

No. 12 March 23, 1981

BEIJING REVIEW

北京周报

A CHINESE WEEKLY
OF
NEWS AND VIEWS



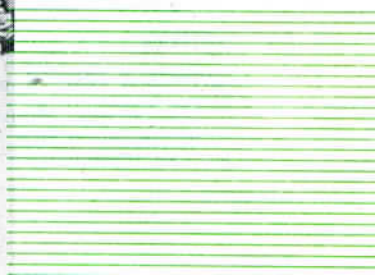
National
Economy:
Break From
"Leftist"
Thinking



Soviet Strategy
In East Asia



World Economy:
A General Survey



HIGHLIGHTS OF THE WEEK

Break With "Leftist" Thinking

To offset the damage resulting from "Leftist" thinking, Chen Yun, Vice-Chairman of the Central Committee of the Chinese Communist Party, drew attention to an important principle concerning the relationship between the scale of economic construction and the nation's capabilities.

The necessity of further readjusting China's economy and the ways of doing it, with relevant background information, are explained in a special feature in this issue (pp. 23-29).

China's Population Growth

Efforts to keep down the population growth rate have yielded initial results. Last year's growth rate is estimated to be around 10 per thousand (p. 8).

Soviet Strategy in East Asia

East Asia occupies an im-

portant place in Moscow's global strategy for world domination. What are the Soviet Union's aims in this part of the world? And what are the prospects of its aggressive designs? These questions are dealt with in an article together with a map showing Soviet expansionist activities in the Asian-Pacific region (p. 19).

World Economy

A special article takes an overall look at the world economy, with a comprehensive analysis and forecast of the economic development in the next five years and its impact on the international situation (p. 15).

Unity Against Vietnamese Invaders

Prime Minister Khieu Samphan of Democratic Kampuchea briefed Chinese reporters in Beijing on his meeting with Samdech Sihanouk in Pyong-

yang to promote a great national union to drive out the Vietnamese invaders (p. 10).

Moscow's Peace Offensive

Brezhnev's latest peace offensive is described as a change of tactics under new circumstances aimed at consolidating the positions the Soviet Union has gained and exploiting the differences between the United States and its allies (p. 11).



An old Uygur woman and her granddaughter at a village fair.

Photo by Cai Zhuangtian

BEIJING REVIEW

北京周报

Published in English, French,
Spanish, Japanese and
German editions

Vol. 24, No. 12 March 23, 1981

CONTENTS

NOTES FROM THE EDITORS	3
Special Economic Zones — Economic Editor Wang Da- cheng	
Israel — International Editor Guo Ji	
LETTERS	4
EVENTS & TRENDS	5-9
New Woman Minister An Important Task in Economic Readjustment	

Regions of Minority Nationalities
Population Growth Rate Drops
Population Science Society
N.P.C. Delegation in Latin
America
Refuting Rumours About Trade
With South Korea and South
Africa

INTERNATIONAL 10-14

Khieu Samphan on His Meet-
ing With Sihanouk
Brezhnev's Diplomatic Offense —
Commentary by Xinhua
correspondent
Moscow Was More Than Rude
— Yi Dong
Attempted Coup in Spain —
Zhou Zhongshi

ARTICLES & DOCUMENTS

The World Economy Ahead —
Yan Xizao 15
Soviet Strategy for East Asia —
Jiang Yuanchun 19

SPECIAL FEATURE

Further Economic Readjust- ment: A Break With "Leftist" Thinking — Our Correspondent Zhou Jin	
Economic Progress With Hid- den Dangers	23
Forward and Backward	26
Factors Conditioning the Scale of Construction	27
Blazing a New Trail	28

CULTURE & SCIENCE 30

BOOKS 31

Published every Monday in Beijing,
The People's Republic of China

Distributed by GUOJI SHUJIAN,
(China Publications Centre),
P.O. Box 399, Beijing, China

Subscription prices (1 year):

Australia.....A.\$12.50	U.S.A....US\$13.50
New Zealand...NZ.\$14.50	U.K.....£6.80
Canada.....Can.\$15.60	

Special Economic Zones

Why does China want to set up special economic zones? Foreign firms will get profits from the investments they make. Isn't this exploitation on Chinese soil?

A series of new policies and measures have been taken by the Chinese Government for the realization of the four modernizations. These include the implementation of special policies and adoption of flexible measures in coastal Guangdong and Fujian Provinces in economic dealings with foreign countries. The setting up of special economic zones and adoption of an open-door policy, the use of foreign capital and import of advanced technology and managerial experience as well as the training of personnel—all are aimed at quickening the pace of the modernization drive.

It is now decided to set up special economic zones in four places, i.e., Shenzhen, Zhuhai and Shantou in Guangdong and Xiamen in Fujian, where special areas will be designated for the purpose. For instance, the Shenzhen special economic zone is in the Shekou district of Shenzhen city, about 20 nautical miles from Xianggang (Hongkong). Building of this special zone began in August 1979 and will cover 327.6 square kilometres when completed.

In these special economic zones, foreign firms can invest their money in building factories and running enterprises and

other undertakings or participate in joint ventures with their Chinese counterparts. They will be provided with the necessary conditions and accorded preferential treatment by the local government. While the Chinese Government protects their assets, due profits and other legitimate rights and interests, they have to abide by the laws and decrees of the country.

Regulations governing the setting up of special economic zones were promulgated by the Guangdong provincial people's government last year. They give ample scope for the foreign businessmen's activities, with necessary conditions and stable locations guaranteed. Preferential treatment will be given them with regard to the use of land, foreign currency control and income tax. In addition, there are provisions facilitating their import of goods and the entry and departure of personnel.

Like other international economic activities, the principle of

equality and mutual benefit will be followed in the case of special economic zones. Foreign businessmen making investments or running factories in these zones will be allowed to get a reasonable amount of profit which is indeed a kind of exploitation. But with the socialist economy holding the dominant position, the economy in the special economic zones is only a very minor supplement, and the kind of exploitation involved is nothing to be afraid of.

Speaking of joint ventures with foreign capitalists in 1921, when economic construction in the Soviet Union was at its early stage, Lenin said: "We shall not grudge him even 150 per cent in profits, provided the condition of our workers is improved."

The preferential treatment given to foreign businessmen in the special economic zones is based on an overall consideration of the economic situation at home and abroad. It accords with the interests of China's socialist construction.

— *Economic Editor*
Wang Dacheng

Israel

Will China recognize Israel? Will China purchase weapons from it?

The Chinese Government will have nothing to do with Israel as long as it occupies Arab territory and denies the Palestinian people their national rights.

The Israeli authorities must abandon their policy of aggression against the Arab countries. Only in this way can they have a future.

Allegations that "China purchases weapons from Israel" are fabrications pure and simple.

— *International Editor* Guo Ji

LETTERS

Anarchy and the Personality Cult

The judgment of the Special Court of the Supreme People's Court of the People's Republic of China is a document for revolutionaries in China and other places to study because it reveals the danger of an anarchist deviation like that of Jiang Qing and her favourites. The trial in Beijing proved that Jiang Qing has never been a real Marxist-Leninist. She found places inside the Chinese Communist Party for anarchists who pursued their anti-Marxist line. They created confusion in China which only benefited the enemies of revolution in your country and the rest of the world.

Dear Chinese friends, please keep in mind that all this resulted from the personality cult. All of the cult's hidden and subtle manifestations must therefore be opposed. In spite of personality cult, anarchists and counter-revolutionaries, the victory of the Chinese people over the Lin Biao and Jiang Qing cliques has opened the door of the future to those wanting to build socialism under the principle of democratic centralism.

Dr. Adrien J. Alpendre
New Jersey, U.S.A.

Don't Mystify Model Cases

The article "A 'Dragon' of Farming, Industry and Commerce" printed in *Beijing Review* (issue No. 31, 1980) tells of experimentation with a new method of developing the socialist economy. In a big country like China, model cases are necessary to show the direction. But these models should not be absolutized or made into a mystery. It is necessary to follow the masses in learning from and understanding model cases. I believe it is wrong to give overriding emphasis to production while paying no attention to the relation-

ship between production, circulation and consumption.

Hiroshi Tanaka
Kyoto, Japan

Wrong Figures

I refer to your excellent issue on China's peasants — No. 3, 1981.

In the article entitled "Let Some Localities and Peasants Prosper First," there are some statistics which are not too clear to me.

On page 20, reference is made to 1,622 outstanding production brigades, which represent 2.3 per cent of the total in the country.

But on page 22, we read that 380,000 brigades represent 7.6 per cent of the total number of brigades.

The two sets of data give very different figures for the total number of production brigades in China.

So I should be most grateful if you could let me know how many production brigades there actually are in China, and what the source of the confusion in these data is.

J.M. Sutcliffe
Durham, United Kingdom

You carried this figure on page 20 of issue No. 3, 1981: In 1979, the number of production brigades with an average income of over 300 yuan per person increased to 2.3 per cent. But, according to *Renmin Ribao* on July 31, 1980, the number of production brigades with an average income above 300 yuan per person is 1,622, which constitutes 2.3 per thousand of the total, that is, 0.23 per cent.

In addition, according to an article by Wu Xiang which was carried in *Renmin Ribao* on November 5, 1980, the number of "rural basic accounting units" with an average income below 50 yuan per member dropped to 27.3 per cent of the total. But you said on page 22 of the same issue that the percentage of poor brigades whose members received less than 50 yuan each dropped to 27.7 per cent in 1979. How did you arrive at this figure?

Shunro Fujimura
Fukushima, Japan

We thank our Japanese, Canadian and British readers who wrote to tell us of statistical errors in the article "Let Some Localities and Peasants Prosper First" (issue No. 3). The errors were due to editorial negligence and have been acknowledged in a correction box on p. 9 of issue No. 8.

As for the "380,000 production brigades" discussed in the original article each with an annual average income of 150 yuan per peasant, this actually means the basic accounting units, which refer to both production brigades and production teams, but mainly the latter. This figure makes up 7.6 per cent of the total number of basic accounting units in the country. — Ed.

Suggestions

"Notes From the Editors" is a good format in which to answer many of the general questions and misconceptions your readers may have. However, I hope that from time to time you will answer individual letters and questions directly. For some of us Western readers, that personal touch of answering a specific question from a specific reader seems to promote a feeling of dialogue.

Jaydee Hanson
Virginia, U.S.A.

You can improve your magazine in many ways. Your "Humour in China," for example, is sometimes unlively. It must describe deeper ideas. Also, it is not enjoyable when you put it all on one page. It is better to scatter it over several pages.

Somapala Weeratunga
Malabe, Sri Lanka

I have enjoyed the political articles and discussions of policy in your magazine because I am interested in politics and because they show what China's goals are. However, these articles often refer to things, such as the four modernizations, without briefly explaining them to new readers.

Peter Hunter
Ontario, Canada

POLITICAL

New Woman Minister

Hao Jianxiu, nationally known model spinner, was recently appointed Minister of Textile Industry. Now 45, she is the youngest member of the State Council.

In the current economic readjustment, with the focus shifted to the development of light industry, increasing importance is being attached to the textile industry. Said Minister Hao: "I wish to see our people better dressed. Our textile products today still fall far short of the people's needs."

She said that efforts will be made this year to produce more cotton and woollen spindles and boost the production capacity of the textile industry, the capacity

to produce chemical fibres in particular.

Born of a poor family in the port city of Qingdao in east China, Hao Jianxiu became a spinner at a cotton mill when she was very young. In the early 1950s, the advanced method of spinning she innovated, later known as the "Hao Jianxiu method" which helped increase work efficiency greatly, was officially recognized and popularized throughout the country. Later, she was sent to study in a middle school and then in a textile engineering institute. After graduation, she returned to her factory and became a technician. In 1965, she was appointed deputy director of the No. 8 Cotton Mill in Qingdao.

In 1978, she became Vice-Minister of Textile Industry. During the past three years, she toured almost two-thirds of the country's provinces, municipalities and autonomous regions to investigate the situation in the textile industry. With her help, the Shanghai textile industry, which suffered heavy damage during the cultural revolution, not only restored production but achieved an all-time high record in eight of its production targets.

The importance of selecting women cadres, particularly middle-aged and young cadres, was reaffirmed by Song Renqiong, Member of the Secretariat and Director of the Organization Department of the Party Central Committee. Addressing the meeting in celebration of this year's International Working Women's Day, he said: Today we have 4.7 million women cadres which is 14 times the figure 30 years ago. However, women cadres in leading bodies at various levels only ac-

count for 3 to 6 per cent of the total, among whom, middle-aged and young women cadres are relatively few. Song Renqiong expressed the hope that an increasing number of capable women cadres in all trades and professions would be selected and promoted to leading posts at all levels.

Former Minister of Textile Industry Qian Zhiguang, 80, now serves as an adviser to the State Council. He said, "Hao Jianxiu is modest, hard-working and eager to learn. She is very promising. We elderly cadres are all willing to give her whatever help she needs."

ECONOMIC

An Important Task in Economic Readjustment

During the current economic readjustment, while some capital construction projects will be stopped or put off, some enterprises will either stop production or will be closed down, amalgamated with other enterprises or converted to produce other products. A major task in this process is to make proper arrangements for the workers and staff concerned and carefully store the machinery, equipment, files and other materials for future use.

Progress of this work is reported in the newspapers from time to time.

Projects Stopped or Put Off. *Gongren Ribao* (Workers' Daily) pointed out in a commentary that this work should be conscientiously carried out according to the relevant regulations promulgated by the government. Workers laid off for the time



Minister Hao Jianxiu (middle) visits the Japanese textile industry exhibition held in Beijing early this month.

being get their pay as usual and will be given jobs in the localities according to their special skills, and priority will be given them when other enterprises recruit new workers or technicians. Others will take part in maintenance and keep the machinery and equipment in good order, plant trees around the factories to improve the environment or do other odd jobs. At the same time, special training courses will be opened for them. The leading cadres will be held responsible for any damage caused to those capital construction projects which have been stopped or slowed down.

Readjustment and Reorganization of Existing Enterprises. This concerns enterprises which turn out unwanted or poor products, consume too much fuel or raw materials, incur big losses or vie with advanced enterprises for raw materials and fuel. Measures are being taken to close down these enterprises or stop their production for the time being, amalgamate them with other enterprises or convert them to produce other products. Here the stress is on amalgamation or converting them to work along new lines.

The closing down of a gear factory in Weifang in east China's Shandong Province was effected smoothly. The measures taken were to transfer the workers first to other factories before the leading cadres attended to other work involved with its close-down. When everything is cleared, the leading cadres will be assigned to new posts by the higher authorities.

In the city of Yinchuan in northwest China's Ningxia Hui Autonomous Region, four workshops in a nitrogen fertilizer factory stopped production last October. The 280 workers and staff members were laid off with full pay. Training classes were organized for them, with 10 competent technicians from the factory giving lectures related to production.

Amalgamation. The Mudanjiang No. 7 Chemical Works in northeast China's Heilongjiang Province is a small enterprise producing soda. Before it amalgamated with the No. 3 Chemical Works last January, the factory leadership and the workers cleaned and repainted the 310 pieces of equipment and moved them together with

other fixed assets totalling 4.8 million yuan to the warehouses.

Conversion. To meet the growing demand for beer on the market, a honey factory in Liaoning Province's Fushun was rebuilt into a brewery with an annual capacity of 15,000 tons of beer. In this process, only 4 million yuan were spent, while building a new brewery with the same capacity would need 10 million yuan.

In a few enterprises, the leadership failed to take a responsible attitude after decisions were taken to close down the factories and stop production. This resulted in losses of state property. The leading cadres were taken to task and, in serious cases, they were punished according to law. To prevent the recurrence of similar incidents, a resolution was adopted by the Standing Committee of the National People's Congress at its recent 17th meeting.

Speaking to newsmen, a responsible member of the national administrative committee for the education of workers said that plans are being drawn up to give systematic training to those workers who have not yet been given new jobs. The aim is that they will render better service to the nation's economic construction in the future.



Leather goods made by a radiator factory in Hebei Province, after its amalgamation with a local leather factory, sell well on the market.

Regions of Minority Nationalities

Notable changes have taken place in areas inhabited by the minority nationalities since the adoption of flexible economic policies by the Party and government nearly a year ago. The Tibetan people now have more *qingke* barley wine and

butter tea for their guests and the Mongolian and Uygur peoples have more money to buy clothes and other consumer goods.

Travelling in Tibet, Xinjiang and Inner Mongolia today, one sees thriving scenes rarely seen for years in the past.

With a combined population of 33 million, or less than one-thirtieth of the nation's total, and an area of 4 million square kilometres, or over 40 per cent of the total area of China, these three regions were traditionally poor and backward.

Last spring, the Party Central Committee and the State Council decided to adopt a series of more flexible economic policies in these areas. These include: reduction or exemption of taxes for agriculture and animal husbandry, giving the production teams and commune members more rights to make their own decisions, abolition of all forms

of assigning tasks irrespective of actual actions, taking appropriate measures to allow the commune members to have larger plots of land and raise more livestock for their own use and encouraging the communes, production teams and commune members to develop handicraft and sideline occupations. These policies stimulated the minority peoples' enthusiasm for production and accelerated the development of the local economy.

Tibet Autonomous Region. Thanks to the new policies and the favourable weather, enormous changes have taken place in Tibet in the past year. Grain output last year increased by over 10 per cent over that of 1979, livestock was upped by 13.4 per cent, income from collective sideline occupations rose by 43.7 per cent. And there was a general increase in income for the peasants and herdsmen.

The Bainag People's Commune in Dagze County. 50

kilometres to the east of Lhasa, is a good example. For a long period, the commune had to rely on relief from the state, and in 1979 when it did not grow enough to feed its people, the state supplied 55,000 kilogrammes of grain. Last year, however, the situation changed. Its grain output was 3.4 times as much as in 1979, and it sold 215,000 kilogrammes of its surplus grain to the state at negotiated prices. Per-capita income in the commune was 273 yuan, 172 yuan more than that of 1979.

Xinjiang Uygur Autonomous Region. Both agriculture and stock-breeding thrived last year. State purchases of farm produce, sideline products, livestock and animal products all topped the targets. The task of purchasing grain was fulfilled earlier than in any of the previous 10 years. The amount of cotton purchased was over 80 per cent more than that of 1979. The number of horses, cattle and donkeys purchased went up by 60 per cent.

The amount of commodities sold last year in this region increased by a big margin. Compared with 1979, the increase was 22 per cent for daily necessities, 17.8 per cent for clothing, and 13 per cent for foodstuffs. The increase in the sales volume of high-quality products was bigger than that of ordinary goods. In the farming and pastoral areas, the amount of transactions at the fairs last year was 64 per cent higher than in 1979, and farm and sideline products accounted for about 100 million yuan.

The bank savings of the commune members and herdsmen last year reached an all-time high of 120 million yuan, 53 per cent more than in 1979.



Herdsmen on the Inner Mongolian grassland making purchases at a mobile shop.

Inner Mongolian Autonomous Region. Though the region was hit by a serious drought, grain output topped 4 million tons. Output of oil-bearing crops increased by 20 per cent over 1979, and sugar beet by 70 per cent. Livestock sold was 8.65 million head last year, the highest in Inner Mongolia since the founding of New China. This was 3.25 million more than in 1979.

Last year, 160,000 people got jobs and many of the old workers got a pay rise. This was why purchasing power rose to 4.700 million yuan, 10.8 per cent higher than in 1979.

SOCIAL

Population Growth Rate Drops

China's natural population growth rate dropped from 20.99 per thousand in 1973 to 11.7 per thousand in 1979. Last year it was estimated to be around 10 per thousand.

When the Second Session of the Fifth National People's Congress met in June 1979, the question of population growth was discussed. It was then decided to encourage each couple to have only one child. With concerted efforts made in family planning by the leadership at various levels, departments concerned and the mass media, marked results have been achieved in controlling the nation's population growth.

In Shanghai, which has a population of 10 million, the natural population growth rate dropped to 5.31 per thousand last year. Among last year's newborns, more than 80 per cent were first-borns and only 0.5 per cent were third-borns.

In southwest China's Sichuan Province, which has a popula-

Population Science Society

The Chinese Population Science Society was set up at the Third National Population Science Symposium held in Beijing on February 27. The aim is to encourage demographers to actively carry out research on population, study the Marxist theory of population and found a socialist system of population science.

Ma Yinchu, noted economist and demographer and former president of Beijing University, was elected honorary president of the society. Now in his 90s, Ma was wrongly criticized in the 1950s when he presented his theory of population control. But now his

theory serves as an important basis for the government's population control policy.

Xu Dixin, Vice-President of the Chinese Academy of Social Sciences, was elected chairman of the society.

At the symposium, which was attended by about 300 demographers from all over China, 230 papers were presented. The subjects dealt with included: the optimum population target for China, the present policies on population control, the control of population growth in the rural areas, urban population and demographic geography, the Marxist theory of demography and an evaluation of both old and new Malthusianism.

tion of 100 million, the growth rate has been kept below 7 per thousand for three years running since 1978.

In east China's densely populated Zhejiang Province (population, 37.92 million) there were 100,000 fewer babies last year as compared with 1979. The province's natural population growth rate dropped to 4.03 per thousand last year.

Of the 1,000 million people in China today, those under 30 account for 65 per cent, that is 630 million. Unless effective measures are taken, therefore, the population will exceed 1,200 million by the end of this century.

Since 800 million live in the countryside, the focus of family planning should be in the rural areas. The policy of giving favoured treatment to those who have only one child should be conscientiously carried out. In addition, medical care for women and children should be strengthened, old people without children should be well looked after, and the research, production and distribution of contraceptives should be done

well. At the same time, it is necessary to raise the technical level of medical personnel involved in the work of birth control.

FOREIGN RELATIONS

N.P.C. Delegation in Latin America

A delegation of the National People's Congress led by Ngapoi Ngawang Jigme, Vice-Chairman of the N.P.C. Standing Committee, recently visited Colombia, Guyana, Barbados, and Trinidad and Tobago. It was the first visit by a delegation of the N.P.C. to these four countries. The delegation met with parliamentary and government leaders of the four countries and exchanged views on matters of common concern, thereby deepening mutual understanding and enhancing friendship.

In Colombia. The delegation paid a one-week visit (February 12-19). It was the first visit by a high-ranking Chinese delegation since the establishment of

diplomatic relations between China and Colombia in February last year.

President of the Senate Ignacio Diaz and President of the House of Representatives Hernando Turbay had talks with the delegation. Both the Senate and the House of Representatives held special sessions respectively to welcome the delegation.

Colombian President Turbay Ayala received the delegation and expressed the hope that economic, trade and cultural relations between Colombia and China will continue to develop.

In Bogota, the delegation laid a wreath at the statue of Simon Bolivar, a nationalist hero in the Latin American people's struggle.

In Guyana. Guyanese President Burnham, Prime Minister Reid and Speaker Sase Naraine of the National Assembly met with Ngapoi Ngawang Jigme, and had friendly conversations with him.

Sase Naraine gave a luncheon to welcome the delegation. In his welcoming speech, Naraine said that the N.P.C. delegation was the highest-level delegation the Guyanese National Assembly had ever invited from countries in the non-commonwealth areas. This, he said, marked the great friendship between Guyana and China. In reply, Ngapoi Ngawang Jigme said: "The Chinese and Guyanese peoples love peace and desire a peaceful international environment in which to build up their own countries." He added that China pursues a foreign policy of peace and will work for the cause of opposing hegemonism, safeguarding world peace, strengthening friendly co-opera-

tion between the peoples of various countries.

The delegation paid a seven-day visit (February 20-26) to Guyana.

In Barbados. During its five-day (February 27-March 3) visit to Barbados, the N.P.C. delegation met with President of the Senate Arnott Samuel Cato, Speaker of the House of Assembly Burton Hinds, Governor-General Deighton Ward, and Prime Minister Tom Adams on separate occasions.

In his meeting with the delegation, Prime Minister Tom Adams said that the Chinese delegation's visit to Barbados showed that countries, large or small, could enjoy warm and cordial diplomatic relations. Ngapoi Ngawang Jigme praised the efforts of the Barbadian Government in developing friendly relations and co-operation between the two countries. Both sides expressed the desire to make common efforts to promote such relations.

In Trinidad and Tobago. The delegation paid a six-day visit (March 4-9) to this island country. President Ellis Clarke, Prime Minister Eric Eustace Williams and other leaders met with the delegation. Prime Minister Williams had visited China twice, and was accompanied by Ngapoi Ngawang Jigme during his tour of China. Their meeting again was indeed a reunion of old friends.

Refuting Rumours About Trade With South Korea And South Africa

A responsible member of the Ministry of Foreign Trade on

March 11 refuted the rumour that China was conducting trade with south Korea and South Africa.

The Xianggang (Hongkong) based *Asian Wall Street Journal* recently carried an article under the title "South Korea, China Resume Trade After 30-Year Break." The Soviet paper *Izvestia* immediately played up the story by spreading the lie that China was "promoting co-operation in trade" with south Korea "on a formal and official basis." TASS also blew up a groundless news item published in the *New York Times* and said that "China is becoming one of the biggest trade partners of the Republic of South Africa."

The official of the Ministry of Foreign Trade pointed out that these reports are sheer fabrications with ulterior motives. The Chinese Government, he said, firmly supports the Korean people in their struggle for the independent and peaceful reunification of their country, resolutely opposes any machination to create "two Koreas," and has declared in clear-cut terms its non-recognition of the south Korean authorities. He added: The Chinese Government firmly supports the people of southern Africa in their just struggle against racism and for national liberation, and is resolutely opposed to the colonial and racist policies of the South African authorities. In accordance with the Chinese Government's consistent policies, it is only natural and known to all that China does not trade with the authorities of south Korea and South Africa. The official declared that it is futile for anyone to try to attain his sinister aims by spreading lies on this issue to mislead the public.

Khieu Samphan on His Meeting With Sihanouk

Both men agreed that the war against the Vietnamese aggressors must be intensified and the legal status of Democratic Kampuchea must be defended on the diplomatic front. Discussions will continue over issues still unresolved.

KHIEU Samphan, the Prime Minister of Democratic Kampuchea, on March 12 met Chinese reporters in Beijing and spoke about his meeting in Pyongyang with Samdech Norodom Sihanouk.

Mission Fulfilled

Khieu Samphan described the meeting with Sihanouk in Pyongyang as "successful." His mission, he said, was not to conclude any agreement but "mainly to listen to what Samdech Norodom Sihanouk had to say about coalition and national union." "During our discussion we also put forward our views on some of Sihanouk's opinions to facilitate appropriate measures promoting a great national union. We have fulfilled our mission."

"We can say that on some issues we reached unanimity and we will continue discussions on those issues which remain unresolved," Khieu Samphan said. "All of us Kampuchean should unite." He expressed the hope that more statesmen will attend the next meeting.

Agreements

Expanding on agreements reached with Sihanouk, Khieu Samphan said: "In our discussion, we aimed at preparing a minimum political programme as the basis for our common progress militarily, politically and diplomatically."

He said both sides agreed that the war against the Vietnamese aggressors should be continually stepped up and that armed struggle was the

most effective means of opposition. "If we do not challenge the enemy on the battlefield, the Vietnamese aggressors will not think of pulling out of our beautiful country," said Khieu Samphan.

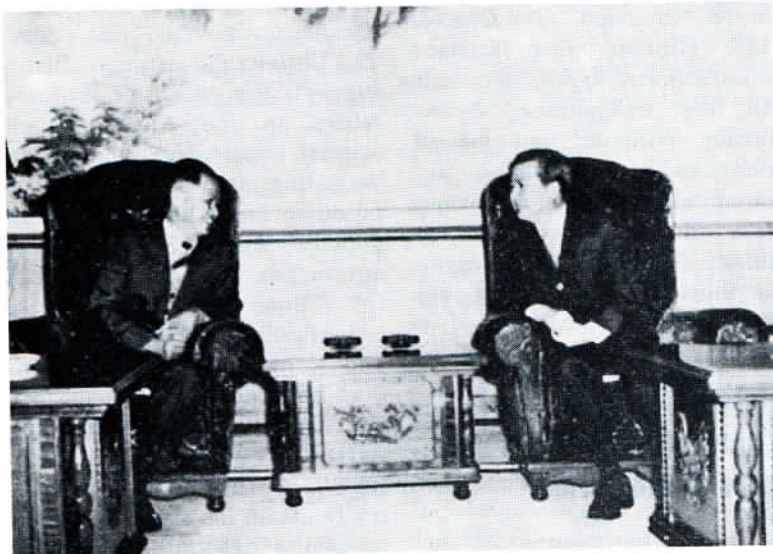
Diplomacy. "In regard to diplomacy, we are of the same view. We should defend the legal status of Democratic Kampuchea. Ours is an independent, sovereign country, and Democratic Kampuchea is recognized by the majority of countries in the world. Moreover, Democratic Kampuchea is a member of the United Nations. Therefore, we must use our legitimate status to strike at our enemy lawfully, politically and morally.

"Sihanouk also agreed with us that on the diplomatic front, it is imperative to uphold the resolutions on the Kampuchean question adopted at the 34th and 35th U.N. General Assembly, and the relevant resolutions adopted at the Foreign Ministers' Conference of the Non-Aligned Countries held in New Delhi this February."

Internal Policy. Khieu Samphan said, "Sihanouk proposed that all the armed forces involved have the right to safeguard their own strength. We agreed that these forces may maintain their independence while cooperating in an appropriate way so as to avoid conflicts.

"We also agreed on the right to establish political parties and the introduction of a parliamentary system to Kampuchea."

Jointly Attacking the Aggressors. Khieu Samphan recalled that Samdech Norodom Sihanouk had said at his banquet for the visitors that although the meeting had not led ulti-



Khieu Samphan talking with Sihanouk in Pyongyang.

mately to the establishment of a united front, he supported all who were fighting the Vietnamese invaders. All Kampucheans, he said, regardless of their past, must now be looked upon as brothers.

"If Mr. Son Sann [leader of the Khmer People's National-Liberation Front] agrees, we will brief him on our meeting with Samdech Norodom Sihanouk. The stand of the Dem-

ocratic Kampuchean Government and the Patriotic and Democratic Front of Great National Union of Kampuchea is to unite all patriotic Kampuchean forces to jointly wage war against the Vietnamese aggressors. We have had contacts with Mr. Son Sann before and relations between us are developing favourably," the Kampuchean Prime Minister told the Chinese reporters.

measures in the Far East, "where such powers as the Soviet Union, China and Japan border on each other."

The true meaning of these proposals in relation to the West is unclear in the light of advanced technology of reconnaissance satellites. But the "confidence-building" proposal for the Far East is plain hypocrisy. Clearly, no confidence can be built in a region where the Soviet Union is intensifying its military presence and thereby increasing the threat to peace and security in the region. If Moscow really wanted to build confidence in the Far East, it could do so much easier with a few concrete actions than with mere words.

Brezhnev's Diplomatic Offensive

Moscow has recently launched a diplomatic offensive with a series of "new proposals" to the West. It hopes to consolidate its own gains and exploit the contradictions between the U.S. and its allies. But the offensive also reveals the difficulties and increased isolation the Soviet Union has encountered since the 25th Congress of the Soviet Communist Party in 1976.

Deployment of Nuclear-Missiles. Brezhnev also proposed that a moratorium be set on the deployment in Europe of new medium-range nuclear missiles, that "the existing quantitative and qualitative level of these weapons" be frozen. But the Soviet Union, with the deployment of its SS-20 missiles, has already attained nuclear superiority over the West in the European theatre. As a counter-measure, the NATO countries have decided to deploy American Pershing II and cruise missiles in Western Europe, but this will not begin for another two years.

THE diplomatic offensive has begun with a campaign of letters. Moscow's ambassadors in the capitals of the West have requested meetings with the Western heads of state to deliver Brezhnev's messages. It has been disclosed, however, that these letters are nothing but an elaboration of what Brezhnev proposed last month at the 26th Congress of the Soviet Communist Party. A look at his report to the congress will therefore offer clues to what the Kremlin is up to in its current diplomatic offensive.

He tried to justify all acts of Soviet aggression and then put forward a series of proposals for "eliminating the threat of war and safeguarding international security." Moscow has since called much attention to these "new, important and constructive proposals," though they are in fact only old, empty words with a new label.

"Confidence-Building Measures." Brezhnev proposed that the Warsaw Pact and NATO substantially extend the zones for such "confidence-building measures" as giving advance notice of military exercises and troop movements. He said that the Soviet Union "is prepared to apply this to the entire European part of the U.S.S.R., provided that the Western states also extend the confidence zone accordingly." He also proposed that negotiations be held on similar confidence-building

Now, with well over 100 of his SS-20 missiles targeted at Western Europe, Brezhnev suddenly proposes a moratorium in order to freeze this disparity in theatre nuclear force. An Italian newspaper characterized the proposal as one in which the well-fed want to come to a "fasting agreement" with the famished.

Old Talk With a New Label

Speaking of the international situation and Soviet foreign policy at the 26th Congress, Brezhnev paid lip service as usual to "detente," "peace" and "co-operation" while blaming others for the tension in the current international situation.

Afghanistan and the Persian Gulf. Brezhnev declared that "the Soviet Union is prepared to negotiate on the Persian Gulf as an independent problem. It is

also prepared, of course, . . . to participate in a separate settlement of the situation around Afghanistan." Whatever the settlement may be, the Kremlin's objective clearly remains the same: Legalization of its occupation of Afghanistan and extension of its power in the Persian Gulf.

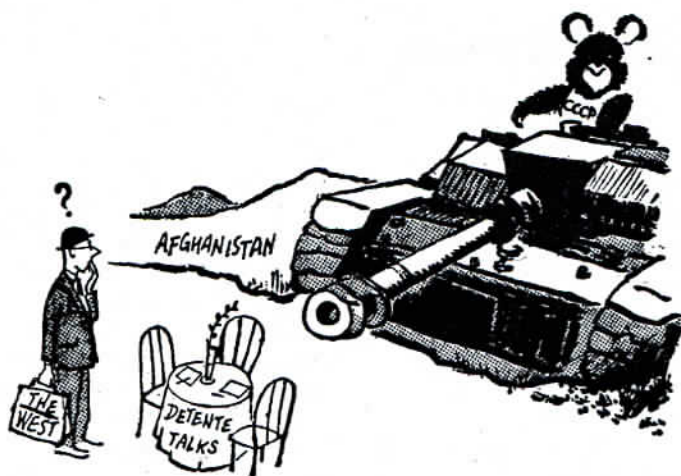
on any problem. He has repeatedly called for "reconciliation" and "restraint." However, it should be recalled that not long ago, the Soviets were insisting that a precondition for Soviet-U.S. summit talks was U.S. approval of the SALT II treaty. In addition, Moscow had stated that talks on Euro-

and social problems. As a result of its invasion of Afghanistan and support of the Vietnamese aggression against Kampuchea, Moscow is more isolated than ever before. The Polish issue is another recent addition to Moscow's problems. Moreover, since the invasion of Afghanistan, the West has become tougher in its attitude towards Moscow. U.S. President Ronald Reagan is certainly reinforcing that policy of firmness. All this explains why the arrogance Brezhnev displayed at the 25th Congress five years ago was absent this time.

At the 26th Soviet Party Congress, Brezhnev made no boasts about Soviet "achievements" and "strength," nor did he bluster about no corner of the globe being beyond Soviet "consideration." He even avoided such crucial international issues as Kampuchea and El Salvador. It was thus to extricate the Soviet Union from its difficulties at home and cover up its aggression and expansion abroad that Brezhnev put forth the peace proposals. Clearly they do not signal any change in the Soviet Union's fundamental policies, but simply a change of tactics under new circumstances aimed primarily at Western Europe.

Moscow is now pressing the Western countries to make a "positive response" to Brezhnev's messages through diplomatic channels and the press. Two years ago, Brezhnev got something out of a similar letter campaign to West European leaders on the issue of the U.S. neutron bomb. It remains to be seen whether or not this new bait will be swallowed.

— *Commentary by Xinhua correspondent*



"Let's sit down and talk!"

Cartoon by Chen Fengxiang

Brezhnev's other suggestions for "a competent international committee" to "demonstrate the vital necessity of preventing a nuclear catastrophe" and for "a special session of the (U.N.) Security Council with the participation of the top leaders of its member states in order to look for keys to improving the international situation" are mere propaganda stunts devoid of any real potential for relaxing world tension.

In short, Brezhnev's latest proposals are simply meant to restrict his adversary, safeguard the Soviet position and sow discord between Western Europe and the United States by capitalizing on their differences.

Brezhnev has represented himself as willing to hold talks

pean intermediate-range nuclear weapons could be held only after NATO revoked its decision to deploy Pershing missiles in Europe, and that negotiations on the Afghan problem could not be linked with other regional issues. But now, these preconditions have seemingly been dropped and all problems are open to "dialogue!" What does this about-face mean?

New Tactics

Brezhnev admitted in his report that in the past five years, the Soviet Union has encountered many difficulties both at home and abroad. This is readily apparent. The Soviet economy has been plagued with numerous difficulties and the country is riddled with political

Moscow Was More Than Rude

ITALIAN Communist Party delegation head Giancarlo Pajetta was denied the floor at the 26th Soviet Communist Party Congress. After five days and many protests, his hosts arranged for him to speak before a smaller gathering unconnected with the 26th congress. Adding insult to injury, the text of Pajetta's speech appeared in Soviet newspapers two days after the texts of all the other speakers' at the same small meeting had appeared. Moreover, it was done only after the Italian Communist Party made representations to Soviet quarters concerned. This is the first time in history that the Italian Communist Party, the biggest non-ruling Communist Party in the world, was invited but not allowed to address the Soviet Party congress. It was downright rude of the Soviet hosts, but the Soviet put-down is illustrative of Moscow's lordly attitude to other "fraternal Parties."

Delegations from "fraternal Parties" have always been invited to the C.P.S.U.'s congresses. But for many years they were invited by the "patriarchal party" to dance to its tune. It has come to be a tradition, so the shabby treatment the C.P.I. delegation received should surprise no one.

When the rumpus was heard outside the Kremlin walls, the Soviet authorities prevaricated. They attributed Comrade Pajetta's failure to address the Party congress and the delay in getting his speech at the Moscow Party activists meeting published to "procedural problems." The Soviet Party authorities were dissimulating, disguising the fact that they were trying to whip a fraternal guest into

line. If, as the Soviet authorities claimed, only a general secretary or a chairman of a Communist Party could address the Soviet Party congress, then why was the leader of the French Communist Party delegation, who was neither general secretary nor chairman of his Party, allowed to address the Soviet Party congress?

Soviet casuistry aside, it was C.P.I.'s political and ideological views that made his hosts deny their Italian guest the floor of the congress. According to press reports, Moscow had spent the five days prior to Pajetta's speech to a meeting of Party activists pressing Pajetta to revise the text of his speech. If he had agreed, his hosts would have allowed him to address the congress. But Comrade Pajetta refused to be persuaded, so he was only allowed to speak outside of the Party congress. The tone and the wording of Pajetta's speech were remarkably restrained but the Italian comrade was still given a very cold reception in the Soviet press.

Moscow knew before its congress, as well as if not better than the rest of the world, that the Communist Party of Italy and the Soviet Union differed on a number of major international questions. The Italian Communist Party had on many occasions condemned the Soviet invasion of Afghanistan and called for the immediate withdrawal of Soviet troops. It has declared publicly that it is opposed to foreign interference in the internal affairs of Poland and that it wants the Polish people free to solve their own problems by themselves. All

this Moscow knew before it invited the Italian Party to send a delegation. Yet, after the guest arrived, he was shunted aside and not permitted to address the congress itself. Isn't this quite clear that the Italian guest had been invited to Moscow so that he would change his views and then be allowed to sing in chorus with others at the congress?

As the Italian representative has shown, it is getting more and more difficult for Moscow to make recalcitrant "brothers" dance to its tune. Even while he was in Moscow, Pajetta later told the press, he had "made it quite clear that differences exist and even divergences on some major questions between the two Parties [C.P.I. and C.P.S.U.]. The divergences include the China visit and the restoration of relations between the Communist Party of Italy and the Communist Party of China." He also added, "We hold that all this must be decided by ourselves under the circumstances of complete political autonomy." Referring to his speech in Moscow, he told newsmen that "it was not up to us to decide when and where to speak. But no one, apart from ourselves, can decide the text."

Enrico Berlinguer, General Secretary of the Italian Communist Party, publicly declared not very long ago that the C.P.I. "will resolutely follow its own road," and "maintain and foster its unique character." He also stressed that the Italian Party would adopt an independent stand and decide things for itself in the international arena and "leaders of other Parties, have no right to give lessons [to them] on the question of independence and autonomy."

— Yi Dong

Attempted Coup in Spain

THE attempted military coup in Spain on February 23, which collapsed just 18 hours after it began, demonstrates the severe test that democracy in Spain now faces.

The abortive armed takeover began when 150 civil guards, led by Lt.-Col. Antonio Tejero Molina, stormed the Spanish parliament building and held the entire parliament and attending cabinet members hostage. Meanwhile, Lt. General Jaime Milans del Bosch, Commander of the Valencia Military Region and supporter of the former dictator Franco, ordered tanks and troops into the streets of the city. The two officers and other Right-wing military commanders were reportedly in contact with each other during the occupation of parliament, but they clearly miscalculated the situation and only a small portion of the army supported the coup.

King Juan Carlos I immediately ordered the country's three armed services into action and an emergency cabinet meeting was called with all vice-ministers present. The parliament building was surrounded by loyal army forces and the rebels were soon forced to release the hostages and surrender to the government. Tejero and more than 20 other army officers, including three generals, were arrested.

Attacks From the Right

The carefully planned coup attempt sought to take advantage of current problems in Spain — such as unemploy-

ment, terrorist activities, troublesome separatist movements and the political instability resulting from the recent resignation of Prime Minister Adolfo Suarez — and is further evidence of the fierce opposition of Spain's Rightist forces to the country's fledgling democracy.

After the death of Franco in 1975, King Juan Carlos I and his newly appointed government reformed the dictatorial government and pursued broad democratization; the country's first democratic constitution in almost 40 years was ratified, political prisoners were released, some previously outlawed political parties were legalized and autonomous governments were elected in parts of the country. Elections for parliament, the first since Franco gained power in 1939, were held in 1977.

From the beginning, however, the new parliamentary monarchy has faced a struggle with Right-wing factions pushing for a return to Francoist dictatorship. Followers of Franco, particularly in the military, still hold formidable power in Spain and have exerted pressure on the government to block democratic reforms and prevent the amnesty for some 400 military officers who organized a democratic society during Franco's rule. As evidence of the military Rightists' power, Lt.-Col. Tejero returned to active duty after only seven months in custody for his part in another abortive military coup in 1978.

Popular Support

Nevertheless, democracy in Spain clearly has the support of

the people. In the elections of 1977 and 1979, the Francoists received only a small fraction of the popular vote. The recent coup attempt was also strongly opposed by the Spanish people: on February 27, millions of people from all over the country took part in the largest demonstration in recent years, urging that the coup attempt be thoroughly investigated and the rebels severely punished.

The position of the present regime and King Juan Carlos I has been strengthened by the latest crisis. Leopoldo Calvo-Sotelo succeeded Suarez as Prime Minister after receiving 186 votes in parliament's second round of voting on February 25. This reflects the desire of Spain's leaders to end the political crisis and demonstrates the strength of popular democratization. Of course the anti-democratic forces will not reconcile themselves to their failure. Though a number of officers who supported the recent coup attempt were arrested, the hardliners among them are undoubtedly still waiting for the opportune moment to launch another offensive. The development of democracy in Spain is thus by no means going to be easy.

— Zhou Zhongshi



The World Economy Ahead

by Yan Xizao

- The first half of this decade will by and large see the West stuck with "stagflation," the Soviet Union and most East European countries handicapped by a static mode of economic planning and management, and the third world countries still groping for a way forward.
- International economic relations will continue to grow more tense. Oil prices and supplies will remain the No. 1 headache. And north-south relations can hardly improve. It will be more difficult for the Soviet Union to start a major war, but the world should be on the alert to its exploiting any loopholes to push out further. The United States is not likely to shake off its economic difficulties, which will force it to continue its defensive strategy. Europe and Japan will play a larger role as political forces independent of the United States. Turbulence will continue to grip some regions of the third world.

WE are already into the 1980s. How will the economies of the various countries fare in the next five years? Prognoses vary considerably in the world. Below is my view.

Slower Economic Growth

Apart from a few oil-exporting countries, the average annual economic growth rate in 1981-85 for the West, the Soviet Union and Eastern Europe, and the developing countries will generally be lower than that in the 1960s, or even slightly lower than that in the 1970s.

After World War II, the world economy improved rapidly in the 1950s and 60s, but in the 1970s, many countries ran into problems of a fundamental nature in the course of their economic development. In the 80s, especially in the first half, these problems will still occupy their attention. However, neither significant breakthroughs leading to new upsurges, nor major crises driving them up against the wall, seem probable. In the next five years, the world economic situation will probably stay much the same as it has since 1973.

The West. The most thorny problem facing the industrialized West is the negative effects of Keynesian policies of state intervention becoming ever more glaringly obvious, manifested in production stagnation coupled with inflation. If a government continues to

stimulate the economy during a state of stagflation by increasing government spending, reducing taxes and lowering the interest rate, it will inevitably enlarge the budgetary deficit, issue more public bonds and currency and inflate credit. This will aggravate inflation, affect real purchasing power and discourage business investments. On the other hand, if the government were to follow an austerity policy to hold down inflation, the economic growth rate will inevitably fall and unemployment go up. The West in the 80s will have a very difficult time shaking off stagflation and the dilemma of restraining or expanding. The major countries in the West today consider inflation as the main danger and are falling back on "conservatism" or "moderation." This is one of the main reasons why the economic growth rate in the West, apart from the issues of oil and international finance, will slow down in the coming five years.

At present, the West has entered a new crisis. Since 1979, the United States, Britain, Canada and France experienced an industrial slowdown one after the other. In 1980, West Germany and other countries also registered lowered production. Though Japan still showed a fairly big increase, the momentum has obviously waned. Because of limited fixed capital investments in the various countries

after the 1973-75 crisis, and because there are not very large inventories except in some quarters, the present crisis may not be as severe as the one in 1973-75. After the crisis, production will pick up, but recovery will not be very rapid.

Various estimates put the average annual economic growth rate of the members of the Organization for Economic Co-operation and Development (O.E.C.D.) for the next five years at about 3.1 per cent as against 5 per cent during the 1961-73 period, but the annual inflation rate in the same period will reach 7.3 per cent.

The Soviet Union and Eastern Europe. Their model of economic planning and management can no longer maintain the steam to keep their national economies going up. This is the crucial issue they face. Many experts believe that the centralized bureaucratic system of planning and management is so petrified that it is powerless to lift the economy out of its troubles. In spite of this, no radical changes have been observed in the reform plans recently announced by the Soviet Union. Soviet expansion of its reproduction is held back by a host of problems, such as its over-emphasis on armament production, its backward agriculture, shortages of labour and inadequate funds as well as difficulties in raising its output of oil and other raw materials. This determines a downturn also in the Soviet economy in the next five years. The East European countries have introduced changes to one degree or other in their economic planning and management systems, but the process of reforms are beset by contradictions owing to inherent defects and pressure from the Soviet Union. East Europe also faces problems the Soviet Union does not, such as rising prices for oil and other raw materials they import, difficulties in exporting more to the West, heavier foreign debts and trouble in finding capital to invest. All these suggest that Eastern Europe will find it hard to move ahead at a high speed again in the next five years. In fact, they could very well meet up with a lot more trouble.

In recent years, the Soviet Union and Eastern Europe have already lowered their planned targets. Western estimates put the average annual growth rate of the Soviet Union and Eastern Europe in the early half of the 1980s at about 4 per cent as against 6.7 per cent during the period between 1961-73. At the same time, inflation is expected to grow and their debt to the West (an aggregate of 60,000 million U.S. dollars in 1980) will continue to mount.

The Third World Countries. The position with regard to these countries differs from that of the West and the Soviet Union and Eastern Europe. They have in common the problem of developing their economies together with the long-term task of opposing imperialism and feudalism. They have already made various attempts and experiments. They will continue to do so in this decade, but under more unfavourable circumstances: raw material exports and prices will be affected by the economic crisis and sluggish economic growth in the West, manufactured goods will encounter protectionist barriers, in addition to rising oil prices, population increases, food shortages, growing foreign trade deficits, larger foreign debts and scarcity of funds for development. These are some of the problems they will face. These are the reasons why the economic growth rate forecast for most third world countries also points to slower growth.

The general estimate is that the average annual growth rate of the developing countries in the next five years will be 5.1 per cent as against 6 per cent in 1961-73 and inflation will rise at an average of 25.9 per cent each year. Early in the 1980s, they will either have to cut imports or continue to incur more debts to meet increasingly mounting payments deficits. In 1980, the developing countries which import oil were saddled with a public and private debt of 287,500 million U.S. dollars. It is expected to go up to 556,300 million by 1985.

This is only a rough appraisal of the world economy for the next few years, because conditions in regions and countries differ widely and economic growth hinges upon a multitude of variables.

Economic Relations Will Continue to Be Tense

The international monetary system with the U.S. dollar at its centre collapsed in the early 1970s. In this decade, the West economic system headed by the United States will still be in a process of fission and fusion. This process will probably be aggravated by economic crises and declining growth in the next five years. At the same time, the economies of the other countries will be affected by trouble or latent trouble in major sectors of the Western economic system.

The system of the Council for Mutual Economic Assistance (C.M.E.A.) headed by the Soviet Union is essentially a regional economic bloc. Relations with the Western economic system expanded in the 1970s, when the Soviet

Union exploited "detente" to obtain economic benefits from the West, through expanding trade, importing new technology and equipment, and borrowing money. This bloc, too, will inevitably to some degree be adversely affected by developments in the West. In the next five years, the Soviet Union will have to contend with sharpening internal contradictions within the C.M.E.A. and readjust relations between member states and also do what it can to avoid being hurt from association with the Western economic system.

Oil Prices and Supply. The uncertainty of oil prices and supplies remains the chief problem in international economic relations. The world is now reeling under a second oil "shock." No one can foretell how long it will take the world to readjust to this second "shock," or whether there will be a third "shock" in the next five years. Although the oil price rise was smaller than in 1973-74, its absolute amount is much larger. In 1979, the average oil price was 46 per cent higher than in 1978, and in 1980 it was about 55 per cent more than in 1979. The price hike has already caused bigger payments deficits than before for developed and developing countries which import oil. In December last year, OPEC decided to raise prices further by 10 per cent. Although the economic crisis in the West had cut back the demand for oil, the oil supply is still tight, owing to less oil coming from Iran in the grip of turmoil and the Iran-Iraq conflict. If the war continues and the countries in the West successively climb out of their present crisis, there could be another worldwide oil shortage. The grave problem for the West and other countries lacking oil resources is still to maintain an assured supply of oil.

The Soviet Union, which exports oil, has used the oil "shock" to earn itself a lot of hard currency and also to lay the groundwork for extending its control over the East European countries. The East European countries on the other hand have been made to suffer by the oil price hike and reduced supply. As a result, production costs have soared, consumer goods are dearer, the competitiveness of their exports has weakened and their international payments deficit has grown in size. From a long-term point of view, the Soviet Union may eventually face an oil shortage, but its output of oil in the next five years could still satisfy domestic consumption and meet part of East European needs. Compared with major countries in the West, the Soviet Union has the advantage, oil-wise, in the first half of this decade.

Monetary Turmoil. Another crucial issue confronting the Western economic system is the monetary turmoil. Since the early 1970s, the U.S. dollar has ceased to be convertible to gold, and this has led various countries to adopt a floating exchange rate. In 1973-74 and in 1977-78, the exchange rate of the U.S. dollar plummeted on several occasions, throwing the international money market into extreme disarray. As the United States continually ran into payments deficit which it made good with dollars that could not be converted into gold, American dollars accumulated abroad and these were loaned out by many European banks. This created a huge quantity of "Euro-dollars," which enabled idle funds abroad free from any government control to engage in speculation. Therefore, in the next five years, the position of the U.S. dollar will continue to be liable to further depreciation and the international financial market continue to fluctuate. Generally speaking, when there is a oil price hike and during economic crisis, the possibilities of the exchange rate of the U.S. dollar going down seem even less, because of the United States' own production of oil and also because of the falling demand for oil. But when production starts to pick up again, U.S. oil imports rise again, inflation grows worse, the competitiveness of U.S. goods is lowered and its payments deficit expands, the possibilities of the American dollar devaluating grow much larger.

International concern is now focused on the recycling of the petrodollars. Despite the enormous difficulties of major industrialized countries in the West, they can manage to balance out their international payments deficit after a few years of readjustment. However, this time, those who have the biggest payments deficit are none other than some of the "hard currency" countries. This has led to the countries of the West vying for larger exports and markets abroad to make good their payments deficits. This rivalry will become very sharp. Some developing countries producing no oil have built up such large imbalances in international payments that it is going to be very hard for them to correct. But the Western commercial banks cannot afford to see these countries unable to meet payments when the loans expire, for it would set off a chain reaction and lead to an international monetary crisis. So the banks are trying to help them tide over their difficulties temporarily by granting more loans and deferring payment. But this will put these developing countries ever more into debt.

The Soviet Union does not exert much influence on the international financial market, and monetary fluctuations in the West have relatively little impact on C.M.E.A. But their balance of payments deficit will dip lower in the West's favour, their debt and debt service burden they will have to pay back will be much greater and some of their mutual trade will have to be paid for with hard currencies. In the next five years, fluctuations in the Western monetary system will therefore have great and growing impact on them. As to the Soviet Union itself, with its relatively much larger economy and its being less dependent on exports, it will be in a much better position than the East European countries to offset the impact from fluctuations in the Western monetary system. Moreover, it can dump gold to reap immense profits.

The North-South Relationship. The tense relations between the developing and the developed countries, or the North-South relationship, is publicly acknowledged as an outstanding issue in contemporary international economic relations. Since the early 1970s, the struggle waged by the third world countries to safeguard their sovereignty over their natural resources and to oppose plunder and exploitation has been gaining ground. But only very limited, specific results have been attained in North-South talks thus far. In the next five years, most developing countries will have to cope with the West shifting its crisis on them and oil price hikes and their economic situation will inevitably grow worse. They will certainly be made to demand more insistently that the developed countries stabilize prices for raw materials, lower their trade barriers, increase aid, provide more loans and reduce or remit debts. However, the developed countries of the West will be hard put to shell out more money and be less inclined to make concessions as they will be either deep in an economic crisis or caught up by low growth. Apparently, in the first half of this decade, chances for major breakthrough in the North-South dialogue will be extremely limited and North-South relations will remain just as tense. The West, of course, is also afraid of worsening North-South relations endangering the supply of their raw materials, as well as for their manufactured goods and surplus capital markets. The West is also worried about the Soviet Union cashing in on the political instability of the developing countries. So North-South talks in the coming five years will probably be an on-again, off-again affair.

The Soviet Union hopes to see the North-

South dialogue remain stalemated or deadlocked fragile as it would be to its advantage in pushing out and dominating the world. Through Cuba, Viet Nam and others, it has tried to manipulate the "Group of 77" to follow its line by making exaggerated demands and making the United States and other Western countries the target of attack. On its part it has flatly refused to commit itself to giving more aid to the developing countries. The so-called "South-East relationship," that is, the relationship between the Soviet Union and the developing countries in the early 1980s will see the Soviet Union still reluctant to increase aid to the third world countries and still unable to manipulate the just struggle of the third world countries.

International economic relations will continue to develop. The existing world economic system set up immediately after World War II can no longer meet the needs of the 1980s. Its effectiveness in promoting the development of the national economies of various countries has diminished and its obstructiveness has increased. Changing it, however, will be a long and slow process. In the next five years, the main features of the existing world economic system, in the spheres of commodities, trade, investment, money and finance, which are inequitable to the developing countries, will still remain, despite further ravages and ups and downs. They will not collapse nor will a thorough change take place.

Impact on International Situation

How will the above developments in the world economy in the early half of the 1980s affect the international situation and political developments of different groups of countries?

In the next five years, the Soviet economy will remain as bad as ever and the C.M.E.A. system will be burdened with added difficulties. The economic gap between the Soviet Union and the United States will not be substantially narrowed, nor will the Soviet hegemonist position of strength be improved. On the other hand, while the economic outlook for the West is gloomy and economic relations strained, there are no signs of a major crisis or big turmoil. Together, it will still have enough strength to take on the Soviet Union. This adds to the Soviet Union's difficulties in starting a new world war. Of course, the Soviet Union may do something desperate because of its economic plight, or it may take advantage of the economic difficulties or the political instability of the developed as well as developing countries, or the sharpening international contradictions to im-

prove its position and so hasten the breaking out of a world war. The possibility is much greater for the Soviet Union to use its superior military might when it thinks conditions are in its favour to push further outside its borders or intervene to further its interests. Although the Soviet Union is not a global economic force, it has certain advantages in oil, natural gas, strategic raw materials, gold, weapons, ammunition, military equipment and some industrial equipment which it could use to serve its expansionist policy. This should never be overlooked.

The United States will find it hard in the next five years or so to reverse its economic

backsliding, to meet the challenge to its economic domination and its continually declining economic position. In the first half of this decade, it will still hold the commanding heights in the West, but it will find it extremely difficult to regain its former military superiority over the Soviet Union. It will not be able to do much to solve its contradictions with Europe and Japan or help lighten the difficulties of some of the developing countries. The United States will have to continue its defensive stance, allying itself with Europe, Japan and the third world countries to oppose Soviet hegemonism. As for its contradictions with the third world

(Continued on p. 22.)

Soviet Strategy for East Asia

by Jiang Yuanchun

- Europe is Moscow's major objective, but East Asia figures large in Soviet global strategy, too.
- Soviet aims in East Asia: Keep the U.S. out of the west Pacific; encircle China; make Japan "behave" by threats and enticements; and bring the Southeast Asian countries gradually under its control.
- Frustrating Soviet ambitions depends upon the firm resistance of East Asian countries. Peace and security in East Asia can be safeguarded by concerted action against Soviet hegemonism.

WITH the growth of Soviet hegemonist actions, East Asia has assumed a greater importance in Moscow's global strategy for world domination.

What are the general features of this global strategy?

Europe is Moscow's major objective. While threatening West European countries with the deployment of large military forces, the Soviet Union at the same time has attempted to lull them with "detente." Generally, it has sought to "neutralize" Western Europe by undermining its alliance with the United States and by infiltrating Western Europe both politically and economically.

The Soviet plan for the areas flanking Europe, that is the Middle East and North Africa, has been to make use of the existing political unrest to expand its influence, to prop up pro-Soviet regimes, to seize military bases and to conclude treaties of a military nature so as to

outflank Europe. In southern Africa, Cuban mercenary troops were dispatched by Moscow to seize strategic points in an effort to cut off the supply of raw materials to the U.S. and Europe.

In the Far East, the Soviet Union has strengthened its military capabilities and moved southward from East Asia to Southeast Asia, while trying to seize overall strategic supremacy by pushing towards the Persian Gulf both from the east and the west.

The Soviet Union has greatly strengthened its position in East Asia by having Viet Nam serve as its henchman. After the victory of its war against U.S. aggression, Viet Nam did not work for national recuperation and construction, but took the road of regional hegemonism. It invaded Kampuchea, seized control of Laos, and tried to rig up an Indochinese federation. Now the Viet Nam regional hegemonists need the support of the Soviet Union just as much as the latter needs the former. By backing Hanoi's action in Kampuchea, the Soviet Union has not only found in Viet Nam a ready mercenary force for future aggressive moves in Southeast Asia, but also has established bases at Cam Ranh and Da Nang on the Indochina Peninsula, thus enabling its Pacific Fleet to extend its operational sphere southward by several thousand nautical miles — to enter the South China Sea and get closer to the Strait of Malacca. The invasion of Afghanistan serves as an indication that the Soviet Union is exerting even greater efforts to seize overall strategic supremacy.

At present, the Soviet Union has a quarter of its total armed forces stationed in Siberia. SS-20 missiles and Backfire bombers are also deployed there. Its ground forces are mainly concentrated to the east of Lake Baikal, seemingly directed against China. Russian naval and air forces, especially the Pacific Fleet, mainly challenge the U.S. naval and air forces deployed in the Far East, threaten U.S. and Japanese shipping routes and support Soviet warships on the Indian Ocean. Obviously, they are employed first of all against the United States and secondarily against Japan.

Basic Aims

In the 1970s, the balance of forces between the United States and the Soviet Union changed in favour of the latter, and Moscow shifted from the defensive to the offensive, from avoiding direct confrontation to pressing very steadily and hard against the United States. Such is also the case in the Far East.

China and Japan are both under the Soviet menace. China is a socialist country which does not pose a threat to the Soviet Union, and Japan only has limited self-defence forces. Furthermore, the U.S. military forces in this area are dispersed from Japan to the Philippines and may be moved to other strategic regions at any time. Thus, the security of Siberia is not threatened. Nevertheless, the Soviet Union has massed large numbers of troops along the Far Eastern part of Siberia, has extended the operational sphere of its naval and air forces to the middle and west Pacific Ocean as well as the South China Sea, and has established bases on the Indochina Peninsula. The aim of these actions, obviously, is not defensive, but expansionist.

The chief targets of Soviet strategy in the Far East are:

1) To expel the U.S. from the west Pacific Ocean and thereby gain strategic superiority in East Asia and the west Pacific regions. Moscow wants to ensure an unimpeded passage for its expansion from Siberia to the Asian and Pacific regions and co-ordinate its dispositions for these regions with those for the Indian Ocean, Red Sea and north Atlantic Ocean, thus forming organic links in its global strategy.

2) To encircle China. The existence of an anti-hegemonistic China is a formidable obstacle to Soviet expansionism in East Asia. An armed attack against China, including a nuclear attack, would not prove useful, but would bog the Soviet Union down in a strategically embarrassing

position. Therefore, the Soviet Union has adopted a policy of encircling and isolating China. It has massed large numbers of troops along the Sino-Soviet borders and in Mongolia and has occupied the Wakhan region of Afghanistan bordering on China. The Soviet Union has also made use of Viet Nam to harass China's southern borders, thus attempting to encircle China with a two-pronged pincer movement, to create an atmosphere of uneasiness and to undermine her modernization drive. In addition, it has tried to sow discord between China on the one hand and Japan, the United States and the Southeast Asian countries on the other in an attempt to isolate China.

3) To threaten and lure Japan. The Soviet Union has increased its military forces in the Far East, set up military bases on Japan's four northern islands, strengthened its military activities around Japan, and directly pressured Japan. At the same time, Moscow has tried to drive a wedge into the Japan-U.S. alliance and sabotage Sino-Japanese friendship. Exploiting Japan's need for resources and trade, it has tried to entice Japan to seek resource and energy supplies in Siberia, in an effort to make Japan dependent on the Soviet Union and to "finlandize" Japan.

4) To gradually control the Southeast Asian countries. Through economic measures and diplomatic manoeuvres, the Soviet Union has tried to infiltrate these countries and undermine their relations with the United States and China. In addition, it has utilized both the menace that Viet Nam constitutes towards Thailand and other Southeast Asian countries after Viet Nam's aggression in Kampuchea and the threat posed by the southward move of its Pacific Fleet to exert pressure on the ASEAN countries. Moscow today is employing the classical colonialist method: to divide and rule.

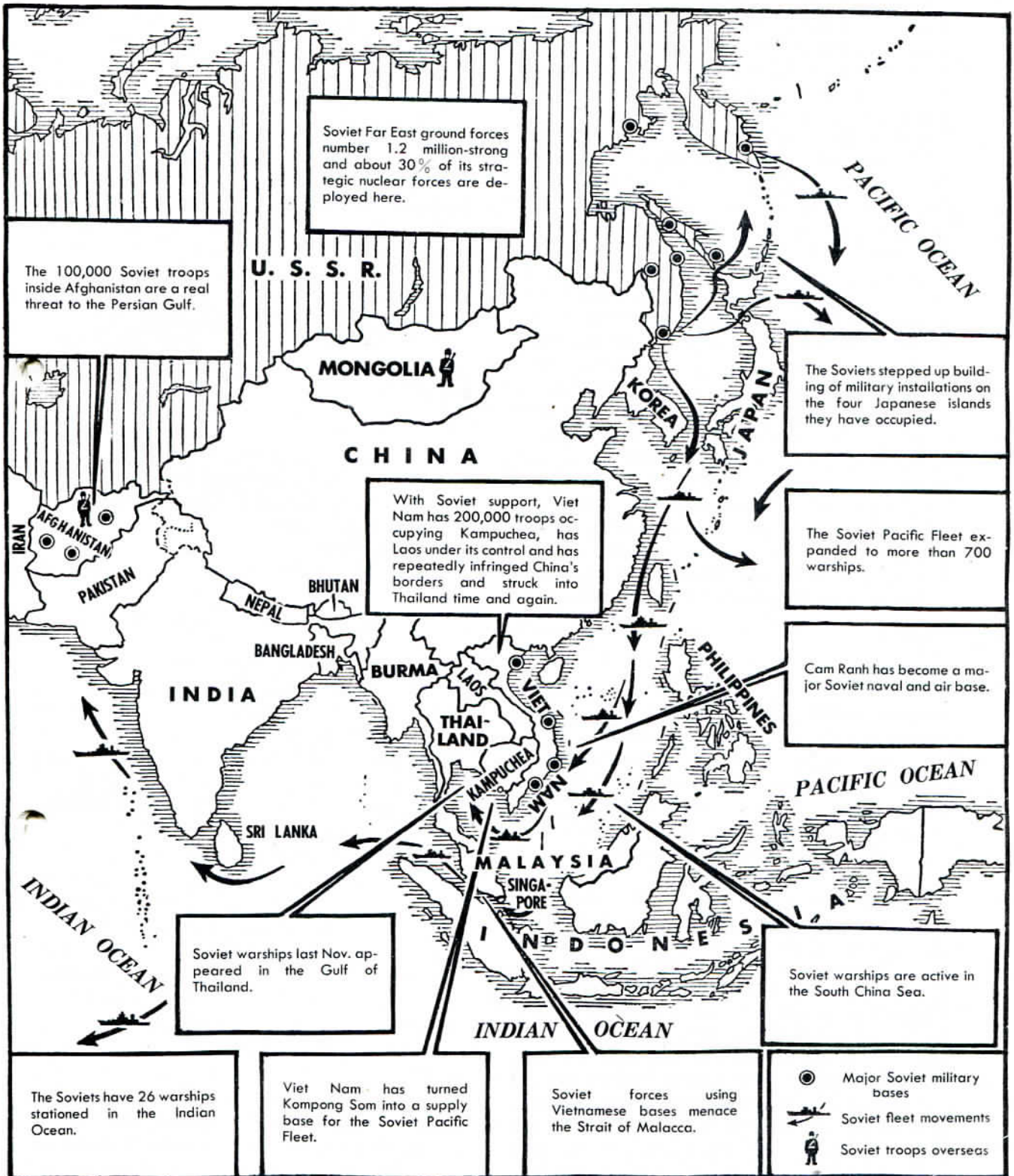
The Asian collective security system, which the Soviet Union energetically peddled for many years, has been mentioned less recently because it did not sell well. But it clearly shows that the Soviet Union sees East Asia as a target, and it will not desist from seeking this goal.

Prospects

Up to now, the Soviet Union has achieved some successes in its East Asia strategy. But its expansionist activities in East Asia have necessarily created a reaction.

China has fought resolutely against Soviet hegemonism, refusing to be intimidated by the

GROWING SOVIET MILITARY PRESENCE IN THE EAST



Sketch map by Zhu Yulian

Soviet encirclement. The United States has strengthened its alliance with Japan and improved its relationship with China in order to safeguard its interests in the Pacific Ocean and Asia. Japan senses the necessity of strengthening its defence forces and promoting solidarity with other East Asian countries. Many people in the U.S. and Japan who underestimated the seriousness of Viet Nam's aggression in Kampuchea, simply seeing it as a problem stemming from Sino-Vietnamese relations, gained greater clarity about the Soviet Union's quest for world domination with the invasion of Afghanistan. The U.S. and Japanese Governments adopted firmer anti-hegemonist stands in their diplomatic relations with the Soviet Union after the invasions of Kampuchea and Afghanistan, demanding that Viet Nam and the Soviet Union withdraw their troops from these two countries.

Having been initially suspicious of China, the ASEAN countries now realized that Soviet hegemonism poses a genuine and immediate threat to them. After the Soviet Union supported the Vietnamese invasion of Kampuchea and threatened the peace and stability of Southeast Asia, ASEAN countries improved their relations with China. They have adopted a unified position at their own conferences and at U.N. meetings, resolutely condemning the aggression in Kampuchea and calling for the withdrawal of

all foreign troops. They have also refused to recognize the puppet regime set up in Phnom Penh. The unity of increasing number of Asian and Pacific countries against hegemonism will become an important force in checking Soviet and Vietnamese expansionism. The Soviet drive in Southeast Asia will not come to a halt. But whether its ambition will succeed depends upon the firmness of the resistance of the countries of this region.

The aggressive drive of the Soviet Union in East Asia is primarily based on its increasing military strength. However, its political influence is actually decreasing and its economic manipulative power is insignificant. In a global sense, the more the Soviet Union expands, the more it exposes its weaknesses. In such circumstances, a heightened vigilance is absolutely necessary lest Moscow try to shift its internal and external contradictions by intensifying its expansion in East Asia so as to divert the attention of the Soviet people. On the other hand, in order to check and defeat Soviet expansion, it is necessary to further strengthen the concerted efforts of the countries of the Asian and Pacific region and for this it is very important that the people and governments of the countries concerned have a maximum consensus on problems related to the destiny of their own region. □

(Continued from p. 19.)

countries, these will remain and continue to develop — a fact which the Soviet Union will do its best to exploit to its own advantage.

The economic positions of the European countries and Japan have improved and these countries now have a much bigger say on matters concerning international economic relations. They have their problems but some of them are in a better position than the United States. Europe and Japan can be expected to play a bigger role as political forces independent of the United States. Although in the early half of the 1980s neither Europe nor Japan apparently will be on a par with the United States, such a situation is slowly shaping up. And without the U.S. nuclear umbrella and without the 300,000 U.S. troops stationed in Western Europe, Western Europe would be hard put to defend itself. This applies also to Japan. If it were not for the U.S. 7th Fleet, direct Soviet pressure on Japan would be tremendously increased. On the issue of opposing Soviet hegemonism, Europe, Japan and the United States have to be together, for it is very

much in their common interest to do so.

The third world, already embroiled in serious economic problems, will be plagued by more contradictions and conflicts in the next five years. Contradictions between the north and the south will become more acute and the rivalry in the third world countries between the United States and the Soviet Union and among Western countries will be intensified. Even within some of the third world countries themselves, including poor and "rich" ones, the possibility of upheavals and revolutions breaking out due to sharpening class contradictions cannot be ruled out. Among some third world countries, national, religious, border and other differences will be aggravated and could even turn into open military conflicts of varying sizes.

In short, under the circumstances of a sluggish world economy and increasing strains in international economic relations, the international situation in the first half of this decade can be expected to become tense and more turbulent than in the 1970s. □

Further Economic Readjustment: A Break With "Leftist" Thinking

by Our Correspondent Zhou Jin

A further readjustment will be made in China's national economy beginning from this year. This move, which follows upon the initial readjustment made in 1979-80, has been described as "sober-minded and healthy." Why? What exactly does this readjustment mean and what effects will it produce? This special feature provides some background information. Part Three deals with a principle put forward by Chen Yun, Vice-Chairman of the Central Committee of the Chinese Communist Party and a prominent leader of economic work in our country. This principle concerns the relationship between the scale of economic construction and national capabilities, and is a significant guideline both for the economic readjustment and for our future economic work.

Economic Progress With Hidden Dangers

AS decided at the working conference of the Party Central Committee held last December, there will be a further readjustment in the national economy beginning in 1981. This means, first of all, drastically scaling down capital construction, making administrative spending cuts, bringing about a balance of revenue and expenditure and stabilizing prices, to be followed by measures to remedy disproportions in some major economic departments and to bring the economy back to the track of steady, sound development. In order to effectively carry out this major decision, it is being studied and discussed throughout the nation.

A major economic readjustment of this kind, as may be recalled, took place before in the early 1960s. But then it was forced on us because of serious economic setbacks, the nose-diving of industrial and agricultural production and the fact that people were having a real hard time making their livelihood. This time the situation is different. The present major readjustment has been decided on at our own initiative, at a time when the economic situation is quite good and when people's lives are improving year by year. So it has been asked if the present readjustment is necessary at all. If so, why? How should it be done? What about the prospects of

economic development? These questions have aroused the interest of many both at home and abroad.

Achievements in the Last Two Years

The decision to effect a further economic readjustment came after the Party Central Committee's overall appraisal of the economic situation for the four years beginning with the downfall of the gang of four, particularly the situation in the two years since the convocation of the Third Plenary Session of the 11th Party Central Committee at the end of 1978. In the period 1979-80 China's achievements can be summed up roughly as follows:

- Record good harvests two years in a row. Total grain output in 1979 reached 332.12 million tons. In 1980, due to drought in the north and flooding in the south, there was an estimated 5 per cent decrease in grain output, although it was another record harvest year; the output of cash crops like cotton, oil- and sugar-bearing crops registered a 10 to 20 per cent increase over the previous year to reach an all-time high.

- In the last two years, total industrial output value increased at the rate of 8.5 and 8.4 per cent respectively, with the output value of light industry growing much faster than that of heavy industry. The share of light industry in the total industrial output value went up from 43.1 per cent in 1978 to 46.7 per cent in 1980.

- The total volume of retail commodity sales registered an increase of 14.7 and 18.2 per cent respectively in the last two years, reaching 207,100 million yuan in 1980, an unprecedented increase in the 31 years of the People's Republic.

- Over 6,000 enterprises (which contribute 45 per cent of the nation's total industrial output value) effected reforms in their economic structures. These reforms, which mainly consisted of expanding the right of autonomy on an experimental basis and introducing market regulating under the guidance of state planning, have activated the economy.

- Jobs have been found for 26.6 million people in the four years between 1977 and 1980.

- A marked improvement in people's livelihood.

In the case of peasants under collective ownership: Net per-capita income is estimated to top 170 yuan in 1980 as against 117 in 1977, an average annual increase of 17.7 for the period. (In the 20 years between 1956 and 1976 the annual average increase was only 2 yuan.) The balance of peasants' bank deposits at the end of 1980 stood at 12,060 million yuan as against 4,650 million at the end of 1977, an average annual increase of 2,470 million yuan in the period. (The average annual increase in the 20 years between 1956 and 1976 was 163 million yuan.)

In the case of workers and staff members under the ownership by the whole people: Average wage earnings jumped from 602 yuan in 1977 to 781 yuan in 1980, an average annual increase of 60 yuan. The average per-capita income of a worker's (staff member's) family went up from 186 yuan in 1957 to 395 yuan (price hikes which affect the real income have not been deducted).



Anshan Steel, in an unorthodox way, has set up a retail shop selling overstocked and overproduced steel products to rural people's communes and local enterprises.

Urban housing projects built in the two years had a floor space of 140 million square metres, about one-fifth of the total floor space of city housing projects built in the previous 29 years.

Causes of Financial Deficits

Despite the excellent economic situation, there are hidden troubles ahead. The 1979 final state accounts showed 17,000 million yuan in the red; the deficit in 1980 was 12,100 million. An excessive issuance of currency inevitably gives rise to inflation. Although the prices for essential commodities have always been under control, those of many consumer goods are going up in one way or another. Compared with the previous year, retail prices in 1980 went up on an average 6 per cent; those for non-staple food, 13.8 per cent. If this situation is not altered soon, the gains of workers and peasants made in the past few years will be forfeited.

While these difficulties have come to the fore only in the

past two years, the factors that caused them have been in existence for a long time.

For many years our economic construction has been under the sway of "Leftist" thinking — overanxious to make achievements and going after things beyond our capabilities. We have failed to understand that in a big, poor country like ours where peasants make up 80 per cent of the population, prolonged strenuous efforts are needed in raising the backward productive forces to an advanced level. We have, instead, one-sidedly gone after unrealistic, high targets, an excessively high rate of accumulation and blindly expanded the scale of capital construction. Accumulation in the Second Five-Year Plan period (1958-62) and in the years since 1970, for instance, were over 30 per cent of the national income. Enormous amounts of money and material resources were channelled into industrial construction on an ever-expanding scale, especially into the construction of heavy

UPS AND DOWNS OF SOME MAJOR ECONOMIC TARGETS (1953-79)

Period	Percentage of accumulation in national income	Average rate of growth of industrial & agricultural production (%)	Average rate of growth of national income (%)	Rate of increase of financial revenue (%)	Rate of increase of labour productivity in enterprises owned by the whole people (%)
1st 5-Year Plan (1953-57)	24.2	10.9	8.9	11	8.7
2nd 5-Year Plan (1958-62)	30.8	0.6	-3.1	0.2	-5.4
Period of Readjustment (1963-65)	22.7	15.7	14.5	14.7	23.1
3rd 5-Year Plan (1966-70)	26.3	9.6	8.4	7	2.5
4th 5-Year Plan (1971-75)	33	7.8	5.6	4.2	-0.3
5th 5-Year Plan 1976	31.1	1.7	-2.3	-4.8	-8.6
1977	32.3	10.7	8.3	12.6	8.1
1978	36.5	12.3	12.3	28.2	12.3
1979	33.6	8.5	6.9	-7.9	6.4

industrial projects. Then there was the damage done in the 10 years of turmoil, which caused an even more serious imbalance in the national economy (imbalance between accumulation and consumption, between agriculture, light industry and heavy industry, between the base structure and the production structure).

But in the first two years following the fall of the gang of four (1977-78), we were still not sober enough to see the aftereffects of the 10 years of turmoil and the "Leftist" mistakes guiding our thought. Apart from more overambitious slogans and targets, we continued to expand the scale of capital construction. There is, of course, nothing wrong with the policy decision of importing advanced technology and using foreign funds, but due to

a lack of experience, these imports were on too large a scale, thus serving to aggravate our financial and economic predicaments.

These "Leftist" mistakes were rectified at the Third Plenary Session of the 11th Party Central Committee held at the end of 1978. Soon afterwards the Party put forward the principle of readjusting the national economy and demanded a reduction in the scale of capital construction. But this principle was never followed in real earnest, as some cadres still lacked a proper understanding of it. The measures adopted in 1979 to raise the purchasing prices of 18 farm and sideline products and the wages of a part of the workers and staff members were correct as they helped arouse the masses' initiative and stimulate

industrial and agricultural production. The trouble was that, simultaneous with uplifting the public's consumption level, we failed to scale down the excessively large capital construction investments and other spendings, resulting in financial deficits.

The aim of the ongoing major readjustment is to free our economic work further from the influence of "Leftist" thinking, to resolutely bring down the excessively high rate of accumulation and reduce the scale of capital construction as much as possible, that is, to a scale within the national capabilities, to get out of the red as quickly as possible and remove the latent troubles in our economic development. In other words, to underpin our economic position before making further major advances.

Forward and Backward

A RETREAT is a difficult matter, especially for revolutionaries who are accustomed to advance." (*Political Report of the Central Committee of the R.C.P. [B], 1922.*) This was what Lenin had said on many occasions at the time when Russia was retreating from war communism to a new economic policy. Presently we are in the same difficulty.

For more than 20 years the "Leftist" thinking and the "Leftist" line have remained unchallenged, influencing many people from top to bottom, and becoming an obstinate force of habit. To get rid of it, patient persuasion and education are needed.

Retreating for the Sake of Advancing

Just as there are advances and retreats in a revolutionary process, there are also advances and retreats in the course of construction. When there is the need to shift from a certain revolutionary policy to a reformist policy or to replace certain radical measures with modest ones because of a mistake of hasty advance in directing the work, or because of a change in the objective situation and conditions, a retreat is often inevitable. Such a retreat is made out of tactical needs and, to revolutionaries, is merely for the sake of propelling history forward in a more successful way.

It is true that our socialist economic construction has gone through a number of difficulties, but our economic situation today is nonetheless much better than it was some 20 years ago. Accordingly, unlike the forced all-round retreat in the early 1960s, there will be

both advances and retreats in the ongoing major readjustment. In other words, the present readjustment consists of backtracking in some fields to make way for advances in others.

Areas of Retreat

In which areas are we to retreat?

— We will lower the rate of accumulation bit by bit from over 30 per cent at present to about 25 per cent. This rate has been proved to be appropriate in our previous experience.

— A retrenchment will also be effected in the field of capital construction, the scale of which is to be reduced with a firm hand until it falls within the means of the state. Facilities and personnel belonging to projects whose construction is to be called off or suspended shall be properly handled. Some people will be diverted to service trades, commerce, repair services or trades requiring a concentrated work force; others will be transferred to projects for environmental protection or municipal construction; still others and their facilities will be used to found regular and technical schools as a kind of intellectual investment.

— Existing enterprises which have no adequate conditions of production, which have incurred losses for years, which consume too much raw material and whose products are not wanted on the market, shall close down, change their line of production or merge with advanced enterprises.

— There will be cuts in administrative spending, defence spending, in the manage-

ment spending of all government offices, enterprises and undertakings. Efforts shall be made to increase revenues and save funds in every way, to get out of the red and to curb inflation and stabilize prices.

Areas of Advance

During the readjustment the following areas will be reinforced and developed:

— Agriculture. The policy of agriculture being the foundation of the national economy will be followed in real earnest. There will be a readjustment of the inner structure of agriculture. While developing grain production, a diversified economy is to be promoted to achieve an all-round development of agriculture, forestry, animal husbandry, sideline production and fishery. Greater efforts will be made to modernize the key grain-producing and cash crops areas.

— Light industry. Priority will be given to the development of light industry. Heavy industry should serve the development of agriculture and light industry; a part of the equipment and personnel in heavy industry will be shifted to the production of consumer goods needed in everyday life.

— Energy and communications and transport. Our policy is to attach equal importance to the development of energy sources and to energy saving. At present, in the circumstances where a readjustment inside the energy industry is necessary and where an increase in the energy supply is impossible, more attention must be paid to economizing energy sources, which should include the technical transfor-

mation of industrial equipment using large amounts of energy.

—Science, education, culture and public health. They must be developed as much as possible and there will be some

increases in spending in these areas.

—Further efforts will be made to find jobs for the new labour force and better people's livelihood as much as possible.

Factors Conditioning the Scale of Construction

UNLIKE the readjustment in the early 1960s, the present readjustment is being made by resolutely rectifying the "Leftist" mistakes in our economic work. If we look back to the course of socialist construction in the 30 years after the founding of the People's Republic, we can readily see that economic construction, be it an advance or a retreat, is conditioned from first to last by the country's material and financial means (in China, manpower has always been abundant and is no problem). But it was Chen Yun who first discovered this and came to the conclusion theoretically.

An Important Principle

Early in the Yanan days Chen Yun made *bu wei shang* (not just to listen to the higher-up), *bu wei shu* (not just to follow what is said in books) and *yao wei shi* (pay attention to reality) his principles in giving guidance to our work. And he himself has always strictly followed these principles. After the founding of the People's Republic, when he was in charge of China's financial and economic affairs, he and his colleagues succeeded first in curbing the runaway inflation in 1950, then in overcoming the difficulties in the late 1950s and early 60s caused by our hasty advances in economic construction. In resolving complicated economic problems, he is always cool-headed and real-

istic-minded. He takes only appropriate measures, revealing great talent in giving leadership to economic work. The regretful thing is that many of his correct economic views were not strictly followed. It is only after the criticism of the "Leftist" thinking in recent years that his views have come to be understood and accepted by a growing number of people and have been made the guiding principle in our economic work.

The principle discussed here, that is, the principle that the scale of economic construction must be commensurate with the nation's capabilities, was first advanced by Chen Yun in a speech he made in early 1957, the last year of China's First Five-Year Plan. With financial deficits in the previous year, 1956, and the country running somewhat short of goods and materials, he made the speech in the light of this situation.

"The scale of construction," he said, "must be commensurate with the financial and material resources of a country: Yes or no—this is the line of demarcation between a stable economy and a non-stable one. In a big country like ours with a population of 600 million, economic stability is a matter of utmost importance. When the scale of construction is larger than what the country's financial and

material resources can afford, it means something rash that is sure to lead to economic chaos; economic stability can be achieved only when the two fit together perfectly. Of course, conservatism is just as bad because it holds back the right speed for construction. But conservatism can be remedied much more easily than a hasty advance can be remedied. In the case of the former, more items of construction can be added easily when there is plentiful of materials on hand; but in the case of the latter, it will not be that easy to reduce the scale of construction which has grown larger than what the financial and material resources can afford and, besides, a big waste will have resulted in the process."

The Ways of Restriction

Chen Yun also listed ways for avoiding a construction programme larger in scale than what the nation is capable of. His main points are:

- Undertake construction only when the livelihood of the people has been well arranged. Seeing that the aim of construction is to better the people's livelihood, he thinks that making good arrangements for the people's livelihood and working for the welfare of the people should be the major policy in a socialist state. Care must be taken of both construction and the people's livelihood; in China, only a strained equilibrium between the two can be achieved in the main because it is impossible to engage in very large-scale construction and ensure a good livelihood at the same time.

- While increasing the production and supply of the means of production, it is necessary to increase correspondingly the

production and supply of the means of subsistence and maintain a balance between the two.

- Agriculture is a very powerful restricting force on the magnitude of economic construction. The pace of agricultural development conditions the pace of the growth of consumer goods production, the pace of the growth of the nation's financial strength, and the pace of the growth of industrial and urban population.

- Production first, then capital construction. When raw materials are in short supply, their distribution should be made in the following order: first ensure the production of people's daily necessities, then ensure the production of the necessary means of production. All that is left should go to capital construction.

- A balance, a slightly favourable one, must be struck between bank loans and repayments. Only thus can there be an overall balance between social purchasing power and material supplies.

- The public purchasing power must be on a par with the consumer goods available. While that part of the purchasing power which grows with the increase of the total wage payments and higher prices for farm produce should be properly controlled, the purchasing power which grows with an increased output of farm products is to be welcomed, the higher the better.

- There must be an overall balance in planning. Chen Yun believes that only when the economy develops in a proportionate way can there be a real high speed of development. Accordingly, a proper ratio should be maintained between the national income and accumulation, between the national income



Chen Yun extending greetings to outstanding school teachers at a 1981 Spring Festival gathering.

and state budgetary revenue, between the state's budgetary expenditure and capital construction investments. In other words, there is the need to achieve the four major balances between financial revenues and expenditures, between bank loans and repayments, between the supply and demand of materials and between foreign exchange earnings and spendings.

- Planned targets must be feasible and be given a range of variation; productive capacity should be calculated in terms of a "short-line" balance rather than in terms of a "long-line"

balance as "the biggest lesson to learn" from a "long-line" balance is imbalance. [These are special Chinese economic terms: a short-line means the weak link and a long-line the strong link in production in a factory or in an industry. — *Tr.*]

From this it can be seen that Chen Yun's economic principle is based on the Marxist theory of social reproduction and is, therefore, in accord with the basic economic law under socialism. Our experiences, both positive and negative, have borne out the correctness of this economic principle.

Blazing a New Trail

THIS major readjustment will eventually do away with the great discord which has long been in existence in the national economy. But, apart from resolutely effecting reforms in the economic structure, we must search for a new way to boost the productive forces if the economy is to be kept on a track of steady, sound development. We must, first of all, have a perfect knowledge of our national conditions and capabili-

ties, free ourselves from the old habit of pressing ahead in a rash manner, always keep in mind that we should do only what is within our means — in a word, see to it that both production and construction make steady progress in an orderly way with an eye on the practical results. This, of course, does not preclude a leap forward after some steady progress is made and when conditions permit. But such a leap can only be the out-

come of a steady progress in an orderly way, certainly not a thing based on wishful thinking to be achieved in a haphazard way.

How the Economy Should Develop

In developing the economy, we have in the past actually paid more attention to capital construction than to production and have had high accumulation with low efficiency. Our experiences are characterized by the following phenomena: Keen on building new factories using huge amounts of funds, materials and manpower, especially heavy industrial plants which absorb large investments and take a long time to build. In the case of many construction projects, preparatory work beforehand is often inadequate; in some cases, construction gets started in a hurry even before there is an overall picture of the resources and geological conditions. Sometimes, construction thus drags on and is never completed (known as the "beard-growing" projects): those completed cannot be commissioned for production on schedule, causing tremendous waste and yielding poor results. Compared with the First Five-Year Plan period, the return on investments now made in our big and medium-sized projects are only half as much as before while the time of construction is twice as long. Little attention is paid to improving management and to the renovation of equipment and technical transformation in existing plants so that about one-fifth of the enterprises have long been suffering losses and only manage to keep things going with government help.

As some economists have pointed out, these phenomena serve to show that some people have a misconception about

what is meant by expanded reproduction. In their opinion, which is one-sided and harmful, old plants can undergo only simple reproduction and the way to expand reproduction lies in building more new factories. In actual fact, less investment is needed and results are more quickly realized when the productive potentials of existing enterprises are tapped through technical renovation, while bringing about expanded reproduction.

Accent on Running Existing Enterprises Well

Economists hold that in the course of the four modernizations, we still need to build more new factories and mines, although their number should be rigidly limited. We should first of all focus our attention on how to operate in a more satisfactory way the existing industrial and communications enterprises (close to 400,000 in number). This means expanding production mainly by tapping the potentials of these existing enterprises, carrying out rational technical transformation, lowering the amount of materials consumed, improving the quality of products and raising productive efficiency.

To this end, a number of forceful measures are needed. They include:

Improving industrial management, setting up a normal order of production and rigid labour discipline, and introducing an independent business accounting system for enterprises;

Reorganizing industrial enterprises according to the principle of specialization and coordination in production, and developing various types of economic complexes;

Renovating equipment and carrying out technical transfor-

mation in existing enterprises step by step and in a planned way, with primary emphasis on technical transformation aimed at saving energy;

Strengthening scientific research and technological development, trial-manufacturing and developing new products which are needed on the market;

Making the machine-building industry serve mainly the technical transformation of existing enterprises instead of serving mainly capital construction as before;

Importing less complete sets of equipment, buying instead mainly technology and software so as to combine the import of technology with the transformation of the old enterprises;

Establishing a regular educational system for workers and staff members to gradually elevate the cultural and technical level of all personnel on the payroll.

Prospects

What are the prospects for our economic development after the readjustment?

The pace of development may not be very fast because we have to mainly rely on existing enterprises in developing production. But the economic results will be good, with a substantial increase in social wealth and more real benefits for the people.

This is the way to handle the relationship between accumulation and consumption, between developing production and improving the people's living standards. And this is the way to achieve a sustained, steady growth of the economy in a populous country with a weak economic foundation. In short, this is China's only path towards modernization. □

MEDICINE

New Insights Into Stomach Cancer

A large-scale two-year investigation in selected rural areas of China has given Chinese cancer researchers new insights into the epidemiology and possible causes of China's most prevalent kind of malignant tumour — stomach cancer. Nearly one-fourth of some 800,000 Chinese who die of cancer each year are victims of stomach cancer.

The investigation, which covered more than 100 communes in 12 counties, shows that mouldy and smoked foods, bad eating habits, smoking, alcohol and a high-salt diet are all "dangerous factors" which may lead to stomach cancer.

However, dietary and environmental factors alone cannot explain why stomach cancer is so prevalent in China, or why its incidence varies so greatly among groups of people with similar diets, habits and living conditions. A crucial factor, investigators now believe, is the occurrence of a stomach ailment known as "atrophic gastritis," which results in the inflammation of the membranes of the stomach wall. It was found that 30 per cent of the population in areas with a high incidence of stomach cancer suffer from various chronic stomach diseases, among which atrophic gastritis is the most predominant. Since scientists found a clear correlation between the morbidity rates of atrophic gastritis and stomach cancer, they have concluded that atrophic gastritis is probably an incubator of the cancer.

Much of the investigation focused on the implications of the presence of nitrite in patients with chronic stomach diseases, the result of bacterial action on environmental nitrate ingested in food and water. The levels of nitrate in the water supplies of high-incidence stomach cancer areas was generally found to be higher than in other areas; more strikingly, the amount of nitrite found in the gastric juices of patients afflicted with chronic stomach diseases was exceptionally higher in high-incidence areas than in other regions.

Food contaminated with fungus was found in all the places chosen for the investigation. Traces of fungus in the gastric juices of patients suffering from atrophic gastritis were much more common in high-risk stomach cancer areas than elsewhere. In addition, investigators discovered high levels of nickel, selenium and cobalt and a close ratio between calcium and sulphate levels in the soil and water of high-risk areas. This may also have something to do with the incidence of stomach cancer, they believe.

The investigation was conducted by medical workers in the fields of epidemiology, chemistry, mycology, pathology, patho-physiology and clinical medicine.

Effective Treatment Of Cervical Cancer

A traditional Chinese medicine called *Sanpin* has been successfully used by the Jiangxi Maternity Hospital in the treatment of 170 women suffering from the early stages of cervical cancer. Seventy-eight of these

patients were treated more than five years ago and have had no recurrence of symptoms since. Lin Wenfeng, for example, a woman treated with *Sanpin* in 1973, gave birth to a boy in 1977; both mother and child are healthy today.

This natural, effective treatment involves the insertion into the cervix of the *Sanpin* suppository which causes the cancerous tissues to coagulate and fall off. Simpler, safer and less expensive than surgery and radiation therapy, this new treatment can be carried out even in small commune hospitals in rural areas. The treatment has been approved by the Jiangxi Provincial Scientific and Technological Commission.

The *Sanpin* treatment was developed by Professor Yang Xuezhi, Director of the Jiangxi Maternity Hospital, and his assistants. The noted gynaecologist and obstetrician has been working in this field for almost 40 years. He began his research on the use of traditional Chinese medicine for cervical cancer in 1959. Using the *Sanpin* treatment, he cured his first seven cancer patients in 1972. His subsequent experiments in a mountainous county of Jiangxi Province further confirmed the curative effects of this medicine. Professor Yang is now studying the etiology of cervical cancer in high incidence areas and preventive measures as well.



Study of Post-1919 Literature in China

**Historical Material on China's
New Literature** (quarterly)

«新文学史料»

Edited and Published by People's Literature Publishing House,

Distributed abroad by Guoji Shudian (China Publications Centre), P.O. Box 399, Beijing,

Renminbi: 1.05 yuan per issue (domestic price).

The 30-year history of China's modern literature from the May 4th Movement in 1919 to the founding of New China in 1949 is imbued with the turbulence, struggles and progress of the times. The quarterly *Historical Material on China's New Literature* reflects this history through the reminiscences and biographies of writers in the post-1919 period. It reveals through various special materials the debates of the day on literature, art schools, periodicals and writers and their works, and unveils selections of previously published writings and photos which are rarely seen today. Some articles on current literary investigations and studies are also given. This periodical therefore not only provides valuable material for researchers of modern Chinese literature at home and abroad, but also helps literary and art enthu-

siasts understand more clearly the development of literature in China after 1919.

Since its first publication in November 1978, this quarterly has published the reminiscences of such famous veteran writers as Mao Dun, Ba Jin, Yang Hansheng, Feng Naichao, Ding Ling and Xiao San as well as a number of references and pictures of cultural value. It has also introduced the works and thoughts of dozens of other writers, including Lu Xun (1881-1936), Guo Moruo (1892-1978), Yu Dafu (1896-1945), Lao She (1899-1966), Wen Yiduo (1899-1946), Zhu Ziqing (1898-1948), Zheng Zhenduo (1898-1958), Tian Han (1898-1968) and Xiao Hong (1911-42). Various special features, such as those on the 60th anniversary of the May 4th Movement and the 50th anniversary of the founding of the League of Chinese Left-Wing Writers, have been published as well as references about the Literary Research Society and other literary and art groups.

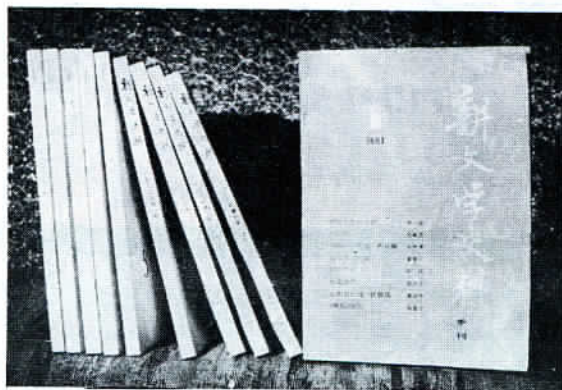
The latest issue (No. 1, 1981) features "Beginning of a Writer's Career" by Mao Dun, a personal account of how he wrote the trilogy *Dashed Hopes*, *Hesitation* and *Pursuit* following the defeat of the revolution

in 1927. Another article by Yang Hansheng talks about the No. 3 office of the Political Department, a stronghold in the Kuomintang-controlled areas of the national united front against the Japanese invaders. The article stresses the two contributions made by this bureau under the leadership of Comrade Zhou Enlai from its founding in 1938 to the autumn of 1940: the sustained struggle it waged against the Kuomintang diehards and the important propaganda work it did for the War of Resistance Against Japan. "My Contacts With Chairman Mao," written by the late Xu Maoyong in September 1972, is also published for the first time in this issue. This memoir recalls the author's meeting with Chairman Mao at Yanan in 1938 during which the Chairman spoke about the debate between advocates of the slogan "a literature of national defence" and those of the slogan "a popular literature for the national revolutionary war."

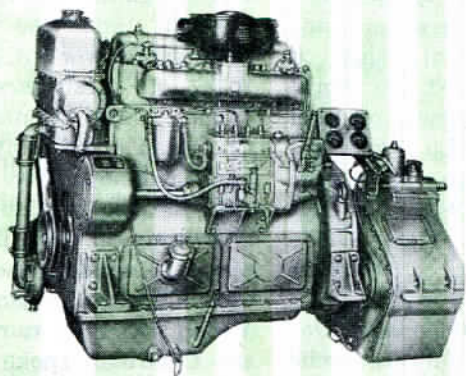
In addition, Hu Feng's brief autobiography is also presented as well as biographical and historical materials about various other writers and publications from the first half of this century. Parts of the as yet unpublished diary of Zhu Ziqing are also given, providing an interesting look into this well-known writer's life and times.

Through its original, first-hand materials and detailed explanations of historical events, the quarterly attempts to correct misconceptions and present a complete picture of this important period in Chinese literary history. To encourage thorough accuracy and scholarly debate, the quarterly has also added the columns "Letters From Readers" and "Further Information and Corrections."

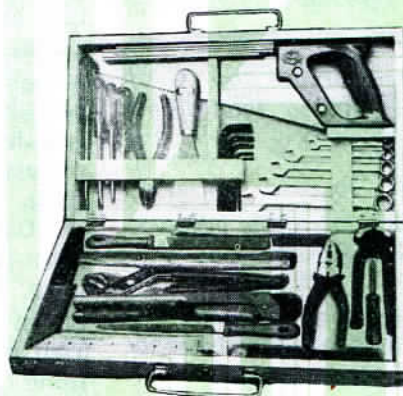
— Wu Shu



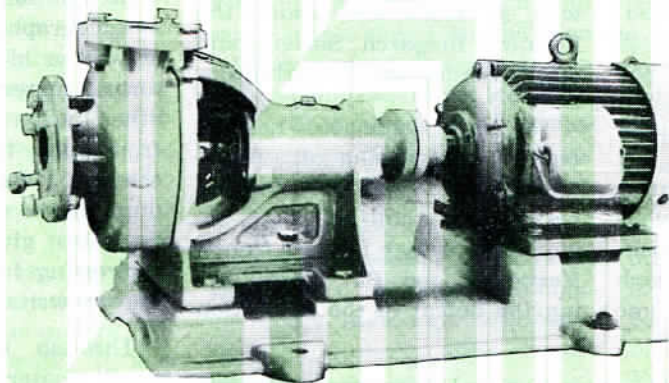
A WIDE RANGE OF HEAVY DUTY MACHINERY AND DURABLE HAND TOOLS FROM GUANGDONG PROVINCE



DIESEL ENGINES



TOOLS



PUMPS

CHINA NATIONAL MACHINERY IMPORT & EXPORT CORPORATION
Guangdong Branch

61, Yanjiang Road 1, Guangzhou, China Cable MACHIMPEX GUANGZHOU Telex 44076 HAGON CN