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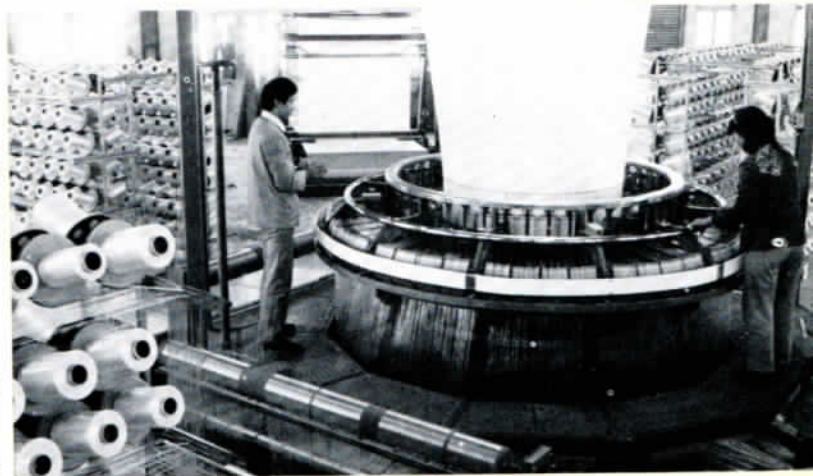
A CHINESE WEEKLY OF
NEWS AND VIEWS

- Foreign Investment Environment
- A Staunch Champion of Reform



SPOTLIGHT

An advanced weaving machine imported by the Shantou No. 2 Plastics Factory in Guangdong.



A worker operates imported resistor-producing technology at a Fuzhou factory.

The Shoudu Iron and Steel Company in Beijing has used new technology for its renovated No. 3 blast furnace.

The Wuhan Iron and Steel Company's computer-controlled rolling mill.



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COVER: Bu Xinheng (middle) — a champion of reform.	
Photo by Dai Huaming	

HIGHLIGHTS OF THE WEEK

Favourable Investment Environment

Gu Ming, Deputy Secretary-General of the State Council, details China's good environment for international investment — politically and economically favourable and offering preferential treatment (p. 16). In an interview with *Beijing Review* he explains China's approach to and position on investment protection accords (p. 18).

Economy Improves in the First Six Months

China's economy kept improving steadily in the first half of 1984. The improvement is marked by more heavy and light industrial products, a quicker pace of capital construction, a brisk market and better economic results, as compared with the corresponding period last year (p. 9).

Senegalese Policy Praised

President Li Xiannian has praised the visiting Senegalese President Diouf for his country's foreign policy of non-alignment and friendship with neighbouring countries. Li commended the Senegalese people for their struggle to shake off colonial control and for the economic achievements they have made since independence (p. 6).

A Champion of Reform

Bu Xinheng, Director of the Haiyan Shirt and Blouse Factory in Zhejiang Province, is one of the trailblazers of China's current economic reform. As much censured as praised, he finally turned a processing factory pinched with financial difficulties into a thriving modern enterprise (p. 19).

Rebels Hinder Nicaragua's Efforts

The US-backed anti-Sandinista campaign is preventing the Nicaraguan Government from concentrating its efforts on building up the country. Although US-Nicaraguan talks are under way, the spectre of war has not disappeared from the land (p. 24).

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Technicians Go to Countryside

by JIN QI
Economic Editor

While explaining how expanded farm production has helped the peasants become well-off, a leader of Changping County on the outskirts of Beijing said, "We should make use of others' intelligence to make a fortune."

So far, Changping has recruited 1,358 technical personnel to help the local people promote commodity production. They include 130 professors, research fellows, senior engineers and agronomists.

Following the extensive implementation of the responsibility system and the emergence of various types of specialized households, China's rural areas are changing profoundly. The rural economy is now moving from a self-sufficient or semi-self-sufficient existence to large-scale commodity production.

The rural cadres and peasants have realized from their own experience that they now need science and technology more than at any other time, whether they are engaged in agriculture, forestry, animal husbandry, sideline occupations, fishery or rural industry.

A year ago, the story of grabbing up the "gods of wealth" spread in the countryside. The peasants liken technical personnel to the "gods of wealth," who can help boost production and increase their incomes.

In the past, many engineers and scientists preferred to stay in the cities because of the unsatisfactory growth of agriculture and the relatively harsh working and living conditions in the rural areas. Even

the rural agronomists felt restless, and many sought jobs elsewhere.

But in recent years, many rural areas have achieved the beginning of prosperity, which has paved the way for improving the working and living conditions of technicians in the countryside. In order to meet the urgent needs of the rural areas, in 1985 the State Council decided that the technical force working in agriculture and forestry should be strengthened. It also decided to improve the living conditions of rural technical personnel.

In the past year scientists and technicians have been encouraged to move to the countryside, with some positive results.

Jilin Province, in northeast China, has reformed its system of assigning school graduates, and invited collective enterprises and specialized households in the rural areas to recruit college and technical school graduates. The units wanting to employ them can maintain direct contact with the universities and colleges and, with the approval of county and provincial authorities, may sign contracts with the graduates. The wages of these graduates will be higher than the standards set by the state.

In Chongqing, Sichuan Province, those university and technical school graduates, engineers and technicians who work in village and town enterprises below the county level receive wages one grade higher, plus other fringe benefits granted by the state.

Shenyang in Liaoning Province recently assigned 500 outstanding young cadres to leading technical and managerial posts in county

and township enterprises. The term of their work there is tentatively fixed at two years. Those who have been transferred to work in villages and towns on the outskirts of the city will have their salaries raised by two grades, and enjoy the same labour protection and welfare as other workers and staff.

In Beijing, suburban county governments are allowed to work out preferential provisions for enlisting specialized personnel according to their own financial and material resources.

Peasants in the rural areas around Wuxi, Jiangsu Province, were among the first in China to take advantage of advanced technology in the cities. To date, more than 700 town and village enterprises there have co-operated with 219 research institutes and universities and colleges throughout the country. They have successfully completed 220 research projects and trial-produced 420 new products. Of these, nine products have met specific needs in the country and 101 products have entered the world market. The per-capita income from industry for the peasants on the outskirts of Wuxi has reached 323 yuan, the highest in China.

Encouraging technical personnel to work in the rural areas is important not only for making up for the acute shortage of talents; it can also solve the problem of some specialized personnel idling away in the cities. This way, their efforts can be rallied in the modernization drive.



Rebuilding Judicial System

I think that one of the most interesting matters dealt with in 1983 was the rebuilding of the socialist judicial system following the downfall of the gang of four and the end of the "cultural revolution."

First, however, I would like to say that to me, the most notable overall feature of that period, which I have followed fairly closely since the time of the April 1976 revolutionary demonstrations in Tian An Men Square, has been the striving at top levels of the Party and government to resolve problems through the Marxist scientific method of seeking truth from facts.

For example, after discussion and action to eliminate one-man leadership and life tenure of office in the Party and government, and develop a collective style of work, it would have been easy to deny the role of leaders for fears of charges of a reappearance of personality cult.

That this did not happen was fortunate for socialism in China and a sign that Marxist dialectical and historical materialism is more consistently becoming the theoretical guide for the further development of Mao Zedong Thought and the success of socialist modernization.

It is my firm belief, in this period of reassessment and re-orientation of China's policies, that there can be no doubt history will record the great contributions made by Comrade Deng Xiaoping, whose guiding role within the collective can be clearly seen in the article "Suggestions on the Drafting of the Resolution on Certain Questions in the History

of Our Party Since the Founding of the People's Republic of China," which is an historic document and no doubt a turning point in China's progress which will ultimately have world repercussions.

One of the ugliest features of the "cultural revolution" was, it seems to me, the almost complete destruction of the socialist judicial system which you built up through painstaking efforts. As the "cultural revolution" progressed, it became sufficient to make the most serious charges against Party and state leaders by means of unsubstantiated statements at so-called "struggle meetings" and in wall posters and, without fair trial in a court of socialist law, subjecting them to the most unjust persecution.

It is indeed encouraging and interesting to read of measures being taken to rebuild your legal system.

In 1983 I studied a number of articles such as "The Police and the People" (No. 21), "How Do China's Lawyers Work" (No. 23) and "Crackdown on Crime" and "Revision in Criminal and Other Laws" (No. 37), to name a few.

This last article particularly impressed me, because it showed that the Standing Committee of the National People's Congress rightly took the necessary steps to crack down on unrepentant criminals committing serious crimes against the people and socialism.

There has been some negative reactions here, although not widespread, to reports of the carrying out of death sentences for criminals convicted of very serious crimes. But this satisfies rather than worries me, because

in my view, I am sure that socialist justice is being restored and that it is still based predominantly on "curing the sickness to save the patient."

Steve Heat
Auckland, New Zealand

Co-operation With Non-Communists

I appreciate Deng Yingchao's report in issue No. 21 entitled "Deng Yingchao: Co-operate With Non-Communists." I must say that the report came in time not only for China's modernization drive, but also for those countries which seek true socialist democracy. As we know, non-Communists can also be patriots; their suggestions for the construction of socialism will avail the party in office.

I would like to say something about the improvements in your magazine. Steady advances have been made since I began subscribing *Beijing Review* in 1981. However, your great leap this year was quite beyond my expectations. Colour covers, a great innovation and evidence of improvement of your living standards, mark the beginning of positive results from your modernization drive. I hope you will publish all your pictures in colour, as those in the centrefold of issue No. 16. As for the contents, I appreciate your "Articles and Documents" column, which informs me of new developments and the most recent statistics.

Rajoel Etienne
Madagascar

Li Commends Senegalese Policy

President Li Xiannian has praised the Senegalese Government for persevering in its foreign policy of non-alignment and friendship with neighbouring countries.

Speaking at a banquet honouring President Abdou Diouf of Senegal, Li commended the Senegalese people for their struggle to shake off colonial control and for their economic achievements they have made since independence.

Diouf and his wife arrived in Beijing on July 4 for a six-day state visit at Li's invitation.

Senegal, Li said, opposes external interference in African affairs and supports the safeguarding of African unity and the promotion of African co-operation. In international affairs, it defends justice and supports the establishment of a new international economic order and South-South co-operation. These are positive contributions to reinforcing unity between third world countries and to world peace, he said.

At present, Li added, the third

world is faced with grave threats in its search for peace and development, making it particularly important to reinforce solidarity and co-operation.

In his toast, Diouf said the purpose of his trip was to further friendly co-operation between Senegal and China, which is in the interests of both countries.

Regarding international co-operation, Diouf said the development of the North and South would be secure only in an atmosphere of peace and bilateral understanding. But first it is vital that the developing countries organize and consolidate their co-operation.

Meeting with Diouf on July 5, Premier Zhao Ziyang said that China stands for safeguarding world peace, relaxing the tense international situation, opposing hegemonism of the superpowers, and defending the legitimate interests of all the third world countries.

The rivalry between the super-

powers is the cause of international tension, Zhao added, and it is the third world countries that are suffering. As well, he said, the heavy debt burden on the developing countries could endanger world peace and stability and lead to North-South confrontation.

Diouf said African countries should struggle harder against the South African authorities, help Namibia realize its independence, support national liberation movements, and uproot the bane of apartheid.

Hu Yaobang Meets Vietnamese Veteran

Hu Yaobang, Chinese Communist Party General Secretary, met Hoang Van Hoan in Beijing on July 2 and praised his efforts for the Vietnamese people and for friendship between China and Viet Nam.

Hoang Van Hoan, a founding member of the Communist Party of Viet Nam, disagreed with Le Duan and his supporters and arrived in China in July 1979, when he was Vice-Chairman of the Standing Committee of the Vietnamese National Assembly.

Hu told Hoang that his propositions represent the aspirations of the Vietnamese Communist Party members and people. "You have adhered to the behest of the late President Ho Chi Minh," he added.

Hoang said Le Duan and his followers, going against the will of President Ho Chi Minh, have been pursuing a policy of aggression and expansion backed by a foreign

At the gala welcoming Senegalese President Diouf in Beijing.



country. That foreign country, he said, had turned Viet Nam into a base for aggression against other countries, threatening China, Southeast Asia and Viet Nam itself. "This is very dangerous," Hoang stressed.

Hu said, "Our sentiments for the Vietnamese people have not changed. We will never interfere in the internal affairs of Viet Nam, but resolutely oppose the policy of aggression and expansion of the Vietnamese authorities.

"This policy harmed the fundamental interests of the Chinese and Vietnamese people, as well as the fundamental interests of the people in Southeast Asia."

Rights of Third Countries Upheld

A Chinese official expressed disagreement with the Soviet suggestion that the interests of a third country should not be harmed by efforts to improve Sino-Soviet relations, saying this should be more accurately stated to become a principle.

Qi Huaiyuan, information director of the Foreign Ministry, said the principle should be: The interests of all third countries should not be harmed.

Qi was answering questions at a weekly news briefing on July 4 about Vice-Foreign Minister Qian Qichen's visit to Moscow from June 30 to July 5 at the invitation of his Soviet counterpart Mikhail Kapitsa.

Viet Nam is a third country, and its interests should not be harmed, and so is Laos and Kampuchea, he said, adding that ASEAN countries are also third countries.

In the Soviet Union's relations with other countries, he said, China is also a third country and its interests should not be harmed.

He said that China is willing to improve relations with the Soviet Union.

Comment on textbook revision. Asked about China's comment on the revision of Japanese history textbooks, Qi said the Japanese Government had recently published the results of the screening of new school history and social textbooks to be used next spring. There appeared to be improvements in some of the descriptions of historical facts. China should give due credit for this.

But it is regrettable that some facts have still not been correctly described, he said. China hopes the Japanese will keep their words and honour their commitments on this matter made by the chief of the Cabinet Secretariat and the Education Ministry in 1982, so as to educate the younger generation with correct historical facts, and promote long-term and stable good neighbourly relations.

News in Brief

Li, Peng Meet Ecuadorian Delegation. President Li Xiannian and NPC Standing Committee Chairman Peng Zhen respectively met a delegation from the Ecuadorian Congress, led by its President Gary Esparza Fabiany, on July 3. Both

Communist Party Increases Members

More than 4.8 million people have joined the Communist Party of China since 1979.

The Party, which has just celebrated its 63rd birthday, now has 40 million members, as against 5 million in 1949, when New China was established. There are 2.5 million grass-roots Party organizations in the country, with 9 million cadres.

More than 150,000 specialists and technicians in various fields have joined the Party in the past

sides expressed hope that their friendship and co-operation would develop further.

Li, in explaining China's foreign policy, said, "Our general policy in foreign affairs is to oppose hegemonism, safeguard world peace and abide by the Five Principles of Peaceful Coexistence. Our starting point is to stand by the third world countries." He also stressed the importance of South-South co-operation.

Chinese, Maltese Ministers Talk. Foreign Minister Wu Xueqian met his Maltese counterpart Alex Sceberras Trigona in Beijing on June 29. He conveyed high praise for Maltese efforts to pursue regional co-operation in the Mediterranean and safeguard peace and security. He also reiterated China's unswerving support for the non-aligned countries' solidarity and regional co-operation, and for their struggle against super-power rivalry.

Both ministers said they hope for an international environment of long-term peace, which will serve development in both nations. They also expressed their satisfaction at the development of friendly relations since the establishment of diplomatic ties 13 years ago, and hoped they would be further expanded.

four years. In Party and state organs at the central level, 6,887 specialists and technicians were admitted into the Party, 53 per cent of the new members recruited in recent years. As a result, the proportion of intellectual Party members in these departments has increased.

In Tianjin, China's third largest city, 2,385 senior engineers, agro-technicians and doctors were admitted into the Party in the past year.



New Party members from Beijing middle school students taking the oath.

Institutes of higher learning across the country have also worked to recruit Party members among students. About 10,000 university and college students have joined the Party in the past few years. Two thousand Beijing college students and postgraduates got their memberships last year.

Among the 800,000 new members admitted last year, 80,000 are peasants. Party branches or groups have been set up in most of China's villages, agriculture-industry integrated bodies and commune- and brigade-run enterprises.

Since the Third Plenary Session of the 11th Party Central Committee, the work of recruiting new members has closely followed the Party's general task and goal, and the Party constitution has been strictly implemented. Those who have joined the Party in recent years are well up to the standards for membership; their history and behaviour, especially during the "cultural revolution," have been carefully examined. Many outstanding intellectuals have been accepted into the Party.

During the "cultural revolution,"

the Party organizations were seriously damaged. After the Third Plenary Session of the 11th Party Central Committee, initial work has been done to rectify the Party's style and consolidate its organization.

However, the Party organizations are far from perfect. The decision of the CPC Central Committee on Party consolidation adopted in October 1983 stresses purifying the Party organization and sorting out and expelling those who persist in opposing and harming the Party.

The decision also emphasizes recruiting people who are dedicated to the cause of socialism and communism, both during and after the three-year rectification. Special consideration should be given to those working in the forefront of industrial production, communications, finance and trade, young peasants, PLA commanders and soldiers, intellectuals, and students in institutes of higher learning and secondary technical schools. Due attention should also be paid to admitting more women and minority peoples.

At present, there are only a small number of Party members working in the forefront of industrial production, communications, finance and trade, and the number of young peasant and student members is also too few. Many intellectuals who have already been up to the requirements for membership have not yet been admitted into the Party because of the traditional prejudice against them.

The Party constitution stipulates that any citizen who has reached the age of 18 may join the Party. An applicant for Party membership must be recommended by two full Party members. The application must be discussed and accepted first by a grass-roots branch and then approved by the next higher Party organization. The applicant should undergo observation for a probationary period of one year before being transferred to full membership.

Chinese Democrats Tour Abroad

A delegation from the China Zhi Gong Dang is now visiting the Philippines, Canada and the United States at the invitation of the Overseas Chinese Free Masons in those countries. This is the first delegation sent by any Chinese democratic party since the founding of New China.

The six-member delegation headed by Huang Dingchen, chairman of the party's central committee, left Beijing on June 24.

The China Zhi Gong Dang, made up of returned overseas Chinese, was founded by Zhi Gong Tang, an overseas Chinese society in San Francisco in 1925. It is now one of China's eight democratic parties.

The Overseas Chinese Free Masons organizations are mainly distributed in North America and Southeast Asia. Zhi Gong Tang in

San Francisco was the biggest of them in the late 19th and early 20th centuries, and its members made great contributions to China's 1911 Revolution led by Dr. Sun Yat-sen.

Huang Dingchen, 83, is a native of Haifeng County, Guangdong Province. In 1921 he went to study medicine in Japan, and worked as a doctor after returning in 1928. He took part in reorganizing the party in 1947. After the founding of New China, he was elected deputy to the National People's Congress, served as a standing committee member of the central committee and head of the organizational department of the Zhi Gong Dang central committee and a director under the Ministry of Public Health.

He is now a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference, Vice-Chairman of the All-China Federation of Returned Overseas Chinese and President of the Chinese Association for Prevention of Tuberculosis.

On its way back the delegation will visit some old friends and relatives in Hongkong and Macao.

China's Economy Improves Steadily

China's economy in the first half of 1984 improved steadily, making more achievements than ever before. The improvements were characterized by quicker production and construction, a greater variety of commodities and increased economic efficiency.

Compared with the corresponding period last year, considerable progress has been made in producing rolled steel, cement, automobiles, coal, petroleum and electricity. All these heavy in-

dustrial products and energy resources are urgently needed by the state. Light industrial goods in great demand such as synthetic fabrics, bicycles and TV sets were also more widely available in the first six months.

The total industrial output value for the period amounted to 331,200 million yuan, 51.4 per cent of the annual plan, or an 11.6 per cent increase over the same period last year. Records were reported in nationwide summer grain harvests, despite drought, low temperatures, excessive rain and hail in different places.

In the first five months, the total investment in capital construction was 9.2 per cent more than in the same period last year. Of this, the investment in exploiting energy resources went up 7.1 per cent, and in building transportation facilities, 20.7 per cent.

From the beginning of this year, an ample supply of goods and brisk buying and selling have been seen everywhere. The peasants vie to purchase chemical fertilizers, tractors and trucks. High- and medium-grade foods, electrical appliances and popular brand bicycles and textiles sold well on the markets. The estimates at the end of May show that the total volume of retail sales reached 123,000 million yuan, 9 per cent more than the same period last year. In addition, there was a 22.6 per cent increase in import and export trade, and China continues to maintain a favourable trade balance.

Economic efficiency has gone up considerably. Several years ago, although production quotas were raised, profits and state revenues went down. This year, radical changes in economic efficiency have taken place. In the first five months of this year, the total output value of state-owned enterprises whose delivered prof-

its were calculated in the state budget was 10.5 per cent more than the same period last year. Profits gained by these enterprises increased by 15.6 per cent, and the profits delivered to the state increased by 10.7 per cent. According to statistics at the end of May, the nation's revenues went up by 20 per cent as compared with the same period the year before, with revenues exceeding expenditures.

Second Step in Economic Reform

Beginning in October, China will take the second step in its economic reform of replacing profit delivery with tax payments, Minister of Finance Wang Bingqian announced at a recent national meeting on economic reform.

The second step represents an important reform in Chinese enterprises' financial system. According to the new measure, state-owned enterprises will hand over to the state 11 kinds of taxes, including product tax, value-added tax, business tax, salt tax, and resource tax. The profits left after taxation will be used by the enterprises themselves.

During the first step, enterprises paid both taxes and a portion of their profits to the state. Now they will only pay taxes. In this way, Wang said, the distribution relationship between the state and the enterprises will be fixed by a tax law. This will ensure the steady growth of state revenue and safeguard the legitimate rights and interests of the enterprises.

In the past, all profits were handed over to the state and losses were covered by state funds. This system had many defects. Enterprises relied too much on state support and all were "eating from the same big pot." There were no

rewards for those who performed well and no punishments for those who incurred losses.

In 1979, to improve the distribution relationship between the state and enterprises, China began to adopt the new method of letting enterprises retain a certain portion of their profits, after handing over the major part to the state. Good results were achieved in practice.

Beginning in June last year, China took the first step in replacing the profit-appropriation system with a tax system. Practice has shown that this is superior to other methods. In the state enterprises in central China's Henan Province for example, compared with their main economic quotas prior to the new system, they registered a 7.7 per cent increase in their total output value, a 46.6 per cent increase in profits, a 26.2 per cent increase in profits handed over to the state, a 1.78 per cent decrease in production cost of comparable products, and an increase of 2.32 yuan in the profit rate of every 100 yuan's worth of output value.

Furthermore, because the reform links the enterprises' management directly with the enterprises' and their employees' incomes, it has mobilized enthusiasm for improving management. For instance, the reform has tripled the Anyang Bicycle Company's output value, and its *Feiying* (Flying Eagle) brand bicycles were recently honoured as first-rate products.

However, the first step was not comprehensive enough, as there are too few types of taxes. The second step is aimed at perfecting this reform. In his speech at the same meeting, Vice-Premier Tian Jiyun said appropriate efforts will be made to give the enterprises more benefits and let the local governments bring their initiative into full play.

Shipbuilding Grows Under Open Policy

China's shipbuilding industry has gained increasing popularity on the world market and improved its technology under the current open policy.

Not long ago, the Shanghai Jiangnan Shipyard delivered a 12,800-ton container ship to a Singapore shipping company, the sixth built for foreign clients so far this year by the Shanghai Shipbuilding Corporation. Since August 1981, this corporation has built and delivered 49 vessels for export.

Cheng Wang, chairman of the board of directors of the corporation, said, "Enlightened by the open policy, we are now tapping the international market to attract customers."

Various flexible policies have been adopted to deal with this market, Cheng said. For instance, while offering a range of its own designs, the corporation is willing to build ships to clients' designs, or co-operate with foreign firms at the request of clients. And, after consultation with certain banks, the corporation has started to offer deferred and instalment payment plans, and is experimenting with buyers' loan financing.

The Shanghai Shipbuilding Corporation, the largest of its kind in China, has nine shipyards, some of which are now able to build 60,000-ton ocean-going freighters, seven factories producing main engines and a number of design institutes.

Thanks to the open policy, Cheng said the corporation has imported computerized designing and lofting techniques, automatic welding, numerical-control precision cutting and pretreatment of plates — all advanced processes in use in developed countries.

The Wuchang Shipyard in Hubei Province on the middle reaches of the Changjiang (Yangtze) River launched a triple-purpose supply vessel this past June for offshore oil development, the first of six such ships ordered by Norway's Batram Shipping Corporation. This shipyard is now building 4,000 to 5,000 ton cargo ships for the Federal Republic of Germany.

Since China entered the international shipbuilding market in 1980, the China Shipbuilding Corporation has received orders from Hongkong, Singapore, the United States, the Federal Republic of Germany, Italy, Norway and other countries and regions for bulk freighters, container ships, supply vessels and drilling rigs, totalling well over one million tons of shipping.

Great Wall Hotel Opens in Beijing

The Great Wall Hotel, one of Beijing's largest, formally opened towards the end of June after six months of trial operation.

Jointly built and run by the Beijing branch of the China International Travel Service and the E-S Pacific Development and Construction Co. of the United States with US\$75 million of investment, the Great Wall Hotel is by far the biggest joint venture between China and the United States. It was there that President Ronald Reagan and his wife Nancy Reagan gave a return banquet for their hosts during their China visit last April.

The hotel, with its reflective glass facade, has 1,007 rooms and suites in three tall rectangular wings, radiating from a central tower. Its reservation and financial management systems are computerized.



The Great Wall Hotel.

It has a banquet hall for 1,000 people and 12 smaller dining rooms. There are also nine restaurants serving Chinese and Western food.

Other facilities include a health club, an indoor swimming pool, a roof garden, two tennis courts, a massage clinic, a billiard room and sauna baths.

Construction of the hotel began in March 1981. The US Becket Co. provided the architectural design and the interior decoration, and two Beijing companies undertook the construction work.

Retirees Active in Social Services

Tens of thousands of retired Chinese are still sharing their talents to help their communities.

According to statistics from Beijing, more than 200,000 retirees are helping in various social welfare services, such as running

nurseries and after-school classes for primary pupils, training unemployed youths, caring for childless old people and organizing academic activities.

One social problem facing many large Chinese cities today is the serious shortage of nurseries. To help solve this problem, many retired workers are running household nurseries. So far, 14,000 of these have been set up in Beijing, greatly easing the pressure on state and neighbourhood nurseries.

Yang Ping, a retired nurse, and her daughter run a nursery in their home, which can accommodate 12 children.

Li Chunrong, a former pre-school teacher with 30 years' experience, set up a nursery in two rooms vacated by the local neighbourhood committee, which now looks after 100 children nearby.

Another activity of the retirees is to look after school children after class, when both their parents are still at work. Many retired cadres and teachers have

set up after-school classes. There are now more than 60 such centres run by these retirees, which organize school children to do their homework, help them learn foreign languages, teach them songs and improve their handwriting.

Helping unemployed youth find jobs and teaching them work skills are additional services retirees are offering. The Beijing Labour Service Company alone invited more than 6,000 retired workers to train about 20,000 young people, who are working at 500 service units, including small restaurants, breakfast stands and bicycle repair shops. Most of the mobile shops managed by youngsters along main streets are the result of the efforts of retired workers.

Many retirees are also trying to help senior citizens who do not have any relatives to turn to. Pei Jinsheng, a former deputy director of the Shijingshan Public Health and Environmental Protection Bureau, never forgets the childless old people, although he has seven married children and seven grandchildren of his own. When he learnt that the oldfolk's home in his district needed renovating, he volunteered to help build bathrooms, pavilions and flower terraces.

In addition, many professionals continue in their field after retirement. For example, the retired specialists, technicians and workers in Beijing who had been engaged in cultural relic research recently formed a cultural relic research society of their own. As seniors, they help the younger research workers in many ways, including choosing research projects, offering training courses, organizing the reproduction of some relics, consulting and taking part in academic exchanges at home and abroad.

Viet Nam

Making Trouble in Border Dispute

by DUAN PING

WHILE Laos and Thailand are concentrating on ways to solve their border dispute, Viet Nam, a country which has nothing to do with it, has stepped in to sow discord and stir up trouble, fearing the dispute might be settled.

The problem, which arose at the end of May, is over the nationality of three villages on the Laos-Thai border. Both sides realized that it grew out of their different ways of thinking, and agreed to negotiate a solution to the dispute at local or central levels, in accordance with previous agreements.

After some consultations, on June 15 both sides agreed that the dispute should be resolved through diplomatic channels. While this is being done, they will refrain from attacking each other or publishing any propaganda prejudicial to the interests of the other or harmful to the unity between them.

However, Hanoi is unhappy about these developments. Since mid-June, major Vietnamese newspapers such as *Nhan Ban* and *Quan Doi Nhan Ban* have accused Thailand in editorials of nibbling away at Laotian territory, and alleged that Thailand "should be held responsible for all consequences arising from this action."

On June 14, a spokesman for the Vietnamese Foreign Ministry attacked China, groundlessly charging that the border dispute between Laos and Thailand arose

because "China and Thailand have conspired to cause tension in the region." And at a recent Hanoi-led Indochinese conference of foreign ministers, China and Thailand were blamed for the dispute.

In fact, the Vietnamese authorities have been trying hard to create tension around the three disputed villages by airlifting military supplies, amassing Vietnamese troops, and sending in tanks and armoured vehicles since mid-June.

The Vietnamese authorities hope to link the dispute to the situation along the Sino-Vietnamese and Kampuchean-Thai borders, and use the opportunity to attack China and Thailand. They also want to take advantage of the dispute to divert international attention away from their invasion of Kampuchea.

Out of its profound hatred of

China and Thailand for their opposition to Vietnamese expansion and hegemonism, Viet Nam has contrived all kinds of false charges. This sentiment is especially heightened now that the Vietnamese have been internationally discredited in their insincere ploys for regional dialogue and "partial troop withdrawal." As soon as the Laos-Thai border dispute arose, they seized the chance to attack China and Thailand and aggravate the tension in the region.

However, the Vietnamese authorities cannot tarnish China's and Thailand's images with false accusations. They only further expose themselves as expansionists and hegemonists.

No doubt, Hanoi will fail in its attempt to meddle in the Laos-Thai border dispute. Thailand is remaining watchful, and the deterioration of Laos-Thai relations runs against the interests of both countries. In fact, both sides have already expressed their wish for a peaceful settlement. It is hoped this will be reached as soon as possible, independent of foreign interference.

PLO

A Fresh Start After the Aden Talks

by REN YAN

THE five factions of the Palestine Liberation Organization (PLO), at the third Palestinian reconciliation talks in Aden, seem to have resolved the controversial issues which had threatened the organization's survival. An agreement signed on June 28 upholds Yasser Arafat as chairman and the principle of exercising joint leader-

ship. The factions also agreed to make necessary preparations for convening the Palestine National Council meeting soon. They reaffirmed the right of the PLO to represent the Palestinian people and pledged to struggle against various plots to destroy the Palestinian cause. The meeting has laid the foundation for restoring unity within the PLO and will have a

far-reaching influence on the Palestinian people's struggle.

In May 1983 the Fatah faction of the PLO was split by internal dissension, followed by attacks on the Fatah force under Arafat at the Palestinian refugee camps in the northern Lebanese city of Tripoli. After evacuating Tripoli, Arafat made a controversial visit to Egypt, which had been ostracized by the other Arab countries for signing the Camp David accords. His visit provoked a sharp confrontation between Fatah and some influential organizations. Efforts at mediation by the leaders of Algeria and the People's Democratic Republic of Yemen brought the representatives of the five PLO factions—the Fatah, the Democratic Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine, the Palestine Liberation Front and the Palestinian Communist Party—to the reconciliation table in Algiers in April and again in May. On June 9 they started the third round of reconciliation talks in Aden.

For a long time, Israel, with US support, has pursued a policy of aggression and expansion, trampling upon the national rights of the Palestinian people and attempting to write off the Palestinian cause. Palestinians face a grim situation. Therefore, the PLO has a responsibility to iron out its internal differences and strengthen its unity which constitute the fundamental guarantees for curbing Israeli aggression and expansion and resolving the Middle East question. If the internal quarrelling had kept up, it would only have weakened the PLO and helped its enemy. The success of the Aden talks will go down in the history of the Palestinian people's struggle as a starting point for restoring unity within the PLO.

Since its establishment in 1964,

the PLO has travelled a tortuous road and it will meet more difficulties as it goes along. It is inevitable that there will be internal differences. However, as long as the various factions persevere to

remain unified and to fight together against the common enemy on the basis of the Aden agreement, the PLO will surely push the Palestine revolutionary cause forward.

Costa Rica

Neutrality Support Sought in Europe

by YE WEIPING
and MENG GENGFU

THE month-long tour of Western Europe by Costa Rican President Luis Alberto Monge Alvarez to win international support for his country's recent declaration of neutrality and to develop co-operative ties marked some notable achievements for this tiny Central American country of two million people.

Everywhere during his visit to Spain, Liechtenstein, Federal Germany, the Netherlands, Switzerland, France, Belgium, Italy, the Vatican, Austria, Britain and Portugal, Monge received appreciation or support for his determination to keep Costa Rica out of the Central American conflict.

Last November, ignoring pressure both at home and abroad, Monge declared Costa Rica, which has no armed forces, to be permanently neutral, a move that has been supported by the countries of Latin America but is resented by the United States, which has exerted economic pressure on Costa Rica to force it to rescind its position.

The United States, which has been fighting fiercely to control Central America, wants to push Costa Rica into the centre of the conflict. Compared with the other countries of the region, Costa Rica is stable and wants to stay that way. This is especially important now that its relations with Nicaragua have grown strained over the

presence of anti-Sandinista rebels operating along their shared border.

Monge used the tour, a rare event in Costa Rican diplomatic history, to call on the superpowers not to interfere in the affairs of Central America and demanded the withdrawal of foreign troops and military advisers from the region.

He told those Western European leaders whom he met that Costa Rica backs the efforts being made by the Contadora Group to find a peaceful solution to the Central American problem.

On behalf of Guatemala, Honduras, El Salvador and Nicaragua as well as his own country, Monge also used his visit to encourage co-operation between Central America and Western Europe. His major effort was to propose a meeting between the foreign ministers from the 10 European Community (EC) countries, Spain and Portugal and their Central American counterparts to promote economic and political co-operation. The suggestion was welcomed by France, Federal Germany and the Netherlands. The meeting was scheduled for September in San Jose, the Costa Rican capital.

The EC, for its part, agreed to establish an agency in San Jose to handle its contacts with Central America.

Monge signed economic, technological, and cultural co-operation agreements with Spain.

Federal Germany, France and Italy, which also agreed to give Costa Rica more economic aid.

His tour succeeded in showing

the world that Costa Rica intends to stand by its position. As Monge kept repeating: "Central America belongs to Central Americans."

Africa

Zone to Promote Economic Growth

by YE ZHIXIONG

A PREFERENTIAL trade area (PTA) proposed under a 1981 treaty has gone into operation in eastern and southern Africa, with the 14 member states lowering tariffs and removing other trade obstacles on July 1. The treaty is expected to promote inter-regional trade and eventually leads to the formation of an African common market.

Under six protocols attached to the original treaty drawn up in Lusaka, the PTA members — Burundi, the Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Uganda, Zambia and Zimbabwe — lowered their tariffs on capital goods by as much as 70 per cent and on luxuries by 10 per cent. The treaty encourages member states, which have traditionally been poor in the hard currencies, to barter with their neighbours. A list of 132 barter items has been agreed upon. A unit of account, the UAPTA, has been created for internal accounting, and the settling of bilateral trade accounts in hard currencies occurs only every two months.

It is hoped that under this system the lack of hard currencies will no longer constitute a barrier to increasing inter-regional trade. The *Kenya Times*, in an editorial, called it a "major breakthrough from the monetary control of the developed countries."

Stressing the necessity for such a treaty, the *Kenya Times* said that the general level of under-develop-

ment and poverty in the third world was perpetuated by the traditional pattern of trading relationships, which has always worked against the developing countries. "One of the best ways to break out of this exploitative relationship," it said, "is for the developing countries to look for new trading partners with whom the exchange of goods and services can be done on a more equitable basis."

Israel

No Improvement As Election Nears

by MENG SHU

ISRAEL'S economy continues to deteriorate despite the emergency measures taken by Itzhak Shamir since he took over as prime minister from Menachem Begin last October. The government has cut government expenditures in the 1984-85 budget by US\$1,100 million, and reduced subsidies for food, gasoline and 10 other commodities. It has received US\$910 million in economic aid and US\$1,700 million in military aid from the United States — about 50 per cent of it gratis. The currency has been devalued, exports increased and controls on foreign exchange resumed. Economic relations with the European Economic Community have been strengthened to bolster its agricultural markets and win favourable trade treatment.

The PTA member states have a total population of 150 million, annual imports of US\$8,000 million and annual exports of US\$7,000 million. Intra-African trade constitutes only about 5 per cent of the continents total exports, leaving a great potential for inter-regional trade. The PTA would promote regional co-operation in developing industry, agriculture, transportation and telecommunications, thus contributing to the realization of the Lagos Plan of Action adopted in April 1980.

Of course, there will be some problems in implementing the PTA treaty and its protocols. But as long as its member countries keep their long-term interests in mind and are politically determined, success will gradually come.

Yet these measures, taken in part to consolidate the Likud Party rule, have not eliminated the country's economic problems. The Ministry of Finance says that despite a US\$600 million reduction in foreign trade deficit, brought about by a 11.6 per cent increase in exports and a 10.5 per cent decrease in imports, the overall government deficit for 1984 will still be US\$5,300 million, only US\$100 million less than in 1983. This is because defence spending (mainly imports) will increase by US\$500 million. The inflation rate is heading towards a dizzying 430 per cent a year.

Underlying the lopsided economy are Israel's policies of aggression and expansion, which require it to spend huge amounts on its military expenses and especially on importing advanced weapons from abroad. In 1982, defence expenditures made up 25 per cent

of the national budget. Military imports in 1983 were equal to 3.9 per cent of the gross national product (GNP). The two-year invasion of Lebanon starting in 1982 added to the already heavy economic burden, costing Israel between US\$750,000 and US\$1 million a day to sustain. It also pays out about US\$500,000 a month in arms and salaries to the Army of South Lebanon, a pro-Israel militia established to control southern Lebanon.

In the wake of the recent world recession, Israel's policy of aggression is only hurting the country's industry, agriculture and trade. In 1983, the rate of growth for GNP slowed to less than 1 per cent, while the overall deficit reached 27 per cent of the GNP. At the beginning of this year, the inflation rate rose by 350 per cent, its highest since the country was founded. Foreign debt in the

first quarter of this year totalled US\$23,500 million, or US\$6,000 per capita, which was more than the national per-capita income. The trade deficit in 1983 was US\$3,500 million, up 17 per cent from 1982. Foreign exchange reserves fell by US\$2,690 million in 1983.

The deepening economic crisis has intensified the political crisis. There have recently been numerous strikes and anti-war demonstrations, which together with the economic woes, will affect the outcome of the early general elections called for this month. In fact, the economic problems and the invasion of Lebanon will be the decisive factors in the voting. But, whatever the outcome, it must be remembered that the political and economic crises will never end so long as the Israeli government pursues a policy hostile to the Arab people.

and tobacco worth US\$150,000. They have also started to fish, operate a nursery and breed poultry and cattle. As a first step, every village was given 77 cows and steers.

Both settlements have set up warehouses, mills, co-operative shops, vocational schools, primary schools and clinics.

President Julius Nyerere suggested that the people of Katumba and Mishamo should no longer be regarded as refugees but immigrants. Last year he announced that all refugees willing to settle in Tanzania will be offered citizenship, a stand that last October won him the Nansen Medal from the Office of the UN High Commissioner for Refugees. In 1980, the Tanzanian Government agreed to naturalize 36,000 Rwandan refugees. Another 10,000 more will be naturalized this year.

The problems are not over yet. Throughout Africa there are about 4 million refugees, or half the world's total, the result of wars, drought, famine and political oppression and instability. Thirty-three of the continent's 50 nations have taken in refugees, nine of them more than 100,000 each and another 22 providing shelter for lesser members. The position taken by Tanzania is a model for other countries. As Poul Hartling, the UN High Commissioner for Refugees, said: "I have often referred to Katumba and Mishamo as examples to the world of how durable solutions to refugee problems can be found."

Tanzania

Lasting Solution to Refugee Plight

by HUI CHENGBO

SINCE the early 1960s, 175,000 refugees have fled to Tanzania from next door and from countries in southern Africa. An exhibition held late in June in Dar es Salaam showed the self-sufficiency achieved by two major refugee settlements near Lake Rukwa in western Tanzania, where most of the exiles now live more or less permanently.

Katumba is the larger and the older settlement, established in 1973 and with 78,000 people in 23 villages over 1,500 square kilometres, linked by a 160-kilometre road. The settlers grow maize, beans, cassava, sweet potatoes, rice and tobacco.

In the 1981-82 crop year, they harvested 25,300 tons of cereal

grains from 11,700 hectares of land, of which 10,000 tons were sold to the Tanzanian National Milling Corporation for US\$800,000. In the 1982-83 crop year output rose to 26,200 tons of cereal grains from 19,400 hectares and in the 1983-84 crop year to 29,500 tons from 24,800 hectares. In 1981-82 they sold 154 tons of tobacco for US\$140,000 and in 1982-83 102 tons for US\$106,000.

Official statistics show that the grain and cash crops produced at Katumba make up 74 per cent of the region's total output.

The Mishamo settlement was set up in 1979. Today there are 33,000 refugees living in 16 villages over 2,050 square kilometres producing maize, beans, cassava, bananas and peanuts. Last year, after introducing rice, the settlers sold the state grain





Investment Environment Seen as Favourable

by GU MING, Deputy Secretary-General of the State Council

TO strengthen its economic and technological co-operation with other countries, China, as well as implementing the policy of opening to the world, has been developing since 1979 economic legislation dealing with foreign trade and investment. To date, 40 laws and decrees have been enacted, covering joint ventures, income tax, special economic zones in Guangdong Province, the joint exploitation of offshore petroleum resources, and foreign exchange control. Although the Patent Law proclaimed in March is not purely a law dealing with foreign countries, it will give a fillip to the import of patented technology.

In the past five years, 188 joint ventures with a total investment of US\$800 million have been set up, most of them being approved last year. Much headway has been made in absorbing foreign capital and importing advanced technology in the four special economic zones in Guangdong and Fujian Provinces. China has signed 18 contracts with 27 foreign oil companies for the joint exploration and opening of its offshore petroleum. We hope to adopt more flexible policies and take an even bigger step in absorbing foreign capital and importing advanced technology.

Some foreign investors still take a wait-and-see attitude. Others

are interested in investing in China but wonder about the risks—China's laws are far from perfect, there is no guarantee for their investments in China and so on. I would like to give my views on this issue.

Ever since China shifted its focus to the socialist modernization drive by the end of 1978, the political situation has been characterized by stability and unity. The government's fundamental task is to concentrate its efforts on economic construction. Our policy of opening to the world is unswerving and long term. The lawful rights and interests of foreign enterprises and investors will be protected by Chinese laws. There is no need for them to worry about the political environment in China.

Some foreign businessmen are worried that China will nationalize or requisition their investment and property in China. There is also no need for them to worry about that. Chinese leaders have given clear and definite explanations in this regard on many occasions. The country's Constitution and its laws concerning economic dealings with other countries clearly stipulate that the lawful rights and interests of foreign investors should be protected. For instance, the new Constitution states: "All foreign enterprises and other foreign economic organi-

zations in China, as well as joint ventures with Chinese and foreign investment located in China, shall abide by the law of the People's Republic of China. Their lawful rights and interests are protected by the law of the People's Republic of China." The Law on Chinese-Foreign Joint Ventures, too, clearly states: "The Chinese Government protects, in accordance with the law, the investment of foreign joint venturers, the profits due them and their other lawful rights and interests in a joint venture, pursuant to the agreement, contract and articles of association approved by the Chinese Government."

Experience has shown that in the 35 years since the founding of the People's Republic, the Chinese Government and people have always abided by their promises and contracts and handled their economic affairs with other countries according to the principles of equality and mutual benefit and in a fair and reasonable spirit. This is known to all.

Some foreign friends are worried that our laws covering economic dealings with other countries are imperfect. I would like to tell our friends that, apart from the 40 laws and decrees already mentioned, we are now working out the economic contract law, the foreign enterprise

law and the law on Chinese-foreign co-operation and joint management, so as to perfect as quickly as possible our economic legislation dealing with other countries. In certain circumstances, when some laws have not been worked out or proclaimed by the Chinese Government, the rights and duties of the co-operative parties can be stipulated in the contract through consultations on the basis of equality. Contracts signed by Chinese and foreign companies will have legal status, binding on both sides, so long as they are approved by the relevant departments of the Chinese Government.

China is large and has a vast market. It has rich natural resources and a big labour power. After years of readjustment, the country has embarked on the path of steadily developing its economy. From 1979-1983, the total industrial and agricultural output value registered an average annual growth rate of 7.8 per cent. We are making efforts to create conditions and to strive for a new vigorous development of the economy in the 1990s. Judging from the economic angle, China has a favourable investment environment.

Some foreign businesses and specialists have predicted that the most favourable investment environment in the next several decades will be the Pacific region, especially the Asian-Pacific region, where China will be in the lead. The rapid development of China's economy, the improvement in living standards and the growing need for advanced technology and products will provide a broad field and a potential and promising market for foreign investors.

Not long ago, the Chinese Government has decided to open 14 more coastal cities to the world as the front line for absorbing foreign capital and importing advanced technology. Foreign investors running factories in these coastal

cities will enjoy preferential tax treatment similar to some of the policies practised in the special economic zones. The power to examine and approve projects using foreign capital and importing technology will be delegated to lower levels. Entry and exit formalities for foreign business personnel will be simplified. These coastal cities will also allow for-

While striving to perfect its economic legislation, China is ready to adopt more flexible policies and take even bigger steps in absorbing foreign capital and advanced technology.

eign businesses to operate wholly-owned enterprises. The terms of co-operation for the joint ventures will be extended. Part of the products produced with advanced technology by joint ventures or foreign companies will be allowed to be sold in the domestic market. All these measures will benefit foreign investors.

An important principle underlying our economic and technological co-operation with other countries is that these activities should safeguard China's sovereignty, and be conducive to accelerating China's modernization drive and at the same time protect the lawful rights and interests of foreign partners so as to enable them to make profits. Other countries have had successful experiences setting up processing industries and absorbing foreign capital by providing foreign investors with various preferential treatment. The Chinese Government is also offering preferential treatment to foreign investors, especially in three general areas:

China stipulates that the income tax rate for joint ventures and for-

eign enterprises shall be lower than that in the developed countries. It is also lower than that in the developing countries. It is more favourable than the rate for China's state-owned and collective enterprises. The income tax rate for enterprises in the special economic zones is 15 per cent, lower than the 18.5 per cent in Hongkong. This appeals strongly to foreign investors. Special preferential treatment will be given to enterprises with sophisticated technology, to technology-intensive, knowledge-intensive or developmental enterprises. For instance, these enterprises will be exempted from paying income tax in the first two years and allowed a 50 per cent reduction of income tax during the third to fifth years. The equipment they import will also be tax-free.

China will provide a domestic market for foreign investors who bring in advanced technology, in which they can sell part of their products. Joint ventures and foreign enterprises are encouraged to sell their products abroad as far as possible so as to increase their foreign exchange income. But joint ventures, co-operative enterprises and foreign enterprises will be allowed to sell part of their advanced or much-needed products on the domestic market, with the approval of the relevant Chinese department.

China will also give preferential treatment to foreign investors regarding the prices of raw and semi-finished materials, worksite fees and customs duties.

All in all, there is favourable investment environment in China. With China's policy of further opening to the world, the implementation of relevant measures and the gradual perfection of economic legislation, I am convinced that more and more foreign companies will come to invest in China. □

Concerning Investment Protection Accords

In recent years China has signed agreements with a number of countries regarding the protection of foreign investments. "Beijing Review" asked Gu Ming, Deputy Secretary-General of the State Council, to explain China's approach to and position on those agreements.

Question: What are international investment protection agreements? What are their main points?

Answer: International investment protection agreements mainly refer to written documents signed between sovereign states to protect the interests of investors. The agreements on the promotion and mutual protection of investments which China has signed with other countries cover a number of major points:

- Both contracting states should accord most-favoured-nation treatment to investments by investors of the other side. That is, the treatment should in no way be less favourable than that accorded to investments by investors of any third state. In certain areas it should be equivalent to that enjoyed by the citizens and enterprises of the country where the investment is made.

- When one contracting state must, for the public interest, expropriate investments made by the other side, it should pay compensation according to legal procedures and allow the compensation to be remitted out of the country and transferred freely.

- Both contracting states should not render less favourable treatment to enterprises owned or partly owned by investors from the other side than that enjoyed by investors from any third state when measures are adopted under special conditions, such as war.

- Both contracting states shall guarantee that investors from the other side can remit and freely transfer their money related to investments.

- Disputes between a contracting state and investors of the other contracting state shall be solved through negotiations or arbitration.

The signing of the agreements can play a positive role in promoting international economic exchanges and technical co-operation.

Q: What countries has China signed investment protection agreements with? And what countries does it intend to sign them with?

A: China signed an agreement on the mutual protection of investments with Sweden on March 29, 1982. The agreement went into effect the same day. On February 10, 1983, China signed a similar agreement with Romania, which became effective on January 26 of this year. On October 7, 1983, it signed one with the Federal Republic of Germany, which will go into effect soon. On May 30 this year, during Premier Zhao Ziyang's recent visit to France, China and France signed an investment protection agreement. Another was signed with the Belgium-Luxembourg economic alliance on June 4.

In addition, China signed investment insurance accords with the United States in October 1980 and with Canada just last January. It is now negotiating with Japan, the United States, Switzerland and the Netherlands on investment protection agreements. Besides, Italy, Norway, Finland, Britain, Australia and Papua New Guinea have also put forward formal requests to negotiate such agreements with us. Preparations are

under way for these negotiations.

Q: Have you encountered any problems during negotiations? How have they been resolved?

A: There have been mainly two problems. One is the problem of national treatment.

Most countries which have negotiated with us have insisted that both contracting states accord national treatment to investors from the other side with regard to their investments. This means according them the same treatment enjoyed by each other's own citizens and enterprises. However, China is a socialist country. It carries out a planned economy. Foreign investors cannot adapt to the conditions here if they are accorded national treatment under China's socialist system. Apart from handing over to the state an integrated industrial and commercial tax, China's state and collective enterprises must deliver income tax to the state, with the highest rate coming to 55 per cent. They even have to hand over part of their profits after paying taxes. The income tax rates set by law for Chinese-foreign joint ventures and wholly foreign owned enterprises are lower than those for Chinese enterprises. It would not do if the agreements were to include the clause that Chinese-foreign joint ventures and foreign enterprises enjoy the same national treatment as that enjoyed by Chinese enterprises.

For these reasons, we did not use the term "national treatment" in the agreements, but instead wrote "each contracting state, should, under the condition that

its laws and regulations concerning foreign investments are not infringed upon, not discriminate against investments and investment activities of foreign investors." Then, further explanations were given in the protocols. That is, the investors, if abiding by and implementing the laws and regulations of the other contracting state, should not be prejudiced in their investment activities, such as business management, liquidation, the purchasing of raw materials, auxiliary materials and fuels, the supply of water, power, gas and heat, as well as the marketing of products and employment of workers and staff. Most of the countries which negotiated with us have accepted our suggestions and the problem of national treatment has been solved.

The second problem is that of

compensation for expropriation and nationalization.

Many countries which have negotiated with us for investment protection agreements insisted that when one contracting state liquidates or nationalizes investments from the other side, "full, timely and effective" compensation should be given. The terms "full, timely and effective" have long been used in capitalist countries for extorting compensations for liquidated investments. They have fixed implications and contravene the principles included in the Charter of Economic Rights and Duties of States, which was adopted by UN General Assembly in 1974 and supported by China. The Charter stipulates that only appropriate compensations should be given. We must abide by this.

Therefore, all international in-

vestment protection agreements signed by China have used the phrase "the compensation shall be paid according to legal procedures" to replace the term "full," used the phrase "the compensation shall be convertible and freely transferable" to replace the term "effective," and used the phrase "the compensation shall be paid without delay unless with justified reasons" to replace the term "timely." But, with regard to the calculation of the value of liquidated investments and the interest on delayed payment of compensation, our stand is that compensation should be given for liquidated investment, and the amount of compensation should be equivalent to the value of the investment at the time of the liquidation, and with interest, if payment is delayed. □

Bu Xinsheng, a Bold Reformer

Numerous courageous reformers have emerged during China's current economic reform, which has been extended from the rural areas to the cities. Bu Xinsheng is one of the trailblazers who has won both praise and censure. The controversy surrounding him is over whether his reforms are capitalist or socialist.

by LI HAIBO

Our Correspondent

BU XINSHENG, 52, Director of the Haiyan Shirt and Blouse Factory in Zhejiang Province, is one of the early champions of China's current economic reform. Courageous and resourceful, he and his colleagues have, in a few years, turned a small factory pinched with financial difficulties into a modern enterprise. This has brought him to the attention of the media, which called him an entrepreneur with creative spirit and an example for others to follow.

The Beginning

The Haiyan Shirt and Blouse

Factory is a collectively owned enterprise with 630 employees.

Its predecessor was a sewing co-op founded in 1956, with only 30 members. It developed into a processing factory in 1975, with a staff of 73 and fixed assets of 22,000 yuan. Because of poor economic returns, the factory could hardly afford the retired workers' pensions and was on the brink of bankruptcy.

In 1976, the factory began producing shirts and blouses. Three years later, Bu initiated a thorough reform, which has boosted production.

In 1983, the factory made a profit of 528,000 yuan, 100 times that of 1976. Its fixed assets

came to 1.07 million yuan that year, 49 times as much as in 1979.

Well-known throughout the country today, the factory produces 2 million shirts and blouses a year, 20 per cent of which are exported. In addition to the popular *Shuangyan* (Double Swallow) brand ordinary shirts and the *Sanmao* (Three Hairs) brand children's blouses, the factory also plans to produce *Tangren* (Chinese) brand deluxe silk blouses for the world market.

Recently Bu told Chinese and foreign journalists that his ambition is to turn the factory into a trust, producing Western-style suits, shirts and ties. An American journalist asked him if his



Bu Xincheng (centre) and other factory leaders discuss plans to import equipment for a new workshop.

shirts could make their way into the markets in New York and Washington. Bu answered, "Certainly."

Bu attributed the factory's success to economic reforms in the relationship between production and marketing, the wage system, personnel administration, discipline, labour protection and workers' welfare.

Not always easy going, his reforms came across numerous obstacles. Fortunately, he was not isolated: he had powerful backing.

Green Light

In the summer of 1979, Bu spoke to the local authorities about the factory. He offered to work hard for 15 years to turn the factory into a first-rate clothing enterprise.

At the time, affected by the shrinking international market, many clothing enterprises at home were overstocked. Shen Yaocheng, Director of the Second Light Industrial Bureau of Haiyan County, asked Bu, "Are you sure you can achieve this target?"

Bu said, "Positive, if I can make my own decisions."

Although the State Council had already decided to grant more decision-making power to enterprises, no factory in Haiyan County had ever tried this policy. Shen consulted Zhao Jiexiang, deputy secretary of the Haiyan County Party committee in charge of industry. Considering that more than 20 enterprises under the Second Light Industrial Bureau were faced with scarce outlets for their products, both agreed to let Bu have a try.

In Bu's later reforms Zhao and Shen became his main supporters and gave him the green light for many of his initiatives.

For instance, Bu proposed that every factory should have its own management methods. The Second Light Industrial Bureau immediately responded by giving him the power to arrange production and management.

Bu stressed that in a well-run factory the leadership should be strict in meting out rewards and punishment. The bureau agreed, and gave him the go-ahead, investing with him the authority to dismiss employees.

Bu thought it essential to have strong leadership. The bureau supported his idea, allowing the factory to run its own personnel affairs.

Bu said the leadership should break with outmoded conventions. The bureau gave him the power to reform all the organizations and systems ill-suited to the development of production.

Bu also received active support from other departments in Haiyan, which helped him turn his plans for reform into reality.

Expanding Market

The first step Bu took was to develop new products in response to the needs of the consumers. Bu also decided to sell these products directly from the factory, instead of through the commercial departments. Since 1979, the factory has turned out many stylish, pretty and inexpensive products under the trade marks of *Feiyan* (Flying Swallow), *Sanmao* (Three Hairs), *Tangren* (Chinese) and *Hei Mudan* (Black Peony). These products have sold well in Shanghai, Hangzhou and 20 other big cities, winning the plant a high reputation across the nation. This, in turn, has boosted the factory's production.

Bu attributed his initiative on the market to the factory's sensitive market information feedback system. He has two main channels. The first is a liaison office he set up in Shanghai, the world-known trade port and centre for consumers from all over China. Like a kaleidoscope, the city showcases the changes in style and fashion.

The second channel is through the staff at the factory. They take every opportunity to observe new trends in the market on their business trips. The factory has

also set up an information study office, which analyses the information it has received and, based on this study, designs and produces new products.

This reform is also directed against the commercial departments' monopoly in purchasing and marketing the factory's products. This kind of monopoly for principal industrial and agricultural products is a component of China's socialist planned economy. But it was not intended to exclude necessary market regulation, particularly in regard to ordinary consumer goods. Experience proved that monopolies in purchasing and marketing consumer goods always resulted in the separation of production from marketing.

Bu thoroughly abandoned the old way and has organized production according to market information, which helps expand production and reduce waste incurred by blind production. More importantly, the new method helps meet the customers' needs, which is precisely the aim of production under a socialist system.

No Lazybones

In his reform of the wage system, Bu concentrated his efforts on eliminating absolute egalitarianism, which is metaphorically called "everybody eating from the same big pot." He said that the "big pot" system fosters laziness, because those who contribute more do not earn one extra cent, and those who work less don't lose one cent. The system actually discourages hard workers.

Like other enterprises in China, the Haiyan Shirt and Blouse Factory began its reform by changing the "big pot" system. In 1980, it initiated a new wage system which stressed that the

workers' remuneration should be linked to their quotas. Those who overfulfil their quotas are rewarded (about 30-40 yuan at most, which is equivalent to an apprentice's basic wage). Those who have failed to fulfil their quotas have their wages deducted.

This reform was favoured by the majority of the workers. But it also infuriated some, who only wanted to live off socialism and did not want to make contributions.

A worker who always found excuses for not going to work because he was making more money at home had part of his wage deducted. Flying into a rage, he pounded Bu's desk and demanded, "What sort of policy is this?" Bu said, "It is the socialist policy of more pay for more work, less pay for less work, and he who does not work shall not eat."

Some people attacked Bu's policies, saying that they had "eliminated the superiority of socialism" and had "slid back from socialism to capitalism." Bu replied, "We have worked for socialism for several dozen years. But some people still are not clear what the superiority of so-

cialism is. They think more pay for less work or the same pay for whatever work or even no work, and whiling away one's life on an easy chair is the superiority of socialism. Never. Socialist superiority is not 'everybody eating from the same big pot.' It could only be embodied in labour."

Today, the products available in society are not plentiful enough for China to practise "to each according to his needs." Labour is still the way to make a living. "From each according to his ability and to each according to his work" is the socialist distribution system.

Abolishing the egalitarian "big pot" distribution system and maintaining the practice of giving each according to his contributions will help mobilize the workers' enthusiasm and develop production and social progress. This kind of distribution system obviously has nothing to do with capitalism.

Penalty — A Means, Not an End

"I'll dock the wages of anyone who ruins our factory's name."

Bu Xinsheng inspecting product quality.



Bu Xinsheng often warns those who do not care about the quality of their work. And he means what he says.

The factory workers can still remember what happened shortly after they started work one October morning last year. The factory's loudspeaker system was blaring Bu's characteristic serious, crisp voice. He was criticizing a bungler and asking him to make a self-criticism.

Jin Hunhui, a young worker, refused to redo the shirts he had carelessly ironed the previous day, and even quarrelled with the workshop quality inspector. Enraged by the director's sharp words, Jin burst into the broadcasting room and began pouring out torrents of scathing words.

For Jin, this was only one of the many scenes he had made during his three years in the factory. This time, he was fired.

This caused much hard feeling among some workers. They accused Bu of ignoring the workers' interests, and some said that he was more capitalist than a capitalist. But Bu stood firm. "If I fail to be strict in running the

factory, production will suffer and you won't get pay rises," he told the workers. "Where do you think your interest lie?"

Once a capitalist has given a worker the sack, he simply forgets the matter. But for Bu, punishment is a last resort. And it is meted out only to get the erring person to mend his ways.

Jin was really shocked by the sudden loss of his job. After three months of serious thinking, he began to realize that he was indeed wrong. He wrote a letter to the factory, in which he made a self-criticism and asked to return to his job. His unmistakable sincerity convinced the factory leader, and soon Jin was back among his colleagues.

Using Talent Properly

All reformers have a knack for rallying the efforts of gifted people, and will never hesitate to break old conventions when they think it is necessary. Bu is no exception.

In his factory, Liu Chunyan, a young woman, became a skilled worker six months after she was hired. She even launched a

drive, urging her workmates to learn from each other to improve their work. This helped boost the workshop's productivity by 40 per cent. Her popularity with her colleagues and her exceptional organizational ability were not lost on Bu. Liu was soon promoted to be the workshop's deputy leader, an unconventional practice in the factory which formerly stipulated that newcomers should spend three years in apprenticeship and go through a six-month trial period before becoming eligible for promotion.

Liu is only one of the many new talents Bu has discovered. After a major shakeup, the factory is now in the hands of five directors at an average age of 36, assisted by a group of newly picked workshop leaders whose average age is 30. Much younger than their predecessors, these people are all devoted to the reform masterminded by Bu.

Once, Bu scandalized the whole factory by hiring a man who had twice been in prison. His action was a breach of the taboo that no factory should enlist people with a criminal record. But Bu knew what he was doing. "Let bygones be bygones," he told the man, Dou. "You'll be praised and emulated the same as everyone else if you give a good account of yourself."

Pleasantly surprised by his good luck, Dou worked hard in the factory, never slackening his efforts for a moment. Six months later, he was cited as one of the factory's model workers. Overwhelmed, Dou said, "For the first time in my 26 years of life I am praised. This is too much!"

The Beneficiaries

The reform has yielded the factory many good returns. But who is the chief beneficiary?

In 1983, the factory delivered

The new factory building of the Haiyan Shirt and Blouse Factory was built with its own accumulated funds.





The Haiyan Shirt and Blouse Factory's products are popular among customers at a sales exhibition in Beijing.

495,000 yuan to the state in taxes and profits, 2.3 times as much as what it kept for itself. In the seven years from 1977 to 1983, it handed in almost 2 million yuan to the state, about 22 times as much as it did in the two decades from 1956 to 1976.

The factory has also increased its spending on the workers' welfare: 62,800 yuan in 1983, which was equivalent to all the profits in 1977. In the past the factory was so poor that it did not have enough money to pay the pensions of retired workers. Today, pensions aside, it is able to provide free nursery and kindergarten care for the children of the workers and staff, and can even spare some money to build houses. Last year the factory moved 40 families into new homes.

The workers' incomes have also greatly increased. In 1983, an average worker earned 675.3 yuan, 70 per cent more than he or she did in 1978.

If capitalism had reared its head in the reform, as some people accused, then the factory director would be the leading beneficiary. But in fact, Bu got a lower pay rise than any other worker or staff member. It is not uncommon to see him work 16 hours a day, entering the factory before seven and returning home around midnight. But he makes only a little more than 70 yuan a month, while a skilled worker makes more than 100 yuan.

It is not that Bu has no way of making more money. The son of a tailor's family, he began learning the trade when he was 17. Through decades of hard work, he has developed superb craftsmanship. Once he was offered a job at 300 yuan a month but he refused.

"I'm not crazy about making money for myself," he explained. "In the past I was as poor as our country and other workers; today I should become rich together with them. To achieve this,

we've got to run our factory well."

Obviously Bu does want to make money—but for the state and the collective only. He will allow himself to become rich, but only after the others. This, perhaps, is where Bu makes himself different from the "Leftists," who are given to high-sounding words and equate making money with capitalism. To Bu, the crux of the matter is whom one is making money for, and how. He said, "If you produce things for the people, earn money for the state and the collective and work to make everyone affluent, where are capitalists like that?"

To encourage his workers, Bu composed a song, which fully expresses the pride of the Haiyan shirt-makers.

*Work hard, hard!
We are glorious shirt-makers!
With good workmanship and
novel designs,
We dedicate our youth to mak-
ing life beautiful.* □

Shooting Goes On As Sides Seek Talks

Though Nicaragua has begun a dialogue with the United States, the situation is still uncertain, with Nicaraguans going all out to repel the largest offensive to date by anti-government rebels.

by **ZHENG FANGKUN**
Our Special Correspondent

SINCE this spring, the situation in Central America has been seriously deteriorating. This might be attributed to two hotly contested elections in the region. One was in El Salvador, held last March and May. The other is coming up in Nicaragua, now scheduled for November. To help the election in El Salvador go smoothly, the United States sent a large number of troops to neighbouring Honduras for military manoeuvres, with the aim of bolstering the morale of El Salvadoran troops and, at the same time, intimidating the anti-government guerrillas.

However, Washington does not like the idea of Nicaraguans casting their ballots under the regulations set down by the Sandinista Government. So, an offensive, the largest since 1979, was launched by the anti-Sandinista forces along both the northern and southern borders of Nicaragua. The operations were apparently intended to obstruct the planned election and force one to be held under their conditions.

The coming US presidential election in November is also affecting the situation, because it makes it difficult for the Reagan administration to take any decisive action in the region this year. Hence there has been a temporary breathing spell and a trend to-

wards peace. Negotiations are developing in the turbulent isthmus.

One sign of this trend was the visit to Managua in early April by Harry Shlaudeman, the US special envoy to Central America. Leaving Managua, he told reporters at the airport that his trip had given him a better understanding of the Sandinista Government's position and that his talks with Nicaraguan leaders had been positive. But a Nicaraguan government spokesman later said Shlaudeman had not brought any concrete proposals to normalize relations between the two countries, indicating that the United States will not bend in its policy towards Nicaragua.

Washington displays its strength in many ways. It has maintained a powerful military presence in Honduras, and its war games around Nicaragua have never stopped. Since last February, with the direct participation of the US Central Intelligence Agency (CIA), anti-government forces have mined major Nicaraguan ports along the Pacific and Atlantic coasts, damaging at least eight foreign ships and setting up what amounts to a military blockade.

On land, the large-scale offensive begun last March has, according to government sources, extended to seven of Nicaragua's 16 provinces. In the south, the Costa Rican-based rebels led by Eden

Pastora, known as "Commander Zero," assaulted the key Atlantic port of San Juan del Norte on April 12 and occupied it for some days. In the north, the rebels under the Democratic Forces slipped 8,000 troops over the border from Honduras. On March 17, the Interior Ministry announced that some of the rebels, disguised in Sandinista People's Army uniforms, even raided Masaya, 18 kilometres from the capital. This, of course, alarmed the local inhabitants. But Managua remained tranquil as usual, with not a trace of the atmosphere of war, except for soldiers walking the streets in twos and threes.

Washington originally supported the rebel forces in disrupting the supply line which it said Nicaragua was maintaining with anti-government guerrillas in El Salvador. However, reports say the rebels never found or captured any weapons going to El Salvador, and they are now being used to provoke the Sandinista Government.

Reagan claims that Nicaragua under the Sandinista Government is at the centre of the Central American crisis. A US general said the armed "rebellion" in El Salvador may be drawing the most attention, but the threat to US interests from "militarized Nicaragua" is much greater. He advised the Reagan administration to use all its ingenuity to resolve the Nicaragua problem.

In fact, the "militarization" was imposed on Nicaragua by Washington. Faced with unceasing attacks from anti-government forces, the Sandinista Government was forced to strengthen its defences. During the recent rebel offensive, the army had to deploy some of the 8,000 conscripts drafted in January on the front. The government has appealed to the international community for technical and military aid.

This appeal followed the revelation that the rebels are using various modern and heavy weapons such as artillery, mortars and ground-to-air missiles. They had a steady stream of logistical support from their bases in Honduras and Costa Rica. CIA personnel were even directing the airlift of provisions to the front.

Referring to the US role in the fighting, Onofre Guevarra, editorial-page editor of *Barricada*, the official newspaper of the ruling Sandinista National Liberation Front, said in an interview. "If the Contadora Group (Colombia, Mexico, Panama and Venezuela) is more forceful in pointing out the true source of the crisis in Central America, namely the United States, it could have a greater effect and its work would be

much more fruitful and important."

The anti-government forces have also changed their strategy on the battlefield. They have given up the futile notion of seizing a slice of territory somewhere in Nicaragua and setting up a provisional government. Instead, they are resorting to hit-and-run tactics, venturing deep into the interior to sabotage and destroy economic installations, so as to weaken the government and bring about instability. To date, the Sandinista People's Army has repulsed the enemy's main forces, but, according to the Army's Security and Military Intelligence Bureau, wiping out the rebels will be a long-term task.

The US-backed war of attrition against Nicaragua has brought heavy losses to the country. The government estimates its casualties at 1,887 in the past year and the damages from industrial and other economic sabotage, measured as a decrease in foreign exchange, at US\$1.2 million, or 31 per cent of the country's total exports.

Diplomatic sources say the government, to keep order, must reinforce the public security forces with farm labourers, which

seriously affects agriculture, the backbone of the economy. A shortage of cottonpickers led to the vast expanse of snow-white cotton east of the capital gradually fading to a murky grey. Production of other crops is also suffering. This year's coffee output will be 40,000 tons less than planned. Since coffee and cotton are Nicaragua's major export crops, the poor harvest will lead to a further decline in exports and more hardships for the already hard-pressed people.

With scarce resources being diverted to thwart the offensive, daily necessities are constantly in short supply, as witnessed in Managua markets. People are complaining that there are no matches, no toothpaste, no toilet paper, and to buy something they must wait in long queues. There is a limited range of goods available; some shelves are just empty. Some staples, such as rice, sugar, soup and vegetable oil, have been rationed. Commodity prices are still fluctuating. There are reports of a rampant black market.

The government says the market instability is the result of merchants engaging in speculation and profiteering. The opposition attributes it to the failure to implement the mixed economy outlined in the Sandinista programme. The mixed economy is made up of a state-owned sector, a co-operative sector and a private sector. The private sector produces an estimated 60 per cent of the country's overall output.

The big topic in Nicaragua today is the coming elections for a president, a vice-president and 90 members of a national assembly. To create suitable conditions for the election, the government has taken some conciliatory measures, proclaiming an amnesty, releasing Miskitos Indians from prison, and giving the right to vote and hold political office to most citizens abroad and in exile. However,

Country fair in Masaya.





Left: Youth gathering in commemoration of fallen comrades-in-arms.
Right: Militia receive training.

the opposition does not consider these enough. They say that a national dialogue should be held among all Nicaraguans before the election, including rebel leaders still fighting the government from abroad. The government refuses to accept this proposal, considering the armed rebel leaders traitors, and saying there would only be a dialogue of bullets.

The government has charged that the opposition parties are trying to involve the Contadora Group in Nicaragua's internal affairs. On this matter, *Barricada's* Onofre Guevarra explained that in the first place, the Nicaraguan problem is not an international political problem. In the second place, if it were, then it should be solved separately by each country concerned. The role of the Contadora Group falls into the realm of foreign policy, concerning the resolution of the problems between Central America and the United States. There is no reason to involve the Contadora Group in Nicaragua's internal problem.

The issue of a national dialogue which was put forward by US delegates during US-Nicaraguan talks, is also of great concern to

the United States. Nicaragua has reaffirmed its desire for peace and expressed its willingness to discuss all issues of concern to the Reagan administration. But at the same time Nicaraguan leaders have repeatedly stated that internal affairs and those matters within the scope of national sovereignty and independence are not negotiable.

Nicaragua supports the Contadora Group's peace efforts, describing them as a typical Latin American style of mediation, and has declared it will pursue a foreign policy of non-alignment and a domestic policy of a mixed economy and pluralist politics.

There are various reasons why the United States may participate in negotiations now. First, it would help blunt public and media criticism of the government's Central American policy at home and abroad. Second, it would strengthen Reagan's position in the coming election. These are only short-term tactics.

But in the view of some analysts, the winds have changed in the region. Guatemala has apparently declined to involve itself in the region's affairs. The Honduran Government has expressed

skepticism about entering a military alliance with the United States, now the government's control over its armed forces has expanded following the removal of their former chief Gustavo Alvarez, who had allowed the US to station troops in the country. Costa Rica is seeking to consolidate its neutrality, and the atmosphere of dialogue between the government and guerrillas has been improved in El Salvador following the election of Jose Napoleon Duarte.

All these signs indicate the increased likelihood of a political settlement. Will these developments persuade Washington to enter into sincere negotiations with Nicaragua, or merely be used to tie the hands of the Salvadoran guerrillas until after the US election?

The Nicaraguan people want peace and the government talks of peace. However, the spectre of war has not disappeared from the land, despite encouraging signs. □



Hainan – A Treasure Island (3)

by HAN XI
Our Correspondent

UNTIL 1982 the large-scale cultivation of rubber in China had been regarded as impossible because it was north of the "rubber belt" — a zone extending 10 degrees in either direction from the equator where the temperatures are high enough and steady enough for this delicate tree to thrive. So it came as a surprise to the world to learn that over the past 20 years China has moved up to the No. 4 position among the world's 43 rubber-producing countries in acreage of rubber trees and the No. 5 spot in annual output of dried rubber.

The news started to come out when the state awarded Professor Huang Zongdao, currently president of the South China College of Tropical Plants and the South China Research Academy of Tropical Plants, a first prize for invention in 1982 for his work on developing hardy strains of rubber trees. Then last year Prof. Huang addressed an international rubber conference in Beijing, astonishing the participants with the facts about China's rubber production and research, especially the advances made in developing test-tube pollination and cold-resistant varieties.

Huang lives and works in Danxian County in the centre of Hainan Island which produces 70 per cent of China's rubber. He arrived there in 1958 when the Institute of Tropical Plants (the predecessor of the present research academy) was transferred from Guangzhou under the leadership of He Kang, the current Minister of Agriculture, Animal Husbandry and Fishery, to develop China's rubber plantations.

"At that time, there was only a

large piece of wasteland covered with thorny undergrowth haunted by wild animals, snakes and centipedes," said Huang at his office. "All the experts and professors lived in thatched huts. Our experimental station was more than 20 kilometres away from where we lived and we had to go there and back on foot."

It was a far cry from the pleasant white-washed building now in

use. Shaded by tropical trees, it has eight large characters on its front wall, a message of encouragement from the late Premier Zhou Enlai: "Brace your mind and take root in the treasure island." And that was what Huang and the other scientists did.

"Rubber was originally produced in the tropical forests of the Amazon basin," Huang explained. "Before liberation, there were

Tapping rubber with pins.

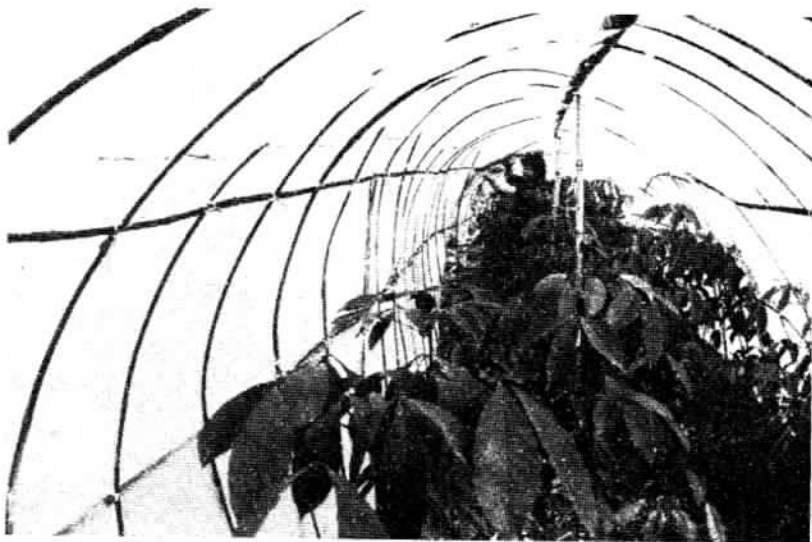


only a few rubber trees on Hainan, brought back by overseas Chinese. They were scattered in the mountain valleys. Because Hainan is situated more than 15 degrees north, it was considered by many people to be a 'forbidden zone' when it came to growing rubber trees. We weren't sure then if rubber trees could be planted here on a large scale.

"Our early efforts suffered two major setbacks. The first one was wind. There is almost no wind in the tropical forests in Brazil. But Hainan is often struck by typhoons. One big typhoon destroyed half the rubber trees we had already planted.

"The second setback was caused by cold temperatures. We didn't know that rubber trees were so sensitive to cold. One cold spell destroyed the tens of thousands of hectares of young rubber trees we had nursed through hard work. We didn't lose heart, however. We discovered that the roots of some of the trees were still alive, and we dug them up one by one and replanted them. Today all the rubber trees on Hainan are descendants of those which withstood the cold."

Wenchang County grows about 15 million coconuts annually, half the output of Hainan Island.



Protecting a rubber nursery in winter.

Huang majored in agriculture in Jinling University in Nanjing, specializing in the cultivation of rice and wheat. He switched to rubber 30 years ago because the state needed his expertise and brought his family with him to Hainan. "Today one million people in China are engaged in rubber cultivation," Huang said. "The first prize for important inventions awarded by the state in 1982 was the fruit of the joint efforts of all one million."

He pointed out that China, besides learning from other rubber-producing countries, has had to develop its own methods because of certain peculiar conditions. "If you were to survey our rubber plantations from the air, you would see that they are made up of small plots, each with windbreaks on all four sides. This is unique to China. To grow rubber on a large scale, it was necessary to breed some cold-resistant varieties.

"We have also succeeded in nursing rubber seedlings directly from pollen in test tubes. Scientists in Malaysia, which is advanced in rubber cultivation, spent years nursing rubber seedlings in test tubes. They finally succeeded in early 1977. But the young rubber tree died later. We succeeded in this field in late 1978. You can go and see our test-tube rubber trees behind this building. Most of them are now eight or nine metres high, and many of them have been transplanted.

"After the international rubber conference in Beijing last year, representatives from many countries came to visit the research centre. They were greatly interested in our methods. The president and supervisor of the Malaysian state rubber research academy,

after visiting here, acknowledged that China leads the world in some aspects of rubber cultivation. Of course, they have many things which we can learn.

"We have also devised some methods to change the chromosomes of the rubber trees to improve their hereditary traits. This is another important breakthrough.

"In addition, we have devised a method to predict the rubber trees' output. In other countries, this can be done through trial tapping only after the rubber trees have basically become a forest. This method results in a waste of manpower and materials. With our method, the output can be forecast just by picking one leaf of a young rubber tree. When our experts made some on-the-spot demonstrations in other countries, the people there were astonished."

Hainan produces 100,000 tons of dried rubber every year. This, however, still falls short of national demand, and China is still the world's third largest buyer of natural rubber.

"At present, Hainan Island has a rubber planting area of 267,000 hectares," said Huang. There are



The Wenchang peasants spin ropes from cocofibre.

still 133,000 hectares of wasteland which can be converted to rubber plantations. The per-unit output of rubber on the state farms is twice that on the plots planted by peasants. And, according to our research, the output of the state farms can be doubled again. Tropical plants are Hainan's treasures and rubber is the greatest of them all."

Hainan also produces more than 100,000 tons of sugar, 3,000 tons of tea, more than 1,000 tons of citronella oil and 20 million coconuts every year, as well as some

animal and aquatic products. In 1983, the island's total agricultural output value was 1,896 million yuan, up more than seven fold from 1952. The island has more than 1,400 industrial enterprises producing sugar, salt, canned foods, rubber products, farm machinery, cement, electricity and mineral products and employing more than 100,000 people. In 1983, the island's total industrial output value reached 822 million yuan, up more than 19-fold from 1952.

There are scheduled flights from Haikou to Guangzhou and Zhanjiang. Shipping lanes link the island with all major ports on the mainland and in Southeast Asia. There are more than 14,000 kilometres of highways, up 11-fold from 1952. A post and telecommunications network links the island with the rest of the world. Social welfare facilities and living standards have also been greatly improved. Hainan has four institutions of higher learning, more than 500 middle and vocational schools, and nearly 5,200 primary schools. More than 95 per cent of school-age children attend classes. The island has more than 3,500 public health institutions, including about 460 hospitals with 18,600 beds, a 19-fold increase over 1952. □

Technicians at work in an automatic telephone switchboard room in Haikou.



Entrepreneurs Are Badly Needed

from "HEFEI WANBAO"
(Hefei Evening News)

WEN Yuankai, an associate professor at the China University of Science and Technology, said recently that the new technological revolution calls for a large number of entrepreneurs who are quick to respond to new information and master new knowledge, armed with modern technological economics, well versed at organizing scientific and economic activities, and at com-

bining scientific research, economics and use to society.

Wen commented that many foreign specialists and distinguished professors share the qualities of being active in social intercourse, good at organizing and managing and adept at expressing themselves, in addition to mastering the learning available from books.

In today's China, many leaders are rather bookish. They are diligent in and dedicated to their work, but they disregard spare-

time interests, stumble in social contexts, are timid in commanding, and show great limitations when they are trusted with important tasks by the Party and the state. Though some leaders have an adequate age and educational level, they cannot create a new look for their units because they lack entrepreneurial abilities.

Entrepreneurs, products of a modern, highly-organized society, are much needed in realizing the country's four modernizations. Only by seriously broadening their knowledge and social contacts will such people emerge in China.

Prosperous Girls Attract Husbands

from "WENHUI BAO"
(Wenhui Daily)

IN the past, rural brides often had to travel far and wide to find a husband and once they found him they had to live where he worked, separated from their

families. The young women of a production brigade in Shanghai County, however, have now turned the tables and young bachelors are flocking from the city for a chance to marry them.

The brigade, with 3,000 people and only 106 hectares of land, had

formerly been poor, its members leading a hand-to-mouth existence. Most girls, when they reached marriageable age, preferred to find husbands outside their hometown.

But following the implementation of the responsibility system, incomes on the brigade have soared. Last year, commune members had a collective dividend of 998,000 yuan, with male labourers averaging 1,900 yuan each and female 1,700 yuan. Even peasants above the age of 50 received 1,000 yuan. Small wonder they were saying, "Now we can earn as much money as the head of a county."

Naturally the commune's unmarried girls became highly desirable in the eyes of the young men at nearby factories in the city. Eligible bachelors hurried to find matchmakers to solicit their help. In the past three years, 44 young men moved in to marry Wujing girls; and another dozen girls have fallen in love with city men. Seven or eight of these new-style couples are expected to marry this year.

Zheng Guanghao, a member of the Hunhezhan commune in the suburbs of Shenyang, has a typical town-village family.



The Five Wishes of Old People

from "ZHONGGUO
LAONIAN"
(China's Aged People)

ZENG Sheng, around 60, wrote that when the old boys get together, conversation inevitably turns to the word "old." Encouraged to discuss it, five wishes were revealed.

First, they wish to see a newspaper solely for the old, although there are more than 500 other papers in China now. In the past one or two years, some magazines have been published for the old, but they are not as informative and timely as a daily newspaper. Zeng suggested that many retired journalists could be recruited for this project, with some help from the young.

Second, they wish to have a way to contribute their remaining talents. Retirement merely marks a new phase in one's revolutionary life. Organizations should be established across the country for those who wish to offer their services.

Third, they wish to see service

centres set up for aged, sick and disabled people. China's socialist system guarantees retirement and economic well-being for the old. But old people may find much inconvenience in their daily routine and in medical treatment. They wish the neighbourhood committees would organize some jobless youngsters to help out.

Fourth, they wish to enjoy special facilities while touring. They hope to be provided with special treatment such as waiting rooms, ticket windows and hotel departments only for the old.

Fifth, they wish children to be more considerate of their old parents. Using their parents' power, some children reach out for all sorts of things. Some eat from their parents' pot instead of their own, and send their children to their parents for care in the meantime. Some take no notice of their parents' sickness and suffering, but think only of their own ease and comfort. Zeng said China's fine traditions of respecting and supporting the old should be continued among younger generations.

Oldest Math Instrument Found

from "LIAO WANG"
(Observation)

REMNANTS of ivory sticks found in spring 1980 at an ancient Qidan tomb in the village of Hudongba, Inner Mongolian Autonomous Region, have been verified by scientists to be the oldest calculating instrument in China and apparently the world.

Local peasants first thought the 20 pieces of ivory, about 12 centimetres long, 0.4 centimetres thick and tapering towards the ends were the remains of chopsticks. But textual research showed they were *suanchou*, calculating instruments first used during the Zhou Dynasty in the 10th century BC

until the Ming Dynasty in the 15th century AD, when they were replaced by the abacus which has remained China's major calculating instrument to the present day.

Suanchou, which were also made of bamboo, wood, jade, stone or iron besides ivory, was once popular among the Han people and was adopted by national minorities as well.

This instrument can be used for recording and calculating, following the decimal system like the abacus. It can handle algebra and the extraction of a root as well as addition, subtraction, multiplication and division.

Suanchou were the world's first calculating instruments and prob-

ably the most advanced instruments in use at that time, more than 1,000 years earlier than the decimal system was being used in India. The discovery of *suanchou* is of great significance to the study of ancient mathematics and cultural exchange between China's various ethnic groups.

Taiwan Village In Henan

from "TUANJI BAO"
(Unity)

THERE is a village named Taiwan in Henan Province on the bank of the Miaogou River, about 20 kilometres northwest of the Dengxian County seat.

After the famous general Zheng Chenggong (1624-62) recovered Taiwan, one of his subordinates, Huang Ting, went over to the Qing government and was ordered by Emperor Kang Xi to garrison troops and cultivate the wasteland in Dengxian County in Henan Province. Huang Ting had a groom named Yinasiluo, who was of the Gaoshan nationality in Taiwan, and was good at fighting and shooting arrows on horseback. To help him settle down, Huang Ting found him a wife and built a house for him. After Yinasiluo's death, the villagers built a monument to his memory, and named their home after his.

All the people in Taiwan village are adept in shooting arrows on horseback and like to hunt. They enjoy writing poems and chanting songs. They also dress lavishly.

One of the social customs of the local people is that they bury their dead by putting a plank at the bottom of pit, helping the spirit of the dead cross the Taiwan Strait on the plank to return to its home.

The villagers hope for the early return of Taiwan to the motherland, and would like to visit their relatives there.

Yueyang Pavilion in Hunan Refurbished

One of China's ancient buildings — the Yueyang Pavilion was opened to the public last May after being completely refurbished.

The pavilion is the unmistakable landmark for Yueyang, a city in the north of Hunan Province. Built near the west city gate overlooking Lake Dongting, the second largest freshwater lake in China, it is known for its unique architectural style.

In China, the Yueyang Pavilion, the Yellow Crane Pavilion in Wuchang, Hubei Province, and the Teng Wang Pavilion (Teng Wang was a prince of the Tang Dynasty) in Nanchang, Jiangxi Province, have long been known as the three famous buildings south of the Changjiang (Yangtze) River.

During the Three Kingdoms (220-280) General Lu Su of the Kingdom of Wu reviewed his troops from this pavilion. Since then it had become the haunt of some of the famed poets of past dynasties. It was there that Fan Zhongyan (989-1052 A.D.),

a famous statesman and writer of the Song Dynasty, wrote the celebrated lines, "To be concerned about affairs of state before other, enjoy comfort after others."

The Yueyang Pavilion has been refurbished about 30 times in the past thousand years. Before the most recent renovation, most of its wooden structure had been seriously damaged by termites, and the whole building poised precariously on a sinking foundation.

In order to preserve it for future generations, the major overhaul began last March. Following the original blueprints, the engineering team in charge demolished those ill-fitting parts rebuilt during the Republic of China (1912-1949), and restored the structure as it stood during the Ming (1368-1644) and Qing (1644-1911) Dynasties. Now the Yueyang Pavilion is an excellent example of the distinctive style of China's ancient architecture.

The rebuilt pavilion is solidly constructed. All of its joints use

tenons instead of nails, and the inside has been restored to its former grandeur. Three walls on the first floor, which were laid with bricks before liberation, have been rebuilt, graced with carved doors and windows in the styles of the Ming and Qing Dynasties. The path around the building has been paved with grey bricks, and the granite foundation has been raised 30 centimetres. To widen the visitors' vista, the ceiling of the second-floor corridor was raised by 10 centimetres.

With the Sanzui (Three Times Drunk) Pavilion and Xianmei (Plum Fairy) Pavilion standing on either side, the Yueyang Pavilion looks magnificent. Owing to the solid foundation, it can now withstand both termites and earthquakes. The Yueyang Pavilion's green up-turned eaves and golden roofs are a feast for the eyes. The poems written about it in the past dynasties and the antithetical couplets and poems from the Ming and Qing Dynasties were hung or carved on the walls.

In recent years, the state has allocated 110 million yuan for the rebuilding of 1,000 ancient buildings, grottoes and temples, and 200 ancient graves and archaeological ruins, including the Maijishan and Dunhuang Grottoes in Gansu Province, the stone statues in Dazu County, Sichuan Province, the Imperial Palace in Shenyang, the turrets and arch towers in Beijing, the city wall in Xian, the three pagodas in Dali, Yunnan Province and the ancient tombs in Xian, Taiyuan and Luoyang.

China will publish the third list of 300 key historical sites for state protection, and decide on the sec-

The ancient Yueyang Pavilion after rebuilding.



ond group of famous cities with a historical civilization in the near future. In 1961 and 1982, China listed 240 places as historical sites for state protection and named 24 cities as cities with an ancient civilization, including Beijing and Xian.

A nationwide survey of the historical relics began in 1982. So far, one-third of the provinces have finished the survey, and more than 60,000 ruins and relics have been discovered.

Soloist Develops Traditional Music

Hu Tianquan, a traditional wind instrument soloist, sent a breath of cool ethnic flavour across the hot capital in his recent concert.

With his *sheng* (reed pipe), *suona* (a wood wind instrument) and *guanzi* (bamboo pipe) he elegantly presented his favourites, *Phoenix Opening Wings*, *Reed Pipe Dance* and *Flying White Dove* together with his new piece *Merry Pasture*. Hu's fans said that the concert displayed his artistic achievements and his new explorations into the development of traditional music.



Hu was born into a minstrel family in Shanxi Province in 1934. Running after his father, he wandered all over his native land, making a name for himself when he was just a boy as a soloist on the

suona, *sheng* and *guanzi*, and whistling with his lips. Now he is in the Qianwei Song and Dance Ensemble of the PLA's Jinan Military Area.

In his performance, his solid technical foundation supports elaborate embellishments. In the traditional music competition of the Sixth World Youth Festival in 1957, Hu's *sheng* solo and a Chinese wind and percussion piece featuring his *sheng* both won gold medals. Since then he has performed and lectured in more than 20 countries in Asia, Africa, Latin America and Europe, and has been honoured as a maestro of traditional music.

The *sheng*, made up of a group of bamboo tubes of varying lengths, is a very ancient Chinese instrument, used for accompaniment. But after long years of practice, Hu has changed it into a solo instrument, developing dozens of performing skills. He also added 14 more pipes to the standard 15, greatly broadening its range.

Recently, he successfully combined the *bawu*, a deep, thick sounding wind instrument popular in southwestern ethnic minority areas, with the *sheng*, forming a *bawusheng*.

Progress in Medical Treatment

Fetal Liver Transplant Controls Leukemia. A 14-year-old leukemia patient has survived since May last year after a fetal liver transplant, making him one of the longest survivors of such an operation in the world.

Liu Haiqing had long been running a low fever. In January 1983 he was taken to the Changhai Hospital, affiliated to the No. 2 Military Medical University in Shanghai. The doctors diagnosed the illness as leukemia and decided to give him a fetal liver transplant, the first in China.

The transplant is a new technique for treating blood diseases, and doctors in only few countries can perform it successfully. First, the diseased bone marrow is killed with a large dose of radiation. Then the blood-making cells of the liver, prepared in a laboratory, are injected into the patient intravenously. This enables the patient to regain the blood-making function.

The boy was discharged in August, three months after the operation, and is continuing his studies. In November he was examined by blood experts from nine hospitals and scientific research organizations.

Metabolic Diseases of Infants Surveyed. Three types of metabolic diseases seriously affecting the development of infants' intelligence have been surveyed among 90,000 newborn babies in Shanghai since October 1982. Eight cases of effective treatment were noted, according to *Jiankangbao* (Health News).

The three diseases are phenylketonuria, hypothyreosis and galactosemia, all of which cause retardation and are difficult to diagnose before the first month of life. Once the symptoms are fully apparent, however, it is too late to be treated, and brain damage results.

In order to promote early diagnosis of these afflictions, the Shanghai Institute of Pediatrics has co-operated with 14 other medical units in making the general survey. It collected blood samples of babies within 72 hours of the first feeding. Diagnoses were made afterwards.

The afflicted babies are treated with special milk formulas and medicine. Brain damage can thus be avoided.

Operation Stops Heartbeat for 82 Minutes. A two-and-a-half-year-old baby suffering from a congenital heart disease is doing well after undergoing an operation to

correct displaced veins in his lungs.

During the operation, the patient's heartbeat was stopped for 82 minutes by lowering his body temperature. In previous cases, cardiac arrest did not exceed 53 minutes.

The patient, a peasant's son from the Yanbian Korean Autonomous Prefecture in Jilin Province, was admitted to the Tianjin Hospital for Chest Diseases last February with breathing difficulties, fast heartbeat and purple lips. Dr. Zhang Huaxin, chief of the department of chest surgery of the hospital, diagnosed it as total anomalous pulmonary vein connection, a complex congenital heart disease.

The 64-year-old doctor decided to perform an open heart operation immediately. The patient's body temperature was lowered to 16 degrees Centigrade and his heartbeat was stopped. After the operation the child was placed on a heart and lung machine and his blood, temperature and heart recovered all their functions.

Congenital heart disease operations on infants whose body temperatures have been lowered and hearts stopped are currently being studied in many countries, according to Dr. Zhang.

Since 1978, the hospital has operated on 60 children under three years old, with an 84 per cent success rate.

Several hospitals in China are now able to do this kind of operation.

Treating Cheek and Face Cancers. Chinese doctors have made progress in treating tumours of the cheek and face by combining surgical removal with radiotherapy, drugs, laser freezing and heat treatment.

Seventy-three per cent of the patients suffering from adenoid cystic (sac-like) cancer of the salivary glands have survived for five years, 66 per cent of those with

mucoepidermoid (skin-like) cancer of the salivary glands have lived over 15 years, and 64 per cent of those with cancer of the jawbone cavities have survived for five years. This compares favourably with advanced international standards.

The Beijing Medical College's Hospital for Mouth Diseases has successfully diagnosed early cheek and face cancers using lasers and hemato-porphyrin derivative (a component in the blood which combines with iron).

Doctors have also used microsurgery to graft tissue on areas from which a tumor has been removed and connect the small blood vessels. Patients have recovered in two weeks or more. The success rate is over 90 per cent.

The Shanghai No. 2 Medical College and the Beijing Medical College have successfully cultured cancer cells from a human tongue and a transplantable sarcoma (fleshy tumour) from the cheek pouch of a hamster, providing experimental models for further study of these tumours.

Prevention of Breast Cancer. China has made marked progress in the prevention and treatment of breast cancer. Eighty to 90 per cent of early breast cancer patients can be treated and their conditions controlled with satisfactory results, said Jin Jiarui, Director of the Tianjin People's Hospital.

At present about one million women have annual routine checkups in China. In Tianjin, Shanghai, Beijing and some provinces, medical workers have been trained to make these routine checkups.

In the past few years, one and a half million women above the age of 25 in Tianjin have been given checkups in search of breast cancer sufferers. In Beijing, doctors of the Tumour Research Institute go the rounds of factories, government organizations and schools to give checkups in a

special van. Since 1982, the institute has checked 24,000 women for breast cancer. The incidence rate was 0.08 per cent, 63 per cent of which were in the first stage.

Advanced techniques and equipment are used for diagnosis, including X-rays, liquid crystal display infra-red radiation, supersonic diagnosis and computerized tomography. These techniques have greatly enhanced accuracy of breast cancer diagnosis, and have raised the survival rate.

Endemic Disease Control. Cases of endemic goiter (an enlargement of the thyroid gland) in Henan Province dropped from 2 million in 1980 to half a million in 1983, according to Yang Longhe, Director of the Provincial Public Health Department and deputy chief of the leading group for endemic disease control under the Henan provincial Party committee.

Yang said that endemic goiter and fluorosis (caused by absorbing too much fluorine) were major diseases in the province.

In order to control endemic goiter, Henan has expanded its production of salt treated with iodine, constructing 20 iodized salt plants since 1981 to bring the total to 68. These plants now produce 155,000 tons of iodized salt annually, ensuring an adequate supply for the 20 million people in areas threatened by the disease. The province has also set up 3,775 stations to inspect the quality of iodized salt and prevent non-iodized salt from entering those regions. At present, 47 of the 66 counties and cities affected by the disease have managed to bring endemic goiter under control.

The director said surveys in 1982 and 1983 indicated that 4,700 villages needed to improve water quality to prevent and treat fluorosis. In the past two years, the province has invested 6 million yuan in 289 projects to bring low fluorine water to 303 villages.

ART PAGE

Woodcuts by
Sa Yinzhang



A Mongolian Woman.



Camels — Ships of the Desert.



A Musician in the Grasslands.

Exploiting the vigour of chiaroscuro, Sa Yinzhang obtains rich and graceful results by using various cutting techniques. Vivid and strong, his woodcuts depict the life of herdsmen in Inner Mongolia.

Born in 1936 in Inner Mongolia, Sa now works for the Jirem Prefecture Artists Association.

Little Wrestlers.



 **HERO**



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