreign economic co-operation and technological exchange on the basis of independence, self-reliance, equality and mutual benefit, and mutual good faith.

Enterprises owned by the whole people constitute the leading force in China's socialist economy and are decisive in ensuring our socialist orientation and the steady growth of our entire national economy. But their consolidation and development should not be predicated on restriction and exclusion of other economic forms and other methods of management. The collective economy is an important component of the socialist economy, and we can give the collectives a free hand in running enterprises in many areas of production and construction. The individual economy now found in China is linked with socialist public ownership and differs from the individual economy linked with capitalist private ownership. It plays an irreplaceable role in expanding production, meeting the people's daily needs and providing employment. It is a necessary and valuable adjunct to the socialist economy and is subordinate to it. At present, we should try to remove obstacles in the way of the collective economy and individual economy in cities and rural towns and create conditions for their development and give them the protection of the law. We should promote individual economy, particularly in those economic fields mainly based on labour services and where decentralized operation is suitable. Meanwhile, we should, on the basis of voluntary participation and mutual benefit, extensively encourage diverse and flexible forms of co-operative management and economic association

among the state, collective and individual sectors of the economy. Some small state-owned enterprises can be leased to collectives or individuals, or run by them on a contract basis. It is our long-term policy and the need of socialist development to promote diversified economic forms and various methods of operation simultaneously. This is not retrogression to the new-democratic economy of the early period of the People's Republic when the socialist public ownership was not yet predominant in town and country. Far from undermining China's socialist economic system, the new policy will help consolidate and develop it.

Marx and Engels pointed out long ago in the *Manifesto of the Communist Party* that with the exploitation of the world market due to the growth of capitalism, the old local and national seclusion and self-sufficiency had given place to intercourse between nations in every direction, and production and consumption in every country had become cosmopolitan in character. The productive forces including science and technology in our times are developing ever faster. Although international relations are complex and ridden with contradictions, international economic and technological ties are, generally speaking, very close, and national seclusion cannot lead to modernization. Since the Third Plenary Session of the 11th Central Committee, we have taken opening to the outside world to be our long-term, basic state policy, a strategic measure for accelerating socialist modernization. Practice has already yielded marked results. We must continue to pursue flexible policies, reform our foreign trade structure in line with the principle of both arousing the enthusiasm of all quarters and developing a unified approach in our external dealings. We will work to expand economic and technological exchanges and co-operation with other countries, strive for the success of the special economic zones and open more coastal cities. Using foreign funds and attracting foreign businessmen for joint ventures, co-operative management or exclusive investment in enterprises are also a necessary and beneficial complement to China's socialist economy. We must make the best use of both domestic and foreign resources and both the domestic and foreign markets, and learn both to organize domestic construction and develop foreign economic relations.

As we open to the outside world, we shall open up even more between different areas within China itself. We should smash blockades and open doors in the relations between economically more developed and less developed areas, coastal areas and interior and border areas, cities and countryside, and between all trades and enterprises. We must act in

conformity with the principle of making the best possible use of favourable conditions and avoiding the effects of unfavourable ones, developing diversity of forms, offering mutual benefit and achieving common progress, and strive to develop economic relations among enterprises and regions, promote appropriate exchanges of funds, equipment, technology and qualified personnel, introduce diverse forms of economic and technological co-operation and run joint economic enterprises. This will speed up the rationalization of our economic setup and of the geographical distribution of our enterprises and accelerate modernization.

IX. Promote a New Generation of Cadres and Create a Mighty Contingent of Managerial Personnel for the Socialist Economy

Reform of our economic structure and the development of our national economy badly need a large contingent of managerial and administrative personnel, and especially managers, who are both knowledgeable in modern economics and technology and imbued with a creative, innovative spirit and who are capable of bringing about a new situation in whatever they do. The point now is that our contingent of managerial personnel falls far short of the above requirements. We have large numbers of veteran comrades in this contingent who, in the long period of hard struggle, have made great contribution to our socialist economic construction. Their good work style, managerial ability and steadfastness in observing the rules of inner-Party life had an educational influence on many young and middle-aged cadres. But they are getting up in years, and we can no longer ask them to continue in arduous leading posts. Our present urgent task is to promote boldly thousands upon thousands of young and middle-aged managerial personnel and take steps to train them.

Large numbers of talented persons have come to the fore in economic construction, especially in the course of Party consolidation and the reform of the economic structure. Party committees at all levels must take pains to discover and assess them and must not be fettered by outdated ideas and conventions. They must not fault-find and demand perfection and must guard against the influence of factionalism and gossip. When we act in this manner, we

can discover large numbers of excellent cadres. Of course, young and middle-aged cadres lack experience in giving leadership. But they can gain experience through tempering in practical work and will gradually do so. Under no circumstances should we use lack of experience as an excuse for holding back young cadres. We have to be analytical in our attitude to experience. Our comrades accumulated rich experience, both positive and negative, in the course of revolution and construction. This is very valuable. Generally speaking, however, all our cadres, old, middle-aged or young, are facing brand-new tasks in the new historical period and all lack the new knowledge and experience necessary for modernization. All of them will have to re-evaluate their capabilities and make new efforts to learn. It would be wrong to hang on to the outmoded and rest complacent about experience that is no longer applicable.

The Central Committee calls for completion of the reshuffling of leadership in enterprises, especially key enterprises, before the end of 1985. In addition, plans should be drawn up and effective measures taken to train fairly soon large numbers of directors (managers) who can successfully organize and direct enterprise production and operations, of chief engineers who can strengthen technical management and promote technological progress, of chief economic managers who can improve business operations for better economic results, of chief accountants who can strictly uphold financial and economic discipline, do careful budgeting and exploit new sources of revenue, and of Party secretaries who can keep to a correct political orientation and unite the workers and staff members of the enterprises. This is how to create a mighty contingent of managerial and technical cadres for the socialist economy. This contingent should consist of qualified personnel in all trades and occupations for the whole chain of enterprise management.

The Central Committee has pointed out on many occasions that in our drive for socialist modernization we must respect knowledge and talented people. We must combat all ideas and practices that belittle science and technology, the cultivation of intellectual resources and the role of intellectuals. We must take resolute action to redress cases of discrimination against intellectuals which still exist in many localities and to raise the social standing of intellectuals and improve their working and living conditions. All our reforms must lead to progress in science and technology, to greater initiative of the localities, departments, units and individuals in making effective use of intellectual resources and must enable our vast numbers of young people as well as

workers, peasants and intellectuals to raise their cultural and technical levels quickly. Those who have made important inventions and innovations or other outstanding contribution should be amply rewarded.

Science, technology and education are extremely important in developing our national economy. Advances in reforming the economic structure pose as a matter of increasingly urgent strategic importance the reform of our scientific, technical and educational setups. The Central Committee will hold special discussions on these issues and take relevant decisions.

X. Strengthen Party Leadership To Ensure the Success of Reforms

Reform of China's economic structure will be carried out over a fairly broad area and in a fairly deep-going way. It will have a direct bearing on the nation's future and affect the vital interests of millions upon millions of workers, peasants and intellectuals. All Party comrades should stand in the forefront of the reform, which represents the trend of our times. This reform is an exploratory and innovative undertaking by the masses and it is very complex. We are generally now at the stage of accumulating experience in the reform of the entire economic structure which focuses on cities, and the vast number of cadres are not familiar with this work. Leading Party and government functionaries at all levels have to be sober-minded and give meticulous guidance. They should emancipate their minds, seek truth from facts and proceed from reality and carry out Party policies creatively by integrating them with the actual situation in each locality, department and unit. Full consideration should be given to the particularities of the regions concerned in reforming the economic structure in minority nationality regions. All moves in the reform have to be tested in practice, through which new experience will be acquired. Errors can hardly be avoided, but we should make every effort to prevent them whenever possible. Once an error does occur, we must try to discover it promptly, resolutely correct it, draw the lessons and continue to go ahead. We should take active but prudent steps in carrying out reforms. We should carry them out firmly where we are sure of success, make reforms one by one when the conditions are ripe, and make experiments when we are not sure of success. We must not try to accomplish

the whole task at one stroke. All major reforms which affect the whole country will be arranged by the State Council under a unified plan. All localities, departments and units should be encouraged to conduct exploratory and pilot reforms. Nevertheless, any reform involving the overall situation or one that is extensive in scope must first be approved by the State Council.

Party organizations in numerous localities and enterprises will undergo consolidation next year. Reform should be closely linked with this. Party consolidation should promote economic growth, which is an indicator of how successful it is. While carrying out the reform, we must strengthen the leadership over Party consolidation, making sure that the consolidation will not become a mere formality. The more we enliven the economy and invigorate enterprises, the more we must pay attention to combating the corrosive influence of capitalist ideas, eliminating the decadent practice of seeking personal gain by abusing one's position and authority and preventing any action that seriously harms the interests of the state and the consumers, and the more we should strengthen the building of a fine Party style and sense of discipline and maintain healthy inner-Party political life. In ideological and organizational work in the new historical period, we must firmly carry out the Party's guiding principle that such work should help fulfil the general task and reach the general goal set by the Party and be closely linked with economic construction and reform of the economic structure. We should actively support cadres and the masses who are keen on reforms. When errors or deviations appear in the course of reform, apart from those seriously violating the law and discipline which must be dealt with according to law, we should adopt a policy of persuasion, criticism and education towards the persons concerned and must not stick political labels on them. People with different views and approaches about reforms may discuss their differences. We must not divide the cadres and masses by calling some people "reformers" and others "conservatives." We should have faith in comrades who fall behind the developing situation for a time, confident that they will understand things better in the course of reform. In the past five years of rural reform, many comrades who had doubts about it have been convinced by the facts and have changed their views. The Central Committee has adhered to the principle of patient education in guiding rural reform, thereby ensuring its smooth progress. This is a valuable experience in solving ideological problems inside the Party on the question of major policies, and we should keep to this principle in the future. By citing the facts about reform, we should provide Party members and

the masses with lively education in the theory and policies of the reform. This will help them realize that socialism with Chinese characteristics should be full of vitality, different from the rigid pattern of the past and fundamentally different from the capitalist system. This will deepen their understanding of scientific socialism so that they devote themselves to making reforms.

The reform of economic structure will lead to tremendous changes not only in people's economic life, but also in their mental outlook and way of life. We should build socialist civilization with both a high material level and high cultural and ideological level. This is our Party's unswerving principle. While trying to create a socialist economic structure full of vigour, we should work to create a cultured, healthy and scientific way of life for the whole society that meets the requirements of expanding the modern forces of production and social progress, and eliminate backward and decadent ideas and ignorance. We should foster throughout society an active, forward-looking and enterprising attitude and overcome such forces of habit as complacency, mental sluggishness, fear of change and conventionality. Such an approach to life and such an attitude are important aspects of a socialist civilization that has a high cultural and ideological level. They give great impetus to reform of the economic structure and the building of a socialist civilization with a high material level. Comrade Mao Zedong said, "Mankind makes constant progress and nature undergoes constant change; they never remain at the same level. Therefore, man has constantly to sum up experience

and go on discovering, inventing, creating and advancing. Ideas of stagnation, pessimism, inertia and complacency are all wrong. They are wrong because they agree neither with the historical facts of social development nor with the historical facts of nature so far known to us."* This statement is a graphic expression of one of the fundamental points of view of the Marxist world outlook and conception of history. The Chinese Communists take the constant promotion of social development and progress as their historical mission. Our Party led the masses of the people under reactionary rule in the past in making revolution to overthrow the old order. Under the socialist system with the people as masters of the country, our Party has been leading the masses in conscientiously carrying out reforms and building China into a modern, powerful socialist country with a high level of culture and democracy.

The current situation is very favourable to reform. The people are highly creative in this endeavour. By relying on their wisdom and strength and adhering to the four cardinal principles,** we will certainly succeed in our reform and fulfil the general task and reach the general goal set by the Party's 12th National Congress.

* Quoted in "Premier Zhou Enlai's Report on the Work of the Government to the First Session of the Third National People's Congress of the People's Republic of China" (December 21-22, 1964).

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



the change of the old managerial methods that dampened the peasants' enthusiasm and of the adoption of the responsibility system.

Before the responsibility system was established, peasants were tired of working together in a group of several dozen households. They also disliked the way remuneration was distributed at year end, according to a workpoint system.

In the Chinese countryside, a lot of farmwork is still done manually. Draught animals, ploughs, rakes and small farm machines and implements are widely used, while modern machinery is not.

Under such conditions, collective farmwork involved only simple co-operation. The division of labour was not strictly specified, and so responsibilities were unclear. Every day a team of several dozen peasants waited in a designated place to be assigned work by their team leader. They had no power to make their own decisions. Much time was wasted waiting for people to show up.

Partly because team leaders were not really able to manage farm production, and partly because too many administrative decrees came from above, farm production sometimes went on blindly. The peasants likened this kind of production to a swarm of bees.

Every day the production team leader recorded how much work the team's members had done, using the workpoint system. The peasants had no idea how much their income would be until the year's crops were gathered. But their labour was not directly connected to the final economic results, because all the peasants in a team more or less got the same number of workpoints, regardless of how hard each one worked. The capable and hard-working

peasants were shortchanged, while the lazy ones got a bargain.

Of course, this dampened most peasants' enthusiasm for labour. They described it as the practice of "everybody eating from the same public pot."

In the 20 years following the co-operative movement, many central and local cadres in charge of rural work suggested that each household be responsible for an assigned plot of land, and that production quotas be fixed on the basis of individual households.

These methods proved effective in increasing farm production in some areas in the early 60s. But they were wrongly criticized by some high-ranking leaders who were pushing a "Left" policy. Shackled by the "Left" guidelines, some people seemed to think that if one wanted to stick to the socialist road, one must not abandon the practice of working like "a hive of bees" or of "everybody eating from the same public pot."

Responsibility System Emerges

The Third Plenary Session of the 11th Party Central Committee in 1978 was a great turning point. Delegates to the session set out to

earnestly correct the "Leftist" mistakes committed before and during the "cultural revolution." They called for emancipating the mind and seeking truth from facts. They also decided on a way to promote agricultural production.

Reforms began in just a few rural areas at first. The peasants were allowed to choose the cultivation system appropriate to their local conditions. Household sideline production was encouraged and rural fairs were opened. The results were good.

Premier Zhao Ziyang and Vice-Premier Wan Li were then the main leaders of the provincial Party committee of Sichuan and Anhui respectively, where the reforms were first implemented. The peasants welcomed the reforms Zhao and Wan brought, and had a little rhyme, "If you want some *liang* (grain), ask for Ziyang; if you want to have *mi* (rice), look for Wan Li."

In 1978 Anhui was hit by an unusually harsh drought. Despite this, some production teams in Chuxian Prefecture in Anhui increased their grain production by 50 per cent over the previous year. The advance was the result of fixing quotas directly for a group of several households.

The family of peasant Zuo Guoping in Shanxi Province enjoys baked food from their new roaster.



Under the system, a work group signs a contract with its production team for a certain amount of produce. Farm products which fulfil the contract are distributed by the production team, while products exceeding the quotas belong to the contractors. In 1979, with the support of Wan Li, this system was introduced in seven counties of Chuxian Prefecture.

In Xiaogang village, a production team of 20 households was so poor that they couldn't grow enough to feed themselves. Between 1966 and 1978 the peasants on the team had to buy grain every year with relief funds provided by the local government, or get grain from a state shop. The team was among those chosen to introduce the above-mentioned system. Because nobody wanted to be the team leader, they secretly assigned quotas to individual households and land collectively owned was distributed to them for their own use. They decided farm products could be owned by individual households, provided that they delivered their quota of grain to the state, paid off their loans, and allocated sufficient accumulation funds and public welfare funds to the team. This went beyond the scope of merely fixing output quotas for a group. It completely abolished the practice of "everybody eating from the same public pot."

Later, the commune Party secretary saw that this team's crops were much better than those of other teams. When he found out why, he ordered the peasants to stop at once. He was afraid he would be accused of "restoring capitalism." Such apprehensions were quite common among cadres influenced by "Left" thinking at that time.

However, the pioneering work done by the peasants of Xiaogang finally won the support of the higher leadership. County Party Secretary Chen Tingyuan, Prefec-

ture Party Secretary Wang Yuzhao and Provincial Party Secretary Wan Li visited the families involved.

They all clearly supported the reforms these peasants had adopted. Wan said, "No matter what methods they adopt, as long as they help the team increase agricultural production, make more contributions to the state, accumulate more funds for the collective, and gain more income for the peasants, they are good methods."

Peasants in other poor areas were also introducing their own responsibility systems, without official approval. In Chuxian Prefecture in March 1979, there were 55 production teams fixing quotas based on individual households. The number increased to 87 in August, and to 2,179 in December, accounting for 30 per cent of all the prefecture's production teams.

Without exception, all these teams increased their production by a wide margin. The grain harvest in Xiaogang in 1979 was equal to all the grain the village grew from 1966 to 1970. The harvest of oil-bearing crops exceeded the total for the previous 20 years. The average per-capita

income in the 20 households increased from 41 yuan in 1977 to 311 yuan in 1979.

Peasants called it a marvelous method, pulling them out of poverty. In spite of many obstacles, the contract system spread quickly throughout the countryside.

Responsibility System Popularized

The responsibility system, especially the household contract system, also won the support of several leaders of the Party Central Committee. Drawing on the experiences of the masses, in October 1980 the Central Committee drew up a directive which said more forms of the responsibility system should be implemented, including the household contract system. Peasants would have the right to choose the system suitable for them.

For a while, however, certain cadres in some places did not comprehend, or even disagreed with, the directive, but they could not stem the tide of a reform the peasants welcomed so enthusiastically. Within a few years the household contract system had been introduced from the poorest areas to the richest.

Peasant Wang Shoufu in Anhui Province harvested 6,000 kilogrammes of wheat per hectare this year. Wang and his family have lunch in the field.



Those cadres who were influenced by "Left" thinking also gradually changed their minds. At present, different forms of responsibility systems are practised almost all over the countryside. The household contract system, in particular, is welcomed by 90 per cent of China's peasants.

Peasants are also always coming up with their own ideas about how the responsibility system should be implemented to best suit their local conditions. Because they may choose their own system, a wide variety can be found in the countryside. Even those teams which practise the same system of household contracts have differences in how it is implemented.

A Contract With One Peasant

Yan Jinchang, a peasant in Xiaogang village, had a contract with his production team for 1983 outlining the acreage under his cultivation, the planned output for 1983, his grain, cotton, oil-bearing crops and pig quotas, farm tax, collective (which refers to production team) accumulation funds, public welfare funds, management fees and subsidies for team cadres, and the quantities of chemical fertilizers he will be supplied at state prices, according to the contracted acreage.

The records attached to the contract showed that Yan paid his farm taxes and funds for the collective. These were his economic obligations assigned by the state and the collective. The records also showed that Yan fulfilled all his quotas. That is his contribution to the state. Income from the sale of products belongs to Yan, and above-quota products are placed at his own disposal.

Some rural cadres have noted that under the responsibility system the production team arranges work for one year or several at a time rather than for

one day. Preliminary distribution of income early in the year replaces year-end distribution. In the past, the production team collected all its farm products, and then delivered its quota of grain to the state. Income was distributed among commune members only after farm taxes, collective accumulation funds and production costs were deducted.

"We feel quite at ease now that the contract system is in force," Yan said. "After fulfilling our task for the state and the collective, all surplus products belong to individuals. Who wouldn't work hard? Anyone who doesn't is certain to lose out. The responsibility system really meets the needs of farm production in the Chinese countryside."

Peasants find many advantages to the system. Responsibility falls on individuals, their economic benefits are directly connected to their work and it is easy to practise. The contract system combines the peasants' responsibilities, rights and benefits. They have more freedom to arrange their own work. And although the land is still owned by the collective, they have more power to decide how it will be managed. They thus work not only for the collective and for society, but also for themselves. The responsibility system also ensures more pay for more work. In this way, the peasant's concern about direct benefits has turned into concern for the final economic results. This is what motivates the peasants to produce more.

In the years before the system was introduced, Yan got so little grain and money for his labour that he had to borrow money to buy commodity grain. Over the past 20 years, the Xiaogang production team bought only one water buffalo, three calves and several wood or iron farm tools. In the five years since the responsibility system was implemented,

seven out of the 21 households (including Yan's) have bought small tractors. Seven other households have saved enough money to buy theirs.

Adaptability

The contract system was first implemented in poor areas as a way to eliminate poverty. But it has proven widely adaptable to a variety of conditions and circumstances.

In Taicang County, Jiangsu Province, 99.5 per cent of the production teams have adopted the contract system. The local economy has since developed rapidly.

Cao Bingsheng, a 60-year-old peasant in Taicang, said, "The thing about the household contract system which satisfies me most is that it grants us decision-making powers.

"In the past, if we wanted to ask for leave or borrow some money from the production team, we had to have the permission of the team leader. We had no time, not even a bit, to do any sideline production. It seemed that we worked only for our team leader. But now things have really changed. We can arrange and do everything according to our own specialities.

"My family's net income was 1,020 yuan in 1982, when the group contract system was introduced. In 1983, when the household contract system was introduced, my family earned 2,065 yuan. Every household in our county is earning more now. This year, we've got another three new products: cultured pearls, mushrooms and garlic. In this way, we're sure we can get another 1,000 yuan."

Cao said that at first he was afraid he would not be able to maintain the high grain yields of the collective under the decentralized management system. There was simply too much to do. But unexpectedly the production

(Continued on p. 29.)



Yaks and sheep cover the pastureland.

China's Administrative Regions

Qinghai — A Land Waiting to Be Opened

by **LI YONGZENG**
Our Correspondent

TRAINS and trucks laden with goods have been rumbling along railways and highways from Gansu to Qinghai since the Party Central Committee decided last year to shift the focus of China's economic development to the northwest by the end of this century.

In their wake are donkey carts belonging to individual peasants who have obtained permission to go to Qinghai to pan for gold. These prospectors are full of confidence, because three of their fellow peasants found a gold ore nugget weighing 3,500 grammes last year. In general, people are looking forward to a new future for Qinghai—the land yet to be opened in China.

Qinghai, named after a lake in the northeastern corner of the province, is in the northeastern

part of the Qinghai-Tibet Plateau, which is sometimes called "the roof of the world." It occupies 720,000 square kilometres, or one-13th of China's territory. For all that land, it has fewer than 4 million inhabitants. Sixty per cent of them are Hans, while the rest are Tibetans, Huis, Mongolians, Salas, Kazaks and Tus.

At the foot of snow-capped mountains pointing into a blue sky, the green pasture stretches as far as the eye can see, dotted with groups of cattle and sheep. The black yurts (large tents) of the herdsmen stand beside small streams and lakes. Tibetan women, dressed in fur robes all year round, are busy fetching water and boiling milk tea over a fire of sun-baked cow dung. Except for the lowing of the cattle, the bleating of the sheep and the songs of the birds, it is quiet for several hundred kilometres around.

Archaeological excavations show

that livestock breeding was already fairly developed in Qinghai 4,000 years ago. At present, 96 per cent of the province serves as pastureland for 22 million animals, mostly horses, yaks and sheep. About 400,000 people, mostly Tibetans and Mongolians, tend them. Their work has made Qinghai one of the five major livestock breeding centres of China.

A Herdsman's Family

The typical herdsmen's family lives in a yurt of about 50 square metres. The roof and four walls of the yurt are coarse cloth made of black yak hair. The weave of the cloth leaves holes large enough to see through when the weather is dry, but they swell and close whenever the air becomes moist. Because the yurt is very low inside, one must stoop to enter. In the middle is a stove, and above it is a skylight which is the only source of light.

The hostess of the yurt we visited is Bai Ga, who is 45 years old. There are 12 people in her family, five of whom work. They have a contract to look after 270 yaks and 1,400 sheep. In 1983 the family earned more than 8,000 yuan. They estimate that their income this year will exceed 10,000 yuan, far above the national average.

When Bai Ga boiled milk tea for us, the room was filled with the peculiar smell of dried cow dung, which remains to be the only fuel used by the herdsmen in Qinghai, because there are few trees on the pastureland.

She served each of us a bowl of milk tea. It tasted very nice after some salt and butter were added.

She told us that most members of her family cannot read and write; only her 12-year-old son, who is studying in a boarding school, and three daughters are literate.

She said the herdsmen are busy all year round. In winter they help deliver the lambs. In spring they inoculate the animals and shear the yaks. In summer they shear the sheep and make butter, and in autumn they sell the animals to the state. They have to move their homes four times a year.

Because an eight-year-old is already able to look after a herd of sheep, most parents are not willing to send their children to school. The primitive methods still used in Qinghai to raise livestock require more hands at home, while the schools require the children to board there. Thus many children lose the opportunity for an education. But Bai Ga is glad that her son can attend school. It has been a hope of her family for generations, she said.

Her family has no TV set because the signals cannot reach the plateau now. But they do have a

cassette tape-recorder and a radio. Because the herdsmen live far apart, they don't have much of a cultural life. Last year, however, the leaders of the township organized more than 100 film showings for them.

A Rich County

Maduo County, which is not far from the source of the Yellow (Huanghe) River, has about 8,850 people, more than 80 per cent of whom are Tibetans. It covers 25,000 square kilometres and is on the average 4,200-4,800 metres above sea level.

The only economic activity in the county is livestock breeding. In 1983, the average per-capita income from this work was 545 yuan, the highest in the province.

Maduo County is crowded with Qinghai yaks, domesticated on the Qinghai-Tibet Plateau since ancient times. Big and strong, every yak can give 100 kilogrammes of highly nutritious meat. Its long, fine hair makes strong cloth. The

yak can also be loaded with 50-100 kilogrammes of goods and walk 30 kilometres a day on mountain roads. At present, half of China's yaks are raised in Qinghai, representing one-third of all the yaks in the world.

Maduo also specializes in Tibetan sheep, which have black or brown heads, long white wool and small tails. The wool is superb for making woollen fabrics. The best Tibetan sheep are completely black; their wool is extremely fine. Black kidskin is light and soft and has curly hair. It is highly prized on the international market.

Maduo County herdsmen also breed Hequ horses, one of the three famous breeds in China. (The other two are the Mongolian horse and the Yili horse.)

Improving the Pasture

Qinghai has 34 million hectares of usable grassland. A little less than half is used for winter and spring grazing, and the rest for the summer and autumn. Because the



grass grows very low, the per-hectare output is only about 2,086 kilogrammes. But it is excellent feed for the animals because of its long exposure to sunshine.

Since the beginning of the 1970s, Qinghai has provided the state with 16,000 tons of high-quality wool, 1,400 tons of yak hair, 2 million animal hides and 1.1 million head of yak and sheep. There are now 2.8 million sheep in the province, yielding both mutton and wool.

However, the harsh natural conditions have greatly hindered the development of livestock breeding in Qinghai. The damage done to the pastureland by the rats and the erosion resulting from overgrazing are particularly serious.

To enhance development, a production responsibility system has been introduced in recent years. The animals and pastureland are now contracted to the herdsmen's families. The county government

of Maduo decided that local herdsmen can contract their pastureland for 30 years. This has greatly encouraged the herdsmen to make their pastures more fertile.

About 640,000 hectares of grassland in the province have now been enclosed, raising the output of grass by 20 per cent.

Over the past 20 years, the Qinghai Institute of Highland Biology, under the Chinese Academy of Sciences, has done much research on how to eliminate rats on the grassland. Now, some 17 million hectares are free from damage caused by the pests.

However, the people in Qinghai are not satisfied with the progress made so far. They are determined to completely modernize their livestock breeding.

Li Qing, the Party secretary of Maduo County, explained the plan for the county's next 20 years of

development. Li, a Tibetan, is a college graduate and was recently elected to his post. He said that both the collectives and the individuals in Maduo County are very rich. But they do not realize the importance of education. This will adversely affect the further development of production.

He said the county government has decided, starting from this year, to give a 200 yuan bonus to parents who send their children to school. Those who do not will be fined 400 yuan.

Maduo has coal in its mountains, gold in its sand and fish in its rivers. The county's plan also calls for developing these rich resources. In 10 years' time, the income from fish breeding is expected to reach one million yuan. Gold prospecting should earn 150,000 yuan, and coal mining another 100,000 yuan. For a county with only a few thousand people, this is a lot of money. But

The Qinghai-Tibet Highway

This is the highest highway in the world. It starts from Xining, runs along the southern bank of Qinghai Lake and across the Qaidam Basin into Golmud. It then turns south and enters the dangerous Tanggula Mountain. Anyone unaccustomed to the high altitude here will have serious headache and difficulty in breathing.

The highway, built in 1954, is a miraculous feat of engineering accomplished under the leadership of General Mu Shenzhong.

Early in 1953, PLA units in Tibet found they did not have enough grain to feed themselves or the local people. Mu, then political commissar of the PLA

units stationed in Tibet, was assigned to organize a grain transportation team.

It took the team six months to transport the grain from Golmud to Lhasa on the backs of camels. The time lost was nothing compared with the lives lost under the harsh conditions on the high plateau. The general decided to build a highway to avoid further losses.

He went to Beijing with his plan early in 1954, and won the support of Marshal Peng Dehuai, then Minister of National Defence. The construction work began that May, and by late September the new highway reached the Tanggula

Mountain Pass, 5,400 metres above sea level.

Construction through the pass had to be completed by the end of October, before the weather made work impossible. Already abrupt changes made it sunny weather one moment and a blizzard the next. This, combined with the thin air, made it very difficult to work.

But the workers and the PLA soldiers pressed on. They managed to complete the 30 kilometres through the pass by October 20 that year.

Recently, the state decided to pave this dirt road, and the asphaltting is now almost completed. The province now has 15,600 kilometres of highways, plied by more than 25,800 trucks and buses.

the development work can only be done by educated people.

Wildlife Paradise

Qinghai is very big and is sparsely populated. Because of its remoteness and its changeable climate, it was often described as a barren and terrible land by ancient scholars. However, recent scientific surveys have unveiled a rich, colourful picture for the province.

Qinghai teems with wildlife. The Qinghai Lake sits at 3,196 metres above sea level. Its rich marine life and the fertile pastureland surrounding it make the area an ideal habitat for migratory birds.

The lake, which covers 4,635 square kilometres, has five small islands. In summer, all kinds of birds flock to them to breed, and sometimes there are as many as 165,000. To protect them, the state has set aside all five islands as a nature reserve.

We visited one of these "bird islands," a 0.27-square-kilometre rocky isle covered with birds. By a casual count, there were at least 5,000, mostly brown-headed gulls. The rest were bar-headed geese.

Our hosts told us these were only the ones staying behind to hatch their eggs. Those with young ones were out on the lake. If all the island's residents were at home, there would be some 93,000 birds on that tiny island.

Our presence disturbed the birds. Many of them flew up and whirled over our heads, screeching. It seemed they wanted to scare us away. When this failed, they began to dive and attack us with their wings. Their next tactic was more effective; several birds circled above us, producing a rain of excrement.

Many of the birds in Qinghai are quite rare. One of them is the black-collared crane, which is now on the brink of extinction. About 100 have found refuge in the province.



Fish caught and processed in Qinghai.

Qinghai is a refuge for other wildlife as well. The Party secretary of Tuotuohe Township told me that his township has 70,000 sheep, 20,000 yaks and 10,000 horses, quite a substantial number. But the wild antelopes, wild yaks and wild donkeys in the area far outnumber the domestic animals. All these wild animals are protected by the state. The wild yak is especially valued, because it is big and sturdy (the larger ones weigh 1,500 kilogrammes), and is ideal for crossbreeding with domestic yaks.

Other protected animals and birds in Qinghai include the wild camel, snow leopard, white-lipped

deer, musk deer, lynx, snow cock and white-eared pheasant.

Wild Plants

On the plateau 3,600-4,000 metres above sea level, a kind of medicinal plant called Chinese caterpillar fungus grows. In winter a certain species of caterpillar hibernates underground with a parasitic fungus on its head. The hyphae of the fungus penetrate into the body of the caterpillar, drawing nutrients from it. When spring comes, the fungus becomes a plant and grows above ground, but is still linked to the body of the caterpillar. The fungus can be dug out and dried

in summer. It is a medicine with high tonic value.

Some other local products, including black moss, Chinese lily and Chinese rhubarb, are well-known both at home and abroad.

Rich Mineral Resources

When we were in Qinghai, some people told us a story. In the early 1950s, two young soldiers fought with each other just for fun, and their movements removed the top soil to expose a bed of coal. This

was the beginning of a huge open-cast coal mine in the Qaidam Basin.

The Qaidam Basin is to the west of Qinghai Lake. Surrounded by high mountains on four sides, the basin covers more than 200,000 square kilometres. It is cold and dry, with a temperature range of about 30 degrees centigrade. The annual rainfall is less than 100 mm.

Qaidam is a world of salt. The basin has 25 salt lakes, with veri-

fied reserves of more than 50 billion tons. The reserves in the Qarhan Lake alone are enough for everyone in the world for 2,000 years.

People in Qaidam build their houses and roads of salt. If they want salted eggs, a Chinese delicacy, all they do is to dig a hole in the ground and leave the eggs there for a few days. It costs only six yuan to produce one ton of salt in Qaidam. In the basin there is a saltworks called Caka. It has

Railway Links

Building railways across the high plateau and steep mountains of Qinghai is no easy feat, and it's no wonder the province had no railroads at all before liberation.

However, a railway from Lanzhou, the capital of Gansu Province, to Xining in eastern Qinghai was opened in 1959. Twenty years later another 815 kilometres were added to link Xining with Golmud. The last part of this line, linking Golmud with the Tibetan capital of Lhasa 1,200 kilometres away, constitutes the second phase of construction.

The Xining-Golmud section was built at altitudes ranging from 2,700 to 3,700 metres above sea level, where the temperature is below zero (centigrade) all year round. The wind is often of force eight or higher on the Beaufort scale for 40 to 70 days a year, and there is scarcely any water available. The line also crosses a desert and several salt lakes.

The railway climbs continuously up the mountains after passing the Qinghai Lake until it reaches the Ganjiao

Pass, the eastern gate to the Qaidam Basin.

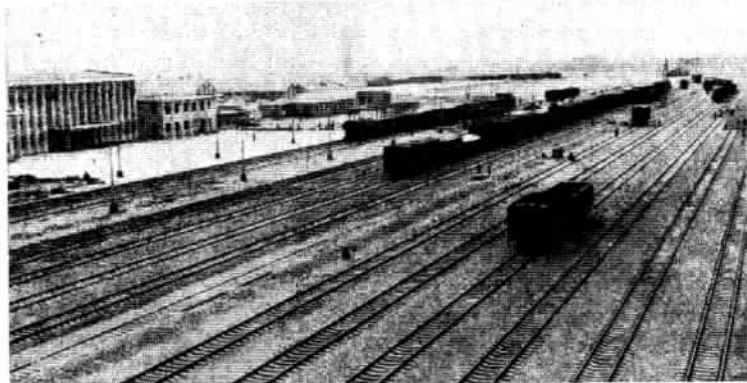
A PLA corps dug a 4,000-metre tunnel across 11 geological faults to bridge this section. Broken rocks and ground water caused more than 130 cave-ins during the digging, but the soldiers pressed on to finish the task.

Having negotiated the serpentine section of the mountain, the railway gradually descends to a wide grassland and a desert, before arriving at the Qarhan Salt Lake. The salt there is as hard as granite, and had to be moved with explosives. This section covers 32 kilometres.

Golmud, at the western end of the first phase of construction, became a busy city after the completion of the Qinghai-Tibet Highway (see box). It now has 130,000 people. The city handles 85 per cent of the goods which the inland provinces supply to Tibet. They can now be taken there directly by train, and then reloaded on to the trucks for the last part of their journey.

Ten feeder lines connect this trunk railway with the Qaidam Basin, bringing in goods from the factories and mines there. Since these lines were opened in 1979, the amount of ore, potash fertilizer, salt and coal taken out of Qaidam has increased by 55 per cent each year.

The Golmud Railway Station.



been in operation for 200 years, and can now produce 200,000 tons of salt a year.

The Qaidam Basin is also rich in potassium chloride, boron, magnesium chloride, lithium, asbestos, lead, zinc and oil.

The potassium chloride reserves exceed 200 million tons, accounting for more than 90 per cent of China's total. Boron is in short supply both at home and abroad, and the verified reserves in the Qaidam Basin account for more than half the boron in China. The basin is also China's major lithium production centre, and its lithium is of very high grade. Geological surveys have verified deposits with more than 100 million tons of oil and 9 billion cubic metres of natural gas in Qaidam. The geological surveys are still going on, and more oil and gas fields are expected to be found.

The potential value of the mineral resources in the Qaidam Basin is so great that it accounts for 84 per cent of the value of all verified reserves in Qinghai Province.

Cheap Energy

The sources of both the Changjiang (Yangtze) and Huanghe (Yellow) Rivers are in Qinghai.

The Changjiang River runs 1,250 kilometres through the high mountains of Qinghai, with a potential to generate 4.35 million kilowatts of power.

The Huanghe River winds through the province for 1,455 kilometres. From its headwaters to Guide, a town in the eastern part of the province, the river falls 2,400 metres. In total, the Qinghai section of the Huanghe River has the potential to generate 13.63 million kilowatts of electricity.

Qinghai also has other inland rivers on which hydroelectric power stations can be built. For instance, Golmud, a city at the



Drying black moss in the sun.

southern end of the Qaidam Basin, has built a hydroelectric power station on the Golmud River. Because the water comes from the melted snow on Mount Kunlun, the river is in full flow from February to November. Even in the two dry months of January and December, more than half of the generators can be kept running. The power station can produce more than 60 million kwh of electricity a year, far exceeding the local need of 30 million kwh.

Altogether, Qinghai's hydroelectric power potential comes to about 18 million kilowatts, with an annual production of 77,200 million kwh.

Apart from hydroelectric power resources, Qinghai is also abundant in wind and solar energy.

Changes Since Liberation

Even with its rich natural resources, Qinghai is still rather backward and poor. In 1949, when the People's Liberation Army entered Qinghai, the only industry in the province was eight dilapidated handicraft workshops and a power station equipped with two 120-kw generators. The electricity generated by the power station was not enough to light up the street

lamps in Xining, the provincial capital. There was no railway, and there were only 472 kilometres of highways, which had fallen into disrepair during the years of war. There were only 14 trucks in the province, and 10 of them were too old to function.

Great changes have taken place in Qinghai after 35 years of construction. Educated young people, demobilized soldiers and geologists have gone to develop Qinghai. Working with the local people, they have set up more than 1,300 industrial enterprises producing textiles, chemicals, power, iron and steel, coal, machines, building materials and light industrial products. Some of Qinghai's products have gained a good reputation on the world market.

The province's grain output increased from less than 3 million tons in 1949 to more than 9 million tons in 1983, and livestock increased from 7 million head to 22 million. Highways, railways and air routes now link the province with the rest of China. A dozen new cities and towns, such as Golmud and Delingha, have appeared.

The province also has eight institutions of higher learning, 460

middle and vocational schools and 4,200 primary schools, with a total of 750,000 students.

But compared with the tasks the state has set to shift the focus of

China's economic construction to the northwest, these changes are nothing and barely constitute a foundation for a more far-reaching programme.

Key Projects

In order to speed up the development of Qinghai, the state is undertaking seven key construction projects. The construction of the

Taer Monastery

The Taer Monastery in Lushaer is one of Qinghai's many lamaseries. The town is the birthplace of Tsongkhapa (1357-1419), the founder of the Yellow Sect of Lamaism. Tsongkhapa's two major disciples later became the ancestors of the two living Buddhas — Dalai and Bainqen.

After the death of Tsongkhapa, his followers built a pagoda at the spot where he was born as well as a temple. Subsequent generations added more buildings to the place.

The monastery was built with gold, silver and bronze as well as ordinary building materials. The Dajinwa (Big Golden Tile) Hall stands at the centre. Its walls are of green glazed bricks and its roof is covered with gilded bronze tiles. The ridge of the roof is decorated with cast gold figurines. In the centre of the hall is an 11-metre shrine cast in silver, glazed with gold and decorated with precious stones.

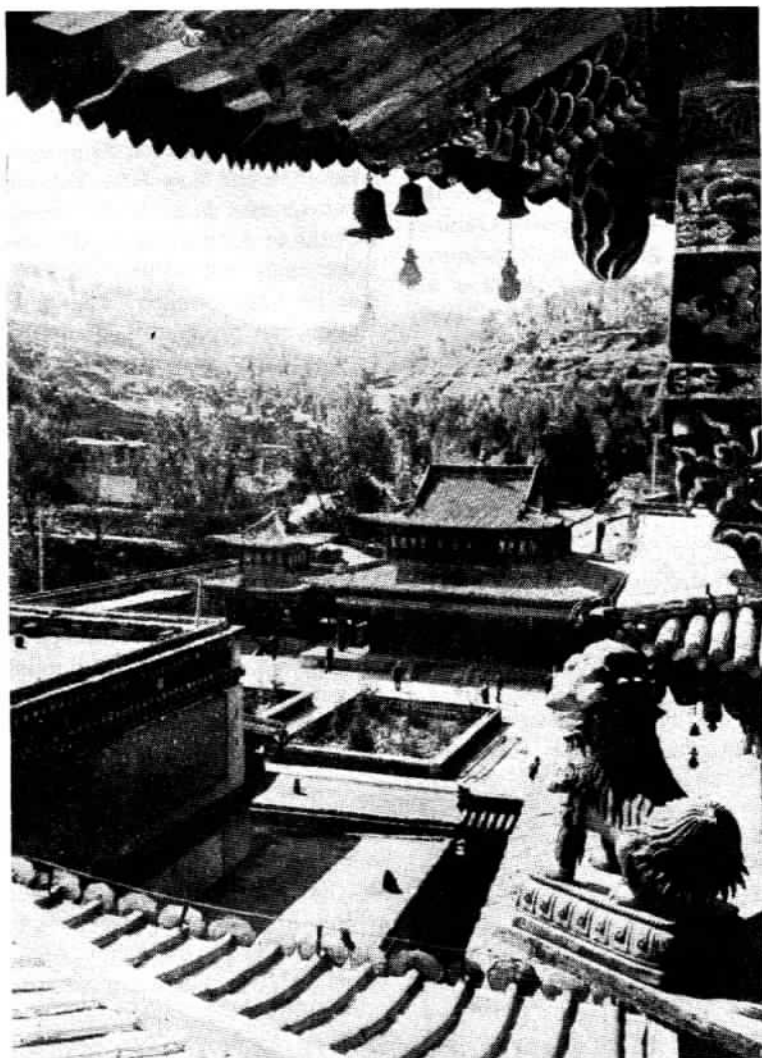
In the monastery kitchen are three big bronze cauldrons which can boil 13 cattle at one time and prepare meals for 3,600 people.

The Taer Monastery is also famous for its unique sculptural work of frozen butter, two metres high and 26 metres long, each side of which tells an ancient story. On the right side of the frozen butter block are carved more than

100 figurines, 100 horses, 30 Buddhist figures and over 20 pavilions and kiosks, all very realistic and lifelike. But it is only on show for one day, and then moved into a room, where the gradual rise in temperature melts the butter.

The work usually begins in the 11th month of the lunar year when the temperature drops to 20 degrees below zero, and takes about two months. On the 15th day of the Lunar New Year, a butter-lantern festival is held in the monastery, and the sculpture is put on display in the courtyard.

Looking out from the Dajinwa Hall in the Taer Monastery.



Qinghai-Tibet Railway and the asphaltting of the Qinghai-Tibet highway (see boxes) are well under way. The other five projects are:

— The Longyang Gorge hydroelectric power station, 140 kilometres southwest of Xining. The section of the Huanghe River from the Longyang Gorge to the Qingtong Gorge in the Ningxia Hui Autonomous Region is narrow and drops 1,324 metres. It has the potential to drive 15 big staircase hydroelectric power stations. The Longyang Gorge station is designed to produce 6,000 million kwh of electricity a year.

— The Qinghai oilfield can produce about 300,000 tons of oil a year, and process 200,000 million tons. According to the state plan, the province's oil production capacity will reach one million tons by 1985.

— The Qinghai potash fertilizer plant is in the Qarhan salt lake, not far from the Qinghai-Tibet Railway. The lake has 50 billion tons of salt minerals and 208 million tons of potash chloride in reserve. Using these resources, the plant will be able to produce one million tons of fertilizer a year.

— The Xitianshan lead and zinc mine is on the eastern side of the



The gigantic Longyang Gorge Hydroelectric Power Station under construction.

Qaidam Basin. It has lead and zinc reserves of 2.7 million tons, and precious metal ores including gold, silver, stibium and molybdenum. The lead and zinc ore is of high grade, and some can be sent directly for smelting. The mine will be completed in 1986, and will be able to process 3,000 tons of ore a day.

— The Qinghai aluminium

plant, on the outskirts of Xining, will be the biggest in China. Cheap electricity will be used to produce aluminium products. The construction of the plant is part of an effort to transfer the production of energy-consuming items from northern and northeastern China to the northwest, where there are abundant hydroelectric power resources. □

(Continued from p. 21.)

brigade offered a special service. Households overburdened with production tasks can pay a small fee to the newly formed agricultural service station, which will then help them manage their water resources, cultivate with a tractor, provide improved seed varieties, fertilizers and insecticides and kill insects. This service combines the initiative of the individual with the advantages of the collective.

The cadres of the Jiangsu Provincial Party Committee agreed that the contract system is warmly welcomed in economically devel-

oped areas where people oppose the "public pot" practice. When it was implemented in these areas, chronic problems such as low attendance, inefficiency, poor-quality farm work and lack of the labour power during the busy farming seasons were easily solved. This not only increased output, but also decreased production costs by about 20 per cent.

In the areas where conditions are right for developing a diversified economy, the contract system has given the peasants much more time, labour and capital to branch out. In Taicang

County, as the output value of farming, sideline production and industry increased by 18.7 per cent, the diversified economy went up 20 per cent. □



Health, Culture Improved in Beijing

from "GONGREN RIBAO"
(Workers' Daily)

THE quality of life in Beijing has greatly improved over the past 35 years. This can be seen in many aspects.

First, life expectancy has increased remarkably. Now the average life expectancy in the city is 71.92 years, an increase of nearly 20 years since 1950 and almost 10 years more than the world's average life span.

Second, the infant mortality rate has dropped dramatically, from 117 per thousand in 1949 to 13.8 per thousand today. In the urban areas the rate has dropped to 9.95 per thousand. In the mean time, the average increase in the height and weight of adolescents has reached the levels of those in the developed countries.

Third, the educational level of the population has gone up markedly. Before liberation most people in Beijing were either completely illiterate or could only read a few characters. Only about 50,000 people received higher education. Now the overwhelming majority of the population can read and write. Every person school-aged or older has received an average of 7.8 years of education, and there are nine times more university and college students than there were in early post-liberation years. There are also 2 million people studying in vocational and spare-time schools.

Now, there is an average of one newspaper or magazine subscription for every 1.1 people in Beijing. In 1950, one out of every 52 people was a subscriber. More and more people are able to appreciate classic symphony, and expensive

cultural items such as pianos have entered the homes of ordinary people.

Finally, the higher ideological

Peasant Becomes Archaeologist

from "GONGREN RIBAO"
(Workers' Daily)

ZHANG Zedong, a peasant and amateur archaeologist, unearthed a Qin Dynasty (221-207 B.C.) tomb in Yunmeng County, Hubei Province, in 1975, causing excitement among all of China's archaeologists. Now Zhang has been employed by the Yunmeng County Museum as a professional archaeologist.

Zhang, 31, began teaching himself archaeology in 1972 when he returned to his home village to do farming, after graduating from a high school. In October 1975 when he was working on a conservation project, he found the Qin tomb. He took part in excavating the tomb and cataloguing its relics,

and moral levels of the people highlight the better quality of life under socialism. This is fully expressed in the sound social atmosphere, the drop in the crime rate and the stability of marriages and families.

including more than 1,100 bamboo slips used for writing on in ancient times.

Since then, Zhang has continued his studies into dividing the historical periods of graves from the Warring States Period (475-221 B.C.), the Qin Dynasty and the Han Dynasty (206 B.C.-220 A.D.), and twice took advanced courses. Over the years, he has summarized what he learnt through study and practical work in 14 essays, which were published in various magazines. In 1982 he was admitted into the Archaeologists' Society of Hubei Province.

At present, Zhang is working on two more essays, getting ready for the Fifth Annual Meeting of Hubei Archaeologists.

Information Exchange on the Train

from "GONGREN RIBAO"
(Workers' Daily)

ON August 15 on the No. 2 Changsha-Beijing Special Express, an announcement over the loudspeaker said a meeting to exchange economic information was to be held on the train. People began stirring in every carriage. Factory directors, business and information clerks and peasants with specialized occupations were among the pas-

sengers who rushed to the chief conductor's office, asking to attend the meeting.

At the meeting, a clerk from Shanxi Province in northern China said that large quantities of apples in a dozen big orchards around his home went bad last year because they could not be sold quickly enough. Three persons from different units immediately agreed to buy the apples.



On the train from Jinan to Harbin, an economic information meeting is held in the restaurant car after dinner is over.

A business representative for a building materials factory in Hebei Province talked about the pig iron and rolled steel his plant makes. The director of a factory in Shenyang, in northeast China, immediately took down the specifications of the rolled steel and promised to send people to Hebei to negotiate a sale. Those deals left unsettled were written down in a special book by the

head conductor, ready for the next meeting.

In recent years, sales and business representatives, who are eager to exchange information, have been travelling more and more. Therefore, the crews of the No.1 and No.2 Special Expresses between Changsha and Beijing decided to hold meetings to bring them all together. This is part of their contribution to enlivening the economy.

What a Wedding Picture Can Do

from "WENHUI BAO"
(Wenhui Daily)

YU Lizhen and Lu Shoudi, a married couple, had a heated quarrel over a small household matter. Yu, in a fit of temper, beat his wife Lu, who immediately left the house in a rage.

In spite of the great efforts of the neighbourhood committee, the local police and the work units of both partners, they remained unreconciled. Seeing that her husband was reluctant to apologize, Lu became more resentful and brought a divorce suit to the local people's court. After half a dozen unsuccessful tries for reconcilia-

tion, the court granted their divorce last August.

The next day, Zhu Jiecen, chairman of the trade union of Lu's unit, accompanied her to her home to help divide the property. They walked into the house silently. The atmosphere was tense and heavy; a three-year-old family was about to break apart.

Then Zhu noticed that Lu, who had been so firm about the divorce, was staring blankly at the front wall with tears slowly running down her face. There hung their colour wedding picture, set in a big carved frame. How sweetly they were smiling and how closely they leaned on each other.

Zhu had a word with the deputy head of the trade union of Yu's unit. After consultation with the court people present, they decided to stop dividing property for the time being and make further efforts to reconcile the couple.

Zhu had a serious talk with Lu. Using the wedding photo as his topic, Zhu said, "So far, your husband has been unwilling to take down the picture. This shows that he still loves you. It is his fault he beat you, but how can you be so unforgiving?"

Lu's troubled face began to brighten. Then Zhu asked her, "Have you ever thought about what will become of your husband, your child and you yourself?" This sent Lu into deep thought.

At the same time, Yu's union leader was persuading him. After more than two hours' heart-to-heart talk, this couple on the brink of divorce was finally brought together. Yu publicly acknowledged his mistake and asked for Lu's forgiveness. Lu also admitted her faults. The representative from the court promised to suggest that the original divorce decision, which hadn't been put into effect, be reversed.

A Young Composer's Modern Music

A new orchestral suite inspired by the April 1976 demonstration against the gang of four in Tian An Men Square in Beijing premiered this August in the Chinese capital to an enthusiastic audience.

Entitled *Symphony Concert*, the work has three separate pieces: an overture, a piano concerto and a symphony.

Huang Anlun, the 35-year-old composer was a participant in the 1976 demonstration that started as spontaneous public mourning for the late Premier Zhou Enlai and as a bitter accusation against the gang of four, then in power. The demonstration was violently suppressed.

Huang stood in the sea of wreaths and poems while endless crowds of young and old poured into the square, and wrote his first melodies for the suite on the spot. These express his great love for his revolutionary predecessors, and describe the unyielding struggle of the Chinese people against all

kinds of enemies and the bright future of the nation. The overture, "Memorial in Spring" had its Beijing premiere in 1978.

The second part is the Piano Concerto in G Minor, which Huang completed as his graduation thesis at the graduate department of music at the University of Toronto in Canada. The concerto won him a fellowship to Trinity College of Music in London last year. It demonstrates his deep understanding of Western musical traditions and theory, although his own musical language remains individual.

Huang's Symphony in C Major, composed at the University of Pittsburgh in the United States, is the last of the three works. In writing this part, Huang converted his notes into numbers which he entered a computer. The work came out according to a strict mathematical formula.

Huang has composed 25 pieces, drawing on both Western and

Chinese traditions. These include chamber and symphonic music, vocal music, music for operas and ballets and film scores. Keeping his nation and his people central to most of his works, Huang tries to blend Chinese musical idioms with Western classical music. The results are uniquely his own, and enjoy wide appeal.

Huang's father was Huang Feili, one of two Chinese students of the composer Paul Hindemith at Yale University in the United States in 1948. Young Huang began piano lessons at age 5 and began composing at age 7.

When the "cultural revolution" broke out, his father, because of his American education, was labelled "an imperialist agent," and was imprisoned for three years. Huang spent three years working in the fields of an army farm. There he taught himself musical theory and practised on an old broken organ.

This year Huang, like his father, received a scholarship to Yale. Asked what kind of music he will compose, he said, "Chinese and modern. I will try to marry Western music theory and Chinese pentatonic modes to reflect the temperament of the Chinese people in the 1980s."

Observatory Marks 50 Years of Study

China's largest observatory, Zijinshan (purple mountain) Observatory in the east China city of Nanjing, recently celebrated its 50th anniversary. The observatory's half-century history is mark-

Huang Anlun at work.



ed by a brilliant record of astronomy achievements.

Scientists at the observatory have discovered several hundred asteroids, 63 of which have been identified and numbered by the international asteroid centre.

Dr. Zhang Yuzhe, 82, served as director of the observatory for 40 years and is now its honorary director. Zhang, the first Chinese to discover an asteroid, made his first sighting while studying in the United States in 1928. He named it Zhonghua (China).

Other contributions made by Zijinshan astronomers include the discovery of 30 variable stars, 10 flare stars and three comets. Observers also compiled data on the ring of Uranus and produced some 1,000 photographic negatives showing the solar spectrum. The observatory has records of solar radio monitoring for 16 successive years, solar flare data obtained during 23 years of observation and information on rare solar phenomena.

Working with other institutions, the Zijinshan Observatory has collected data on some 100 man-made earth satellites and taken 4,000 photographs of the satellites in orbit.

The observatory has compiled and published navigation and aviation astronomical calendars, which have been well received in China and abroad. The 700 scientific papers and works published by Zijinshan astronomers have had a great impact, both nationally and internationally.

In recent years, the observatory has concentrated on developing radio astronomy. Studying celestial bodies through radio telescopes, which measures electromagnetic radiation, reveals more than optical telescopes, which are often hampered by the weather. The two radio telescopes in use at the

observatory were designed and built by the Zijinshan astronomers. They are now developing an even more sophisticated radio telescope that has a diameter of 13.7 metres and a minimum wavelength of 2.6 millimetres.

Information provided by the observatory has been instrumental in China's meteorological, hydrographical and earthquake research and in the launching of satellites and missiles.

For example, the astronomers successfully measured the coordinate of Yongxing Island in the South China Sea, providing a precise goal for ship navigation. The observatory publishes a monthly forecast on sunspot activities. Because sunspots disturb radio transmissions through the ionosphere, the forecast is used by communications people so they will know when to expect problems.

The observatory also takes an active part in international joint observation of the rotation of the earth last year and is scheduled to participate in the 1985-86 international observation of the return of Halley's comet.

The observatory was built in 1934 on picturesque Zijin Mountain in Nanjing, the capital of Jiangsu Province. It was severely damaged during the War of Resistance Against Japan (1937-45), and its work was at a standstill on the eve of the founding of New China in 1949.

Since liberation, many achievements have been made. The observatory developed a chromosphere telescope, a refracting telescope with a diameter of 43 cm, a theodolite for tracking man-made satellites, large computers and an atomic clock with a precision of a millionth of a second.

Zijinshan has become one of the most comprehensive and well-

equipped research institutes in China, with 11 laboratories, including astrophysics and celestial mechanics labs. Its staff has grown from 7 in 1949 to 300 today.

Archaeological News in Brief

Ancient Tombs in Tibet. Eight hundred ancient tombs dating back 1,000 years have been found in Nedong County, 100 kilometres southeast of Lhasa.

The largest tomb is 45 metres long, 40 metres wide and three metres high. The smallest is one metre long and wide, and less than half a metre high.

Human skeletons and burial objects, including stone implements, pottery, iron articles and bronzes, were found in the dozen tombs excavated so far.

It was commonly believed that celestial burial, where bodies were left to be disposed of by birds of prey, was widely practised by Tibetans, from the 11th century right up until today. The discovery of underground tombs has reversed this theory.

Ancient Tombs in Shandong. More than 500 tombs, dating to between 800 and 300 B.C., have been discovered in the Linzi district of Shandong Province. The tombs cover 300 metres from east to west and 100 metres from north to south.

Linzi was the capital of the state of Qi, one of the big powers during the Warring States Period (475-221 B.C.).

In one month more than 1,000 burial objects were found, including pottery and bronze containers, swords and halberds and agate beads.



The "gui" (centre) displayed in the museum of Shaanxi Province.

Bronze Bells and Stone Chimes. Chinese archaeologists have discovered a set of small bronze bells and stone chimes in a Han Dynasty (206 B.C.-220 A.D.) tomb in Shandong Province.

Larger chimes have been unearthed at several other sites. In 1978, a set of 64 bronze bells weighing 2,500 kilogrammes was found in a tomb at Suixian County in Hubei Province. Each bell in the set produces a clear tone when struck. The chimes have a complete 12-tone system, with a range of five octaves (a modern piano has seven octaves).

The bronze bells in Shandong — 12 in the set — are gilded. The largest is 12.5 cm high and 6.5 cm in the upper diameter and 7 cm in the lower diameter. The smallest is 6.5 cm high and 3.5 cm in the upper diameter and 4.2 cm in the lower diameter. The bells can still make beautiful sounds when struck.

The stone chimes consists of 11 pieces. The largest is 24.5 cm long, 7 cm wide and 1.8 cm thick, and the smallest is 9.5 cm long, 3 cm wide and 1.4 cm thick.

Other articles discovered in the tomb include bronze utensils and bone and pebble ornaments.

Oldest Metal Currency. A 3,000-year-old bronze shell once

used as money has been found in Jilin Province in northeastern China. Archaeologists believe it is the oldest metal currency ever used in China. In primitive society actual seashells were used as currency.

The shell, 2.7 cm long, 1.7 cm wide and weighing 4 grams, was discovered by a peasant while farming.

Bronze Grain Containers. Three bronze lids of *gui* (food vessels with two or four handles) from the Zhou Dynasty (c. 11th century-221 B.C.) have been discovered in Fufeng County, west of Xian in Shaanxi Province. Archaeologists say that they belong to the three *gui* vessels dug up 30 metres away 23 years ago.

The lids, each weighing 1.75 kg, are decorated with double-ring and tile patterns. A 25-word inscription on the inner side of each lid records that they were specially cast to be used during sacrifices to the ancestors by Wofu, a Zhou noble.

As early as the Xia Dynasty (c. 21st-16th century B.C.), China began to develop the techniques of bronze smelting and casting. It became even more popular in the Shang Dynasty (c. 16th-11th century B.C.).

The First Modern Theatre in China

China's first modern theatre has opened in the western suburbs of Beijing with a presentation of the musical and dance epic *Song of the Chinese Revolution*.

The 11,340-square-metre Chinese Theatre, located on the Third Ring Road north of Purple Bamboo Park, has a stereo sound system, revolving and rising platforms, 700 lamps and spotlights, and curtains, all controlled by computers.

The 1,600-square-metre stage, which can accommodate as many as 1,000 actors, is made up of five platforms that can be elevated and five that revolve. On the stage wings are six movable platforms that allow quick changes of scenery and cast. The stage can be enlarged by raising the orchestra pit.

In addition, the Chinese Theatre has dressing rooms, a rehearsal hall, a reception hall, a recording booth, a property workshop and other facilities.

Besides modern stage equipment, the new theatre has bright, up-to-date decor. The exterior is white-tiled, with nine large ceramic bas-relief roses on the front. The floor of the lobby is of grey marble, surmounted by white marble columns. Murals, one of them depicting dances throughout Chinese history, decorate the lobby and hallways.



Papercuts

These animal papercuts were made by folk artists from different parts of China. Their exaggerated, sometimes humorous depictions lend these works a special kind of life.



Horses.



Pig.



Ox.



Goat.

Monkey.



Hare.



Little Tiger.



Camel.

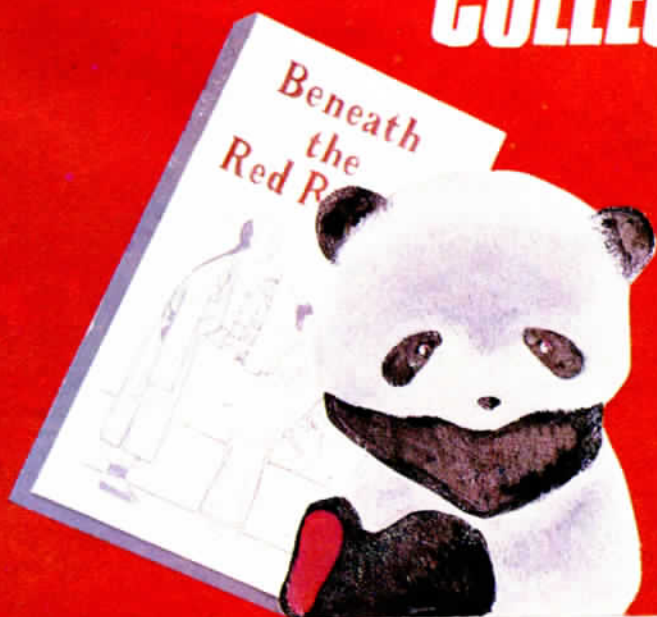


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