

BEIJING REVIEW

北京周報

A CHINESE WEEKLY
OF
NEWS AND VIEWS

- National People's Congress: Democracy in Action
- Report on Financial Work (1979-81)
- Appeal for Peaceful Settlement of Iran-Iraq Disputes



HIGHLIGHTS OF THE WEEK

More N.P.C. Documents

Full text of Minister of Finance Wang Bingqian's report on the final state accounts for 1979, the draft budget for 1980 and the financial estimates for 1981 (pp. 11-23).

Detailed excerpts of a report on the work of the N.P.C. Standing Committee by its Vice-Chairman Peng Zhen (pp. 23-32).

Democracy in Action

A roundup by our correspondent gives an inside glimpse of the proceedings of the recent N.P.C. session which gave scope to socialist democracy and endorsed some major reforms (pp. 33-37).

Restructuring the Economy

The restructuring of China's economy is gaining momentum.

An important reform now under way is the setting up of jointly run enterprises which take various forms (p. 4).

Fascist Terror in South Korea

In defiance of worldwide protests, the fascist Chun Du Hwan regime of south Korea has sentenced Kim Dae Jung, a well-known democrat, to death. The sentence, aimed at eliminating all opposition and terrorizing the people, will boomerang on the successor of Syngman Rhee and Pak Jung Hi (p. 7).

Special Session of U.N. General Assembly

Numerous proposals were made to solve world economic problems. Through debates, many delegates realize that without combating hegemonism to defend world peace, there

can be no economic development (p. 8).

"Teahouse"

A three-act play by the noted novelist and playwright Lao She, *Teahouse* is being performed in the Federal Republic of Germany and will later be staged in France and Switzerland. A review of the book *Stage Art in "Teahouse"* by Ying Ruo Cheng, who acts the double part of Pock-mark Liu and his son in the play, enhances appreciation of this brilliant work by Lao She (p. 38).



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FOREIGN RELATIONS

Kenyan President's Visit

President of the Republic of Kenya Daniel Arap Moi arrived in Beijing on September 14 for a six-day state visit to China. During his stay in Beijing, he met with Chairman Hua Guofeng and Vice-Chairman Deng Xiaoping and held talks with Premier Zhao Ziyang. The agreements on economic and technical co-operation and on cultural co-operation between China and Kenya were signed. The President's visit has further strengthened the friendly ties between the two countries.

Oppose Hegemonism. Speaking of the situation in Africa at the banquet he gave in honour of the Kenyan President, Zhao Ziyang said: "Superpower rivalry and expansion in Africa pose a grave threat to the independence and security of the African countries and the inequitable and obsolete international economic order is an obstacle to the rapid development of African economy." Premier Zhao said that the present unrest in some areas of Africa was caused by the Soviet hegemonist meddling in African affairs, sowing discord among African countries and trying to split them in a bid to fish in troubled waters.

President Moi said: "Although almost all the third world countries are now politically independent, they continue to be seriously exploited in the economic field and are in a very disadvantageous position." He pointed out that some major powers are ready to violate the territorial integrity and political independ-

ence of the third world countries to achieve their own selfish ends. The third world will not accept the perpetuation of these injustices and inequitable relations.

On Internal Affairs of African Countries. Premier Zhao said during the talks: "It is not difficult for African countries to solve their boundary, territorial and tribal disputes left over by history, so long as they get rid of foreign interference and act according to the O.A.U. Charter and other resolutions concerned through friendly consultation."

Distinguished Guests From Italy

Italian President Sandro Pertini, 84, and his party paid a friendly visit to China from September 18 to 26.

During his three-day stay in Beijing, the Italian President met with the Chinese leaders Hua Guofeng, Ye Jianying, Deng Xiaoping and others, and held talks with Vice-Chairman of the Standing Committee of the National People's Congress Peng Zhen. He also met with the citizens of Beijing while walking on Tian An Men Square. He visited Beijing University on the city's outskirts on September 20.

Two Octogenarians Meet. President Pertini and Chairman of the N.P.C. Standing Committee Ye Jianying are both 84 years old. Pertini was given a gold medal for military exploits in 1953 in recognition of his contributions to the anti-fascist movement. Chairman Ye received the order of "August 1" and was promoted to the rank of Marshal of the People's Republic of China in 1955 for his meritorious services during the revolution-

ary wars, including the anti-fascist war.

They met on September 18. In their talks, Chairman Ye paid his tribute to the Italian President for his contributions to the anti-fascist struggle and wished him good health and a long life. He said that the Chinese people shared the same views as the Italian people on the question of opposing hegemonist aggression and expansion.

President Pertini said: "Today, especially, in defence of world peace, we need to stand together in the anti-fascist spirit to oppose those who try to impose hegemony on others."

On the Situation in Europe. At the banquet he gave in honour of the Italian President, Vice-Chairman Peng Zhen said: "We always hold that a strong and united Europe is an important factor in maintaining world peace. The Chinese Government and people appreciate the efforts made by Italy in strengthening its own defence capabilities, promoting the consolidation and enlargement of the European Economic Community, developing contacts with its neighbours and advocating a dialogue and growing relations with the third world countries. We attach great importance to the significant role Italy plays in the international arena. It is our hope that the West European countries will make steady progress in increasing their own strength through unity."

President Pertini, who went through the two world wars, in his speech urged people to heighten their vigilance against the Soviet Union's present acts of aggression and expansion.

Premier Zhao on Iran-Iraq Disputes

Premier Zhao Ziyang expressed the hope that Iran and Iraq would settle their disputes peacefully through consultation. He said this during his talks with the visiting Norwegian Prime Minister Odvar Nordli on September 23.

Premier Zhao pointed out that Iran and Iraq belong to the third world and both are friendly countries of China. "We are very much concerned about the recent armed conflicts between them," he added. "We hope that they will settle their disputes peacefully through negotiations, guard against superpower interference and prevent the situation from worsening. This is not only in the interests of the people of Iran and Iraq but also conducive to peace and stability in the Gulf area." (For the report on the Norwegian Prime Minister's visit to China see our next issue.)

Sino-U.S. Agreements

The three agreements between China and the United States on civil aviation, maritime transportation and textiles and a consular convention were signed by Chinese Vice-Premier Bo Yibo and U.S. President Carter in Washington on September 17.

These documents were finalized at the first meeting of the China-U.S. Joint Economic Committee which started on September 16. The committee was initiated when Vice-Premier Deng Xiaoping visited the United States in January 1979 and is charged with co-ordinating and overseeing the orderly development of economic relations between the United States and the People's Republic of China. Bo Yibo is one of the two chairmen of the committee.

Speaking at the signing ceremony, President Carter stressed the importance of the four new agreements in strengthening the relations between the United States and China. He said: "That relationship is a new and vital force for peace and stability on the international scene." He added: "I am personally committed to the

proposition that our relationship will not be undermined but will be strengthened."

Vice-Premier Bo Yibo said that since the normalization of diplomatic relations, the relations between the two countries in various fields have developed rapidly. He noted that these relations are not only beneficial to the two peoples but also to the peace and stability of the world.

Numerous bilateral agreements have been signed and implemented since the normalization of relations between the two countries in the fields of science, technology, economics and trade. Two-way trade has doubled from about 1,150 million dollars in 1978 to about 2,300 million dollars in 1979 and is expected to reach 4,000 million dollars this year. Exchange of visitors, including leading officials and official delegations, has increased considerably.

Vice-Premier Bo arrived in the United States on September 1 for a month-long tour of U.S. industrial enterprises and institutions. On September 12 he presided over the opening ceremony of China's First Trade Exhibition in San Francisco.

Various Forms of Economic Integration

Since the introduction of the new policy of promoting economic integration, there have emerged in various parts of China corporations jointly run by different regions or trades, by urban and rural areas, and by central and local enterprises. The major forms of co-operation are:

— Factories in industrially developed areas providing technology, equipment and funds to help factories in the raw-material producing areas expand their production capacity. As compensation, the latter will for a specified period of time supply part of their new products to the former. For instance, China's foremost industrially developed city of Shanghai has signed nine contracts for compensation trade with factories in Zhejiang, Jiangxi, Jiangsu and Hunan Provinces and the Guangxi Zhuang Autonomous Region. According to the agreements, Shanghai will within ten years provide these factories with 7 million yuan worth of equipment, while the latter will provide Shanghai with various types of paper, thick cardboard, bone glue, furniture and other products.

— Jointly run factories with investments by two places, one of which supplies technology and equipment, while the other provides the raw materials, labour force and site for the new factories. The products and profits will be shared between the partners according to the proportion of their investments. For instance, an inter-regional contract was signed between Tianjin, an important industrial centre, and the Xinjiang Uygur

Autonomous Region in northwest China to build a factory in Xinjiang producing 100,000 square metres of carpet a year. Tianjin will contribute technology and equipment and Xinjiang will provide wool, labour and the site.

— Co-operation between technically advanced factories and those less advanced. The former send technicians to pass on the technical know-how, while the latter will as compensation share part of the increased profits with the former.

— Factories doing processing work for various localities. For instance, the Changchun No. 1 Motor Works in northeast China has signed contracts with more than 90 units which supply the necessary materials, while the plant makes motor vehicles for them.

— Co-operation between different trades. Factories under departments of heavy industry provide funds, equipment and technology to help mills of light and textile industries expand their production capacity. For instance, the Anqing General Petrochemical Works in Anhui Province, east China, has invested more than 10 million yuan in a number of light and textile industrial factories which were badly in need of funds to expand

production. For its investment the Anqing plant gets a certain amount of the profits made in return.

— Co-operation between urban and rural areas. This takes various forms: urban factories and suburban communes and production brigades or state-owned farms run integrated plants with joint investments; urban factories entrust the communes or production brigades to do certain processing work or produce spare parts; urban factories establish ties with rural areas to set up stable raw material producing bases. Factories in Shanghai, for instance, have together with rural people's communes set up 59 light industrial factories on the city's outskirts, with the equipment and technical personnel supplied by the factories, while the buildings and workers are provided by the communes.

— Co-operation between enterprises with different forms of ownership of the means of production. On the basis of voluntariness and mutual benefit, some state-owned factories which want to expand production have co-operated with collectively owned factories which are working below capacity to set up jointly run enterprises. In other cases, the state-owned fac-

tories engage individual workers in the cities or towns to do some processing work.

— Jointly run enterprises set up by factories under the central and local authorities in the same trade. A case in point is the joint corporation specializing in the production of ball bearings. It has been set up in central China's Henan Province by the Luoyang Ball Bearings Plant, which is under the direct administration of the First Ministry of Machine-Building, together with 13 similar small plants under the provincial authorities.

— Co-operation between national defence industries and factories producing goods for civilian use.

— Co-operation between enterprises and institutions of higher learning and research institutes. The latter supply the former with technical data and consultants, help them make experiments and trial-produce new products or improve their methods of production. For this service, the factories concerned pay a certain amount of money in return.

These new organizations, which have emerged only a short time ago, are developing very rapidly, because they meet the requirements for developing the social productive forces. Since they promote both production and the reform of economic structure, they are playing an increasingly important role in China's economic life.

CAAC Begins Improvements

Following recent complaints from both Chinese and foreign passengers, the General Administration of Civil Aviation of China (CAAC) is now taking



Co-operation between a leather sporting goods factory in Shanghai and a tannery in southwest China's Sichuan Province. Picture shows a technician from Shanghai helping a worker in the tannery master new techniques.

broad measures to improve its overall service and upgrade its management as well.

Renmin Ribao published two readers' letters last month criticizing the airline for its poor service on domestic and overseas flights. The letters mentioned such problems as unannounced flight-schedule changes, bad food, impoliteness of the staff, and careless handling of luggage. They urged the airline to make improvements as soon as possible.

A few days later, the paper reported a related incident about the rude behaviour of two young airport attendants in Beijing towards the ambassador from Chad and his wife. The report went further to link the two men's behaviour to more fundamental deficiencies in Beijing Airport's management. Inadequate staffing, lack of proper training of new attendants and the absence of proper guidance and supervision by the airport leadership were all cited as important problems which needed to be corrected. The unfortunate incident with the Chad couple even prompted state leaders to criticize CAAC and order it to improve its management and service at once.

CAAC and Beijing Airport have reacted quickly to these criticisms. CAAC Director Shen Tu called a meeting at Beijing Airport to discuss ways of upgrading the management. Disciplinary action was taken against the two young attendants in Beijing, and the airport management has called on all staff members and flight attendants to improve the quality of their service immediately. Inquiry and service desks have been restaffed with the airport's most experienced attendants, a short-term training pro-

gramme has been started for young or inexperienced service attendants, and all airport staff members are now required to wear the official CAAC identification badge as well. Passengers have been urged to enter their suggestions for improvement in an opinion book which has recently been provided.

In addition, efforts have been made to increase the variety and quality of the airline's food services. Improvements have also been made in luggage handling to reduce damage and inefficiency, and flight schedules are now less subject to change. Airport officials said the passengers' initial responses to the new improvements have been "positive and encouraging."

EDUCATION

Universities Begin Enrolling Self-Paid Students

To provide more opportunities for higher education and training for young people, some of Beijing's universities and colleges (including the TV college) have enrolled a total of 2,000 additional students this year on a self-paid basis. The new students have been chosen from among those who did not pass this year's college entrance examinations. Unlike other university students, they pay a tuition fee of 20 to 25 yuan (RMB) each term, and live at home instead of at school. Their classes will utilize the same facilities and teachers as other classes, but are mostly held in the evenings after normal university hours. Upon graduation, each student will receive a graduation certificate, but will have to apply for a job himself.

Enrolling college students on a self-paid, live-at-home basis is a new practice in China, as university students' expenses (including tuition, room and medical treatment) are generally paid by the state, and students who have special financial difficulties receive monthly allowances for food, books and other necessities. Jobs are generally assigned to the graduates according to a unified state plan.

As a result of the education policies of the chaotic years of the "cultural revolution," China's colleges and universities are unable to meet the ever-rising demand for higher education and training. This year, for example, only 4 per cent of the country's senior middle-school graduates are able to go to college. The primary cause of this problem in big cities like Beijing is the lack of adequate housing, class facilities and funding for a greater number of students. Hence this new self-paid programme.

Similar programmes are now being started in the cities of Tianjin and Shanghai and in Liaoning and Henan Provinces.

In Liaoning, as in other provinces, higher-learning institutions are concentrated in the provincial capital city of Shenyang. As a result, facilities are inadequate while the teaching capacity is under-utilized; in the smaller cities and districts, on the other hand, there is ample space for new facilities but no teachers. To solve this problem, several branch colleges are now being set up to accept students on this new, self-paid basis. Teachers, teaching materials and equipment under the new programme will be provided by the universities while school buildings, administrative management and funding will come from the local areas affected.

Kim Dae Jung Must Live

THE well-known democrat, Kim Dae Jung, was sentenced to death on September 17 by a military court of the south Korean Chun Du Hwan regime. The other 23 jailed south Korean democrats, including former members of parliament, professors, students and church leaders, were also sentenced to prison terms ranging from 2 to 20 years. This was done in spite of the widespread opposition in the north and in the south and in defiance of the world. The verdicts were decided even when these democrats were arrested. Making the verdicts known merely confirms how reactionary this regime is, how hostile it is to the people and to what lengths it is prepared to go to maintain its repressive rule. This recent repugnant act is sure to whip up greater indignation against it and draw stronger condemnation through-

out the entire Korean Peninsula and the world.

Kim Dae Jung and other democrats were charged, and now condemned, for attempting "to overthrow the government by force" and "inciting rebellion." These are sheer fabrications for despicable political ends. The verdicts gravely challenge the people in the south, who want democracy and the peaceful reunification of their country. It is a reactionary regime's reply to the world demanding the immediate release of Kim Dae Jung.

Kim Dae Jung is a well-known patriot and champion of democracy. In the 1971 presidential election in south Korea, he was the candidate of the New Democratic Party.

Throughout his long political career, Kim Dae Jung never stopped working to bring de-

mocracy and freedom to the people and fought for the peaceful reunification of the country despite living under a fascist dictatorship. Kim Dae Jung has the support of the south Korean people, which is why Chun Du Hwan wants to eliminate him.

Chun Du Hwan declared in his presidential inaugural address that he would create a "normal political and social atmosphere" and establish a "just and democratic" society. So on his inauguration day, Chun lifted the curfew (for exactly four hours) and released a few people whom he claimed were "criminals." The Chun Du Hwan clique knows it has the people against it.

The death sentence passed by the Chun Du Hwan regime is a sign of fear, not of strength. It has led to widespread protest in Korea and elsewhere in the world. The people in north and south Korea and the rest of the world support Kim Dae Jung and the other patriots of south Korea fighting for democratic freedom and the peaceful reunification of Korea. Protest demonstrations and meetings were held in many countries against the regime's death sentence handed to Kim Dae Jung. The General Council of Trade Unions of Japan called a special session to demand that the Japanese Government cut off aid to the Chun Du Hwan regime.

Syngman Rhee and Pak Jung Hi murdered many patriots, but they were unable to crush the popular demand for freedom and national reunification. If Chun Du Hwan insists on killing Kim Dae Jung, does he think he can do better than his ugly predecessors?

— "Renmin Ribao"
commentary



South Koreans in Japan on a hunger strike demanding release of Kim Dae Jung.

Developing Countries at the 11th Special Session

THE 11th Special Session of the U.N. General Assembly attended by 153 countries ended on September 15 after a three-week meeting on economic development. The session endorsed a new international development strategy for this decade and held a new round of global negotiations on north-south relations over some international economic problems. Chinese Foreign Trade Minister Li Qiang attended the session as leader of the delegation of the People's Republic of China.

Peace and Development. During the session, many delegates put forward suggestions and proposals to solve world economic problems, with some linking the defence of world peace to world economic developments. The Soviet delegate talked glibly about the relationship between "international economic relations" and "the political climate in the world." But he studiously evaded mentioning the Soviet presence in Afghanistan, Soviet support for the Vietnamese against Kampuchea or the threat to world peace and security posed by the Soviet Union's drive to dominate the world.

The new international development strategy stressed that "urgent action should be taken by all members of the international community to end without delay colonialism, imperialism, neocolonialism, apartheid, racial discrimination, hegemony, expansionism and all forms of foreign aggression and occupation,

which constitute major obstacles to the economic emancipation and development of the developing countries." This shows that more people now realize through the debates that peace and development are inseparable. Without peace, there can be no economic development. And only by fighting hegemonism and expansionism can world peace be effectively safeguarded.

Global Negotiations. The other two resolutions approved at the session called for the developed countries and the developing countries having the ability to do so to double their official aid to the least developed countries.

Not much progress was made on global negotiations. There were sharp differences over the role of the central negotiation organ—should its policies be made by all countries or just by a few developed countries? The issue of global negotiations was deadlocked over its procedures and time-frame. A compromise proposal accepted by the "Group of 77," Canada, China, the E.E.C., Japan and other countries was turned down by the United States, West Germany and Britain. As for the procedures of the global negotiations, the developed countries maintained that the questions of food grains, energy, development and trade be discussed separately, while the "Group of 77" wanted to use energy as a lever to force the developed countries into making real concessions in matters of raw materials, trade and development as well as in monetary and financial issues.

In the 1960s and 1970s, the United Nations approved two development strategies, but as they did not even make a dent in the old, unequal economic order, the developing countries firmly demanded a fundamental revision of the existing international economic structure. The developed countries, however, agreed only to make some cosmetic changes. The developing countries called for reform of the existing international financial and monetary system in order to win a greater say in this sphere and to work as equals in making decisions. Again, the developed countries were reluctant to make concessions, as also they were over their protectionism, which discriminates against finished goods the developing countries want to export.

Much remains to be done to solve these issues, as the meeting showed.

Challenges of the 80s. In the world today, any attempt by a few developed countries to expand their economy at the expense of the vital interests of the developing countries will not succeed. It will only further strain north-south relations, aggravate the world economy and destabilize the international political situation.

It is the third world countries, too, that bear the brunt of the Soviet drive south and suffer the most from this. In the view of the Chinese delegation at the conference, "the struggle to break the old order and establish the new in the economic field is closely related to the struggle against hegemonism in the political field. Only when these two struggles are well co-ordinated strategically will the third world countries be better able to meet the challenges of the 80s, promote the development of the

international economy and safeguard world peace."

With regard to the north-south dialogue, the developed countries should make new and bigger efforts to respond to the legitimate demands of the developing countries. This is the key to strengthening international economic co-operation between the north and the south on a reasonable and equitable basis. This will cause some temporary difficulties and problems to the developed countries, but in the long run,

it will benefit both.

It is also very important for the developing countries to improve unity, mutual understanding, economic co-operation and collective self-reliance. This will help promote the establishment of the new international economic order, reduce the third world countries' dependence upon the developed countries and improve their position in international economic relations.

— "Beijing Review" news analyst Yu Pang

New Results of Sea Law Conference

THE second-stage meeting of the ninth session of the Third U.N. Conference on the Law of the Sea closed on August 29 in Geneva. Tangible results were obtained on some outstanding questions.

In five weeks of negotiations and discussions, agreement was reached chiefly on the issue of deep sea-bed mining in connection with the formation of and the voting in the council of the proposed international sea-bed authority, the body to control all activities in the international sea-bed area. Agreement has also been reached on a number of questions concerning the "final clauses," which deal with several legal aspects of the convention, including the number of ratifications needed to bring it into force and the procedure for amending it. The treaty on the law of the sea with 400 clauses was revised again. The progress augurs well for the protracted conference.

Since the Third U.N. Conference on the Law of the Sea was formally convened in 1973, a dozen meetings have been

called in nine sessions. They centred on a series of questions about territorial seas, straits, the continental shelf, 200-nautical-mile economic zones, international sea-bed minerals, sea beds and ocean floors, sea and ocean environment and scientific researches. The aim was to make the sea-bed resources serve the people of the whole world by enacting a new sea law treaty acceptable to all countries.

The ninth session of the conference met twice this year, in March, and from late July to the end of August. From the beginning, a protracted struggle was waged by the developing countries against the superpowers over the issues mentioned. The most fiercely debated issue was the exploitation and management of the international sea-bed minerals.

Under the oceans covering 71 per cent of the earth's surface are rich mineral resources. These have caught the eye of the superpowers plagued by "resources famines" and "energy crises." The superpowers

have been looking covetously at these riches under the seas and are trying to obtain them for themselves with the money and technology they possess. This, of course, is being contested by the developing countries.

At the U.N. Conference of the Law of the Sea, the developing countries, in accordance with the principle that the international sea-bed zones and their resources are the common heritage of mankind and should be shared by all as approved by the 1970 U.N. General Assembly, proposed the organization of an international sea-bed authority composed of all conference member states and charged with the right to exploit or exploit under its control international sea-bed resources. The superpowers, however, from the beginning of the conference, have opposed the direct exploration and exploitation of sea-bed resources by the proposed authority, claiming that the authority should be responsible only for the issuance of licenses or certificates. This is aimed at turning the organization into a mere name devoid of substance, which would allow the superpowers to exploit the wealth of the international sea-bed using their own funds, materials and technology. But having met strong opposition from many smaller countries, they put forward a counter-proposition, a so-called "parallel system" permitting private corporations or state entities the right to exploit minerals on the sea-bed without control or restriction by an international control body. Heated debates over the last few years resulted in a compromise proposal to the effect that the exploitation of

sea-bed minerals should be conducted much like the "parallel system," but under the control of an international sea-bed management council. That is to say, the international sea-bed management council would have the right to engage in direct exploitation through enterprises under it and, at the same time, the state entities and private corporations concerned could engage in exploiting the minerals in designated areas. This is a transitional system. In this, the state and private firms involved in the exploration and exploitation of minerals are obliged to provide the management council with financial and technical assistance.

Progress at the conference concerning the international sea-bed management authority has made it possible to fundamentally solve this long out-

standing question. The other questions, including the 200-mile economic zones, continental shelf, straits, scientific research and protection of the marine environment, have already been solved. At the third conference, the developing countries continued to fight to safeguard their legitimate rights and interests, but at the same time, they adopted a flexible attitude in dealing with certain questions, so that a big advance was made at the conference. A new treaty on the law of the sea may be finalized at the next session. Other questions to be solved include: how to define the sea zones of neighbouring countries or those facing each other over the sea and ceilings to sea-bed mineral production.

— Wu Yingchun

Military Manoeuvres of Warsaw Pact and NATO

WHEN the preparatory meeting of the follow-up Conference on European Security and Co-operation opened in Madrid on September 9, the two blocs in Europe, the Warsaw Treaty Organization and NATO, both held massive military manoeuvres. The Warsaw Pact's military manoeuvre was the biggest in a decade and NATO's was the biggest since World War II. It brought home to people that Europe is far from tranquil.

A salient feature of the two manoeuvres is emphasis on the offensive and mobility. The Warsaw Pact massed an army of 40,000 of all arms along the East German-Baltic Sea line in a simulated attack spearheaded by Soviet paratroopers to seize control of the heartland of West Europe. NATO's exercise was designed to rapidly rush tens of

thousands of troops from outside Europe to aid Central Europe once an invasion occurred. Clearly, the two military blocs had each other in mind as the latent enemy. Although the Soviet Union has, of late, been making friendly overtures to West European countries to persuade them that it has no intention of pushing into West Europe, its recent military manoeuvre is a massive demonstration that its heart is set on exploiting its military superiority to seize the heartland of Western Europe. NATO countries are aware of Soviet ambitions and are improving the mobility of their forces and using more advanced technology to counter the Soviet threat.

One recalls that not very long ago, Brezhnev announced the completion of a Soviet with-

drawal of 20,000 troops and 1,000 tanks from East Germany. The Soviet media hailed this as a "historic beginning" and an expression of Soviet "sincerity in safeguarding peace in Europe." But the recent Warsaw Pact military manoeuvres show very clearly that the withdrawal has not in the least affected Warsaw bloc strike capability. A Warsaw Pact military leader underscored this during the exercises, when he declared that the Warsaw Pact bloc "cannot tolerate any change in the balance of strategical forces between the East and the West." It shows how meaningless is the vaunted withdrawal of some Soviet troops and tanks from East Germany.

The Soviet aggression against Afghanistan exposed Moscow's professions of "detente" as nothing but a subterfuge, so it set about patching up its image by turning to hustling "detente in Europe." "This, in itself, is not a bad thing," Moscow declared. "It will set an example for the rest of the world." It painted a picture of Europe as a "paradise of detente." Most unconvincing. If Europe is such a happy paradise as Moscow makes out why did Moscow mount such a massive military manoeuvre? And why did NATO go to such inordinate trouble to send in forces to Europe? Behind the facade of detente is the Soviet effort to overwhelm its partner in "detente" by improving on its military superiority.

Loud protestations of detente cannot drown out the rumble of tanks and the roar of warplanes, nor hide the East-West confrontation, with thousands of nuclear missiles pointed at each other as the hypothetical enemy. That is not "detente," it is something else entirely.

— "Renmin Ribao" commentary, September 16

At Fifth National People's Congress

Report on Financial Work

Wang Bingqian

Following is the full text of the report on the final state accounts for 1979, the draft state budget for 1980 and the financial estimates for 1981 delivered by Wang Bingqian, Minister of Finance, at the Third Session of the Fifth National People's Congress on August 30. The congress examined the report and approved it. — Ed.



Fellow Deputies,

I have been entrusted by the State Council with making the report on the final state accounts for 1979, the draft state budget for 1980 and the financial estimates for 1981 which I now submit for your examination.

I. The Final State Accounts for 1979

In 1979, the people of all our nationalities, led by the Chinese Communist Party, strove conscientiously to implement the policy decisions of the Third Plenary Session of the 11th Central Committee of the Party and the decisions of the Second Session of the Fifth National People's Congress; they brought about a great shift of emphasis in the work of the whole

nation and began the task of readjusting, restructuring, consolidating and improving the economy. The serious disproportions in our economy were somewhat corrected, and new advances were made in production and construction. In state finances, a series of important measures were adopted last year that led to notable results in readjusting the ratio between accumulation and consumption, promoting industrial and agricultural production and bettering the livelihood of the people, and also in reforming the financial system, increasing the financial powers of the local authorities and enterprises, and encouraging initiative in all quarters. While doing all this we paid a certain price in terms of state expenditure in order to correct the serious disproportions in our economy caused by the sabotage of Lin Biao and the gang of four, and gradually to solve the problems in production and in the people's livelihood left outstanding over the years.

In the state budget for 1979 adopted by the Second Session of the Fifth National People's Congress last year, revenues and expenditures were balanced at 112 billion yuan. The final state accounts for 1979 as prepared on the basis of the actual implementation of the budget break down essentially as follows:

Revenues totalled 110.33 billion yuan. Deducting the 3.53 billion yuan of foreign loans not originally included in the budget, domestic revenues amounted to 106.8 billion yuan, or 95.4 per cent of the budgeted figure. Of this, revenues from industrial enterprises totalled 49.29 billion yuan, or 88.6 per cent of the budgeted figure; taxes totalled 53.78 billion yuan, or 99.7 per cent; other revenues totalled 650 million yuan, or 272.5 per cent, while 2.46 billion yuan, or 112 per cent, consisted of depreciation funds turned in to the central financial authorities by the various enterprises.

Expenditures totalled 127.39 billion yuan. Deducting the 7.09 billion yuan, not originally included in the budget but appropriated out of foreign loans, for capital construction and other

purposes, domestic expenditures amounted to 120.3 billion yuan, or 107.4 per cent of the budgeted figure. This included 44.38 billion yuan, or 113.8 per cent, for domestic capital construction; 7.2 billion yuan, or 128.6 per cent, for tapping the potential of existing enterprises, and for subsidizing their transformation and the trial-manufacture of new products; 5.2 billion yuan, or 106.2 per cent, for additional allocations of circulating funds to enterprises, and of credit funds to banks; 9.01 billion yuan, or 127.8 per cent, for financing rural people's communes and other agricultural undertakings; 13.21 billion yuan, or 109.4 per cent, for culture, education, health work and science; 22.27 billion yuan, or 110.1 per cent, for national defence and preparations against war; and 5.69 billion yuan, or 124.2 per cent, for administrative expenses.

In the final state accounts for 1979 expenditures exceeded income by 17.06 billion yuan. To make up the difference, we drew on the surplus of the past years to the sum of 8.04 billion yuan, and took out an overdraft of 9.02 billion yuan from the People's Bank of China.

This deficit is mainly the result of the measures taken for economic readjustment. These measures which led to reduced revenues and increased expenditures were indispensable for helping to lay the foundation for sustained economic growth in the future. They have already achieved obvious and heartening results and contributed to the consolidation and improvement of the political situation in which unity and stability go hand in hand with liveliness and vitality.

(1) The purchase prices of farm and sideline products were increased by a fairly big margin and some taxes in the rural areas were reduced or remitted. This helped bring about recovery in the rural areas in a relatively short time and contributed to the strengthening of agriculture which is the foundation of the economy. Beginning from the summer harvest of last year, the state raised the purchase prices of 18 major farm and sideline products, including grain, cotton, edible oils, hemp, sugar cane, beet, pigs, cattle, sheep, fish, eggs and cocoons, and instituted the policy of offering higher prices for grain, cotton and edible oils sold over and above quota. The state subsidy for such purposes amounted to 7.8 billion yuan in the year, or 1.3 billion yuan over the budgeted figure. For low-yielding, grain-deficient areas, the state set a level below which agricultural tax was to be remitted. As a result, the total amount of agricultural tax collected in 1979

was reduced by 4.7 billion *jin* (2.35 million tons) of grain. Moreover, the minimum taxable income level was appropriately raised for industrial and commercial income tax to be paid by enterprises run by communes, production brigades and production teams; the time limit for the reduction or remission of taxes to be paid by the newly established enterprises in the same category was appropriately extended; and it was stipulated that such enterprises located in minority nationality autonomous counties (or banners) and border counties should be exempted from industrial and commercial income tax for a period of five years. The total amount of taxes thus reduced and remitted came to 2 billion yuan in 1979, exceeding the budgeted figure by 300 million yuan. Thanks to the expansion of agricultural production and the rise in the price paid by the state for farm and sideline products, the peasants' per capita income from the collective economy averaged 83.4 yuan in 1979, an increase of 9.4 yuan over the previous year. Naturally, the situation differed from locality to locality. The above measures, nevertheless, were some of the most important ones taken in any year since the founding of the People's Republic to readjust the relationship between industry and agriculture, and to readjust the distribution of the national income and state finances. This is of positive, far-reaching significance for the development of the economy.

(2) Great efforts were made to increase employment, and steps were taken to increase the wages and salaries of a proportion of the workers and staff and introduce the system of rewards. As a result, their income rose to some extent. In 1979, jobs were provided through various channels for a total of 9,030,000 people in cities and towns, including students who, graduating during the year from colleges and secondary vocational schools, were given jobs under a unified state plan. Altogether 40 per cent of workers and staff got pay rises, and wage scales were readjusted in certain regions. A system of rewards was introduced in all state enterprises, and a monthly subsidy to offset the increased prices of non-staple foodstuffs given to all workers and staff. The average annual per capita wage of workers and staff in all state-run enterprises and establishments rose to 705 yuan, an increase of 61 yuan over 1978. State expenditures on all these items totalled 7.5 billion yuan, or 2.5 billion yuan more than the budgeted figure. In addition, the state allocated special funds out of capital construction investment which were combined with the re-

serve funds of local authorities and enterprises to build housing for workers and staff. By the end of last year, a total floor space of 62,560,000 square metres had been completed in cities, towns and mining areas. This figure shows a 66 per cent increase over 1978, making 1979 the year which saw the greatest amount of housing built since the birth of the People's Republic. It should be noted that the state made strenuous efforts to provide this considerable sum in a year in which certain proportions in the economy were being readjusted and the state was in financial difficulty. However, there are a number of people in urban areas who are yet to be provided with jobs; earnings in some scientific, educational and public health establishments and administrative organs where no bonuses are given have increased only a little, or not at all, and the actual living standards of some have even fallen to a certain extent; moreover housing is still a headache in urban, industrial and mining areas. We must make further efforts to solve all these problems.

(3) The financial powers and reserve funds of the local authorities and enterprises were increased. This is conducive to reinvigorating the national economy, promoting production and increasing revenue, and gradually correcting the serious disproportion between the production and non-production sectors. In 1979, the state specified that the authorities of 49 big and medium-sized cities could draw 5 per cent from their industrial and commercial profits for urban construction, and that all other local authorities could utilize a certain portion of the earnings of their county-run industrial enterprises. As a result, the reserve funds of the local authorities were increased by 2 billion yuan. Meanwhile, a system was introduced whereby all state enterprises may set up enterprise funds, and in over 4,000 industrial and commercial enterprises the policy of allowing the enterprise to keep a portion of its profits was tried out. As a result, these enterprises obtained 4 billion yuan as reserve funds. The state earmarked more than 6 billion yuan for the above purposes, which involved 2 billion yuan in excess of the budgeted figure.

(4) Funds devoted to developing agriculture and light industry were increased by a fairly big margin. This helped to readjust the



A collectively owned clothing factory in Weihai city, Shandong. Many such enterprises have been established to open up more avenues for employment.

proportions between agriculture, light industry and heavy industry, enliven the market and meet the people's rising purchasing power. In 1979, the state used 9.01 billion yuan, or 1.96 billion yuan more than the budgeted figure, to aid the communes and finance various agricultural undertakings. At the same time, apart from the 2.3 billion yuan set aside as investment in capital construction for the textile and other light industries, the state appropriated an additional 1.5 billion yuan for them as funds for tapping their potential and carrying out their transformation, or as special-purpose loans. To boost production, the state adopted the policy of giving them priority as regards supplies of fuel, power and raw and semi-finished materials. Last year saw a growth rate of 9.6 per cent in the textile and other light industries, as against 7.7 per cent in the case of heavy industry. There was a significant increase, seldom seen in past years, in the production of such manufactured consumer goods as cotton cloth, synthetic fibre knitwear, paper, bicycles, sewing machines, wrist-watches, TV sets and synthetic detergents, all of which were in great demand.

(5) There were increased expenditures on national defence and preparations against war. In 1979, spending for such purposes reached 22.27 billion yuan, or 2.04 billion yuan in excess of the budgeted figure. In order to oppose hegemonism and ensure a peaceful environment for the realization of our socialist modernization, it was absolutely necessary that we increase our defence spending to some extent in 1979.

(6) It should also be mentioned that since the Third Plenary Session of the 11th Central Committee of the Party, we have, in line with the principle of seeking truth from facts, redressed on a nationwide scale the wrongs done to many people who were unjustly, falsely or wrongfully accused. This is of great significance in consolidating a political situation of stability and unity. It will also help to mobilize our whole people to work for the four modernizations with one heart and one mind. In accordance with regulations laid down the state has given the back pay due to rehabilitated cadres, workers and staff, and given subsidies to those in special difficulties. According to incomplete statistics, state expenditures in this regard have amounted to well over 1 billion yuan.

State expenditures in the six above-mentioned categories exceeded the budgeted figure by more than 11 billion yuan. These major measures taken by the state are very significant and have yielded remarkable results. That in a single year we did so much that had to be done is something unheard of for many years. The state spent more than the sum budgeted for improving the people's livelihood by readjusting prices, increasing wages and expanding employment. Moreover, despite reductions in spending on domestic capital construction, the necessary readjustment in expenditures could not be completed all at once and the scope of such construction is still too big. For these reasons state expenditures exceeded the budgeted figure by 5.3 billion yuan, and there is a deficit in the final state accounts for 1979. This is the price we have had to pay for the measures adopted. But people have already seen that with these measures, the relationship between the major sectors in our economy have begun to move towards better co-ordination, an excellent situation of all-round increase has been brought about in industrial and agricultural production and in commodity circulation, and a relatively big increase has been achieved in the purchasing power of both the urban and the rural population together with an improvement in living standards. In a word, things are thriving in all fields. Of course, our work is not free from shortcomings and mistakes, for in the implementation of the 1979 budget, we underestimated the serious consequences of the sabotage by Lin Biao and the gang of four. To cite some examples: there was a dislocation between the import of capital construction projects and budgetary arrangements; we failed to give top pri-

ority to the plan to lower costs in enterprises and to help those running at a loss to change for the better and make a profit; our financial management was not strict enough so that some profits and taxes were not turned in to the state as they should have been, and economy was not practised as it could have been with regard to some items of expenditure; our financial discipline was lax, and there were fairly serious cases of losses and waste with which we did not deal effectively. We have to improve our work and remedy the shortcomings in all these respects.

It should also be explained that a considerable part of last year's deficit was covered by drawing on the accumulated surpluses, and partly by a bank overdraft. However this did not lead to any big increase in the issue of paper money, because, first, the total value of agricultural output last year was 8.6 per cent higher than in the previous year, the total value of the output of light industry increased by 9.6 per cent, and the total volume of retail sales rose by 14.7 per cent. For many years past such big increases have been rare. Thanks to the good harvests and the increased output of the textile and other light industries, generally speaking, supplies of food, clothing and articles of daily use, with a few exceptions, were quite sufficient. Therefore people felt reassured, and the market was virtually stable and also healthy. Second, the savings deposits of the urban and rural population rose by 9.7 billion yuan during the year, and this is also a big increase, unheard of for many years. On the one hand, it shows that the masses are industrious and thrifty and are eager to support national construction; on the other, it also indicates that the people's currency, the Renminbi, enjoys high prestige. Third, as a consequence of the restructuring of the financial system, part of the state's financial resources was converted into reserve funds of various local authorities and enterprises. The unspent part of these funds in turn became bank deposits. By the end of 1979, the deposits originally earmarked for specific uses by enterprises, the extra-budgetary deposits of local authorities, and the deposits of capital construction units, government departments, mass organizations and army units were some 6.7 billion yuan larger than at the beginning of the year. These funds helped to reduce the effects of the state financial deficit. The three aforesaid factors played an important role in forestalling any grave consequences that last year's financial deficit



The petrochemical fibre factory in Liaoyang, northeast China, will soon be put into operation.

might have had on the economic life of the nation. There may well be repercussions sooner or later. The rise in the prices of certain commodities in recent years is a symptom of this. We must never treat this matter casually, but should pay great attention to and really solve it.

In our financial work, our policy has all along been one of ensuring a balance of revenue and expenditure with a slight surplus, and of striving to avoid deficit financing. In the final analysis, our financial deficit last year resulted from the severe damage done to the economy by Lin Biao and the gang of four over the ten catastrophic years and from the many problems ensuing therefrom. Experience has made us keenly aware that these problems which have accumulated over the years are much more serious than we first estimated and cannot be solved once and for all within a short period. Furthermore, our shortcomings and mistakes in construction will also take their toll by adding to the price we will have to pay. None of the major measures for economic readjustment we adopted last year, including price readjustment, wage increases, bonus payments and the provision of employment are temporary measures which can be completed in a single year. They must be pursued and will inevitably impede our efforts to balance state revenue and expenditure for the next year or two. We must continue to do well in agricultural and light industrial production, keep prices basically stable and, in the course of implementing the budget,

take vigorous measures to tap potential, increase revenues and economize on expenditures. While solving the problem of the unified collection of revenue and unified spending, we must further improve our financial system to meet the needs of the structural reform of the economy. Success in these respects will enable us gradually to reduce, and finally do away with, financial deficits and to strike a balance between revenue and expenditure. We believe that following this economic readjustment and advances in production and construction, we shall definitely be able to achieve our goal.

II. The Draft State Budget for 1980

In 1980, our financial work faces most serious tasks. We must continue to implement the policy of readjustment, restructuring, consolidation and improvement and further correct the serious disproportions in our economy. At the same time, we must conscientiously give full play to favourable conditions, ensure competition and promote integration so as to invigorate the economy. We must do what we can to accelerate the development of production, tap potential, explore more sources of revenue and increase receipts. We must firmly control investment in capital construction, reduce the rate of accumulation step by step and in a planned way, and gradually improve the people's livelihood on the basis of increased production and productivity. We must give more and more assistance to agriculture and light industry,

strengthen such weak links as the coal, power, petroleum and building-materials industries and the transport services, and aid progress in the fields of culture, education, public health and science. We must, actively but prudently, continue to keep tight control over the restructuring of the financial system and the reform of the financial management of enterprises and the taxation system in order to improve our financial work.

To meet the above requirements, the 1980 budget sets state revenues at 106.29 billion yuan and expenditures at 114.29 billion yuan, the latter exceeding the former by 8 billion yuan. It should be possible to reduce this gap somewhat in the course of implementing the budget by increasing production and practising economy. The remainder of the deficit we plan to make up by obtaining loans at interest from the People's Bank of China.

At the 14th Session of the Standing Committee of the National People's Congress in April this year, the State Council submitted the Report on the Implementation of the 1979 National Economic Plan and the Arrangements for the 1980 National Economic Plan, in which it estimated that state revenues in 1980 would be 98.2 billion yuan and expenditure 102.2 billion yuan, the difference being 4 billion yuan. A new estimate has now been made in the light of the implementation of the 1980 budget during the first half of this year, and the fresh problems that have cropped up. Moreover, new items have been included: for instance, revenue in the form of foreign loans and allocations for capital construction out of foreign loans, outlay for repaying principal and interest within the current year, additional allocations for investment in the power industry and for combating unusually serious floods and droughts, necessary expenditures for the increase of personnel in the public security, procuratorial and judicial organs, and subsidies for the reduction in the price of pork. Therefore, there has been an increase in both revenues and expenditures, with a bigger gap between them.

Of the total budgetary revenues for 1980, receipts from enterprises amount to 46.06 billion yuan, taxes 54.4 billion yuan, receipts from other sources 240 million yuan, depreciation funds turned in by enterprises to the central financial departments 2.2 billion yuan, and receipts in the form of foreign loans 3.39 billion yuan.

Compared with the previous year, total revenues for 1980 are 4.04 billion yuan lower.

This is because the higher prices paid for farm and sideline products, the wage increases, the expansion of employment, etc., which were successively introduced in the middle of last year had an impact on revenues for only a few months in 1979, but this effect will continue to be seen throughout the year of 1980. Furthermore, the year 1980 will also see the prices of cotton, medicines, pig iron, coke, etc., readjusted and the depreciation rate raised for the railways as well as for those enterprises which are experimenting with profit sharing. Calculated in terms of comparable items, revenues in 1980 will increase by 6.4 billion yuan, or 6 per cent over last year. This target is basically in keeping with the 5.5 per cent increase in the gross value of industrial and agricultural output. It is ambitious yet realizable.

It is necessary to add that at present there is a wide variety of state subsidies to offset price increases, and these subsidies will exceed 20 billion yuan in 1980. Some totalling about 12 billion yuan cover such basic consumer commodities as grain, cotton, edible oils, meat, eggs, vegetables and coal for household use; others, which are for the increased purchase prices of agricultural products sold above quota, amount to over 5 billion yuan; still others costing 3 billion yuan or so are for ensuring preferential prices of the means of agricultural production and of industrial products which aid agriculture. The total figure will be much bigger, if subsidies for house rent, transport and other items are included. All these price subsidies eat up part of the state's revenue and will naturally affect its increase adversely. Nonetheless, it must be affirmed that, in the conditions prevailing in our country, such subsidies are essential for ensuring a secure and better life for the people and for promoting national stability and unity. We must do an even better job in this regard.

Total budgetary expenditures for 1980 are cut by 13.1 billion yuan as compared with last year. The breakdown is essentially as follows:

(1) Appropriations for capital construction total 37.35 billion yuan, 14.1 billion yuan less than last year. Of this sum, capital construction investment directly provided for in the state budget comprises 24.15 billion yuan; capital construction investment provided by stand-by financial resources in the localities plus the investments placed at the disposal of Tangshan comprise 2.13 billion yuan; outlays such as reserve funds for capital construction comprise

4.74 billion yuan; and appropriations for capital construction derived from foreign loans comprise 6.33 billion yuan. Here some explanations are in order. Investment in capital construction arranged by the state has been reduced, while construction outlays from extra-budgetary funds raised by the localities and enterprises themselves, as well as various loans earmarked for capital construction, have increased. Therefore, the projected scope of capital construction still remains at the level of 50 billion yuan. This requires an overall arrangement which takes account of both budgetary and extra-budgetary investments, both financial resources and credit, and both domestic funds and foreign loans, which can channel scattered funds into the production and construction projects most vital to the state, and which can exercise a strict control on the scope of capital construction. From now on it is necessary to draw up a comprehensive financial plan and improve the overall balance of our financial and material resources.

(2) Funds allocated for tapping the potential of enterprises or for transforming enterprises, plus those for subsidizing the trial-manufacture of new products, amount to 6.98 billion yuan, 220 million yuan less than last year. Apart from these funds which fall within the category of direct state appropriations, the depreciation funds collected by the state-owned enterprises according to the relevant stipulations plus profits kept by the enterprises for expanding production amount to 16 billion yuan. Added together, all these funds amount to a considerable sum. If they are put to rational use through an overall arrangement, they can yield substantial results.

(3) Additional allocations of circulating funds to enterprises and of credit funds to banks account for 3.72 billion yuan, 1.48 billion yuan less than last year. They are intended mainly to meet the needs of newly commissioned enterprises and certain special reserves. Considering that overstocking of materials is a common problem in enterprises so that too large a percentage of their funds is lying idle, the funds needed for expanding production in the existing enterprises should be obtained mainly through improving management, reducing stocks and exploiting financial potential.

(4) Expenditures for aiding the

communes and other operating expenses for agriculture total 7.74 billion yuan, 1.27 billion yuan less than that for last year. If we add to this the 6.66 billion yuan that will flow to the countryside from the investments in capital construction, circulating funds and rural relief funds, and another 2.4 billion yuan in agricultural loans, the amount earmarked for agriculture in 1980 comes to 16.8 billion yuan, which represents a considerable sum.

(5) Allocations for culture, education, health work and science amount to 14.83 billion yuan, an increase of 1.62 billion yuan over 1979. Speeding up the development of education and science is the key to the realization of the four modernizations. Since these two fields have been starved of funds for a number of years, outlay ought to be increased. Therefore the funds allocated have been increased as much as the country's financial resources will allow. Owing to our present limited financial and material resources, some problems in science and education will have to be solved step by step.

(6) Expenditures on national defence and preparations against war account for 19.33 billion yuan, 2.94 billion yuan less than last year.

(7) Expenditures on administration and management amount to 5.78 billion yuan, an increase of 90 million yuan over 1979.

(8) Development funds in aid to economically underdeveloped areas take 500 million yuan. These funds have been established for the first time in this year's budget for the purpose of boosting production mainly in the old revolutionary base areas, remote border areas,

Equipment and machine parts, stockpiled in warehouses for years, are now on sale.



autonomous localities inhabited by minority nationalities and places with a relatively poor economic base.

(9) The general reserve funds account for 1.88 billion yuan.

(10) Payments on the principal and interest of foreign loans take 2.17 billion yuan. They cover mainly the proportion borrowed and to be repaid by the state to finance contracts signed during the last few years to import equipment and technology with foreign funds, the payments of principal and interest starting as from this year.

As for foreign debts, it is estimated that up to the end of 1980, the total amount borrowed by the state will be U.S. \$3.4 billion after deducting the matured principal that will be paid off. In order to bring about the quickest possible economic results from foreign loans, we must conscientiously strengthen our planning and management in the import of advanced technology and equipment. Especially in the coming years this work must be linked with the readjustment of the economy and with the elimination of some of its weak links. At the same time, full consideration must be given to the terms and conditions of loans, to our ability to manufacture the necessary accessories in China and our ability to repay. From now on the proportion of loans to be repaid from the state coffers must be borrowed by the state financial institutions and included in the national plan. A system of clearly defined job responsibility should be set up, and management must be properly strengthened so that the present state of lax management and poor co-ordination can be firmly dealt with.

Fellow Deputies, more than seven months of the year 1980 have elapsed. During this period, the national economic plan has been implemented very satisfactorily. Industrial production has surpassed the planned rate of growth; the textile and other light industries, in particular, have increased output by a big margin as compared with the same period of last year. In commerce, both sales and purchases have been brisk and the market is active. With the gradual raising of the people's income, urban savings deposits have shown an increase of 4.7 billion yuan, compared with the end of last year. The situation as regards revenues and expenditures from January to July was also fairly good. Revenues were 57.7 billion yuan, or 54.3 per cent of the sum budgeted for the whole year while expenditures

were 58.26 billion yuan, or 51 per cent of the sum budgeted for the whole year; thus expenditures exceeded revenues by 560 million yuan.

According to the pattern prevailing over the years, the greater part of expenditures is incurred in the second half of the year, especially in the last quarter. Furthermore, the impact of most of the factors that will result in a reduction in revenue this year, such as enterprises retaining part of their profits, wage increases, and price adjustment for cotton and so on, will only be felt in the last few months of the year. So we must not relax in the coming months just because the situation as regards revenues and expenditures in the first seven months is not bad. In order to fulfil the budgetary plan for the whole year, we should exert still greater efforts to increase revenues and cut expenditures and narrow the gap between the two.

III. The Financial Estimates for 1981

Nineteen eighty-one will be the first year of the Sixth Five-Year Plan. According to the guiding principles and policies laid down by the state and the requirements of the National Economic Plan for 1981, the state financial departments must, on the basis of the continued readjustment of the economy and growth of production, rationally arrange the various revenues and expenditures so as to promote the co-ordinated development of various undertakings and to improve the people's livelihood. Our efforts to narrow the gap between revenue and expenditure in 1980 should be carried on through 1981 so as to lay the foundation for sound and balanced finances. We should continue to reform financial administration, the system of taxation and the management of finance in enterprises, thus improving financial work, and co-ordinate all this with the restructuring of the economic system so as to meet the needs of the four modernizations.

The projected state financial estimates for 1981 are as follows: State revenues are put at 115.46 billion yuan and state expenditures at 120.46 billion yuan, with a deficit of 5 billion yuan. These estimates take into account the money to be borrowed from abroad, the appropriations for capital construction provided by foreign loans and payments on the principal and interest for the year.

Estimated state revenues for 1981 show an increase of 9.17 billion yuan compared with

1980. This is calculated in terms of the rate of growth of industrial and agricultural production after the increase in revenue resultant from reducing costs and tapping the potential of the enterprises has been taken into account. Of the total revenues, 49.62 billion yuan is to come from the enterprises, 59 billion yuan from taxation and 240 million yuan from other sources, while the depreciation funds of enterprises to be turned in to the central financial authorities will amount to 2.1 billion yuan.

Estimated state expenditures for 1981 are 6.17 billion yuan more than in 1980. This is in line with the need to continue the readjustment of the national economy. The breakdown of the total is as follows: appropriations for capital construction, 37.58 billion yuan; additional allocations of circulating funds to enterprises, 2 billion yuan; funds to be allocated for tapping the potential of enterprises, for transforming them and for subsidizing the trial-manufacture of new products, 6.7 billion yuan; aid to the communes and other operating expenses for agriculture, 8.8 billion yuan; allocations for culture, education, health work and science, 16.95 billion yuan; national defence and preparations against war, 20.17 billion yuan; administrative expenses, 6.06 billion yuan and general reserve funds, 2.6 billion yuan.

According to these estimates, the increase in revenues in 1981 will be greater than in expenditures, and thus the difference between them will be smaller than in 1980. During 1981, the state will gradually provide for appropriate increases in the incomes of staff members in scientific research, educational and health institutions as well as in government departments where very small or no bonuses are given, and will find work for several million more people who are waiting for jobs. The living standards of both the urban and rural population will be further raised.

Since the plan for the development of the economy in the period of the Sixth Five-Year Plan is still being worked out, necessary readjustments will be made in the state financial estimates for 1981 in accordance with the finalized plan. If there are major changes, these estimates will be submitted to the Standing Committee of the National People's Congress for re-examination.

I would now like to go into the question of reforming the system of financial administration. The concentration and distribution of financial resources must be suited to the

restructuring of the economic system. At present, we are carrying out a step-by-step restructuring of the economic system in accordance with the principle of combining regulation by planning with regulation by the market. We will give the enterprises greater power to take decisions, organize various forms of economic integration and encourage competition guided by planning. The reform of the financial administration system began in 1978. In the latter half of that year, the systems of establishing enterprise funds and giving awards to workers and staff were put into effect in state-owned enterprises. In 1979, we tried out three systems under which some state-owned enterprises retained a share of their profits, loans replaced appropriations in some capital construction projects, and some administrative establishments took responsibility for their surpluses or deficits; we instituted a system of holding agricultural reclamation enterprises responsible for their own finances; and we adjusted and improved the tax system relating to agriculture as well as to industry and commerce. In 1980, we have undertaken the reform of the financial structure and also launched some experiments in the reform of the taxation system. In general, these reforms have aroused the initiative of the parties concerned and have achieved good results. However, they are only preliminary reforms. We should continue to carry out reforms in the next few years and co-ordinate the reform of the financial administration system with that of the economic system. For the next year and a half we will concentrate our efforts on the following reforms:

(1) **The restructuring of the financial system.** Starting this year, we have instituted a special system for the two provinces of Guangdong and Fujian under which the provincial authorities are to be held responsible for their own finances after handing in a fixed sum to the state. For the other provinces, municipalities and autonomous regions we are trying out a system of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss," that is to say, whereas in the past "everybody shared food from the same big pot," now each will "eat from his own pot." The localities will be able to spend more when their revenues rise but should spend less when they fall. They must balance their own revenues and expenditures. For the five minority nationality autonomous regions, Xinjiang, Ningxia, Inner Mongolia, Tibet

and Guangxi, and the three provinces, Yunnan, Guizhou and Qinghai, the preferential treatment they have enjoyed will remain unchanged and the subsidies provided by the central authorities will be increased progressively at a rate of 10 per cent a year. In 1981, we should sum up the experience gained in experimenting with these new systems and improve them.

(2) **Reform of the system of enterprise finance management.** The system of letting enterprises keep part of their profits is being tried out this year in 6,600 state-owned industrial and transport and communications enterprises. It will be extended to all state-owned enterprises in 1981. In order to make rational use of state assets, the state financial departments will charge state-owned enterprises for the use of circulating funds allocated to them beginning from the latter half of this year, and starting in 1981 will charge them for the use of the fixed assets on a trial basis. As for investments in capital construction, from 1981 we will implement a system of bank loans instead of appropriations from the state coffers for all units except administrative establishments and a few projects. We shall have to see how integrated complexes develop and operate before we can work out a system for their financial management.

(3) **Reform of the taxation system.** In 1980, we shall pass legislation and begin to collect an income tax from joint ventures involving Chinese and foreign investment and an income tax from individuals. We should do a good job in collecting taxes concerning foreign nationals. In order to solve the problem of double taxation on some industrial products, we shall try out a value-added tax in the machinery and farm machinery industries. We shall also amend the income tax law on urban collectively owned enterprises so as to appropriately reduce their tax burden in an equitable manner and promote the development of the collective economy. Starting from 1981, we shall experiment with having state-owned enterprises pay a business tax instead of turning their

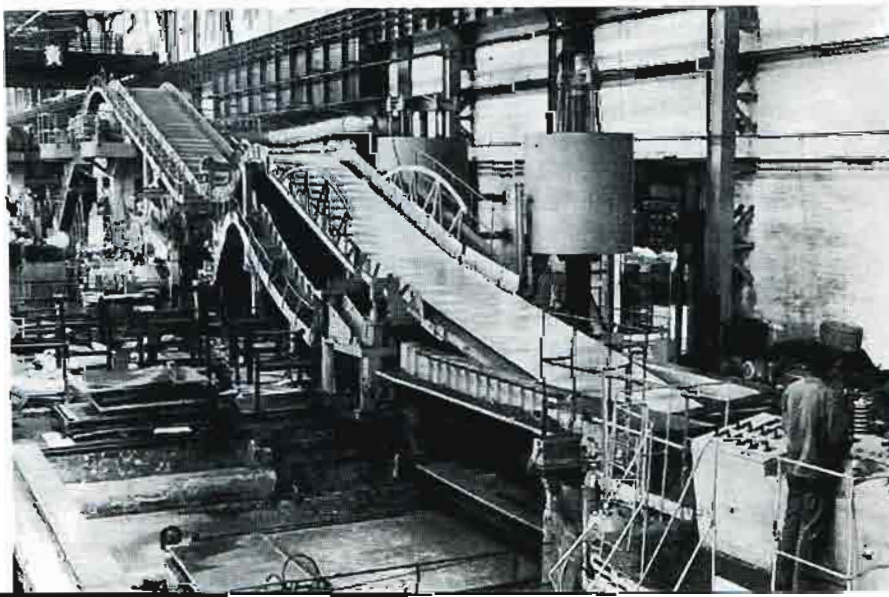
profits over to the state, and accordingly begin to levy the regulatory business tax and resources tax.

The above reforms, particularly the reform of the tax system, will inevitably affect the distribution of revenue and other aspects of the economy. They are therefore important policy issues and involve a wide range of problems. They require thorough investigation and study, experimentation, and co-ordination with the reform of the economic system as a whole. We must vigorously but prudently push ahead with these reforms in order to meet the requirements of economic development.

IV. Go All Out to Increase Production And Practise Economy, Combat Extravagance and Waste, and Improve Economic Performance, In Order to Carry Out Our Financial Tasks for This Year and The Next

The political and economic situation in our whole country today is very satisfactory. After more than a year of strenuous effort, the ideological, political and organizational lines adopted at the Third Plenary Session of the 11th Central Committee of the Party are being conscientiously put into effect. The readjustment and restructuring of the national economy are making good progress and notable results

A light alloy processing factory in northeast China. It has renovated its equipment, improved the degree of automation and raised the quality of its products.



have been achieved. However, there are still some weak links in the chain of our financial and economic work, and losses and waste are not uncommon. Consequently, there is an enormous potential to tap with respect to increasing production and practising economy. In order to fulfil the financial tasks for this year and next, we must inspire and organize the cadres and the people to work even harder to increase production and practise economy, combat extravagance and waste and vastly improve economic performance so that the national economy may develop steadily and harmoniously.

Production is the foundation of finance. The active promotion of production together with increases in tax revenues and in profits will provide important guarantees for the fulfilment of the financial tasks for 1980 and 1981. In many enterprises at present the rate of consumption of energy and raw materials is high, waste great, the rate of profit low and losses are heavy. Every one hundred yuan's worth of products sold by state-run enterprises yielded 25 yuan in tax revenue and profit in 1979 which is 5 yuan, or 16 per cent, less than in 1965. The total losses incurred by industrial enterprises in the first six months of this year were still as high as 1.4 billion yuan. Such losses must be eliminated as quickly as possible. The success or failure of industrial as well as agricultural undertakings in future should be judged by their economic performance. Every undertaking must take the actual conditions into full account, make the best possible use of favourable conditions and avoid the unfavourable and must use the available manpower, material, and financial resources where they can yield the maximum results. Each enterprise must tap its own potential to the maximum and increase the variety of its products and expand their sales to make sure that the increase in production and in tax revenue and profit required by the state plan is attained. Priority in the supply of raw and semi-finished materials, fuel and power must be given to the textile and other light industries to ensure more and better products for the market, and to keep prices basically stable. Measures must be taken to cut down the consumption of energy, and to reach the targets set by the state for the economical use of energy. Energetic efforts must be made to develop foreign trade, tourism and the service trades, and a conscientious job must be done with regard to remittances from Chinese nationals residing abroad. The masses

of workers and staff must be aroused to improve management and business accounting in their enterprises so as to lower costs and increase profits and thus contribute more to the state.

Increasing the returns on investment while strictly controlling the magnitude of capital construction is of first-rate importance to the more rapid growth of production and construction. During the First Five-Year Plan, it generally took four or five years to build a large or medium-sized project. Now, it averages a dozen years. During the First Five-Year Plan it took an average of three to four years to recoup the sum invested in some industries, and now, it averages more than eight years. Some completed projects were not commissioned for a long period of time. Others have operated at a loss year after year ever since they were commissioned. How much can we accomplish in the 20 years before the end of this century if it takes ten years to build a large or medium-sized project and more than eight years to recoup the sum invested and if, still worse, some of the projects continue to depend on state subsidies for their operations? And where can we acquire all the funds needed for our modernization programme? We must conscientiously draw lessons from such undeniable historical facts as are presented by instances of excess in capital construction, huge waste and unsatisfactory economic results, and resolutely cut out projects which are unrealistic in terms of construction possibilities or which are not badly needed, and use our limited financial and material resources for those projects which will yield the best economic results. We very much need to frame legislation to check the results of investment in capital construction and to apply strict discipline to capital construction. It should be stipulated, among other things, that no project can be undertaken before its feasibility has been studied, before the advisability of importing advanced technology and equipment financed by foreign funds has been considered, before alternative construction plans are drawn up and compared and the best is chosen. The projects chosen should be undertaken strictly according to the procedure for capital construction. Those who act irresponsibly, make the investment inefficient, or cause heavy losses or waste in construction, shall be held economically responsible, and disciplinary actions shall be taken against them or, where warranted, they shall be punished according to the law. They must not be allowed to get away unpunished.

Enterprises must use their circulating funds with meticulous care so as to achieve the best possible economic results. The turnover of enterprise circulating funds was speeded up last year and in the first half of this year, thus saving a considerable sum. But generally speaking, there are still large sums lying idle, serious over-stocking of materials and huge losses and waste. For every hundred yuan's worth of manufactured goods sold, 33 yuan of circulating fund was needed in 1979, eight yuan more than in 1965. Despite constant appeals the stockpile of rolled steel and mechanical and electrical engineering products has swollen year after year. The country's stockpile of mechanical and electrical engineering products has now reached 60 billion yuan in value and that of rolled steel has now increased to nearly 20 million tons. Business establishments also have a considerable quantity of unsaleable or slow-selling goods on hand, which are tying down large funds. In co-ordination with the general checkup on enterprise assets now under way, it is necessary to give scope to the regulatory role of the market by various means so as to dispose of these overstocked materials and bring about a quicker turnover of materials and funds. Commercial enterprises should organize the circulation of commodities according to the economic regions of the country, cut down the number of intermediate links, reduce circulation expenses and speed up the turnover of funds.

In the non-productive sectors we must continue to practise strict economy and combat waste. Since the beginning of the year, local authorities, departments and units have put into effect the "Circular on Reducing Non-Productive Spending and Combating Waste" issued by the Central Committee of the Party and the State Council; good results have already begun to be seen, and many models have emerged. However, extravagance and waste still exist in a number of enterprises and establishments as well as in government departments, mass organizations and army units. The squandering of state funds on the purchase of luxury goods by some units which take advantage of their dealings with foreign personnel and foreign visitors is still rather serious. The unhealthy tendency of some leading cadres to use their positions to pursue personal perquisites and privileges has not yet been completely brought in check. We must continue to take vigorous action in the spirit of the circular and give fuller play to the fine tradition of building the country through diligence, thrift and hard work. We must

streamline our administration step by step and in a planned way, exercise strict control over institutional purchases, drastically reduce various kinds of non-productive spending and make earnest efforts to solve the problems of overstaffing and inefficiency.

To increase production and practise economy, combat extravagance and waste and achieve better economic results, it is necessary to strengthen financial control and enforce strict financial and economic discipline. In April and May this year, a general countrywide checkup on the enforcement of financial and economic discipline was carried out. This yielded good results, and we found that certain local authorities, departments and enterprises had arbitrarily held back state revenues, had reduced or remitted taxes without authorization, had taken it upon themselves to raise prices, extend the scope of cost outlays and raise the ceilings on their spending, or had handed out bonuses without regard to merit and subsidies without regard to need. Some of the offences were quite serious. While it is true that the root of these problems lies in lax Party discipline and a weak sense of legality resulting from the long interference and sabotage perpetrated by Lin Biao and the gang of four, the tendency among some leading cadres to attempt the impossible, seek quick results and only concern themselves with a part to the neglect of the whole must also be considered an important cause. In order to strengthen financial and economic discipline, we must first see to it that leading cadres at various levels are guided by the principles of attempting only what is possible and taking the whole country and the overall situation into account. Leading cadres at all levels must draw the lessons from the capsizing of the oil rig *Bohai No. 2* and improve their work. They must set an example in abiding by the law and in having a scientific approach and take the lead in enforcing all financial and economic rules and regulations. To ensure that laws are observed, their enforcement must be strict and law-breakers must be punished; violations of financial and economic discipline must be investigated and sternly dealt with. No violation should be tolerated, not even with the excuse that it "will not serve as a precedent," for such an excuse actually means a precedent is being set which can pave the way for more and more violations of law and discipline. Financial personnel, tax collectors and accountants must be supported in performing their

duties and encouraged to go about their work boldly. We must back up those comrades who are subjected to retaliation for upholding principles or for reporting matters truthfully and severely punish those who seek revenge so as to promote healthy tendencies and combat unhealthy ones.

Fellow Deputies,

The current political and economic situation in our country provides very favourable conditions for the fulfilment of the national economic plans and the state budgets for 1980 and 1981. Although we will encounter all manner of difficulty as we advance, the prospects

for development are good and it is entirely possible to bring about a steady growth of the economy and gradually strike a balance between revenue and expenditure. Led by the Chinese Communist Party and relying closely on the workers, peasants and intellectuals of all nationalities, as well as with all the democratic parties, patriotic personages and patriotic overseas Chinese, we shall emancipate our minds, seek truth from facts, unite and work as one and strive for the successful fulfilment of the financial tasks set for 1980 and 1981.

(We have put some sentences in boldface for emphasis. — Ed.)

Report on Work of N.P.C. Standing Committee

Peng Zhen

Following are excerpts of the report on the work of the N.P.C. Standing Committee by Peng Zhen, Vice-Chairman of the N.P.C. Standing Committee, on September 2 at the Third Session of the Fifth National People's Congress. The session examined and approved his report. — Ed.



A PRINCIPAL task of the Standing Committee has been to strengthen legislation and perfect socialist democracy and the socialist legal system. In the past year, the Standing Committee has devoted itself to this task chiefly along the following lines:

(1) It has adopted a resolution on the validity of the laws and decrees enacted since the founding of the People's Republic of China.

The resolution reaffirmed as remaining in full force these laws and decrees, with the exception of those which are in contravention of the Constitution or other laws and decrees enacted by the Fifth National People's Congress or its Standing Committee.

According to incomplete statistics, more than 1,500 laws, decrees and administrative regulations were enacted by the state in the 17 years after the founding of the People's Republic, and many of them remain applicable or basically applicable to this day. By reaffirming the validity of these laws, decrees and administrative regulations, we have consolidated the original legislative gains of the people led by the proletariat so that we may use them to protect the democratic rights of the people, develop socialist democracy, enhance stability and unity, maintain public order and ensure the smooth advance of socialist construction. At a time when we are short-handed and burdened with heavy legislative tasks, this has helped us to concentrate our efforts on instituting laws, especially economic laws, which did not exist previously but are now urgently needed. This is an important measure for strengthening the socialist legal system.

The laws, decrees and administrative regulations enacted in the past fall, by and large,

into three categories: The first consists of those which automatically became null and void after they had fulfilled their mission in the course of historical development, as in the case of the Land Reform Law and the Provisional Regulations Concerning Private Enterprises. Some of them were replaced by new laws, such as the 1953 Electoral Law, the 1954 Organic Law of the People's Courts, and the 1954 Organic Law of the People's Procuratorates, which were replaced by the corresponding laws enacted by the Second Session of this congress. The second category comprises those which remain applicable or basically applicable today but require minor amendments and additions; they are quite numerous. They include Regulations Governing Offences Against Public Order, Decision on Re-education of Offenders Through Labour, Provisional Regulations Concerning Reward and Punishment of Personnel of State Administrative Organs, and Organic Rules of the Urban Residents' Committees. Those belonging to the third category require thorough revision or should be abrogated; they are comparatively few in number. On the question of which laws are still applicable and which need to be amended or supplemented, much investigation and study has to be done before a decision can be made in the light of the actual conditions prevailing today. With this in mind, the Standing Committee of this congress, the State Council and the competent authorities under it are sifting these laws and regulations.

(2) The Standing Committee has adopted a decision on direct elections at the county level.

The Electoral Law adopted at the Second Session of this congress provides that deputies to county people's congresses shall be elected directly. This is an important reform in the building of organs of political power in our country. Direct election at the county level is the foundation for instituting through election the organs of political power at the higher levels and an essential basis for the practice of democratic centralism. As a result of direct elections, the county people's congresses will be directly in the hands of the people themselves. The county people's congresses shall then elect their standing committees, the county people's governments, and the deputies to the provincial people's congresses. These in turn shall elect their standing committees, the provincial people's governments, and the deputies to the National People's Congress. Thus, through the people's deputies, the people's con-

gresses and their standing committees and the people's governments, the 900 million people will be able to administer the country's affairs and chart their own future and the destiny of the nation and the state.

We had some experience in holding elections in the past, but then came an interval of ten years during which elections were not held. The new Electoral Law, summing up this experience and giving greater play to democracy, stipulates that in the elections, candidates may be nominated by the Chinese Communist Party, the democratic parties and mass organizations jointly or separately, or by any voter or deputy when seconded by no less than three others; that the number of candidates standing for election shall be greater than the number of those to be elected; that the candidates shall be decided after repeated deliberations, discussions and democratic consultations among the voters or their deputies taking part in the election and that if too many nominees are named, a preliminary election may be held to decide on the formal list of candidates in accordance with the opinion of a relatively big number of voters; that a voter may vote for or against a candidate, or vote for anyone from among the voters, or abstain from voting; that the voters or electoral units have the power at any time to recall or replace the deputies or state functionaries they have elected. These provisions are made to ensure the free exercise of the people's right to elect and to recall those they have elected and are an important guarantee for the people as the masters of the country to administer the affairs of the state. To see to it that the Electoral Law is implemented conscientiously and that the people freely exercise their democratic rights and that direct elections at the county level are held successfully, it is necessary to educate the cadres and masses extensively in socialist democracy and legal system and to make adequate ideological, organizational, technical and administrative preparations for the elections. In particular, pilot elections should be organized through which both cadres and the masses can gain experience and both the leadership and the people can come to know through practice what problems they may encounter in a general election, what are the crucial aspects of these problems and how they can be solved. Unless this is done, it will be difficult to give proper guidance to the elections in the counties. Therefore, the Standing Committee of this congress has decided that preparations for county elections should continue and more pilot elections be held in the

first half of this year, and that within the latter half, elections at the county level shall be held group by group at different times throughout the country. It is expected that direct county elections will be completed in the main this winter or next spring.

(3) On the enforcement of the Law of Criminal Procedure.

The Law of Criminal Procedure enacted by the Second Session of this congress was to come into force in January 1980. During the latter half of 1979, the people's governments, people's courts, people's procuratorates and public security organs at all levels did the groundwork for its enforcement in making good deficiencies in personnel, putting the judicial organs on a sound basis and quickening the pace of dealing with the cases left over from the past. However, owing to the sabotage by Lin Biao, Jiang Qing and their ilk and the smashing of the public security organs, procuratorates and courts of justice, the existing institutions are far from satisfactory. They are still short-handed and their cadres lack professional experience. And in many places a good number of cases remain outstanding. So it is difficult this year for many localities to handle cases strictly according to the time limit and procedures as stipulated in the Law of Criminal Procedure. Therefore, the Standing Committee has decided to accept the proposal of the Supreme People's Court and the Supreme People's Procuratorate that criminal cases which were filed before December 31, 1979 and on which no judgment has yet been passed shall be dealt with according to the past policies, statutes and procedures concerning criminal proceedings, while criminal cases accepted as of January 1, 1980 shall be handled according to the Law of Criminal Procedure, and that if there are too many cases and not enough personnel to handle them, upon the approval of the standing committees of people's congresses of the provinces, autonomous regions or municipalities directly under the Central Government, the time limit for handling a case may, up to the end of 1980, be extended. In order to make, in the current year, the necessary preparations and create the conditions for the nationwide enforcement next year of the Law of Criminal Procedure, the Standing Committee has adopted a resolution on the planned enforcement of the Law of Criminal Procedure. Under this resolution, people's courts, people's procuratorates, public security organs, judicial administrative offices and other relevant de-



People's deputies of a district in Shanghai inspecting a furniture factory which has taken measures to reduce air pollution.

partments at all levels are required to draw up, in the light of the actual conditions, specific plans to enforce the Law of Criminal Procedure within this year in stages and in a number of localities at a time throughout the areas under their jurisdiction, with the exception of a very few outlying areas where the date of enforcement of the law may be postponed appropriately owing to exceedingly difficult communications.

Institution of a lawyer system constitutes a major aspect in enforcing the Law of Criminal Procedure and perfecting the socialist legal system. The Standing Committee has approved the Tentative Regulations Concerning the Work of Lawyers in the People's Republic of China. But regulations alone cannot solve the problem completely. It is necessary to give more publicity to the lawyer system and train lawyers in large numbers.

(4) The Criminal Law instituted at the Second Session of the Fifth National People's Congress is a powerful weapon with which to

combat criminal offences, protect the people's rights and maintain public order.

However, the Criminal Law can impose penalties only on criminal offenders. As regards those who do not commit serious crimes, but every now and then commit petty offences and disturb public order, which are not liable to penalties fixed by the Criminal Law, or those who obstruct the maintenance of order and endanger public security, it is necessary to have relevant statutes for guidance in dealing with them. Therefore, the Standing Committee has approved the State Council's Supplementary Decision on Re-education of Offenders Through Labour and has republished the Decision on Re-education of Offenders Through Labour and the Regulations Governing Offences Against Public Order promulgated by the State Council in 1957.

Owing to the pernicious influence of Lin Biao and the gang of four who incited people to engage in "beating, smashing and looting," and in all kinds of sabotage, trouble-making, and evil-doing, quite a number of youngsters have committed petty criminal offences. In many cases, their families and the units to which they belong are unable to make them behave. It is necessary to subject them to compulsory or semi-compulsory re-education and remoulding through labour or by sending them to work-study schools. To this end, the Commission for Legal Affairs organized a forum on work-study schools at which the Ministry of Education, the Central Committee of the Communist Youth League and other departments were represented and leading cadres and teachers of some work-study schools were present. It was pointed out that the work-study school is a good means of re-educating and remoulding youngsters who have committed minor offences. The work-study school must observe the principle of patient education and reform, treat its pupils as "blighted flowers" and save them by curing their "sickness" with great patience. All forms of corporal punishment and any other illegal acts are forbidden.

To strengthen public security and order, it is necessary to mobilize the masses and rely on them. In accordance with the resolution of the N.P.C. Standing Committee on the validity of the laws and decrees enacted since the founding of the People's Republic, we republished the Organic Rules of the Urban Neighbourhood

Offices, Organic Rules of the Urban Residents' Committees, Tentative Organic Rules of Public Security Committees and Tentative General Rules for the Organization of the People's Mediation Committees. To reactivate, consolidate and strengthen the grass-roots organizations in the cities, get the people organized, cement the ties of the authorities at the grass-roots level with the people and rely on the masses in handling public affairs in accordance with the above-mentioned rules and regulations — all this constitutes the mass basis indispensable for the maintenance of good public order.

(5) Speed up economic legislation and other work to meet the demands of the four modernizations.

Since the Law on Joint Ventures With Chinese and Foreign Investment was enacted at the Second Session of this congress, all interested parties have been looking forward to the early drafting of relevant statutes for the enforcement of the law. The Commission for Legal Affairs, after many discussions and studies, has drawn up jointly with the Foreign Investment Commission under the State Council, the State Planning Commission, the Ministry of Finance, the Bank, the General Bureau of Labour and the First Ministry of Machine-Building, Regulations on Some Problems Concerning Joint Ventures With Chinese and Foreign Investment. And, on this basis, we have drawn up Regulations on Labour Management of Joint Ventures With Chinese and Foreign Investment, Tentative Regulations on Construction Sites of Joint Ventures With Chinese and Foreign Investment, and the Rules on Registration and Management of Joint Ventures With Chinese and Foreign Investment. We have also worked out a Draft Income Tax Law of the People's Republic of China Concerning Joint Ventures With Chinese and Foreign Investment and a Draft Individual Income Tax Law of the People's Republic of China.

In order to protect the environment and natural resources and prevent and control pollution and other public hazards, the Standing Committee has approved in principle the Law on Environmental Protection of the People's Republic of China (For Trial Use). This is an important statute for ensuring normal production and protecting the health of the people, a statute which will have a vital bearing on future generations.

The Standing Committee has also approved the Regulations Concerning Academic Degrees

of the People's Republic of China drawn up by the Ministry of Education. Three academic degrees are instituted, those of Doctor, Master and Bachelor. It is stipulated that degrees will also be conferred on those who demonstrate by passing the examinations that they have attained appropriate levels through self-study.

As the modernization programme advances, the demand for legislation for economic work becomes more urgent. Since the Second Session of this congress, more than 70 economic statutes have been or are being drafted by relevant departments under the State Council. However, it takes time to enact economic statutes because our economic system is being restructured and changes are constantly taking place. We are just in the process of experimenting with and accumulating experience on some important reforms. Moreover, we lack experience in legislation for economic work. Therefore, the formulation of laws and regulations can only be carried out on the basis of the summing up of experience. A gradual process is needed to make the drafts definitive. They will be enacted once they have reached that stage. With the progress of economic readjustment and restructuring, it will be necessary to strengthen legislation for economic work; the factory law and contract law, in particular, claim precedence over others. At the same time, legislation for cultural, educational and public health work must be strengthened.

Ours is a socialist country of people's democratic dictatorship led by the proletariat and based on the worker-peasant alliance. The state-owned economy and collectively owned economy constitute the main sectors of the national economy while the individual economy is auxiliary, complementary, but indispensable. Over a fairly long period of time, each economic sector will demonstrate its own merits within its scope. This is determined by the historical conditions obtaining in our country. Our economic laws and regulations and the civil code should effectively protect, in line with the policies of the Party and government, the three economic sectors from being encroached upon. All our laws, decrees and administrative regulations should protect and promote co-operation and competition among the different economic units under the guidance of the economic plan, so that they will compete with each other in terms of the quality of their services to the people and their contribution to society. This will facilitate the full display of the superiority of socialism.

The Civil Law and the Law of Civil Procedure are important, basic laws dealing with relations between the state, the collective and the individual. They cover a wide range of complex problems. The civil cases we handled in the past were mainly marriage and family disputes, most of which were settled through mediation and consultation in accordance with relevant policies. Many disputes, particularly economic disputes, such as those between one state enterprise and another, between state enterprises and collective enterprises, between one collective enterprise and another, between the state and the individual, and between the collective and the individual, were handled chiefly by administrative organs and very few were brought before the courts for judgment or arbitration. Consequently, we have very little experience in this field and are now much less adequately prepared, both subjectively and objectively, for drawing up a civil law than we were in the case of the Criminal Law. The drafts of the Criminal Law, including the 22nd draft finished in 1957 and the 33rd draft finished in 1963, summed up a wealth of experience in a vast number of court cases in administering justice. But we have to start from scratch in drawing up a civil law. A drafting group for a civil law and a civil procedural law was set up under the Commission for Legal Affairs last year, and has worked out first drafts of 501 articles for the civil law and of 167 articles for the law of civil procedure. Yet this is only the beginning of our work in this field. We are going to solicit the opinions of the various provinces, autonomous regions, municipalities directly under the Central Government, and the related central departments on these two drafts. A relatively long period is needed to make extensive investigation and research, to further sum up the experience and lessons of the past 30 years, to study the relevant laws and our historical experience and experience of other countries and to make repeated revisions of our drafts. Only then can we make them definitive.

The law of family planning is also a very important, urgently needed document. The Family Planning Office under the State Council has worked out a draft which has gone through many revisions and has been discussed again and again by the Commission for Legal Affairs. We had planned to submit this draft together with the revised Marriage Law to this session for examination. But family planning is a new field. Although notable successes have been achieved and much experience accumulated



N.P.C. Standing Committee Members inspecting a farm in Beijing.

over the past few years, there are still a lot of problems and divergences of opinions among the various quarters. Conditions are not ripe for making a family planning law now, nor for submitting the draft to this session. What we have done in this connection is only to stipulate in the revised Marriage Law that both husband and wife have the obligation to practise family planning and that late marriage and late childbirth are encouraged. We shall continue to sum up experience and canvass opinions from all sides so that a family planning law may be enacted as soon as possible.

Legislation governing minority nationality autonomous areas is an important aspect of China's socialist legal system. The Nationalities Affairs Commission of this congress is actively helping with this work which is going on in a number of national autonomous areas.

In the past year and more, apart from pursuing its legislative tasks, the Standing Committee has also done the following:

(1) It has strengthened its contacts with the standing committees of the people's congresses of the provinces, autonomous regions and municipalities directly under the Central Government and improved its own work.

In accordance with the Organic Law of the Local People's Congresses and the Local People's Governments, the people's congresses of the 29 provinces, autonomous regions and municipalities directly under the Central Government have elected their own standing committees. The county congresses directly elected

by the voters have also elected their standing committees. In the past, only the National People's Congress had a standing committee; none of the local congresses had such a committee. Now people's congresses at and above the county level all have these committees to take charge of their routine work. This is a major reform in the building of organs of state power, which has great significance for the perfecting of our state system. The N.P.C. Standing Committee

should maintain close contact with the committees at the provincial level which in turn should maintain such contact with those at the county level. In this way, they will have better ties with the people and can place their work on a more solid mass basis.

(2) The Standing Committee has defined the functions, powers, responsibilities, and organizational structure of the standing committees of local people's congresses in order to facilitate their work.

The work to be done by the standing committees of the local people's congresses at or above the county level is new. The consensus is that, according to the Constitution and the Organic Law of the Local People's Congresses and the Local People's Governments, the standing committees of local people's congresses are working organs, organs of state power. Instead of engaging in "idle talk" or "merely" making "suggestions," they are required to undertake heavy tasks, have much to do and are empowered to make decisions on many important matters. The responsibilities, functions and powers of the standing committees of people's congresses of the provinces, autonomous regions and municipalities directly under the Central Government are mainly the following: First, to draw up and promulgate local statutes in accordance with the law. This function and power is of great importance. The basis for such legislation is the specific conditions and actual needs of their respective areas. But the statutes promulgated must not contradict the Constitu-

tion, the laws, or the policies, decrees and orders of the Central Government. Second, to discuss and decide on important matters concerning political, economic, cultural, educational and public health work as well as civil affairs and nationality affairs in their own administrative areas and to examine and approve the revision of part of the economic plans and budgets of their own areas. Third, to appoint and remove personnel. This, too, is one of their important responsibilities, not something dispensable. In approving the appointment or removal of personnel, the standing committees mainly base themselves on the assessments of the personnel in question by the offices making the recommendation for appointment or removal. But they can vote them down if their members object to the recommendation, having discovered the recommendation inappropriate. They can also, according to law, exercise their power to recall or replace at any time those who have violated the law and discipline or are incompetent. Fourth, to supervise the work of the people's governments, people's courts and people's procuratorates at the corresponding level and especially to monitor whether their activity is in violation of the Constitution, laws and decrees, and whether they are correctly implementing the line and policies of the Party and the state.

(3) The Standing Committee heard and discussed the reports of the State Council, the Supreme People's Court and the Supreme Peo-

ple's Procuratorate on their work, and has discussed and decided major issues of the state.

This is an important function of the Standing Committee. During the past year and more, the committee heard and discussed the following reports: a report by the State Economic Commission on industrial production and transport and communications in 1979 and the tasks in these fields for 1980; a report by the State Planning Commission on the implementation of the 1979 National Economic Plan and the arrangements for the 1980 National Economic Plan; a report by Premier Hua Guofeng on his visits to France, the Federal Republic of Germany, the United Kingdom, Italy and Japan; a report by the Ministry of Foreign Affairs on the visit to China by the late Prime Minister Masayoshi Ohira of Japan; a report by the Ministry of Public Security on results of the work to improve public order in the cities and on how to proceed with this work in future; a report by the Ministry of Civil Affairs on experiments in direct elections at the county level and on election arrangements for 1980; reports by the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on the enforcement of the Law of Criminal Procedure and on their plans in this respect; a report by the Foreign Investment Commission on some questions concerning joint ventures with Chinese and foreign investment; etc. In the course of discussions on these reports, the Standing Committee Members fully expressed their views, making criticisms

and suggestions regarding the shortcomings and other problems in the work while affirming its achievements. Some criticized certain localities for arbitrarily raising commodity prices and issuing excessive bonuses. They demanded that the government departments concerned tighten price control and put an end to the abuses in the granting of bonuses and the increasing of prices. Some Standing Committee Members sharply criticized certain localities which had for a



Deputies of a district in Shanghai checking on the prices and quality of goods in a shop.

time failed to strike back at the active criminal offenders with sufficient vigour, demanding that the public security organs, the people's procuratorates and the people's courts promptly mete out, in accordance with law, severe punishments to felons who have committed murder, rape, robbery, arson or other crimes seriously disrupting public order, so as to ensure public security, protect the rights of the people and safeguard the cause of modernization. Although much has been achieved in preserving and strengthening public security in recent years, many serious problems remain to be solved. It is necessary to do better in this respect so as to restore or, in some places, create good public order in the shortest time possible. Members of the Standing Committee raised many criticisms of the work of the State Council, the people's procuratorates and the people's courts and made many suggestions on how to improve it. Thus, the Standing Committee of this congress duly supervised the activities of all three of these organs.

(4) The Standing Committee made decisions concerning the setting up of new organs under the State Council and the appointment and removal of state functionaries.

In the period since the Second Session of this congress, the Standing Committee decided, upon the proposal of Hua Guofeng, Premier of the State Council, on the setting up, under the State Council, of a Financial and Economic Commission, a Machine-Building Commission, a Foreign Investment Commission, an Import and Export Commission, a State Energy Commission, an Eighth Ministry of Machine-Building, a Ministry of Justice and a Ministry of Geology.

In order to strengthen the leadership of the State Council, the Standing Committee of this congress appointed, upon the proposal of Hua Guofeng, Premier of the State Council, Zhao Ziyang, Wan Li and Ji Pengfei Vice-Premiers of the State Council; it removed Ji Dengkui and Chen Xilian from Vice-Premiership. It also accepted the resignation of Wu De from Vice-Chairmanship of the Standing Committee of this congress. Now I submit all these to the session for endorsement. The Standing Committee approved the appointment of some additional vice-chairmen and members of the Commission for Legal Affairs. It appointed or removed, in accordance with law, a number of leading personnel of some ministries and commissions under the State Council, ambassadors to foreign countries as well as procuratorial and judicial personnel.

Over the past year and more, the Standing Committee of this congress has also done much in foreign affairs. Vice-Chairman Deng Yingchao led an N.P.C. delegation on visits to Thailand, France and the European Parliament and, after their return, reported to the N.P.C. Standing Committee on these activities. The Standing Committee also received visiting parliamentary delegations, speakers, or members of parliament from the Sudan, Bangladesh, Malta, Barbados, Canada, Thailand, Japan, the United States, Australia and other countries, and received a delegation of Japanese jurists.

In addition to all this, the Standing Committee of this congress handled large numbers of letters from the people.

The Standing Committee of this congress voted to accept a proposal on an amendment to Article 45 of the Constitution of the People's Republic of China, and examined four draft laws. I now submit the proposal on the amendment and the four draft laws to this session for deliberation.

After careful discussion, the Standing Committee of this congress unanimously accepted the proposal of the Central Committee of the Communist Party of China on amending Article 45 of the Constitution in order to give full play to socialist democracy, perfect the socialist legal system, safeguard political stability and unity in the country and ensure the smooth progress of socialist modernization. The Party Central Committee had proposed that the provisions of Article 45 of the Constitution, that "Citizens enjoy freedom of speech, correspondence, the press, assembly, association, procession, demonstration and the freedom to strike, and have the right to 'speak out freely, air their views fully, hold great debates and write big-character posters,'" be amended by deleting the passage that citizens "have the right to 'speak out freely, air their views fully, hold great debates and write big-character posters.'" so that the Article will read: "Citizens enjoy freedom of speech, correspondence, the press, assembly, association, procession, demonstration and the freedom to strike."

Separate explanations will be given concerning the four draft laws and I will just elaborate on a few main points here:

(1) Concerning the Revised Draft of the Marriage Law of the People's Republic of China.



N.P.C. Standing Committee Members inspecting a work-study school in Beijing.

The present revised draft of the Marriage Law of the People's Republic of China was drawn up on the basis of the Marriage Law promulgated in 1950.

As regards the legal marriageable age, the 1950 Marriage Law stipulated that "A marriage can be contracted only after the man has reached 20 years of age and the woman 18 years of age." In the revised draft the legal age is 22 years for the man and 20 years for the woman, that is, two years higher in age for both sexes than in the 1950 Marriage Law. The overwhelming majority of the provinces, autonomous regions, municipalities directly under the Central Government, and central departments are in favour of this revision; they believe that the new stipulation takes into account the actual conditions in both urban and rural areas and is, therefore, appropriate. People in some rural areas, particularly people in minority nationality areas, think that the stipulated marriageable age limit is too high and that it would be difficult to observe this provision. Consequently, the revised draft stipulates that authorities in minority nationality autonomous areas may make modifications or supplementary regulations in the light of the actual conditions in regard to marriage and family relations prevailing among the minority nationalities of those localities and in accordance with the opinion of the majority of the people. In changing the custom of early marriage in the rural areas, we should continue our work of persuading the masses in step with the development of the rural economy and culture. This must be done gradually, having regard to the

free will of the masses. It can hardly be done at one stroke. On the other hand, some people in the cities think that the stipulated marriageable age limit is too low, and contradicts the principle of late marriage and family planning. It must be pointed out here that what is stipulated in this law is the minimum marriageable age; that is, couples are not allowed to contract marriages below this age level. It does not mean that they have to contract marriages when they have reached the age limit. The state has consistently encouraged young people to get married at an appropriate later age. The age for marriage and the age for family raising are interrelated but, in practice, they may be different. The revised draft has added an article that both husband and wife are obligated to practise family planning and that late marriage and late childbirth are encouraged. So long as we keep up our efforts in family planning, it is possible to bring population growth under control. Conversely, however late a marriage may be, there can still be too many childbirths.

About divorce. The 1950 Marriage Law provided that when one party insists on a divorce, "it may be granted only when mediation . . . has failed to bring about a reconciliation." The present draft reads: "In cases of complete alienation of mutual affection, and when mediation has failed, divorce should be granted." In view of the fact that it is not a very long period since the feudal system of marriage was abolished and that our economic and cultural

level remains relatively low, a section of public opinion is usually not sympathetic to the party who applies for the divorce, so the problem is rather complicated. This was reflected in the fact that the courts were generally strict in handling divorce cases in the past. The draft has thus added the condition "in cases of complete alienation of mutual affection." This on the one hand upholds the principle of freedom of marriage and on the other provides the courts with legal authority and flexibility which more closely accord with the present conditions in our country.

With regard to the marriages of military personnel, the revised draft retains the provision of the 1950 Marriage Law that "If the spouse of a member of the armed forces on active service insists on divorce, consent must be obtained from the member." As the present term of military service generally ranges from three to five years, during which time the majority of servicemen are under or just reaching the legal age for marriage, this provision will not affect very many people. Although its direct effect will be limited, its impact on public opinion and within the armed forces will be great. That is why the revised draft retains this provision of the 1950 Marriage Law which gives protection to the families of servicemen.

(2) Concerning the Draft Nationality Law of the People's Republic of China.

A key point of the draft Nationality Law of the People's Republic of China is that it does not recognize dual nationality. The draft provides that "No dual nationality is recognized for any Chinese national" and corresponding stipulations are made in other articles of the draft. This is a policy consistently and explicitly proclaimed by our government. A number of former Chinese nationals residing abroad who have acquired foreign nationality hope to retain their Chinese nationality. This sentiment of theirs is understandable. But in the long-term interests of the overseas Chinese — for the sake of their work and their daily life — and to facilitate the handling of related matters between China and other countries concerned, we believe that it is better to stipulate the non-recognition of dual nationality. If some of the above-mentioned overseas Chinese decide in future to return and settle down in China and wish to restore their Chinese nationality, that would raise no difficulties, as

the draft Nationality Law provides for the restoration of Chinese nationality.

(3) Concerning the Draft Income Tax Law of the People's Republic of China Concerning Joint Ventures With Chinese and Foreign Investment.

The draft Income Tax Law of the People's Republic of China Concerning Joint Ventures With Chinese and Foreign Investment fixes the tax rate at 30 per cent with an additional local surtax of 10 per cent of the assessed income tax. The actual tax rate imposed will be 33 per cent (the tax rates on the income of joint ventures exploiting petroleum, natural gas and other resources shall be established separately). If profits are remitted from China, a further tax of 10 per cent shall be imposed on the remitted amount.

Our tax rate is relatively low compared with those of the same category in other countries, particularly the developed capitalist countries. Our main purpose in allowing and encouraging foreign investment in joint ventures in our country is not to increase revenue directly through additional taxes but to import advanced technology and equipment, draw on advanced experience in the management of enterprises, promote production, expand foreign trade and accelerate our four modernizations so as to raise the people's living standard faster and more effectively on the basis of the development of production.

(4) Concerning the Draft Individual Income Tax Law of the People's Republic of China.

Individual income tax is collected generally in economically developed countries. In our country, individual income tax has never been levied in the past due to the fact that our economy was underdeveloped, the national income remained at a low level and a low-wage system was in force. Now with the emergence of joint ventures with Chinese and foreign investment, we have to introduce an individual income tax system. The draft stipulates that income tax shall be levied on that part of any monthly wage or salary which is in excess of 800 yuan for Chinese and foreigners alike. Since the workers and staff in our country do not now have such high wages, they will not be required to pay income tax for their wages. From now on, anyone whose monthly wage or salary exceeds 800 yuan should pay income tax according to this law. □

Democracy in Action, Accent on Reforms

— Sidelights on N.P.C. Session

by Our Correspondent Tian Sansong

THE recent Third Session of the Fifth National People's Congress met in a lively, democratic atmosphere. It was characterized by socialist democracy, with the accent on reform. It represented a big stride forward on the road of democratization.

A Fact-Giving Session. Two State Council reports on economic work and a speech by Hua Guofeng were delivered in a realistic way, reviewing both achievements in the work of the government as well as shortcomings and mistakes. Important figures in the state plan, including financial deficits, were released. This is in sharp contrast to the days when Lin Biao and the gang of four had their way, when the national economy which was on the verge of collapse was said to be "prospering" and the situation in the country, simmering with popular resentment, was pictured as "excellent"! The consensus of the deputies to the session favoured the new approach, which, they said, showed that the people's democratic rights were respected. Deputy Zhao Chaogou, a veteran journalist from Shanghai, said to this correspondent: "An honest session, I would say. At first I was a bit worried on hearing that we had deficits, but before long I found myself pleased by the candidness of the government leaders, who lived up to their commitments to the people by not making false, pompous, meaningless reports pretending that everything was all right and nothing wrong. Haven't we had enough of them in the past? When the session is informed of the difficulties our country is in as it advances, it gives us the feeling that we all are in the same boat and we all should do something to help tide over these difficulties. . . ."

A Session Where All Deputies Are Equal. The way the meetings were held was not the same as before. In the past, deputies holding leading posts would mount the rostrum only after all other deputies had taken their seats and they would receive a standing ovation with all the lights in the auditorium on. This time they just walked into the hall and took their seats about the same time as the others. At the back of the rostrum was the emblem of the People's Republic, replacing the leaders' portraits which used to dominate the scene. Ranking officials now took part in group deliberations like everybody else. In the past, they were supposed to belong to different groups of deputies, and they just didn't join the deliberations as ordinary deputies but would appear as leaders who came down to "meet their fellow deputies" or "give instructions." All these may appear to be mere trifles, but it was these details that testified to the new spirit of the session. Congress members had the feeling that the wall between them and the leaders was being pulled down to let the breezes of democratization blow in.



Tibetan deputies at a panel discussion.

A Session at Which Everyone Had His Say. All deputies very conscientiously took part in the deliberations over the report on the work of the government and the draft laws. They brought to the congress the opinions of the people they represented, speaking their minds and often getting into heated debates. They criticized in all seriousness the enormous waste in capital construction, the policy towards wage raises which did not fit in with the real state of affairs, the lukewarm effort made to curb price hikes, the failure on the part of the government to pay enough attention to pollution and other environmental problems, and, of course, the over-staffed administration and the bureaucratic style of work. And so on and so forth.

Deputies present stressed the need to sum up experiences and draw lessons from them, and maintained that not everything could be laid at the door of the gang of four. Some mentioned that more attention should be paid to economic legislation so that no one responsible for a big waste could get away with it.

During discussions of the construction programme, Deputy Wu Lengxi (Guangdong) said: In the report on arrangements for the national economic plan, the development of heavy industry was dealt with at great length, but there was only one brief sentence about agricultural and light industrial development. He quoted the report: "We should strive to speed up the growth of agriculture and light industry." But how? No concrete measures were given. If this meant that the State Planning Commission was continuing to emphasize heavy industry and to follow the guideline of developing heavy industry, light industry and agriculture in that order, it was a dangerous signal. Deputy Wu declared that he felt uncertain, uneasy, and unhappy because he couldn't make out where the emphasis was laid.

The congress showed great concern over the financial deficits. Some deputies said that it was excusable to have budget deficits in the last fiscal year, but certainly not in our budget estimates for the current fiscal year or the next, especially for the next; this matter should be examined. They also warned against deficit financing. Deputy Feng Xijia (Sichuan) pointed out that Finance Minister Wang Bingqian in his report made few suggestions as to how to get out of the red. Minister Wang only suggested that fewer projects should be undertaken. Administrative expenses in this year's budget estimate were 90 million yuan more than those for last year and there would be another in-

crease in the budget estimate for next year. These expenses, in his opinion, were far too high and should be radically cut.

All the leading dailies throughout the country carried excerpts from the speeches of the deputies so that their voices were heard both inside the congress and outside, and a lively atmosphere prevailed throughout the nation.

The congress also made many amendments to the draft laws and the work of the government according to motions made by the deputies during their deliberations. The new Marriage Law, for instance, originally scheduled to go into effect in 1982, will instead go into force in 1981 at the suggestion of a majority of deputies. More was said in Hua Guofeng's report on the work of the government about how to get rid of feudal ideas, as suggested by the deputies.

Asking the Government Questions at the Session. This was one of the eyebrow-raising events at the recent session. It is true that all deputies "have the right to address inquiries to the State Council, the Supreme People's Court, the Supreme People's Procuratorate, and the ministries and commissions of the State Council . . ." as written in the Constitution, but actually few deputies chose to exercise this right in the past. At the recent session, however, things were different, with quite many deputies addressing inquiries on a number of questions of major importance.

Deputies from Beijing were the first to break the ice (see box on next page), asking the Ministry of Metallurgical Industry questions about the mistakes and waste in the construction of the Baoshan Iron and Steel Complex in Shanghai. The minister and two vice-ministers were summoned to answer questions. This was followed by Shanghai and Sichuan deputies asking the State Bureau of Commodity Prices and the Bureau of Labour questions about price hikes and wage problems.

Some deputies told the congress that the N.P.C. Standing Committee should address inquiries to the government on questions of importance when the congress was not in session and should not necessarily wait until the congress convenes. The indications are that there will be more inquiries in the days to come, as democratization goes ahead.

More Motions. Altogether 2,300 motions were put forward. It may be recalled that only 1,890 motions were made at the previous session. Moreover, this time the motions touched on

Tough Questioning

ON September 4, a panel of deputies from Beijing began to ask the Ministry of Metallurgical Industry questions about Baoshan Steel, a giant iron and steel complex. It is now under construction at Baoshan County on the outskirts of Shanghai. Its investment has already run to more than 20,000 million yuan. Its main equipment is imported from Japan. Preparations for the actual construction started in 1978. The project envisages a capacity of 6 million tons of steel a year, and is scheduled to be completed in seven years. People from many walks of life doubt if this undertaking is economically worthwhile.

Deputy Liu Da (President of Qinghua University) and other fellow deputies asked: Exactly how much will the total investment in Baoshan Steel amount to? What foreign loans have been made and what is the rate of interest? When can it be commissioned and how many kinds of product will it turn out? When can the investment be recovered? Is the site which was chosen a proper one? What about the quality of the engineering work? Is there a guaranteed ore supply? What are the lessons to be kept in mind?

Minister of Metallurgical Industry Tang Ke answered the questions one by one. Yeh Zhiqiang and Zhou Chuandian, Vice-Ministers, made additional explanations. They all admitted that they had underestimated the economic difficulties and overestimated the ability of the state to bear the costs. But they maintained that to build steel plants of our own was economically more desirable than importing steel products. They stated that according to preliminary calculations, the total investment in Baoshan Steel could be recovered within 13 years.

The press in Beijing gave the questioning prompt coverage which led to widespread

discussions among the other deputies. Some deputies, not satisfied with the answers given, pointed out that the ministry had avoided the key question — waste. A member of the Political Consultative Conference who attended the session as observer chimed in. They pointed out that if Baoshan Steel could hand over 1,630 million yuan in profits every year, then the 21,400 million yuan investment could be recovered. But what about the interest? Nothing was said about that. If the annual rate of interest was fixed at 8 per cent, the interest alone every year would amount to 1,710 million yuan. In that case, it would be difficult to pay the interest itself so what grounds were there for expecting repayment of all the loans in 13 years?

On September 6, the Shanghai delegation of deputies questioned the Ministry of Metallurgical Industry for the second time. At the meeting, Yu Guangyuan (Vice-President of the Chinese Academy of Social Sciences) and 16 other fellow deputies put forward more questions. Their main concern was the extent of contamination Shanghai would suffer from the pollution caused by Baoshan Steel. Their questions touched on anti-pollution measures to be taken, the total investment, the cost of the products, the economic value of the project and what lessons the ministry would draw from this project...

Vice-Ministers Yeh Zhiqiang and Zhou Chuandian were present at the meeting to answer the questions.

Some deputies were not satisfied with the answers. They suggested that the N.P.C. and the C.P.P.C.C. (Chinese People's Political Consultative Conference) set up a joint committee to listen to experts' opinions, make an overall inspection of the Baoshan Steel construction work and take measures to cope with the existing problems in order to reduce losses to a minimum.

things that were much more constructive and covered a wider range than before.

Deputies put forward many constructive motions on how to speed up the pace of the four modernizations, how to put the institutions of the N.P.C. on a sounder basis, how to strengthen the legal system and other matters involving major policies and principles. A lot of them were put forward only after serious investigation had been made. For instance, a bill on putting the N.P.C. institutions on a sounder basis and on amending the organizational law of the N.P.C. was tabled by Deputy Chen Haosu. It came to 19,000 words and included his reasons for the motion. Among them, he listed the organizational shortcomings of the existing

N.P.C., and put forward detailed proposals for correcting them. The proposed amendment was also attached to the bill. The newly elected Vice-Chairman of the N.P.C. Standing Committee Bainqen Erdini Qoigyi Gyaincain enumerated a number of reasons to justify his proposal that Article 46 of the Constitution, which reads "Citizens enjoy freedom to believe in religion and freedom not to believe in religion and to propagate atheism," should be amended simply to read "Citizens enjoy freedom of religious belief."

These motions were all approved by the Committee for Examining Motions and passed on to the N.P.C. Standing Committee, the State Council, the Supreme People's Court, and



Yeh Zhiqiang, Vice-Minister of the Metallurgical Industry, (holding a microphone), answering N.P.C. deputies' questions. On his right is Minister Tang Ke.

the Supreme People's Procuratorate to be studied and handled by the organizations concerned. They will report to the congress before the opening of the next session on the disposition of these motions. Many deputies also proposed the establishment of a special organ under the N.P.C. Standing Committee to supervise how these motions are handled.

Democratic Election. While in the past the premier, vice-premiers and leading personnel of the N.P.C. Standing Committee were elected by a show of hands and there was almost always "unanimity," elections at the recent session were held by secret ballot.

Although all the candidates were returned with a majority vote, no one this time succeeded in getting all the votes. The new Premier Zhao Ziyang who proved to be very popular among the deputies got 3,247 votes out of a total of 3,251 deputies who voted, with 3 against and 1 abstention. In by-elections for the three additional vice-premiers and five N.P.C. vice-chairmen, the votes against or abstentions went from scores to 500 in number. All the deputies preferred voting by ballot to a show of hands because it is more democratic.

The recent developments in the practice of democracy at the session is by no means accidental. People have come to see from painful experience in the decade-long catastrophe that without political democratization, it is impossible to give full play to the superiority of socialism, healthy economic development cannot be maintained and the four modernizations will

meet with one difficulty after another. In these years, with greater power of self-management for the communes, production brigades and teams in the countryside and for the enterprises in industry, with the functions and powers of the workers' congress strengthened, men's vision has been broadened and people's minds are emancipated. Also contributing to this were the democratic elections held at the grass-roots levels, and especially the criticism of patriarchalism, bureaucracy and the special-privilege mentality. Thus the process of democratization was pushed forward. The democratic spirit which permeated the recent

session was precisely a concentrated expression of the development of democratic life in China.

Reforms

The recent session was also one with the accent on reform.

Structural Reforms in State Leadership. This was a salient feature of the spirit of reform, and has a bearing on the success or failure of the whole modernization programme. The reforms are intended to resolve the problems of over-concentration of power, of making no distinction of functions between the Party and the government with the former overruling the latter, and of cadres holding lifelong posts.

The administrative reshuffle made at the session marked the beginning of a major reform. The examples set at the session, in the opinion of the deputies, will cause the local people's congresses and governments at the lower levels to follow suit and so to push on the reform.

The shortcomings of the existing structure of the leadership have long been a subject of discussion. People have been raising the following questions: Why is it that economic growth has been so slow in the three decades following the founding of the People's Republic and why has there been no significant improvement in the people's livelihood? What made it possible for Lin Biao, Jiang Qing and company to ride roughshod over the people for as long as ten

years and to inflict such tremendous sufferings? Why is it difficult to overcome bureaucracy, now that the gang of four have left the scene? Reasons for these are manifold, but the basic one is that throughout all these years, there have been quite a few problems in the leadership system and cadre system. For instance, the power of leadership in the Party and government has been over-concentrated and leaders have held too many posts concurrently; there has been

no separation of functions between the Party and government, with the former replacing or playing the part of the latter. With the development of modernization, it has been commonly felt that it is time to make the necessary reforms.

To do away with these drawbacks, the Party Central Committee has decided to separate the work of the Party from that of the government, and ruled that the first secretary of a Party committee generally should not concurrently hold the post of a government leader. At the Fifth Plenum of the 11th Party Central Committee held early this year, it was suggested that collective leadership should be strengthened and the practice of providing lifelong posts for leading cadres be abolished; also a decision was made to set up a Secretariat of the Central Committee. This was the first step taken to reform the system of the Party Central Committee leadership. The State Council ministerial changes as decided on at the session has initiated reform in the system of government leadership. These reforms will help strengthen the Party's leadership over line and policy and help raise efficiency in the work of the government.

Structural Reforms in Economic Management. This is another major issue decided on at the session after full deliberations. Hua Guofeng's speech has indicated the orientation: Overcentralized management by the state must be corrected and the decision-making power of enterprises and the power of workers and staff to participate in management extended; regula-



N.P.C. deputies (facing camera) addressing inquiries to officials in charge of the State Bureau of Labour and the State Bureau of Commodity Prices.

tion through planning alone should be transformed into combined regulation by planning and by the market; and management relying mainly on administrative organs and methods must give way to management based mainly on economic organs and using economic and legal methods.

Vice-Premier Yao Yilin in his report put forward eight specific measures for restructuring the economic managerial system: enlarge the decision-making power of all enterprises in state-owned industry; actively develop various types of economic integration; encourage extensive competition under the guidance of the state plan; allow banks to run their business independently; gradually reform the system of taxation; introduce market regulation under the guidance of the state plan; continue with the restructuring of the management of foreign trade; and strengthen legislation and the administration of justice in the economic field. After conscientious deliberations, deputies agreed that all these measures were necessary for speeding up the four modernizations. Some deputies from Sichuan and Anhui also spoke of the results of the experimental reform in their provinces to show that the reform was sure to enhance the people's initiative, stimulate the development of production and bring life to the economy.

The spirit of democracy and reform at the session was an inspiration to all deputies and the whole nation. Democracy and reform — they will certainly give a powerful push to the four modernizations. □

BOOKS

Labour of Love

Stage Art in "Teahouse" (in Chinese)

《〈茶馆〉的舞台艺术》

Collated by the Editorial Group of the Publication "Materials for Artistic Study" of the Beijing People's Art Theatre;

Published by China Drama Publishing House;

Distributed by Xinhua Bookstore;

Renminbi 2.20 yuan.

Teahouse, a three-act play (see *Beijing Review* No. 6, 1980, page 27), is being performed by Chinese actors and actresses in the Federal Republic of Germany and will later be staged in France and Switzerland. It will be the first Chinese stage play shown abroad as one of the items of cultural exchange between China and foreign countries. Just before the artists' departure from the Beijing People's Art Theatre, *Stage Art in "Teahouse"* has come off the press. The book praises the realistic style of writing of Lao She, the dramatist, as displayed in this work. Included in the volume, which is the first of its kind to be published in China, are a detailed scenario, based on the acting version of the play, mise-en-scene diagrams, photographs of the leading characters, pictures of the key scenes and a list of over 60 characters in the cast.

Cao Yu, eminent playwright and Director of the People's Art Theatre, in his introduction to this book, pays tribute to Lao She as a great dramatist, and recalls his own excitement on reading the draft of the first act of the play over 20 years ago. Through the common efforts of directors, actors and stage

artists, the play, when first staged in 1958, came to life as a great masterpiece. Its success was also due in no small part to the work of Jiao Juyin, the leading director, who was one of the guiding spirits of the theatre at that time.

The brilliance of the play has not waned with time. For over a year now, since it has been restaged, every one of its 150 showings has been a success. Recording every single detail of the play, the prompt book in this volume supplies notes about the setting, costumes, props, sound effect; and, most important, in-depth interpretation of the characters and the times they lived in. This interpretation is particularly pertinent to a play based on sweeping concepts spanning a period of 50 years, and obviously involved a great deal of research.

The book also contains articles written by artists who have contributed to the success of the play. These include articles by Lao She himself on the writing of *Teahouse*; reminiscences by Hu Jieqing, his widow; talks by Jiao Juyin during the original rehearsals; notes and monographs by Xia Chun, the co-director, and by some leading actors as well as by the stage setting, lighting, and sound-effects designers. These articles show a strong esprit-de-corps, a deep understanding of the play by every participant and also a distinctive, unique style of stage art.

Sketches by the well-known artist Ye Qianyu of the main actors make up a delightful addition to this publication. Exquisite works of art themselves, they serve to accentuate the achievement of the ensemble in creating such a gallery of memorable characters.

To me, an actor who took part in the original production and

subsequent revivals of *Teahouse*, the publication of *Stage Art in "Teahouse"* is all the more gratifying. Though *Teahouse* has always been a favourite of theatre-goers, it has been controversial ever since its premiere in 1958. During the disastrous ten years of the "cultural revolution" which started in 1966, Lao She and Jiao Juyin were persecuted to death. The play was heaped with calumny, alleging that it reeked with nostalgia for the ancient regime, it eulogized the overthrown capitalist class and that, as a clinching barb, the whole play lacked positive characters and the stage was crowded with monsters, demons and riff-raff. Even the theatre which presented the play was not spared from attacks by the ultra-Leftists.

Considering the vicissitudes through which the play has passed, I can't help feeling regretful that the present edition of the book does not include representative critical opinions which, I think, would help readers fully appreciate the significance of the early production and the present re-staging of the play. All the same, I feel the appearance of the book is a victory for all who have worked for a fair evaluation of *Teahouse* and also a victory for the realistic school of acting as exemplified in the play. Moreover, its publication would be a source of happiness to both Lao She and Jiao Juyin if they were still alive.

As an actor, I am more than pleased to see the realistic school of acting vindicated and confirmed in print. To the stereotyped, declamatory style of overacting which has been prevalent in recent years, the truthful, subtle handling of characters by the artists of the Beijing People's Art Theatre may serve as a healthy antidote.

— Ying Ruocheng



LETTERS FROM READERS

Personality Cult

I've carefully read *Beijing Review* Nos. 32 and 33 and I've enjoyed them very much.

It's good that you have expressed your views on the question of personality cult. I really can't understand such worship, and what I've seen and heard about the "wonders" of the little red book is really ridiculous. During my first visit to China in 1975, the situation had changed somewhat. I don't believe that Chairman Mao himself would agree to such things.

People, of course, should not deify Dazai (Tachai), a mountain village. However, the achievements made by the peasants there through arduous efforts should not be entirely ignored or negated either. I believe that the call "In agriculture, learn from Tachai" does not mean that people should copy it indiscriminately, but should learn from its spirit of hard struggle and self-reliance and the courage to conquer nature.

Hua Guofeng's reply to a Yugoslav journalist answers my questions in this regard.

Hildegard Nurnus
Weilburg, W. Germany

Difficulties No Longer Shunned

What I feel happy about *Beijing Review* is that, in the course of seeking a correct path, you no longer cover up difficulties, but adopt the correct method of reporting in detail the debates that are going on concerning what line should be adopted. My praise, first of all, is for what has happened in the past two years. In the period from 1975 to 1978, you published a great number of theoretical articles which were hard to understand. Their contents were metaphysical and,

since they were hidden under the cloak of Marxism, it was difficult for me to distinguish them.

Niklaus Giger
Zurich, Switzerland

More Different Views

What particularly interests me are the articles that analyse, in the spirit of self-criticism, China's political, economic, scientific and cultural development over the past 30 years. It is very important to publish more articles with differing views.

Truth becomes clearer and clearer through debates in a dialectical way. It is important to know the opinions, viewpoints, aspirations and criticisms of the young people in China. What we need is reports that accurately reflect the people's life.

Steiner Herbert
Vienna, Austria

Medical Service

In No. 25 (June 23, 1980), there was an excellent article on your medical service, very informative and most interesting but not forgetting the human interest. When you mentioned, by name, those brilliant doctors, urologists, neurosurgeons etc., may we know something about them as people? Are they married? How did they become doctors? What supplied the motivation? Let us have a look at a day in the life of a Chinese medical student. How many years is a medical course? Does it cost the student or his family anything?

M.H. Dalton
Addis Ababa, Ethiopia

Language Reform

I've read with great interest the special feature entitled "Reforming Written Chinese" published in issue No. 33. I have always been interested in the Chinese characters and the language. This article is of great help to me, because it has explained in detail the origin of Chinese characters, their simplification, the scheme of phonetic alphabet, Chinese dialects and so forth.

Yasushi Haya
Saitama, Japan

Good Educational Method

I read with much interest the article "Finding a Suitable Method" by Pan Yuqin in your issue No. 16. It is a very useful article to the teachers and the students as well. This suitable method of education expressed in the article gives correct guidance to the teachers and helps the students (like Liu Jun) regain their spirit of learning. Not only the method but also the manner in which it has expressed with the personal experience of the author impress me much. This article is really a great source of encouragement to truants like me.

S.M. Rabbwe Reza
Rajshahi, Bangladesh

Discussion on Morality

I am very much interested in the article carried in issue No. 24 about the discussion on morality and moral standard. It has deeply impressed me. However, morality is regarded by many people today as an outdated and backward concept.

E. Litschel
Bochum, W. Germany

Boring "People in the News"

I often get bored reading the column "People in the News." I think more prominent people ought to have been featured instead of people who are virtually unknown outside of China. Let's say giving the biography of famous writers or cadres, politicians etc., would be of great benefit to your readers.

Oduro Forson
Cape Coast, Ghana

Coverage on International Affairs

The Bolivia article on pp. 12-13 of No. 31 was fascinating—it provided far more information on this topic than did the Australian press. The cartoons are consistently of a high quality. The article on the non-aligned movement in issue No. 30 (p. 12) was also very informative. The Australian press usually ignores Africa, South and Central America, the Middle East and much of Asia—your reports have given us a much better understanding of what is happening in the world.

Chris Bain
Camberwell, Australia

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