

BEIJING REVIEW

北京周報

A CHINESE WEEKLY OF
NEWS AND VIEWS

- Zhao on Sino-US Relations & Taiwan Issue
- Shenzhen Special Economic Zone





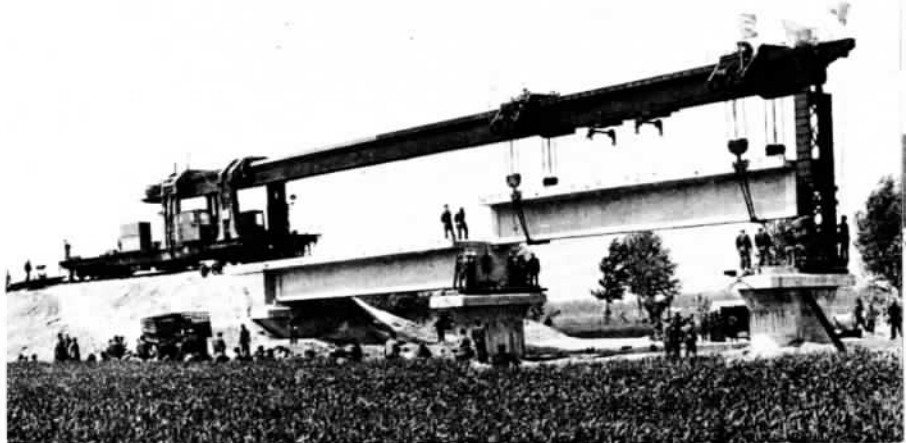
Liu Shugui (centre), head of the Datong Mining Administration of Shanxi Province, directing the expansion work on a mine.



Workers at the Shanghai Petrochemical Complex installing instruments and meters.

SPOTLIGHT

China's biggest blast furnace, Baogang No. 1, being installed. The 4,063-cubic-metre furnace is expected to smelt 10,000 tons of iron a day.



The 300-kilometre-long Yanzhou-Shijiusuo Railway in Shandong Province being laid.



Construction to expand Lianyungang Port in Jiangsu is under way.

BEIJING REVIEW

HIGHLIGHTS OF THE WEEK

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COVER: The construction of Shenzhen is under way. Photo by Xie Jun	

Premier Zhao Ends US Visit

Premier Zhao's official visit to the United States has promoted the mutual understanding and helped narrow the gaps (see p. 6), but speaking on Sino-US relationship, he pointed out the issue of Taiwan is a main obstacle (see p. 18). He also illustrated the way and policy of the peaceful reunification of the motherland (see p. 16). Our special correspondent describes the Premier's US tour as a success in his report sent from New York (see p. 22).

Special Economic Zones

China's special economic zones have commanded worldwide attention as a nascent phenomenon in the nation's ambitious modernization drive. Our special report gives a glimpse into the origin, nature and salient features of these zones and the progress they have made so far (p. 24).

Making Science Serve the Economy

Scientists must enhance their ability to boost the economy by conducting more applied research and popularizing technological advances. Although science and technology have been important forces in economic development in recent years, an irrational system of research has lessened their contributions, and must therefore be changed (p. 4).

Refuting Soviet "Krasnaya Zvezda's" Criticism

A *Renmin Ribao* commentator points out that opposition to the superpowers' nuclear arms race in the Chinese press is unimpeachable. It will further expose hegemonism and the superpowers' nuclear escalation (p. 12).

Folk Literature Awards

China is paying serious attention to collecting and editing the rich legacy of folk literature of its many ethnic groups. The most outstanding works were awarded prizes by the China Folk Literature and Art Research Society (p. 32).

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Adapting Science to the Economy

by **WANG DACHENG**
Economic Editor

It is not easy to reach our magnificent goal of quadrupling the annual output value of industry and agriculture by the end of the century. In fact, it cannot be accomplished without major progress in science and technology. Economic construction cannot do without science and technology, which must, in turn, be geared to economic construction. This is an unshakable principle established from practice in the last few years.

As a productive force, science and technology have contributed vastly to the development of the national economy in these years. But problems remain. For example, science still has not been integrated closely enough with our economic development. In choosing scientific research projects, people tend to favour theoretical value over practical results, and too few projects have been undertaken in the service of consumer goods production. The relationship between researchers, producers and users still leaves much to be desired. In some cases, resources are stretched too thin, the subjects studied are redundant, and not enough attention has been paid to studying and mastering the technology imported from abroad. All these problems must be solved without delay if our economy is to gain a real boost from science and technology.

Chinese scientists and technicians today are confronted with the urgent task of enhancing their ability to solve major problems affecting the growth of the national

economy. They must step up their work in the applied sciences, and overcome the tendency to ignore them. To play an active role in the nation's economic construction, they should work to promote well-planned, large-scale technical transformation, and make full use of new techniques, equipment, technological processes and

An urgent task for Chinese scientists and technicians today is to step up their work in the applied sciences so as to speed up the modernization process.

materials which yield good economic results.

They may also transfer technological achievements from the laboratory to industry and agriculture. They can play a part, too, in spreading new scientific ideas, experimental methods and equipment and the theory of basic science.

In making technological progress, it is imperative to involve all the scientists and technicians in planning and solving key technological problems. The Chinese Academy of Sciences will, within the framework of the state plan, continue to tackle difficult research projects vital to the national economy in close co-operation with industrial departments, institutes of higher learning and other research institutes.

Emphasizing research in applied science does not mean overlooking

or weakening the study of basic science. Rather, more attention will be paid to those basic sciences which can pave the way for technical development. More efforts will be channelled into the study of subjects which are likely to affect the long-term development of the national economy, subjects dealing with the specific natural conditions of China, and subjects of major scientific value.

The process of relying on science and technology and adapting them to economic construction is bound to have great impact on the social and economic development. However, it will also clash with many traditional ideas, habitual methods and our current system of management, rules and regulations. To implement this principle, we must remove all obstacles.

The irrational system of scientific and technical research should also be revamped. Such transformation must be a two-way endeavour. First, the system should be changed so as to bridge the gap between scientific research and production. Second, it should help people fully develop and display their abilities so that every talented person can have a role to play.

The new technical revolution confronting the world today has provided China's modernization drive with both an opportunity and a challenge. While pressing ahead with our country's scientific, technological and economic development, we should also closely follow new tendencies in the world economy and the progress in science and technology, so as to benefit from the experiences of other countries.

Help Understand China

The major reason why I subscribe to *Beijing Review* is that I want to better understand and appreciate China's rich culture and way of life, and know the spirit enlivening your peaceful, determined and friendly nation. People are very interested in the Chinese way and philosophy of life. I believe Chinese people are typically honest and hard-working, modest and courteous, wise and kind. I am sure China is playing and will play a more and more important role on the world stage.

I think your views on international problems are objective and valuable. They not only provide information about world events, but give some help in anticipating the major world trends to the end of this century.

Many nations have to suffer from unjust separation from their motherland. Though I am not a Chinese, I will be very happy to see your country reunified, and sincerely hope this will happen soon. I believe no force in the world can stop this great event from taking place.

Since I began reading your magazine, I have found you take on earnest attitude towards readers' letters, and pay attention to the subjects covered in your articles.

I like reading about topics such as the United Nations, world events, international relations, art and literature, customs, philosophy and humour of the Chinese people and how you are enhancing the material and cultural wealth of Chinese society. If one wants to know what is happening in China, one should read *Beijing Review*, which can surely establish and expand friendship. I will go and visit your beautiful country someday.

I'd like to say once again that articles in the international column are very instructive. The article "Crises in Western European-US Relations," in issue No. 12, 1983 reflects the current world trend. As one of your readers' letters said, your interna-

tional articles are extremely valuable.

In addition, I also appreciate the "Books" column. The article "Why the Crime Rate Is Declining" in the above-mentioned issue shows readers the high ethical standards in socialist China, which I think is brought about by building socialist morality and the advantages of the socialist system.

Pierre Letarte
Quebec, Canada

Publish Good and Bad

I suggest that you publish not only the good in your country, but also the bad. You, as journalists who are presenting a view of China, should give us an accurate report, so that we can make constructive criticisms and suggestions.

I think your "Documents" column is very important.

Aivaro Escobar
Medellin, Colombia

A Typographical Error

I have just noticed what appears to be a typographical error in

"Facts and Figures, Education Table I: No. of Schools."

The total number of secondary schools shown in the table is 107,892.

According to the *Zhongguo Tongji Nianjian 1983*, the numbers of secondary schools are as follows:

Specialized Secondary

Technical Schools	2,168	
Teacher Training Schools	908	3,076

Ordinary Secondary

Upper Secondary	20,874	
Lower Secondary	80,775	101,649

Agricultural Vocational		3,104
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Total:		107,825
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The figure is not 107,892 as shown in your table.

D. I. Chambers
Bristol, UK

With regard to the above typographical error, which appeared in our issue No. 40, 1983 on p. 26, we appreciate your concern for our magazine and would like to take this opportunity to express our thanks for pointing it out to us. — Ed.

Selected Works of Liu Shaoqi

(Volume One)

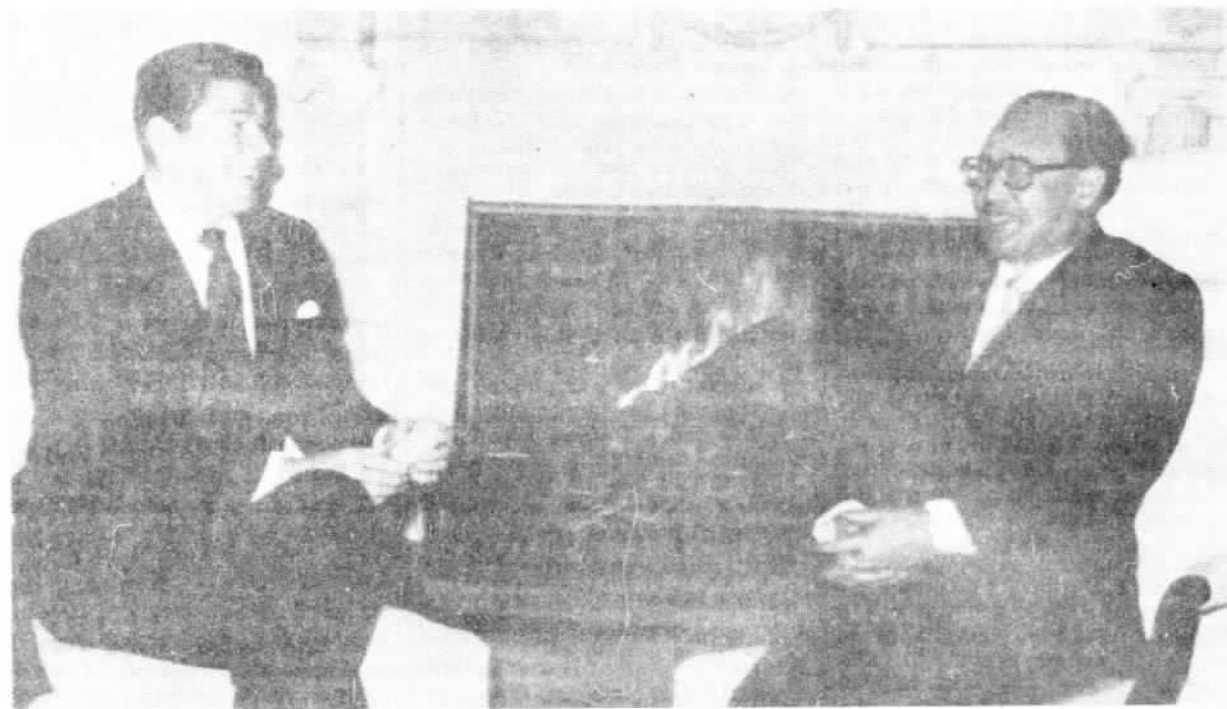
The "Selected Works of Liu Shaoqi" (volume one), compiled by the Editorial Committee on Party Literature of the Central Committee of the Communist Party of China, consists of 38 important works of Liu Shaoqi, late Chairman of the People's Republic of China, written prior to the founding of New China in 1949.

The English and French editions are now available.

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Premier Zhao Ziyang holds talks with President Ronald Reagan.

Zhao Concludes Visit to the United States

Premier Zhao Ziyang has concluded his historic seven-day visit to the United States, during which he had wide contact with US leaders, government officials and the public.

At one point during the tour, Zhao said his visit "undoubtedly is useful to the promotion of Sino-US relations on the road of steady development." But he repeated that a resolution of the Taiwan issue was the key to better relations. It is generally held that Zhao's visit to the United States will produce positive influence on the relations between the two countries as well as on world affairs.

Zhao's visit, which ended in New York on Jan. 16, officially began on Jan. 10 with a stop in Washington, where his activities included:

— Separate talks with President Ronald Reagan and Secretary of State George Shultz.

— Attending the state dinner hosted by President Reagan.

— A meeting with the leaders of the US Senate and House of Representatives.

— A meeting with Defence Secretary Caspar Weinberger, Commerce Secretary Malcolm Baldrige, Presidential Science Adviser George Keyworth, and

Alden Clausen, President of the International Bank for Reconstruction and Development.

— A meeting with businessmen.

— A dinner attended by about 800 guests given by the local Chinese community and the US-China Peoples Friendship Association.

— A meeting with members of the Committee on Scholarly Communication with the People's Republic of China.

— A visit to the Sidwell Friends School.

— An interview with the press on five US television networks.

—A meeting with leading journalists from *The Washington Post*.

Several times during his visit, Zhao expressed the hope that relations between China and the United States will develop on a steady and durable basis. In his talks with Reagan, Zhao said that "the key to such a development is the Taiwan issue," and pointed specifically to the Taiwan Relations Act, passed by the US Congress in 1979, as the fundamental cause of uncertainty in Sino-US relations.

"If this obstacle is not completely removed," he said, "co-operation between the two countries in various fields will certainly be affected. Even if there is some progress in co-operation, it can neither be solid nor steady."

He told Reagan that the Chinese Government is ready to take a generous attitude to attain a peaceful reunification of the mainland and Taiwan and would consider any suggestions, given the prerequisite of a unified People's Republic of China. But, he said, this is a matter of China's internal affairs and China will not undertake any commitment to a

foreign country to resolve the Taiwan issue only by peaceful means.

Zhao also said he hopes the United States will take practical actions to implement the Sino-US Joint Communiqué of Aug. 17, 1982, calling this a matter of vital importance to enhancing mutual trust.

The two leaders' talks, which Zhao described as "friendly, candid, serious and constructive," showed common concerns and differences regarding Sino-US relations and international issues. Asked whether his visit has achieved the hoped-for aim by the press on TV on Jan. 15, Zhao said, in his talks with President Reagan and US leaders, the two sides clarified their positions and expounded their viewpoints. "The talks have helped enhance mutual understanding and narrow down differences between the two sides."

On Jan. 12, at the White House, Zhao and Reagan signed a US-China Industrial and Technological Co-operation Accord—a framework agreement which will be implemented through the US-China Commission on Commerce and Trade.

Speaking before the signing, Zhao said: "The signing symbo-

lizes that we should preserve what we have already achieved and open up new areas in our bilateral relations. It shows that there are broad vistas for the development of Sino-US relations."

Zhao also said he hoped that the two sides would continue their efforts to achieve new successes in economic and technological co-operation.

In turn, Reagan said: "This agreement will encourage further co-operation between our countries, especially in those industrial sectors on which China has placed top priority."

Earlier the same day, they signed a US-China Science and Technology Co-operative Agreement, extending for five years the similar agreement signed in 1979.

Reagan, in his send-off statement at the White House, said: "I've come away from my working sessions with Premier Zhao more convinced than ever of the importance of good US-China relations and more determined than ever to ensure that our relationship is placed on a stable and enduring footing."

Zhao attends a welcoming dinner hosted by the US-China Peoples Friendship Association and two other groups.



Zhao said he looked forward to seeing Reagan in Beijing this spring and to more substantial content in future talks in Beijing.

Zhao next flew to San Francisco, where at a city hall ceremony attended by 1,500 people he was presented a key to the city by Mayor Dianne Feinstein. His activities in the city included:

— A dinner given by the World Affairs Council and two other organizations, attended by about 1,000 guests.

— A meeting with local government officials.

— A meeting with West Coast business leaders and representatives of the Chinese community.

— A press conference.

— A tour of the Berkeley campus of the University of California.

Speaking at the press conference on Jan. 13, Zhao said he had never expected such profound feelings of friendship among the American people for the Chinese. He also said he was impressed that "friendship with China has such popular support in the United States."

In New York, last stop of his tour, Zhao attended a dinner given by International Business Machines (IBM) Corporation, a banquet given by Mayor Edward Koch, and a luncheon given jointly by the National Committee on US-China Relations and the Association for Foreign Policies.

He also attended a dinner given by David Rockefeller, Chairman of the New York Council of Foreign Relations, and former Secretary of State Dr. Henry Kissinger, and met with former US President Richard M. Nixon, former Secretary of State Cyrus Vance and former National Security Adviser Zbigniew Brzezinski; the representative from New York

Chinese community; and reporters from four American TV networks.

Next on the Premier's itinerary is a week-long visit to Canada.

At the last public gathering for Zhao before he left Washington, about 1,000 guests, including government leaders, congressmen, public celebrities and representatives of the Chinese community, attended a farewell reception at the Vista International Hotel on Jan. 11—the largest reception yet held by China since the establishment of diplomatic relations with the United States.

"It shows that we are having more friends in the United States," said Zhao at the reception. "It proves there is a solid foundation in both China and the United States to build friendly bilateral relations on a stable and lasting basis."

"This," he said, "is an irresistible historical trend."

Meeting the press on TV on Jan. 15, Premier Zhao said that he has been impressed by the fact that both Americans and Chinese hope to see a further development of Sino-US relations. Friendship between China and the United States will do good to our two countries and to world peace, he added.

Three-Way Talks On Korea Backed

China actively supports the proposal made by the Democratic People's Republic of Korea (DPRK) for three-way talks between the DPRK, the United States and south Korean authorities on the future of Korea.

A Foreign Ministry spokesman said on Jan. 11 that China be-

lieves the proposed talks would be conducive to easing tension on the Korean Peninsula and would promote a peaceful reunification of northern and southern Korea.

A joint meeting of the DPRK Central People's Committee and the Standing Committee of the Supreme People's Assembly made the proposal in Pyongyang on Jan. 10.

A press communique issued by the joint meeting said that the first step in the talks would be an attempt by the DPRK to conclude a "peace agreement" with the United States and obtain US assurance that it would withdraw its troops from south Korea.

Next, the communique said, the northern and southern sides would discuss issues such as the adoption of a non-aggression pact, and would later begin a dialogue on reunification and any proposals put forward by south Korea.

This dialogue should proceed from the "principles of independence, peace and great national unity in accordance with the July 4th North-South joint statement," the communique said.

It added that an all-nation conference and the establishment of a confederated state based on regional autonomy is the most reasonable way to realize national reunification.

The communique expressed the hope that the United States and the south Korean authorities would understand that the DPRK initiative is sincere so that "tri-partite talks" could begin soon.

The joint meeting also decided to send separate letters to the United States and the south Korean authorities suggesting that the talks be held in Panmunjom, north of Seoul, or in a third country acceptable to all three parties.



Leader of the Japanese calligraphers' delegation, Inamura, practising his art in Beijing.

Associations Active in 1983

Workers; peasants and students as well as public figures, government officials and political party leaders have come from around the world to visit China. This is an indication of the interest more and more people are taking in the country.

The Chinese People's Association for Friendship With Foreign Countries (CPAFFC) alone hosted about 3,000 foreign visitors last year, 1,000 more than in 1982, according to the president of the association Wang Bingnan.

The increasing exchanges between Chinese and foreign young people were a salient feature of last year's friendship activities.

Sino-Japanese friendship is undergoing a period of transition because of the deaths of many veteran friendship activists. It is therefore urgent to raise a new generation who will carry on Sino-Japanese friendship, Wang said.

Last August, the association invited 180 Japanese young people from all walks of life to join in

the Beijing Sino-Japanese Youth Friendship Assembly and activities in nine other cities.

Also last year, the association invited, for the first time, 230 Americans organized into three groups as a "Friendship Force" to visit China.

Banking: Retrospect and Prospect

China realized a balance in foreign exchange in 1983, after settling its accounts with foreign countries, according to Cui Yan-xu, Vice-President of the Bank of China.

In 1983, the bank approved preferential loans amounting to US\$2,000 million to finance key construction projects and technical upgrading for medium and small enterprises. By the end of November 1983, the bank had also provided foreign exchange loans of US\$279 million to buy or build ships and to lease large passenger planes and US\$600 million to finance more than 2,300 pro-

An encouraging development is the resumption of contacts between the Sino-Soviet Friendship Association and its counterpart in the Soviet Union after a lapse of 18 years. A joint delegation from the CPAFFC and the Sino-Soviet Friendship Association visited Moscow, Leningrad and Kiev. The two countries also exchanged tourist delegations.

More sister city relationships were established, through which economic and technological cooperation can be better carried out.

The association received 20 foreign art troupes, and sent nine Chinese art troupes abroad, including Beijing opera, folk music and shadow player troupes.

It also sponsored 72 meetings to commemorate world-famous artists and writers, to mark the 20th anniversary of African Liberation Day, Palestinian International Day and Namibian Day. It sent delegations to attend the International Conference in support of the Independence Struggle of the Namibian People held in Paris, and the Multilateral Conference in Support of the Palestinian People in Algiers.

grammes of technical transformation. At the same time, the Trust and Consultancy Company, affiliated with the Bank of China, invested US\$140 million in 33 projects.

To meet the needs of joint ventures using Chinese and foreign funds, Cui noted, the bank had extended loans in foreign and Chinese currencies to 80 joint venture enterprises, which account for 76 per cent of all joint ventures. In addition, US\$170 million were loaned to Chinese contracting corporations that undertake projects abroad.

The Bank of China now has

246 branches in Xianggang and Aomen, and in foreign countries. They encourage foreign and overseas Chinese businessmen to invest in special economic zones and the interior provinces and cities, and provide consulting services. Recently, the Xianggang branch of the Bank of China, the Nanyang Commercial Bank, the Chiyu Banking Corporation Ltd., the Overseas Chinese Commercial Bank, the Trust and Consultancy Company affiliated with the Bank of China and the Xiamen Special Economic Zone Construction and Development Corporation established the United Development Co. Ltd. of the Xiamen Special Economic Zone to support the construction of Xiamen.

Sponsored by the Xianggang branch of the Bank of China, a consortium composed of 15 banks and financial companies in Xianggang, loaned HK\$ 700 million to build the Huayuan Tavern in Guangzhou.

In 1984, the Bank of China will work, according to state plans, to keep a balance in foreign exchange and develop China's foreign trade. It will continue to provide financial assistance for the country's key construction projects and the technical transformation of small and medium-sized enterprises. The bank will also raise funds for construction of several large-scale energy projects, said Cui.

Old People — A New Problem for Society

China has 80 million people above 60 years old, accounting for 8 per cent of the total population. It is estimated that the figure will increase to 130 million by the end of this century, accounting for 11 per cent of the nation's total.

In his letter to the magazine *Elderly Chinese*, which started

publication last October, Marshal Nie Rongzhen, Vice-Chairman of the Military Commission of the Party Central Committee, pointed out that "the problems of the ageing population will exert a great influence on China's political, economic and social development."

Nie said, "Old people are a valuable wealth of society. The rich experience and profound knowledge accumulated during their lifetimes are inestimable intellectual resources for national construction. They should be valued by society."

He stressed, "Respecting and supporting the aged are the traditional virtues of the Chinese nation. We should do our best to carry forward this tradition and protect it by legal means." He called on the society to care for the old and study ways to solve their problems.

In the past 30-plus years, the Chinese Government has always cared for the well-being of old people. The Constitution of the People's Republic of China says old people enjoy the right to obtain material assistance from the state and society, children have a duty to support and assist their parents and maltreatment of old people is prohibited. The retirement system, social welfare, medical services, physical culture, public health for workers and staff and other measures adopted by the government have guaranteed the livelihood and health of old people.

In rural areas, many old people have enjoyed the benefits of the "five guarantees" (childless and infirm old people are guaranteed food, clothing, medical care, housing and burial expenses by the people's communes). In recent years, some communes have instituted an old age pension system. In 24 communes of the Shantou Prefecture in Guangdong Prov-

ince, for instance, 11,800 old peasants have benefited from this system.

With the expansion of science, culture, public health and medical services, the average life span of the Chinese has gone up from 35 in 1949 to 69 at present. According to a sample from China's third census in 1982, there were 3,765 centenarians on the Chinese mainland, and the oldest was 130. The proportion of old people in the total population will increase rapidly in the future, presenting a new problem for Chinese society.

The ageing trend of the population has become a problem brought to public attention and the China National Committee of Ageing was founded last year.

Changes in the Needs of Peasants

Last summer, some peasants in Laiyang County, Shandong Province, took their thermos flasks several kilometres to the county seat to buy beer. It wasn't because they couldn't get alcoholic drinks from the supply and marketing co-operatives in their villages, but because they wanted to taste something else.

The peasants' taste in beer is not the only thing that has changed. Their tastes in many areas of production and life are expanding as shown by their letters to *Renmin Ribao*.

For instance, the industrial and commercial bureau of Anlu County, Hubei Province, said in its letter that 7 out of the 43 households in a mountainous brigade had bought washing machines, and many of the rest wanted to buy them. The only thing stopping them was the short supply.

A letter from Yingshan County in Hubei Province said that many young peasants in the county had bought cameras and photographic enlargers. However, they found it difficult to get books on photography.

A survey of 19,000 peasant households in 476 counties in 26 provinces, municipalities and autonomous regions by the State Statistical Bureau shows that peasants' demands for consumer goods has greatly increased in recent years.

For instance, their demand last year for various agricultural materials, including chemical fertilizers, pesticides, plastic sheets and diesel oil, increased by a large margin over that of 1982.

Sales of medium-sized and small farm machinery and tools were expected to increase by 10-30 per cent in 1983 and sales of pumps and fodder crushers, by more than 100 per cent. Many peasant households would pool their funds to buy big tractors and trucks.

As about 11 per cent of the peasant households prepare to build new houses, their demand for building materials will exceed the supply.

Now that the peasants are starting to pay more attention to their diet, the average household was expected to buy 6 to 15 per cent more wine, sugar and cigarettes last year. In addition, more and more peasants are buying medium- and high-grade clothing. In the past, rural girls rarely wore skirts. All that has changed now, and skirts are in short supply in some places.

Bicycles and sewing machines continue to be much sought after, and the peasants' demand for TV sets will double or quadruple. Electric fans have also reached the peasant homes. In last July, peasants bought 405 electric fans from their local

supply and marketing co-operatives.

The sales of some durable consumer goods, such as radios

and wrist watches, dropped last year compared with 1982, but famous-brand products have continued to sell well in all areas.

Achievements in Traditional Medicine

The past three decades have seen marked achievements in China's age-old traditional medicine.

A national conference on scientific research into traditional Chinese medicine and combined Western and traditional medicine reviewed the tremendous efforts made since 1949 to explore and study this valuable legacy.

All over China colleges and research institutes of traditional medicine have been founded. By 1982, the country had built 878 hospitals above the county level, 45 research institutes above the municipal level and 24 colleges — all specializing in traditional medicine.

In addition, many colleges and general hospitals specializing in Western medicine have founded research institutes to study traditional medicine or a combination of Western and traditional medicine.

Doctors of both schools are encouraged to learn from each other's strong points and make up other's deficiencies. Many doctors of Western medicine have learnt the theories and clinical practice of herbal medicines, while doctors of traditional medicine have received training in the techniques and means of scientific diagnosis and treatment.

The Academy of Traditional Chinese Medicine in Beijing, built in the mid-1950s and the largest of its kind in China, has six research institutes and 57 laboratories, and a staff of some 2,000 senior and intermediate researchers. The academy has, since its

founding, successfully carried out 216 projects, including studies of clinical practice of traditional medicine, classification and inheritance of the experiences of veteran doctors of traditional medicine, and studies of herbal medicines, acupuncture and moxibustion, as well as documents concerning the history of traditional medicine.

In the past four years, 87 of the academy's herbal medicines and research projects have won the National Prize for scientific research results.

Research institutes of traditional medicine in Shanghai, Tianjin, Chongqing and elsewhere have achieved good results in their study of theories on traditional medicine and emergency treatment with combined Western and traditional medicine.

Chinese scientists have also used nuclear techniques to analyse the pharmacological functions of the efficacious chemicals in more than 60 medicinal herbs, promoting the development of traditional medicine and pharmacology.

Simultaneously, new progress has been made in the studies of the clinical practice and theories of acupuncture and moxibustion techniques and acupuncture anaesthesia. The research institute of traditional Chinese and Mongolian medicine in Inner Mongolia successfully treated skin cancer with electrothermal acupuncture.

In recent years, Chinese medical workers have also trained 700 acupuncture doctors for 102 countries and regions throughout the world.

Soviet Union**Army Paper's Unjustified Blame**

from "RENMIN RIBAO"

AT the end of last year the Soviet army newspaper *Krasnaya Zvezda* published an article "In Whose Interest Is This?", accusing the Chinese press of taking a "baffling" position, "misrepresenting the true facts" and "not being objective" in its coverage of international events. It concluded that the viewpoints offered in the Chinese media "help those who act in a way that endangers the peace and security of the people."

The trend in the Chinese news media which so irritated this Moscow newspaper was nothing more than a focus on the superpowers' scramble for nuclear supremacy in Europe, their worldwide rivalry, the deadly threat their military activities pose to peace and security in Asia and China's support for the West European people's peace movement against the Soviet-American nuclear arms race. These are facts reported by the world's media everyday. The Chinese press has naturally covered such news and expressed China's views and position. This is their right and duty.

In the opinion of *Krasnaya Zvezda*, if one tries to explain why the world situation is going from bad to worse, one must blame the United States alone, and must not criticize the Soviet Union. Any other way is a "misrepresentation of the true facts" and "not being objective."

It is well-known that the United States and the Soviet Union have long intensified their nuclear arms race. In Europe, no sooner had the United States started basing its Pershing II and cruise missiles than the Soviet Union announced it would place more new missiles in Eastern Europe and on its submarines. It is this cycle of one escalation leading to another that brings deadly danger to the peace and tranquillity of Europe, and the world at large. At the same time, it has caused unrest among the governments and people of the world. Therefore, it is natural that the peace-loving people of Europe reject both Pershing II and SS-20 missiles.

In the circumstances it is only proper for those who are opposed to the arms race and take a keen interest in world peace to raise their voices against the superpowers' nuclear rivalry. The Chinese media are completely justified in presenting these points, and cannot be accused of "misrepresentation of the true facts." Hasn't the Soviet Union walked out from the arms race? Since the Soviet Union has not ended this rivalry with the United States, it would indeed be a "misrepresentation of the true facts" and would indeed "help those who act in a way that endangers peace and security of the people" if the Chinese press confined its criticism to just one of the two rivals.

China's position in opposing the superpowers' nuclear arms race is unimpeachable. We maintain that

the two superpowers are obliged to take the lead in disarmament. When they have agreed to stop testing, improving and producing nuclear weapons and cut their nuclear arsenals by half, an international conference may be convened among all nuclear nations to negotiate a reduction of the world's nuclear forces. This is a sound approach to nuclear disarmament in today's world.

The Chinese Government's proposal on reducing nuclear weapons published in the Chinese press is welcomed and supported by governments and people the world over. At last year's UN General Assembly, many representatives condemned the two superpowers for their nuclear arms race and scramble for hegemonism, both of which have aggravated international tensions. They also asked the two superpowers to take the lead in disarmament.

The Chinese press has also turned specifically to the Soviet invasion of Afghanistan and the Kremlin's support for Viet Nam's aggression against Kampuchea, because of the obvious harm done to Asian and world peace by this invasion and aggression. The image of a hegemonist is built upon his deeds; it cannot be painted on him by others.

The Chinese media join the fair-minded people of the world in exposing hegemonism and the superpowers' nuclear arms race and supporting the antinuclear peace movement. This is our stand now and in the future. *Krasnaya Zvezda* asked us in whose interest we are doing this. Our answer is that it is in the interest of the people, the Soviet people included, and the interest of world peace.

Meeting Yields Positive Results

by REN YAN

THE foreign ministers of nine Latin American countries, meeting recently in Panama City to discuss Central American issues, adopted a document prepared by the Contadora Group in December and presented to the gathering for consideration. The adoption of the document, which outlined specific steps for bringing about peace in Central America, shows that the efforts of the Contadora Group in the past year have had positive results.

The meeting, held on Jan. 7 and 8, was the 12th attended by the foreign ministers of the Contadora Group (Mexico, Panama, Venezuela and Colombia) and the fifth attended by those from Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica.

The document, titled "Norms Guiding the Execution of the Obligations Set Out in the Document of Objectives," deals with three general areas:

Regional security. It calls on every Central American country to take stock of, to control and to reduce its military installations, armaments and military personnel. It also urges each country to draw up a timetable for the reduction and eventual withdrawal of foreign military advisers from its territory.

Political affairs. It calls for the national reconciliation of Central American countries. It asks these countries to set up a mechanism for dialogue and make public or amend their election regulations.

Socio-economic co-operation. It calls on the Central American countries to co-operate fully with

the various economic organizations of Latin America, and to supply aid to refugees in the region and to assist in their repatriation.

The document also announced that three working committees will be set up to report on regional security and political and economic questions, and to draft laws and proposals before April 30, to be considered at the next meeting of foreign ministers.

Outside forces have tried to prevent the Contadora Group from mediating effectively for peace in Central America. The United States, while paying lip service to the Contadora efforts, has intensified its intervention in the region—in complete violation of the local desire for peace. It is natural

PLO

Struggle Enters a New Stage

by JIANG HONG

WITH the recent evacuation of Yasser Arafat and 4,000 fighters of the Palestine Liberation Organization (PLO) from the northern Lebanese city of Tripoli, the PLO's struggle has entered a new stage.

In the three weeks following the evacuation on Dec. 20, Arafat called a series of meetings to discuss the new problems facing the PLO and measures needed to resolve them.

A major topic was Arafat's surprise meeting with Egyptian President Hosni Mubarak in Cairo on Dec. 22, which sparked strong reaction both inside and outside the PLO, since it could have a

great impact on the future of the Palestinian struggle. (The PLO suspended relations with Egypt after the late President Anwar Sadat visited Israel in 1977.)

that the US actions are condemned by the Latin American people, who in the past year have recognized that only by closing their ranks and ridding themselves of foreign interference can a just and reasonable solution be found to the Central American question. This latest document indicates their strong desire to accomplish this end.

Although the Contadora Group is fully confident about Central America's future and has made unremitting efforts for peace there, it still has a long and difficult way to go. The internal and external factors which caused chaos in Central America are complicated, and the success of mediation will depend on whether the measures in the document are carried out and the specific issues solved. Thus the Contadora Group faces a new test in overcoming the obstacles to obtaining peace in Central America.

Arafat's internal opponents, describing his meeting with Mubarak as a "betrayal" of the Palestinian cause and a "capitulation" to the Camp David Accords, demanded his resignation as Chairman of the PLO Executive Committee. Other critics, while supporting and sympathizing with him, complained about his failure to consult them before taking this major step.

Most parties outside the PLO, with exception of a few Arab countries which called Arafat the "new Sadat," expressed support and appreciation, either openly or

implicitly, for his meeting with Mubarak. Israel, on the other hand, accused Mubarak of betraying the Camp David Accords.

Arafat's Cairo visit was the subject of serious discussion at the meeting of the Fatah Central Committee from Dec. 31-Jan. 4, which was attended by all members for the first time since the Tripoli evacuation. The meeting approved Arafat's explanations but implicitly criticized him for the manner in which he made the visit. It also decided to set up a special commission to work out a formula for developing the PLO's relations with Egypt.

The PLO's relations with Jordan were another major topic. In December, when Arafat and his supporters were besieged in Tripoli, King Hussein of Jordan made repeated appeals to Arafat to resume talks between the PLO and his country. It was later disclosed that during Arafat's surprise visit to Cairo, he discussed the resumption of PLO-Jordanian talks with Mubarak and won his support. There are signs of active preparations for such talks. A session of the Fatah Central Committee decided to set up a special institution to direct the development of its relations with Jordan. Arafat was also authorized to hold talks with King Hussein.

An important organizational measure taken by the PLO since the Tripoli evacuation has been the decision by the Higher Military Council to expel Abu Musa and four other opposition members. This is an inevitable result of the conflicts within the Fatah, which came into the open last May.

But the road before the PLO remains rocky and rough. Of the 14 members of the PLO Executive Committee, the leaders of the Popular Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine (General

Command), Al Sa'eqa Command and the Democratic Front for the Liberation of Palestine refused to attend the Executive Committee meeting, which began on Jan. 4 and recessed on Jan. 9.

Meanwhile, about 100 of the 301 members of the Palestine National Council recently announced in Damascus that they would boycott the council meeting set for February. Khaled Fahum, President of the Council, has also refused to preside over the meeting.

There are still sharp differences among leading members of the

Fatah over some major issues. And external interference in the internal affairs of the PLO continues. All in all, the situation facing the PLO is critical.

But Arafat and the PLO fighters are not disheartened. On Jan. 2, Arafat told all Palestinians that "the battle in the new year will have a vital bearing on the survival of the Palestinian revolution."

"Our struggle for Palestine's national cause and the founding of an independent Palestinian state will go on," he said. "The revolution must win ever greater sympathy and support internationally."

Iran-Iraq

A Protracted War of Attrition

by ZHU MENGKUI

FOUR years have passed and there is still no sign of the war between Iran and Iraq simmering down. Since May 1982 when Iran recaptured Khorramshahr on the border, the theatre of war has shifted from Iran to Iraqi territory. And since last February, Iran has launched four offensives into the southwestern and northeastern portions of Iraq. Iraq has stemmed the Iranian advance by holding fast on the front line while attacking the rear areas. Now Iran cannot push farther into Iraq, and Iraq is unable to end the war, which has become an endless duel along the 1,000-mile front.

The war has seriously bruised the economies of the two countries. At present, Iraq is spending US\$900 million a month on the war and Iran plans to spend US\$12 million each day in 1984.

Iraq is eager to see an early end to the exhausting war. But Iran has insisted that unless Iraq pay

war reparations and punish the aggressors, it will not negotiate a truce. Iraq has rejected the Iranian demands as unacceptable. For three years, many countries and international organizations have tried unsuccessfully to mediate between the two countries.

Relying on its large area, big population and an improving economic situation, Iran is carrying out a war of attrition, in an attempt to wear down Iraq militarily and economically.

To cope with the Iranian strategy, Iraq has been trying hard to shift the battlefield to the Gulf, aiming to destroy Iranian oil installations and wreck its oil exports, so as to exert economic pressure. It is also expanding construction of its oil pipeline through Turkey, and is prepared to build another one through Saudi Arabia to the Red Sea, to replace those leading to the Gulf. By so doing, Iraq hopes to increase its oil exports, revive its economy and maintain its war efforts.

Under these circumstances, the war will likely escalate. Iran has warned that if Iraq bombs Kharg Island, from which 90 per cent of Iranian oil is exported, it will blockade the Strait of Hormuz, the strategic passage in the Gulf area which is vital for oil exports to the West. The blockade of the Strait would sever the economic lifelines of other Gulf countries and plunge the Western economies back into serious recession. This prospect has raised great worries among other Gulf countries and the whole Western world.

As the war drags on, many Gulf countries have taken steps to safeguard their own security by strengthening military co-operation. Saudi Arabia, Kuwait, Oman, Bahrain, Qatar and the United Arab Emirates have made plans for protecting the oil channels through the Gulf. In October 1983, the six countries staged a joint military exercise. At the fourth summit of the Council for Gulf Co-operation held early last November, an overall military alliance among the six countries was put at the top of the agenda. At the conference, these countries also declared that they would form a joint land-air-sea force. The leaders have repeatedly stated that once free transportation through the Gulf is endangered, their countries will take pre-emptive measures, regardless of where the threat comes from.

The United States and the Soviet Union, taking advantage of the turmoil in the Gulf, are stepping up their efforts to penetrate into this area, although neither has much leverage over the two antagonists. Under the pretext of defending the international channel via the Strait of Hormuz, the United States has sent a naval task force, comprised of an aircraft carrier and six other warships, to the waters near the strait. The United States said that

if Gulf situation further deteriorates, it will react swiftly and firmly with military action.

Although the Soviet Union is presenting itself as neutral towards the two warring countries, it sometimes supports one side and sometimes stands by the other. In the meantime, it sells weapons to the two countries, hoping that the war will keep on going, thus enabling it to benefit from the turbulence.

Djibouti

Economy Makes Headway

by LI HONG and
GAO CHANGYUN

DJIBOUTI has enjoyed many successes in developing its economy through years of unflagging efforts since its independence in 1977.

Situated at the mouth of the Red Sea, Djibouti links Asia, Africa and Europe, and commands the major sea-lane entering the Arabian Sea. It also has an ideal harbour, built about 100 years ago. Many ships going through the Red Sea and Suez Canal anchor there each day.

After independence, the harbour was expanded, and new equipment added, and container docks and freezers will soon be set up, thus increasing its handling capacity. In 1981, it became a free port, and its 13 docks capable of admitting 20,000-ton cargo ships and 120,000-ton oil tankers, now receive 3,600 ships a year.

Djibouti also serves as an important outlet to the sea for Ethiopia and other land-locked African countries. There is a rail line stretching from Ethiopia to Djibouti's port, through which

The Iran-Iraq war, which has brought about untold calamity to the two countries and other Gulf countries and in which hundreds of thousands of people have died and a huge amount of oil has been wasted, is likely to continue, despite the people's wish for an end to the war in the new year, so that peace and stability can return to the Gulf region and the Middle East.

370,000 tons of goods are delivered for export every year. The Djibouti Government is raising funds to update the line to augment the volume of transportation. Moreover, Uganda and Zaire airlift their goods to the port for export.

The capital, home for half the population, is both the political and economic centre of that country. Its port, rail and air services provide 80 per cent of the country's GNP. The extension and modernization of these facilities is therefore a significant factor in developing the national economy.

In 1981, the Djibouti Government mapped out a three-year economic programme to develop agriculture, exploit underground resources and build up industry. It is now beginning to tap geothermal energy resources to boost industrial production.

In politics, the government has always emphatically maintained national unity and a stable domestic situation. In the meantime, it pursues a good-neighbourly, neutral and non-aligned policy towards other countries, stressing peace and stability on the Horn of Africa.



Premier Zhao Ziyang at a welcoming reception in San Francisco hosted by the West Coast Chinese community.

Zhao on China's Reunification

Taiwan will have nothing to lose with reunification. On the contrary, it will gain honour and benefit as a part of the motherland.

CHINA'S reunification and rejuvenation is the common aspiration of the whole Chinese nation, including the people in Taiwan and those living abroad, said Premier Zhao Ziyang at a meeting with more than 300 representatives of the West Coast Chinese Community in San Francisco on Jan. 12 during his visit to the United States.

"For many years people have only taken note of the differences between the Kuomintang and the Communist Party. As a matter of fact, there are also common points between the two Parties," Zhao said.

He asked, "Is it not an important point in common that they both believe there is only one China?"

"Moreover, peaceful reunification has come to be the common language for both the Kuomintang and the Communist Party," he went on. "We wholeheartedly hope to have peaceful reunification of the motherland."

"A suitable way for peaceful reunification must be found," the Premier said. "We have proposed that talks be held between the Kuomintang and the Communist Party for a third round of co-operation, so that they can join in a common effort to accomplish the great

cause of national reunification, thus contributing to the Chinese nation."

He pointed out, "The starting point of our policy is to respect history and reality and take full account of the wishes of the people of various nationalities in Taiwan and the interests of the Taiwan authorities. It will not be a case of the mainland swallowing up Taiwan, nor vice versa."

Zhao said, "After reunification, Taiwan and the mainland shall both be part of the People's Republic of China, with Taiwan becoming a special administrative region.

"This means Taiwan can have an identity of its own, enjoying some exclusive powers denied other provinces, municipalities and autonomous regions. It can practise a system different from that on the mainland. It can have an independent judiciary, with no need to ask Beijing for final judgment."

Furthermore, Zhao said, "Taiwan can keep its own armed forces. The mainland will send no representatives, troops or administrative personnel to Taiwan. The party, government and military apparatus in Taiwan will all remain under the control of Taiwan itself."

After reunification, Zhao added, "there will be enduring co-operation, long-term coexistence and mutual supervision between the Chinese Communist Party and the Kuomintang."

He said, "Members of the Taiwan authorities and public figures in various circles are also welcome to hold leading posts in political organizations at the national level and discuss state affairs together with us."

He assured Taiwan that as a special administrative region, it may have its own independent financial budget. "The mainland will not collect any tax from or impose any levies of money on Taiwan," he said.

Taiwan may also maintain and develop its trade relations, exchanges and co-operation with foreign countries in economics, technology and culture, he added.

"The combined economies and technologies of Taiwan and the mainland, plus the rich resources and huge market on the mainland, will enhance prosperity on both sides of the Strait, leading to a faster improvement of living standards in Taiwan," he said.

He stressed that Taiwan has nothing to lose with reunification.

"On the contrary, it will gain honour and benefits as part of the motherland," he said.

"Our proposals are full of reconciliatory spirit, and are reasonable and feasible. We are glad to listen to any proposals for China's reunification which you may put forward," he added.

The Communist Party of China sincerely desires a third round of co-operation with the Kuomintang. . . . The important thing is to get into contact with and talk to each other. If both sides sincerely desire such co-operation, then we can negotiate and reach an agreement.

"For the return of Taiwan," he said, "we place our hopes on the Taiwan authorities and the people of Taiwan."

Calling on his compatriots throughout the world to help promote reunification, Premier Zhao noted that the Chinese community in the United States "is in an especially favourable position" to do so.

"You have made a lot of valuable efforts in this respect. You are welcome to return to the mainland to have a look, and to exchange views with us," he said. "We equally welcome those whose views differ greatly from ours."

"The door to China is always open to all the descendants of the Yellow Emperor (the legendary ancestor of the Chinese nation)," Zhao declared.

Premier Zhao Ziyang also dealt with the issue of China's reunification at a press conference in San Francisco on Jan. 13.

CPC-Kuomintang Co-operation. Asked what the Communist Party will do to guarantee that the next round of co-operation with the Kuomintang will not end in failure, as did the previous two, Zhao pointed out that it is not right to hold the Communist Party responsible for the failures of the previous co-operation.

"It is simply not true that the Kuomintang suffered from the previous two rounds of co-operation," he emphasized. "For the first round of co-operation, the Communist Party of China was almost completely wiped out by the Kuomintang. So it was the Communist Party that had suffered. As for the second round, you know very well that the Kuomintang fled to Taiwan."

The Communist Party of China "sincerely desires a third round of co-operation with the Kuomintang," Zhao said. "The important thing is to get into contact with and talk to each other. If both sincerely desire such co-operation, then we can negotiate and reach an agreement."

Concerning a guarantee against any recurrence of what had happened in the past, the Premier said, "this can be solved in the course of negotiations between the two sides."

Prerequisite. Asked if China is prepared to give up its four basic principles as conditions for negotiation, Zhao said, "When you try to tackle a problem, you should proceed from reality and be reasonable. I believe most people on both sides of the Taiwan Strait hope for the reunification of the country."

"The question is how to reunify. Taiwan wants to reunify under what they call the 'Three People's Principles.' This is not realistic.

"On our side, we have repeatedly stated that first, we will not swallow up Taiwan and second, we will not absorb it. This, I think, is a realistic, reliable and reasonable approach."

Zhao went on to say, "We are sincere and earnest about Taiwan's return to its motherland by peaceful means. But we cannot undertake a commitment to any foreign country that we will only use peaceful means, because this is China's internal affair."

Mediation. Asked whether China wants the United States to act as a mediator between the Chinese Communist Party and the Kuo-mintang, he said that since this is China's internal affair, it should be resolved by the Chinese themselves on both sides of the Taiwan Strait.

"We do not ask the United States to do anything on the matter," Premier Zhao said. "We only ask the United States not to create any obstacles to the peaceful return of Taiwan to its motherland."

Future of Xianggang. Commenting on the future of Xianggang (Hongkong), Zhao said it will remain unchanged in its social and economic systems and way of life for 50 years after China recovers sovereignty in 1997. Its status will be set out in concrete terms and guaranteed in a law to be adopted by China's National People's Congress.

Asked about the future of Xianggang after the 50 years, he said, "I think it can be handled by the government of the Xianggang special administrative region, according to the will of the people there." □

China holds similar or identical views with the United States on certain issues, but there are also some differences, particularly with regard to policies towards third world countries.

Premier Zhao on Sino-US Relations and World Situation

PREMIER Zhao Ziyang talked about Sino-US relations and the international situation with many Americans during his US visit.

On Taiwan

In a televised press conference on Jan. 11, Premier Zhao said the "Taiwan Relations Act" is the essential obstacle to the development of Sino-US relations. This Act must be completely repealed in order to attain steady and sustained development of these relations.

Zhao went on to point out that China considers the position and attitude of the American President and the American Government very important. While the US Congress is not inclined for the moment to repeal the "Taiwan Relations Act" altogether, China expects the American Government to strictly abide by the principles agreed upon and reaffirmed in the three joint communiques, and act in accordance with the "one China" policy it has affirmed.

He pointed out that "the American President and Government are never powerless in formulating and implementing US foreign policy," if American history is any guide.

On the same day, when he met

with the leading reporters and editorial staff of *Washington Post*, Zhao said "President Reagan said that Taiwan is his old friend, I hope he was referring to the people of Taiwan, but not the authorities of Taiwan." He added, "President Reagan has said again and again that he will not throw over old friends in order to make new ones. We think relations between friends are different from those between states. They are two totally different concepts."

"China always has faith in friendship, and never forgets its old friends. But we never place such friendship above relations between states, and have never interfered in the internal affairs of other countries merely for the sake of old friends. This is our principle. And I believe this also conforms to the values of the United States," Zhao said.

Economic and Commercial Relations

Zhao said opening to the outside world is China's "basic national policy," and will long remain unchanged.

There is vast potential in Sino-US economic exchanges and cooperation, he told about 300 American business executives at a luncheon in his honour given by

the National Council for US-China Trade on Jan. 11.

He stressed, "China's policy of opening to the outside world is not a mere subjective wish, but a reflection of the objective necessity.

"China has opened its door and will never close it again. Instead, as China gradually realizes its modernization programme, its external economic relations will grow ever deeper and wider," the Premier said.

He said China co-operates economically with the developed countries as well as the developing countries.

Although Sino-US trade has grown rapidly since the establishment of diplomatic relations between the two countries, Zhao said, the scale of economic co-operation remains limited, which is incommensurate with the population, resources and total productive capacity of China and the United States.

"The different social and economic systems in China and the United States should not impede their economic co-operation," the Premier stressed.

China follows international practice in handling its external economic relations, and never discriminates against enterprises with foreign investments, he said.

There is a big deficit in China's balance of payments with the United States. "We hope the US will remove obstacles and pursue a more open policy, so as to facilitate the growth of co-operative economic relations between the two sides," he said.

"In the world today, it is impossible to completely separate economic activities from political considerations," Zhao noted. "The expansion of Sino-US economic relations will promote Sino-US political relations. Conversely, setbacks in political relations can-



Zhao answers questions by US reporters on television in Washington.

not but adversely affect economic relations.

"There are still some difficulties in current Sino-US political relations. I hope you will use your influence to help overcome these difficulties," he told the executives.

On Jan. 13, Zhao told a business group in the American West that because of their location, the western states are bound to play an important part in developing US-China trade and economic relations.

The American West can find a big market in China for its advanced equipment, electronic technology and other expertise which meet China's priorities for the development of agriculture, energy resources and transportation in its modernization drive, Zhao said.

China will try to better understand the American systems and practices, he said. At the same time, it expects the United States to do the same in regard to Chinese systems and practices. "I believe that increased mutual understanding will make it easier to get things done," he said.

Zhao pointed out that there is "infinite potential" to develop trade and economic relations on the basis of equality and mutual benefit, because the United States

has the greatest economic and technological capacity in the world, while China is the largest developing country.

Common Points and Differences

Speaking with American reporters, Zhao said, "We hold similar or identical views with the United States on certain issues. For instance, we hold identical views on the questions of Kampuchea and Afghanistan. But we have some differences, particularly with regard to the question of respecting the national rights and interests of the third world countries. We are critical of certain American policies."

He specifically mentioned differences on policy in the Middle East and Central America, on which China's position is known to all. "We do not approve of the US invasion of Grenada, and we are in favour of the American troop withdrawal from that country. We hope the people of Grenada will resolve their problems by themselves, free from any external interference."

Zhao said the Chinese Government is aware that since President Reagan took office, the American Government has decided to liberalize its restrictions on the trans-

fer of technology to China. President Reagan also took certain measures after the US Congress adopted an amendment to the appropriations bill concerning the Asian Development Bank, and the Senate Foreign Relations Committee adopted the resolution on the "future of Taiwan" not long ago. These measures, Zhao noted, have had a positive effect on bilateral relations.

"I am particularly pleased with President Reagan's expressed readiness to make further efforts to promote Sino-US relations," he said.

The Chinese Premier also talked about a number of other issues during his US visit.

Lifting Restrictions. Asked whether he requested restrictions on aid to China be lifted during his meetings with US Congressmen, Zhao said he didn't discuss this question with them in detail. He said the relationship between the two countries has changed greatly, and some legislation adopted by the US Congress in the past no longer suits the present situation. Since the leaders of the US Government and some Congressional leaders have said they regard China as a friendly non-aligned country, it would obviously be self-contradictory to treat China as an adversary in US legislation on foreign aid.

He said both China and the United States must decide how to make their policies and legislation suit the new situation.

He said, "Personally, I think that since our two countries, though different in their social systems, want to be on friendly terms, we must try to understand, accommodate and respect each other. Neither side should think it can impose its own laws on the other. If it does so, it would be difficult to establish and improve relations."

Strategic Relationship. The Premier stressed that China pursues an independent foreign policy. "We determine our position on international issues, each according to its own merit. As I have said, China is critical of some US policies towards third world countries. This being the case, it is not possible to establish a strategic partnership between China and the United States."

"As we have said time and again, ours is not an equi-distant policy," he added. "Our guiding principle in determining our position on specific issues is to preserve world peace, uphold international justice and serve the fundamental interests of the world's people, the Chinese people included."

Understanding China. Zhao advised his American friends to bear one principle in mind in trying to understand China's internal and foreign policies, that is, China is China. He warned against identifying China with one model or another. China is building socialism with its own distinctive features, Zhao said.

Nuclear Energy Co-operation. The Premier said negotiations are going on between the two sides on nuclear energy co-operation, but there are still obstacles to be removed.

"President Reagan and I both hope we may be able to reach agreement on nuclear energy co-operation during my trip here or President Reagan's trip to Beijing. But it depends on the efforts of both sides," Zhao said.

"Of course, this is only a desire, dependent on future developments," he added.

Purchasing Weapons. Asked whether China will purchase weapons from the United States, Zhao said, "If the United States is willing to sell to China some weapons which we need and

can afford, then we will purchase them. But specific items are still being discussed."

"We have declared many times that it is impossible for a country like ours to purchase large amounts of weapons to modernize our national defence," he noted.

Disarmament. Premier Zhao said at the White House state dinner in his honour that today's world situation is still turbulent. The confrontation between the two great military blocs has become sharper, while the North-South contradictions are not yet resolved. Before the flames of one aggressive war are extinguished, those of another have started raging. This grim reality makes people worry about the future of the world.

But "it also heightens the sense of responsibility and urgency of all peace-loving countries and people to maintain world peace. China will work in concert with them to ease international tension, stop the arms race, oppose power politics and uphold peace," he said.

Zhao said China has always opposed the arms race, particularly the nuclear arms race, and stood for the complete prohibition and destruction of nuclear weapons.

"We have long declared that China will never be the first to use nuclear weapons. We are critical of the discriminatory treaty on the non-proliferation of nuclear weapons, but we do not advocate or encourage nuclear proliferation. We do not engage in nuclear proliferation ourselves, nor do we help other countries develop nuclear weapons. We actively support all proposals that are truly helpful to realizing nuclear disarmament, terminating the nuclear arms race and eliminating the threat of nuclear war," he said.

Premier Zhao also answered questions on this subject after a

dinner given in his honour in San Francisco. He said China will be ready to join other countries in disarmament talks, provided the United States and the Soviet Union agree and clearly intend to drastically reduce their large arsenals, both nuclear and conventional.

Zhao said, "We hope to see genuine disarmament." China, as a developing country occupied with its modernization programme, has neither intention nor capability to take part in any world arms race, he emphasized.

The Pacific Region. Premier Zhao said at the same dinner that "an urgent task facing us now is to maintain stability and peace in the Pacific region. It is China's position that the Pacific Ocean should become genuinely pacific."

Zhao said, "We must not fail to see that this region, like others in the world, is fraught with crises and latent troubles."

He said, "Superpower rivalry in this region is intensifying. Some countries are still kept in an artificial state of division. A growing number of warships are plying the waters of the Pacific Ocean, and more and more missiles have been deployed on its periphery."

Zhao said China and the United States, being two big powers on the opposite sides of the same ocean, undoubtedly bear especially heavy responsibilities for the maintenance of stability and peace in the Pacific.

He said, "The Pacific countries should strictly observe the principles of mutual respect for territorial integrity and sovereignty, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. They should settle their disputes by peaceful means, without resorting to force or the threat of force."

"No country should seek hegemony in this region," he went on. "The arms race, and the nuclear arms race in particular, must be halted. Foreign military bases must be dismantled and foreign military forces withdrawn. Such acts as forcibly occupying the territories of other countries, infringing upon their sovereignty and interfering in their internal affairs must be stopped.

"This is the only way to dispel the dark clouds over the Pacific

China has long declared that it will never be the first to use nuclear weapons. It is critical of the discriminatory treaty on the non-proliferation of nuclear weapons, but it does not advocate or encourage nuclear proliferation. Neither does China engage in nuclear proliferation, nor does it help other countries develop nuclear weapons.

and avert crises and hidden troubles, so that the people in the region may live in peace, engage in equitable and mutually beneficial co-operation and build a happy life," Zhao said.

The Premier said he hoped the American people will join hands with the people of China and other Pacific countries and the rest of the world to preserve peace in the Pacific and the world at large.

Kampuchea. Premier Zhao said conditions are not ripe at present for a political solution to Viet Nam's occupation of Kampuchea, although China would very much

like to see such an early solution to the problem.

Zhao noted that Viet Nam is still refusing to withdraw its troops from Kampuchea. Hanoi's various proposals "are all designed to deceive international opinion and legalize its occupation of Kampuchea," he stressed.

The Premier pointed out that the surest way to force Viet Nam to pull out of Kampuchea is to support the resistance forces in Kampuchea and exert political and moral pressure on Viet Nam.

The Middle East. In his talks with President Reagan on Jan. 10, Zhao said China is disturbed by the new US-Israeli agreement on strategic co-operation, which has aroused strong opposition among the Arab countries. Zhao said the United States should fully respect the interests of the Arab and Palestinian peoples.

Sino-Soviet Relations. Zhao told Reagan he hoped Sino-Soviet relations, which have improved somewhat in recent years, could be normalized. However, he said he has the impression that no progress has been made in removing the three major obstacles to normalization. There can be no great improvement in relations if the obstacles are not removed, he emphasized.

The three obstacles are the Soviet Union's occupation of Afghanistan, support for Viet Nam's occupation of Kampuchea and deployment of heavy military forces along the Sino-Soviet border and in Mongolia.

Speaking in San Francisco, Zhao said, "China pursues an independent foreign policy and is ready to establish, develop and improve relations with all countries, including the Soviet Union, on the basis of the Five Principles of Peaceful Coexistence."

Zhao said that there has been no substantial progress yet in talks between the two nations, and China's position towards many Soviet policies remains unchanged.

"But we have increased trade and economic relations with the Soviet Union, and it is possible to increase these relations in the future," he added.

"We are willing to improve our relations with the Soviet Union, but apparently this does not depend on China alone," Zhao said. □

Report From New York

Premier Zhao's US Visit a Big Success

by WANG YOUFEN
Our Special Correspondent

IN viewing Premier Zhao's US tour, one would naturally compare it with Deng Xiaoping's five years ago.

Deng's 1979 visit was to celebrate the establishment of Sino-US diplomatic ties and to give additional impetus to a relationship which had just made a historic breakthrough. By contrast, Zhao's trip was the result of efforts made on both sides to re-warm a relationship which had cooled noticeably in the past few years as the result of a series of disputes, the major one of which has always centred around the Taiwan issue.

In his talks with President Ronald Reagan and other US leaders, Premier Zhao expressed the hope that Sino-US relations can develop on a steady and durable basis, and the key to such a development is a solution of the Taiwan issue. He pointed out that the "Taiwan Relations Act" is the root cause of all troubles.

If this obstacle is not completely removed, he said, co-operation between the two countries in various fields would certainly be affected.

During the Premier's stay in the US capital, a big advertisement was printed in the *Washington Post* by an organization which called itself the "Taiwanese Coalition for Self-Determination." It

expressed support for the recent US Senate Foreign Relations Committee resolution on "Taiwan's future" and urged President Reagan, the US Congress and the American people to "support the people on Taiwan in their quest for democracy and self-determination."

Professor Kenneth Lieberthal of the University of Michigan, in an

The Taiwan issue is the root cause of all troubles in developing a steady and durable relationship between China and the United States. Although Premier Zhao's visit has not made new breakthroughs on the issue, it is considered highly valuable to improving Sino-US relations.

article printed just prior to the Chinese Premier's arrival, wrote, "The recent congressional actions reflected in part the efforts in the past year of an increasingly politically active group of American citizens of Taiwan origin who favour Taiwan independence." He also correctly noted, "We promised not to help foster an independent Taiwan when we established full diplomatic relations with Beijing."

What he failed to point out, however, was the fact that some important and influential people in American politics openly support activities for Taiwan independence. This is considered by Beijing not only as flagrant interference in China's internal affairs, but also as an attempt to turn Taiwan into a *de facto* American state under the guise of an independent country.

In discussing the Taiwan issue at a press conference in San Francisco, Premier Zhao said that the present approach of the Chinese central authorities to the question of reunification is "realistic, reliable and reasonable." There is of course another alternative, he said. That is independence for Taiwan. This is bound, however, to lead to "an explosive situation," he warned.

Although no breakthroughs have been made in resolving Sino-US differences on the Taiwan issue — which no one expected — Premier Zhao's US visit was considered "highly valuable" by members of his delegation in enhancing mutual understanding and creating an atmosphere in which leaders of the two countries can continue their dialogue and discuss ways to further improve Sino-US relations.

There are also some concrete results that came out of the Premier's visit. Two accords were signed, one extending an agreement on scientific and technological co-operation. The second

agreement, among other things, provides for exchanges of information, expedited financing arrangements and feasibility studies on new industrial projects in China.

On the question of high-technology transfers, no progress has been reported and the Chinese visitors seemed not to have pressed for it, although they said they would like to see concrete action taken after the US announcement to ease restrictions.

There seems to be two reasons for this attitude. First, China always stresses the importance of self-reliance. Secondly, with the implementation of open door policy, China now has alternative sources of high technology and equipment.

The Chinese Premier's visit should be considered very successful in having wide contact with prominent people in different fields and in getting China's message through to the American public—both are essential to a better mutual understanding.

In the three cities the Premier visited—Washington, San Francisco and New York—apart from prominent statesmen and government officials, he met with hundreds of business leaders, representatives from Chinese communities, people who have been working for Sino-US friendship, scientists, journalists, etc.

To American business executives, his message was, "China has opened its door and will never close it again." China is ready to provide "all facilities necessary for reasonable profits at minimum risk." Chiao Jen Wang, president of the International Corporation of America, was among the 300 business executives who attended the luncheon given in honour of the Premier by the National Council for US-China Trade in Washington. During the past 10 years or more, Wang's trading corporation

has had business with China exceeding US\$1 billion. He said Premier Zhao's visit would certainly help stabilize Sino-US relations and thus ensure greater opportunities for American business in China.

As if to prove this viewpoint, which seemed to be shared by many, a spokesman for the McDonnell Douglas Corporation announced on the same day that it had signed a letter of intent with China to produce 25 MD-80 commercial jetliners for China, worth several hundred million dollars, over several years.

To the ethnic Chinese, the Premier's main message was a detailed description of Beijing's proposal on reunification.

"All in all, after reunification, Taiwan will have nothing to lose, but will gain honour and benefits as part of the great motherland," he told 300 members of the local Chinese community in San Francisco.

His address drew warm applause from his audience. "It was a very important talk," said Professor C. N. Yang, a Nobel laureate in physics who teaches in New York. "Zhao made a very good explanation of the Chinese position."

The American mass media has been basically positive and factual in its coverage of the Premier's visit. *USA Today*, a relatively new national daily newspaper now enjoying a wide circulation, seems to be paying more attention to expressing the views and feelings of the average Americans than many other newspapers. Everyday a news issue is debated on its opinion page, and the January 11 issue devotes the page to Sino-US relations in connection with Premier Zhao's visit.

Under its usual headline "Voices From Across the USA,"

there are seven people who expressed their views. One would describe the attitude of six of them as definitely positive. They used expressions such as "I am glad he is here. Maybe this will help us on the right track." "Effective communication is the best we can hope for." "The fact that the Premier of China is here says a lot. Things are already improving."

"One billion reasons we need each other" was the title of the editorial comment. Among the major reasons it listed was, "China requires technology and education help to pursue its single-minded focus on developing its economy; America is singularly well-equipped to provide both. For our economy, emerging from the worst recession in 40 years, China offers a new market for goods and services."

Differing views, of course, could be found on the same page. But even in such writings, there are elements which reflect a realistic approach. For example, Ernest Lefever, a man well-known for his conservative views, wrote as a guest columnist in the same issue. After lavishing much praise on Taiwan while denigrating the Chinese mainland, he said, "Security requirements sometimes overrule our natural inclinations to support those who more nearly share our basic values."

It was perhaps in view of the popular goodwill and friendly feelings in the United States for China, that the *Wall Street Journal* drew the following conclusion in its January 13 issue:

"For the Reagan administration, the most useful outcome of the Zhao visit may be that it almost guarantees a friendly welcome when President Reagan visits China this spring. As Richard Nixon shows, visiting China in an election year is good politics." □



Zhuhai, formerly a small town on the coast of the South China Sea, is now a large special economic zone.

China's Special Economic Zones

In 1980, China began building special economic zones in Shenzhen, Zhuhai and Shantou in Guangdong Province and in Xiamen in Fujian Province. Shenzhen, adjacent to Xianggang (Hongkong), is the largest, covering an area of 327.5 square kilometres, and its construction is advancing quickly.

Shenzhen: Opening to the World

by LIANG XIANG

SPECIAL economic zones are an important part of China's policy of opening to the world. The idea was first put forward at the end of 1978, when China began its modernization drive. The National People's Congress formally approved the special zones in Guangdong Province in August 1980 and the Xiamen zone two months later.

Modern methods of mass production and the formation of international markets have led to production and consumption on a world scale. To offset their weaknesses, developed and developing countries are bound to learn from each other's strong points through extensive economic co-operation and technical exchanges. One form of international co-operation is the special economic zone. More than 70 countries and

regions in various parts of the world have established processing-exporting or free-trade zones, where forms of preferential treatment are allowed in order to attract foreign investors. These investors build factories, which in turn import advanced technology, create jobs, bring in foreign exchange and promote general economic development.

As a developing socialist country, China relies mainly on its own forces to bring about modernization. Of course, it will try to win foreign assistance, actively develop economic co-operation, and reasonably use and absorb all foreign things useful to it. For

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these reasons, China has gone ahead with its decisive policy to set up special economic zones.

Shenzhen's geography and other conditions favour its position as a special economic zone. It has bounteous natural resources and wide political, economical and cultural connections with Xianggang (Hongkong) and Aomen (Macao). It is also one of China's major ports and has access to major roads, railways and airports. With the large-scale exploration of oil in the nearby South China Sea and the planned construction of a nuclear power station in neighbouring Dayawan, Shenzhen is certain to prosper.

There are many advantages to setting up special economic zones. (1) Through preferential policies these zones can use large amounts of foreign investment in a better way, import advanced technology, and acquire scientific techniques and management skills — all of which will enable the country as a whole to develop economically at a quicker pace. (2) By dealing regularly with foreign capital, we can further observe and understand the development of and changes in the modern capitalist world, and keep abreast of the changes on the international markets and in science and technology. (3) Through co-operation, we can learn modern urban construction and management methods, and train professionals.

Policy Decisions

The managerial systems, policies and measures in the special economic zones are quite different from those in the rest of China. These are some of them.

— Enterprises run exclusively by foreign or overseas Chinese capital have the right to manage themselves, provided they observe Chinese laws and regulations.

— Joint ventures and co-operative enterprises are managed by

their own boards of directors. In general, the governments of the special zones do not interfere in the administration of the enterprises.

— Enterprises operate under the labour-contract system, according to which they can recruit qualified workers through exams. Both enterprise and worker sign a contract.

— Enterprises are allowed to

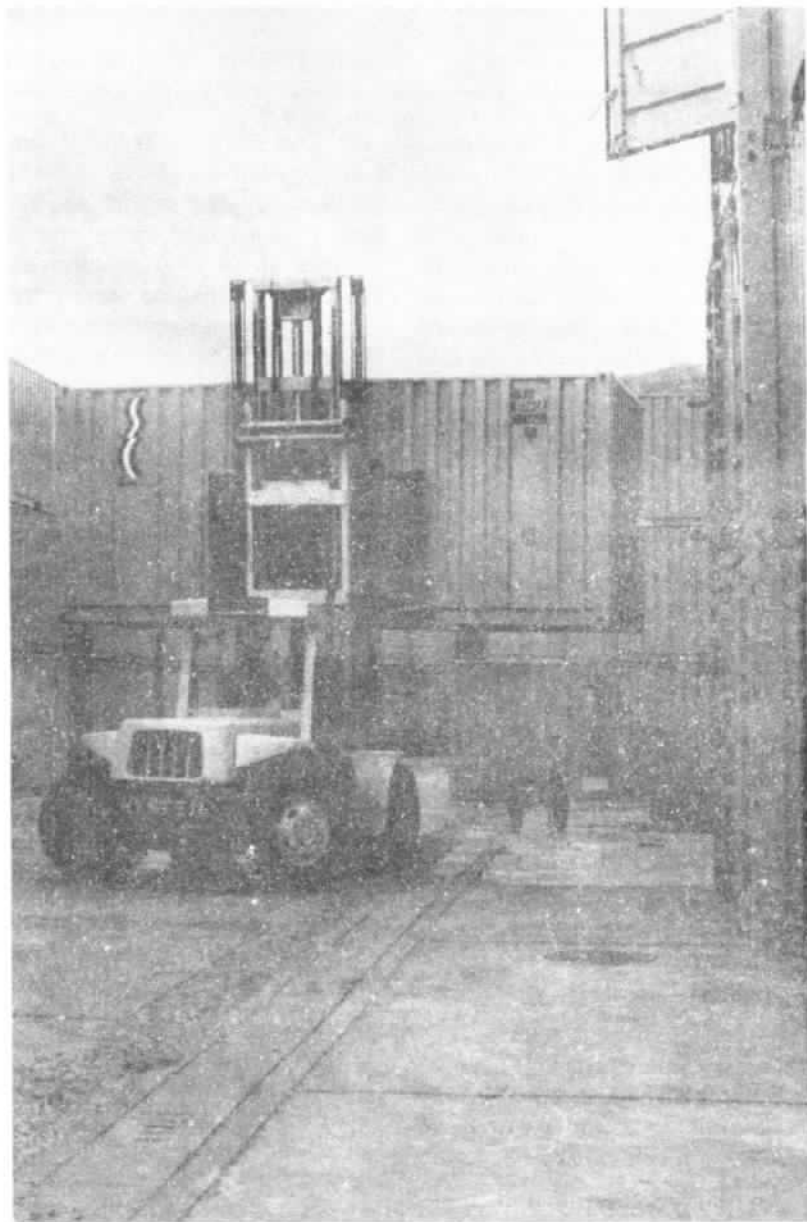
pay floating wages and salaries or to pay by the piece.

— A largely market-regulated system of prices will be gradually established, on the condition that prices remain relatively stable.

— Entry and exit procedures and other formalities are simplified for businessmen and visitors.

— The income tax rate for enterprises is set at 15 per cent, which is lower than in Xianggang.

A forklift moves a standard container made by the China International Marine Container Factory.





Enterprises with an investment of more than US\$5 million or those using high technology and having a relatively long-term capital turnover are granted preferential treatment, with the income tax reduced by 20 to 50 per cent or exempted from one to three years. Foreign and overseas Chinese businessmen who reinvest their profits in the special zones for five years or more may apply for a reduction or exemption of income tax on the amount reinvested.

— Apart from cigarettes and liquor, approved imports for use within the special zones, such as means of production and articles in daily use, are exempt from customs duties.

— Exports also are exempt from customs duties.

— There is plenty of industrial property available for investors at costs much lower than in Xianggang. Different industries can get preferential treatment regarding the choice and use of land sites.

— Special zones produce mainly exports. But a portion of their goods which are needed in domestic markets can be sold in China.

China practises a planned economy. However, Shenzhen's econ-

omy, under the guidance of state planning, is basically regulated by markets. In the special zones, a large proportion of the enterprises is made up of joint ventures and individually financed enterprises. (This is also quite different from the rest of China, where a socialist economy prevails.) Both parties in a joint venture own the means of production and have management right; accordingly, they should conduct economic co-operation on the basis of equality and mutual benefit. Individually financed enterprises are a specific kind of capitalism under the control and administration of the Chinese Government. These investors, provided they observe Chinese laws and policies, have the right to manage their own enterprises so that legitimate profits can be made and healthy economic development in the special zones guaranteed.

China's special zones are economic, not political. The word "special" refers to the relaxation of economic policies. The governments of special zones still possess complete sovereignty. When foreign and overseas Chinese businessmen engage in economic activities in the special zones, they must abide by Chinese laws,

decrees and regulations. In turn, the Chinese Government must also protect their assets, profits and other legitimate rights and interests according to Chinese law. Thus, the special zones are completely different from the concessions of old China or from "a kingdom within a country."

In other countries, most special zones are limited to a single-product economy with private ownership. The zones in China, however, can receive support from the state and from the rest of the country. Shenzhen, for instance, not only emphasizes the development of heavy industry, but also engages in commerce, agriculture, animal husbandry, housing and tourism. China's special zones provide investors with opportunities for a wide range of businesses.

China is also making efforts to build a high level of civilization and to educate the cadres and masses to conscientiously resist the corrosive influences of bourgeois ideology. This is also the case with the special economic zones which will feature a strict legal system and discipline, good social security and morale, a developed economy, a high level of science and education, and a rich and

healthy cultural life. It is incorrect, as some have suggested, to consider the special zones as "enclaves of capitalism."

Achievements and Prospects

Shenzhen has made considerable achievements after three years of construction. Among them are these:

— **Laws and regulations.** To offer foreigners good investment and management conditions, Shenzhen has drawn up a blueprint for growth called "Outline for the Development of a Socialist Economy in the Shenzhen Special Economic Zone." In addition, since the Regulations Concerning Special Economic Zones in Guangdong Province was promulgated in August 1980, we have formulated more than 10 individual laws and regulations, drawing both from the fundamental spirit of Chinese laws and policies and from the experience gleaned from international laws and regulations concerning economic activities. Of them, four are in effect: those governing the entry and exit of personnel; industrial and commercial registration; labour and wage administration; and land administration. Five others — those governing the administration of commodities and housing; administration of foreign banks; economic contracts; the import of advanced technology and equipment; and economic arbitration — will come into effect once they are through the legislative process. Regulations concerning companies, privately owned housing, finances and accounting, and trade unions are being drafted.

— **Construction.** Shenzhen's capital construction is proceeding in a planned way, especially the construction of roads, telecommunications lines, water, gas and electricity supply systems, and drainage in the Luohu and Shang-



Above: A posh hotel under construction in the eastern part of Zhuhai.
Below: At the newly built Guangfu Synthetic Material Factory in Shenzhen.





Visitors stroll through the Seashore Park in Zhuhai.

bu districts (covering an area of 24 square kilometres) where extensive ground-levelling is under way. The construction of an 84-kilometre administrative perimeter separating the special zone from the rest of the province has been completed.

From 1979 to 1985, Shenzhen spent 1,990 million yuan on capital construction, completing 3,250,000 square metres of floor space. A large number of industrial and residential buildings, department stores, modern hotels and restaurants, and picturesque scenic spots with up-to-date facilities were completed. Fifty-five roads are being built or expanded in the city district, of which 37 roads with a total length of 56 kilometres have been completed. The administrative structure has been simplified to reduce personnel, ease formalities, and raise efficiency.

— **Equipment and technology from abroad.** People from business and other fields have come from Japan, the United States, Britain, the Federal Republic of Germany, Australia, New Zealand, Thailand, Xianggang and elsewhere for inspection, visits and trade talks. By the end of last year, Shenzhen had concluded 2,506 agreements with foreign and overseas Chinese businesses for a total of HK\$ 13,220 million, of which 2,740 million dollars have already been put to use. Most of the projects in operation have made encouraging progress in management and administration. Both sides have received economic profits.

Shenzhen has also imported more than 20,000 pieces (sets) of machines and equipment, including microwave telecommunications equipment for the Shekou industrial district; seven-colour printing equipment; an electronically

controlled batching plant; the technology and equipment for producing marine paint at the Haihong Paint Factory of Shekou; and a continuous-casting machine for the Huamei Steel Mill. The imported technology and equipment have not only strengthened productive forces in the special zone but also raised the competitiveness of the products in international markets.

— **Production.** Industrial output value increased by 101 per cent in 1985 from 1979, before the special zones were created; agricultural output value increased 25 per cent, financial revenue 600 per cent, and local income in foreign exchange 140 per cent. The proportion of industry in the zone has expanded rapidly. By the end of last year, 164 new industrial enterprises had been set up in the city, of which 55 were built and put in operation in 1985. The

special zone now has industrial enterprises in electronics, textiles, clothing, food, furniture, printing, building materials and machinery.

— **People's livelihood.** In the past three years, more than 30,000 young people have found jobs in Shenzhen. The average wage of workers and staff in state-owned enterprises rose 129 per cent in 1983 from 1979. The average annual income for peasants rose by 218 per cent.

It is estimated that Shenzhen's population will rise from 250,000 to 400,000 in 1990; the number of factories will rise from 140 to 470,

and the number of workers and staff from 30,000 to 80,000. Annual labour productivity will rise to 45,000 yuan per capita from 20,000 yuan in 1982, and total industrial output value will increase to 3,600 million yuan.

Because of the zone's narrow topography and acting on the "principle of being advantageous to production and making life more convenient," the Shenzhen government plans to gradually set up 18 sections of the city based on industrial or residential function, separated by gardens and belts of trees. Of the zone's 327.5 square

kilometres, 110 square kilometres are devoted to urban construction, according to the preliminary plan.

Through political and ideological education, cadres and workers in Shenzhen are able to conscientiously resist the corrosive influence of bourgeois ideology. They love socialism and are confident that the special zone will be well run.

After several years of hard work, a modern socialist city with a high level of civilization will rise on the shores of the South China Sea.

Salient Feature: State Capitalism

The relationship between China's special economic zones and the state is both contradictory and unified. The special economic zones basically have the nature of state capitalism.

by XU DIXIN

IN capitalist countries, there are no contradictions between the nature of the state and the nature of its special economic zones. There, such special zones are established to accelerate the development of capitalism by implementing flexible policies.

In a socialist country like China, special economic zones, in nature and in function, have a dual relationship which is both contradictory and unified with the state. First, state-owned enterprises must serve as the pillars of the economy in these special zones. Otherwise, the import of foreign funds and technologies and financial and technological contacts with foreign countries will be out of the

question. In addition, the special economic zones also have a collectively owned economy. However, if the proportion of state-owned enterprises is too large, the significance of setting up special economic zones will be lost.

Through a buying-out policy, China is co-operating with foreign and overseas Chinese investors — using their funds, importing advanced technology, learning their managerial skills and so on.

Then there are joint ventures formed with both Chinese and foreign investment, which will occupy a considerably large pro-

portion of the enterprises in the special zones, and enterprises set up entirely with foreign funds. Added together, these two kinds of enterprises will occupy a still larger proportion. This represents a success, not failure, of the special economic zones.

The joint ventures have the characteristics of state capitalism. They constitute a link and a form of co-operation between China's state administration and capitalism. The enterprises set up solely with foreign funds are capitalist in nature, but they differ from private enterprises in the capitalist countries because of the different circumstances. They are under the administration of the special economic zones and therefore under the administration of the Chinese state. They must abide by Chinese law, and pay business and income taxes and property rents. Moreover, the scope of their business is controlled by China and they cannot do what they like. These enterprises are a special kind of capitalism under the control and administration of the state, with certain characteristics of state capitalism.

The author is a well-known economist and an adviser to the Chinese Academy of Social Sciences.



Construction in the Shenzhen Special Economic Zone is booming.

Visitors' Comment: 'A Brave Choice'

The following are comments made by visitors to the Shenzhen Special Economic Zone.

Florea Dumitrescu, Romanian Ambassador to China. It is brave enough that China has decided to build special economic zones despite bourgeois influences from Xianggang and abroad. Some Americans once said that they would try to influence the people's ideology and change the political system in foreign countries through economic co-operation. The Shenzhen government has certainly done a good job in developing socialist ethics.

Claude De Groulart, head of a delegation of Belgian journalists. The Shenzhen Special Economic Zone is one of the most important achievements we have seen in China. To build special economic zones is a brave political choice for China. It is also a successful economic and technological challenge. There is no doubt that it is an important manifestation of China's policy of opening to the

outside world. The zone's success benefits not only China but also neighbouring countries and economic co-operation with Europe and the world as a whole.

Egon Bahr, member of the federal presidium of the Social Democratic Party of the Federal Republic of Germany. The Shenzhen Special Economic Zone is a great success. The plan is brave as well as carefully considered. The leaders are politically far-sighted. Although mistakes are inevitable during a great innovation, the most important thing is that it has opened a new political avenue.

Professor Chen-ning Yang, American scientist. Shenzhen has great potential. Although it is only two years since construction started there, already some of the factories have begun production. I didn't expect this. I first thought China was using foreign funds to solve the problem of employment. Now, having visited the Jinhua Electronics Corporation, I am glad to see that China is developing the

special economic zones with the concept of viewing the situation as a whole, that is, to promote the country's new technology and not follow Xianggang's suit.

Sun Songwei, head of a delegation of Xianggang students. The mental outlook of the Shenzhen youths is quite good. Their dress, speech, manners and behaviour as a whole are even better than those in some interior cities I have visited. I used to think that as Shenzhen opens to the outside world, some unhealthy ideologies would be imported and Shenzhen would be "Xianggangnized." Now after the visit, I have changed my view.

Yan Jiyuan, Vice-Director of the Chongqing Society of Traditional Chinese Painting. It is said that Shenzhen is not in good order and it has already been "Xianggangnized." After visiting the special economic zone, I find this is not true. The security situation and social order are quite good. The people of Shenzhen, especially the youngsters, are enthusiastic, simple, honest and polite.

So looking at all the various types of enterprises, we may say that China's special economic zones basically have the nature of state capitalism.

The law of value governs economic activity in the special zones. According to Marxist theory, the law of value has a dual meaning. The first is that the value of a commodity is determined by the time needed to produce it, and any surplus or abstract labour by the producer will not be considered by society. However, it is not always practical to determine value according to the time that goes into each individual commodity. So under the second meaning of the law of value, the value of a commodity is determined by a ratio that in turn is based on a rational distribution of the total time consumption necessary for production in a society.

Both these principles exist in a socialist society. In China, the law of value and the law of developing in a planned way according to a reasonable proportion operate simultaneously. They are two facets of the same thing, which relate to and at the same time restrict each other. If the national economic plan goes against the demand of rational development, the law of value will express its protest. If the national economic plan accords with the demand of development, the law of value will keep "silent."

China's special economic zones in Guangdong Province are close neighbours of Xianggang (Hongkong) and Aomen (Macao) and subsequently they have much closer economic ties with them than the rest of China has. Changes in the Xianggang and Aomen markets, as well as in the rest of the world, influence the special zones, as do the periodic world economic crises. This is an objective and inevitable situation that cannot be avoided.

As for state capitalism, the concept applied in a socialist country differs from that in a capitalist country. In China, the state capitalism currently practised in the special economic zones differs from that prior to the socialist transformation of the means of production. At that time, through placing orders for processed and manufactured goods and institut-

In special economic zones the role of the law of value is conspicuous. The production of joint ventures and foreign enterprises is inevitably regulated by the market. But at the same time, the state plan controls such things as urban planning, land use, the distribution of industries and bank loans.

ing the system of unified purchasing and marketing of goods, the state put the private enterprises within the orbit of the national economic plan. Today, the capitalist enterprises in the special economic zones do not have processing contracts with China's commercial departments. The joint ventures and enterprises set up solely with foreign funds produce mostly exports, and so production is inevitably regulated by the market.

Here the role of the law of value is conspicuous. This does not mean, however, that the special economic zones do not come under the state plan. On the contrary, the state plan controls such things as urban planning, land use, the distribution of industries and bank loans. But it plays only a guiding role. Therefore, those working in special zones should study the law of value painstakingly. If they do not have a good understanding of this law, they

will come up against difficulties in their work.

In the special economic zones, it is not only the law of value but also the law of surplus value that is operating. There is exploitation of surplus value in the form of profits earned by guest investors, whether joint ventures or foreign-owned enterprises. The exploitation of surplus value exists objectively in China's special economic zones, which is in contradiction with China's socialist system. However, in the long term, the exploitation of surplus value in the special zones is a "buying-out" policy. During the early post-liberation years, China adopted a policy of redemption to get the cooperation of the national bourgeoisie. Under today's buying-out policy, China is co-operating with foreign and overseas Chinese investors — using their funds, importing advanced technology, learning their managerial skills and more — so as to develop the special zones and increase the country's earnings in foreign exchange. All this will benefit China's modernization drive. That is what we mean by "unified" relationship as mentioned at the beginning of this article. The buying-out policy serves as the theoretical basis for China's protection of guest investments.

The policy of opening to the outside world is implemented in the special zones. "Special" refers to the system, the basic character of which is to allow joint ventures and foreign-owned enterprises to develop within a prescribed zone. This brings in its wake special policies, and a series of specific principles and measures are worked out to suit the circumstances. These are by no means temporary expedients. Foreign friends and overseas Chinese are welcome to visit China's special economic zones, where they may invest in joint ventures or set up enterprises entirely with their own capital. □

Folk Literature Wins National Prize

In New China's first general appraisal of the rich and varied legacy of the folk literature of its many ethnic groups, the Chinese Folk Literature and Art Research Society recently conferred prizes on 86 works as the most outstanding folk works for 1979 to 1982.

The prize-winners, chosen from 250 works selected by literature experts all over the country, come from authors of 36 nationalities, and were written in the languages of the Han and 13 minority groups.

Of the seven top prize winners, three are epics about heroes of ancient China.

The Tibetan story, *King Gesar*, won a first prize for its brilliantly written episode "Battle Over Huo-ling Mountain." The one million line epic vividly recounts how the Tibetan king grows up to become the commander of a formidable army. Regarded as Asia's *Iliad*, the work has been popular with the Tibetans and a number of other minority peoples mingling with them since the 11th century.

Jianggeer, another first prize winner, is about a Mongolian tribal leader who unifies 42 tribes into a peaceful, happy society. He later leads his warriors to defend this paradise against invaders. The work, based on anecdotes and folk tales, is the result of five years' strenuous efforts to collect and compile data. The 15 episodes so far published run to tens of thousands of lines, but account for only about one quarter of the materials already garnered. More stories of this Mongolian hero are

being sought among the Mongolians living in Xinjiang. Through the realistic depiction of one tribe, *Jianggeer* reflects the aspirations of the ancient Mongolian herdsmen and praises their heroism and optimism in conquering nature and evil.

Long before it captured a 1979-1982 first prize for outstanding folk literature, *Manass* had been prized among people of the Khalkhas nationality of far western China. A paean sung for the heroic deeds of eight generations of the family of *Manass*, the epic expresses the Khalkhas' cherished desire for peace and prosperity. It is actually a record of the lyrics of Jusupo Mamayi, a noted local singer who, at 66, can recite all the poem's 250,000 lines. *Manass* is

only one of the many long poems chronicled in his amazing memory.

Among the other prize-winning folk literary works, *Xiangmeng* is the pride of the Dais in southwest China. The long poem is a typical old-fashioned love story. A beautiful, innocent princess is spirited away by a monster lurking in forest, but is saved by a prince who happens by. The chance encounter soon blossoms into love, yet the princess' older brother tears the young couple apart by throwing the prince into jail. This time it is the princess who saves her lover from danger. Angered, her brother launches a war, which only spells his own doom. After a fierce battle, the prince emerges victorious, and finally reunites with his princess. Like many other

Tibetan ballad singers Yumei and Zhaba (second and third from left) talk about the epic "King Gesar" with data collectors.



folk tales, this poem praises love and justice. It also provides a panoramic picture of the Dais' life in ancient times.

Ancient Songs of the Miaos is a collection of 13 poems selected from the Kaili area (location of the largest Miao communities) in Guizhou Province, the Damiaoshan area in Guangxi and Jingxian County in Hunan. Representative of Miao mythology, which is closely related to fairy tales of the Hans, the book's stories are familiar to people of various nationalities in southwest China. Historians see in these poems indispensable sources for their study of the origin and social system of the early Miaos.

The beauty of the prize-winning *Folk-Tales of Tibet* (Vol. I), published by the Tibet People's Publishing House in 1982, is that each of the 41 stories is followed by an explanatory note about its popularity and how it evolved into its present form. All the mythology, fables, legends and love stories have a rich national flavour.

Three decades ago, when Hu Ercha, then a student, compiled a collection of Mongolian folk songs and translated them into Chinese, he did not realize that this work was to become the first of its kind published after the founding of New China. Today, his translation of a 3,000-line poem won one of the seven first prizes. Called *Wuhelegui*, the poem recounts the title character's heroic fight against despotic evil forces, in a style at once vivid and believable.

The rich crop of folk literature harvested in the last few years highlights the progress made in collecting and compiling folk poetry, tales and anecdotes from among the many minority nationalities, according to a leader of the Chinese Folk Literature and Art Research Society. The society's branches all over China and its 20 journals unquestionably have played a key role in this endeavour.



A forum on Tian Han held in the Great Hall of the People in Beijing.

Modern Drama's Founder Studied

The founder of modern China's drama movement and one of the first to reform classical Chinese operas, Tian Han (1898-1968), will be formally studied by the Research Society of Tian Han established recently in Beijing.

To commemorate his 85th birthday, as well as the 15th anniversary of his death, a five-day symposium was held. Theatrical productions created by this literary fighter for the proletariat (including dramas, Beijing operas and other local operas), were also staged in Beijing, Shanghai and other cities.

Tian Han wrote more than 100 dramas and operas, 20 screenplays and about 2,000 poems. His *March of the Volunteers*, set to music by Nie Er in the 1930s soon after the Japanese invasion (which first appeared as a song in the film *Young People in the War Years*), is now the national anthem of the People's Republic of China.

While doing his best to promote the development of China's national culture, Tian always tried

to absorb what was useful from Western culture. He was one of the first to translate Shakespeare, offering Chinese versions of *Hamlet* and *Romeo and Juliet*. His translations also include some modern Japanese plays.

Tian Han took part in the anti-imperialist, anti-feudalist New Cultural Movement after the May 4th Movement of 1919. He participated in and joined the leadership of many progressive drama troupes and literary organizations. After the founding of the People's Republic, he was appointed vice-chairman of the China Federation of Literary and Art Circles and chairman of the Chinese Dramatists' Association.

The newly established society will thoroughly study Tian Han's achievements in China's cultural movement.

Part of the 16-volume *Works of Tian Han* is now available in Chinese. It comprises plays and operas he created in his early years and poems written during the "cultural revolution," before he was persecuted to death.



In jail, Yin Fu (right) refuses bail offered by his brother, a senior KMT officer.

Chinese Martyr Poet's Life Is Staged

A new play commemorating one of China's revolutionary martyrs is being staged in Shanghai. *Life, Love and Freedom* recounts the life of modern Chinese poet Yin Fu, who died for the revolution when he was just 21.

Yin Fu, a Communist, emerged as one of China's influential poets when he was not yet 20. He joined the China League of Left-Wing Writers in 1930, contributing his poems and translations to many progressive publications. In 1931, he was killed by the reactionaries.

The play follows the poet's indefatigable pursuit of truth. The threads of the story are gathered to a climax when Yin Fu's lover is murdered, and the slaughters then get their butcher's knife into him. The poet recites his own translation of Sandor Petofi's poem as he marches boldly to the execution ground:

*"Life is a treasure,
Love even dearer;
But to win freedom,
I would throw both away."*

Huang Zuolin, the 80-year-old

president of the Shanghai People's Art Theatre, directed the play. A student of stage drama at Oxford University in his youth, Huang stands out as one of China's most distinguished directors.

Another of his productions, depicting Chen Yi, the first mayor of the Shanghai Municipality after the founding of New China, elicited nationwide attention.

Huang strove to turn *Life, Love and Freedom*, his 100th play, into an epic drama, interweaving realism with romanticism. By relating the conflicts of Yin Fu's family with the contradictions of the times, he successfully presents the sharp contrasts between progressives and reactionaries. His portrayals of the characters' inner world add to the appeal of the production. Both the events in the martyr's life and his creative process have been vividly recaptured for the audience.

As a recent newspaper article on the play suggests, it provides today's youth with a thought-pro-

voking answer to their questions about the value of life.

The Incidence of Hepatitis in China

The incidence of hepatitis (A) in China is greater in areas north of the Changjiang (Yangtze) River, while cases of hepatitis (B) are more numerous south of the river, according to a report given at the second national symposium on contagious and parasitic diseases held late last year.

In 1979, China began its first survey of hepatitis among people of different sexes, ages, nationalities and professions in 88 cities and rural areas in 121 counties throughout China.

Statistical processing and multipurpose studies of the initial data obtained barely a year later revealed the occurrence of viral hepatitis. Both hepatitis (A) and (B) were found in every place surveyed, and their incidence was higher among males. The disease was found more frequently among those younger than 10 and those between 30 and 40 years old. A survey of 19,421 families showed that if a mother suffers hepatitis (B), her children are very likely to be carriers of the virus. Those suffering from chronic hepatitis, mostly in the 30-50 age group, account for 51 per cent of all hepatitis patients. In some areas, as many as 31 to 61 per cent of the population suffered from hepatitis.

The new findings have filled in a blank in China's disease prevention work, and provided a basis on which to map out plans for scientific study of viral hepatitis and work out ways to treat and prevent the disease.

Traditional Chinese Paintings by Yang Mingyi

Born in 1930 in Sichuan Province, Yang Mingyi is now a painter with the Art Studio of Sichuan, and a council member of the Sichuan branch of the Chinese Artists' Association. He studied painting under Zhang Daqian in Taiwan, and returned to his hometown in 1975 via Japan. Recently, he was invited to do some pictures for the Great Hall of the People.



Lotus Blossoms.

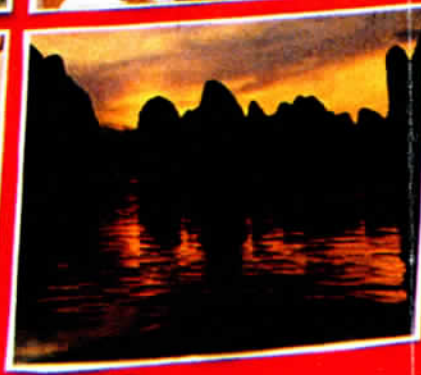
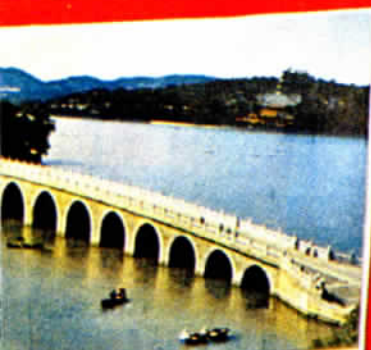
Cabbage.



Chinese Flowering Crab Apple.



The Heavenly Horse, from a bronze sculpture of the Eastern Han Dynasty (25-220 AD), is the symbol of China's thriving tourist industry. Its head held high and its tail sweeping out behind, the horse streaks majestically across the sky, swift as lightning. One hoof briefly touches the back of a soaring Dragon Sparrow—the legendary god of wind. The bird turns to acknowledge this nimble, gallant gesture. Every tourist can place his dream to visit China on the broad back of the Heavenly Horse. He will carry you wherever you choose to go.



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a people who make up one-fifth of mankind

a civilization with an ancient history

a landscape which is unique, yet varied

a variety of the world's most delicious food

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a lifestyle different from many other countries ...

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