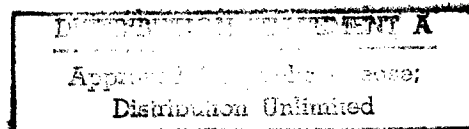


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6 MARCH 1987



USSR Report

PROBLEMS OF THE FAR EAST

No 3, JULY-SEPTEMBER 1986

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6 MARCH 1987

USSR REPORT

PROBLEMS OF THE FAR EAST

No 3, July-September 1986

Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language journal PROBLEMY DAL'NEGO VOSTOKA published quarterly in Moscow by the Far East Institute, USSR Academy of Sciences.

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CPSU 27TH CONGRESS PEACE PROGRAM DESCRIBED, PRAISED

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 3-10

[Editorial: "The 27th CPSU Congress and the Program To Ensure Common Security"]

The task of preserving peace on Earth acquired unprecedented urgency for mankind in the mid-1980s. This is the most formidable task ever faced by the generations of people. Affecting all countries and nations, all spheres of human activity, it requires a deep-going restructuring of the entire system of international relations: from mistrust to mutual understanding, from confrontation to cooperation, from the arms race to disarmament. And it is to be accomplished at a time when the leading imperialist circles, above all those in the US, refuse to make a sober assessment of present-day realities, draw serious conclusions from the lessons of history, but persist in pursuing their reckless militaristic course.

World War Two claimed more than 50 million lives and in many countries left a trail of cities and villages reduced to ruins and ashes. The memory of these losses and sufferings is everlasting. Again and again it obliges us to ponder the lessons of history, all the more so as the growing danger to our planet threatens the very existence of mankind.

The nations have now no task more urgent than that of strengthening international security and averting the danger of nuclear war. And socialism is the most reliable defender of the cause of peace. "We are living in a difficult and complex time," Mikhail Gorbachev, General Secretary of the CPSU Central Committee, said in Czepeľ during his friendly visit to the Hungarian People's Republic. "But I am absolutely convinced that mankind is capable not only of surviving but also of learning to live as befits human being, that is, in conditions of peace and freedom. But one must struggle for this. Struggle stubbornly and jointly."

THE KEY TO PEACE

It is the historic mission of socialism and all progressive forces in the world to avert nuclear war and save mankind from catastrophe. The 27th CPSU Congress made a major contribution to the solution of this epochal task in a whole range of areas.

First of all the documents of the 27th Congress of the CPSU formulated the following conclusion of fundamental theoretical and practical importance: objective conditions have taken shape in the world arena in which confrontation between the two systems—capitalist and socialist—can proceed only and exclusively in the form of peaceful competition and peaceful rivalry; there is no alternative to peaceful coexistence.

The Political Report of the CPSU Central Committee to the Party Congress states: "It is our task to elaborate a broad conception, in the Leninist way, of the times we are living in, and to work out a realistic, well-thought-out programme of action that would organically blend the grandeur of our aims with our real capabilities, and the Party's plans with the hopes and aspirations of every person." At its 27th Congress the CPSU was guided by this approach when formulating its action programme in the sphere of foreign policy. The Congress instructed the Central Committee to press resolutely and consistently for the solution

of problems of international security, orienting the USSR's foreign policy towards the unfading pursuit of a policy of peaceful coexistence, staunchness in upholding our principles and positions, tactical flexibility, readiness for mutually acceptable compromises and emphasis on dialogue and mutual understanding.

The concept of the all-embracing system of international security, elaborated following the April 1985 Plenary Meeting of the CPSU Central Committee, is one of the main components of the Soviet foreign-policy strategy. This concept rests on the conclusion that no state is capable of reliably defending itself by resorting only to military-technical means, even applying the most powerful defences. Life rules out the possibility of safeguarding security through building up one's own military potential, even if one succeeds in achieving military superiority over the other side. In view of the nature of modern weapons, political means have become the only way of ensuring security, in other words, agreements made with due regard for the interests of all parties so as to bring about an end to the arms race and stabilise the situation in the world.

At present security is based on fear of deterrence. But it is not the Soviet Union that initiated this method of ensuring security. In conditions of the unbridled arms race initiated by US imperialism, we were forced to concentrate on catching up with the United States in this "race" and then to maintain military-strategic parity. The Soviet Union has never regarded this situation as an ideal or even as acceptable. The Soviet Union is in favour of lowering the "arms barrier", but in such a way as to preserve the equal security of the sides. The arms race, however, continues both quantitatively and, what is still more dangerous, qualitatively. As a result, the problem of maintaining the equal security of both sides turns into a problem confronting both with equal danger. The absurdity of this situation is noted in the Political Report of the CPSU Central Committee to the 27th Congress. The continuation of the arms race must inevitably carry this "equal danger" to such an extreme that the situation in the world will no longer depend on the intelligence and will of politicians, and the destiny of mankind will be determined by technology, with all the possible ensuing fateful consequences. The CPSU Congress has arrived at the following conclusion: if the present tendencies continue, strategic-military parity will eventually fail to fulfil its function of deterrence.

The CPSU believes that it is necessary to abolish immediately nuclear and all other types of weapons of mass annihilation from the strategic-military balance. A detailed and comprehensive proposal on the general and complete elimination of nuclear and other weapons of mass annihilation is contained in the statement made by Mikhail Gorbachev on January 15, 1986. Here the decision to prevent the spreading of the arms race to outer space would be of fundamental importance. The programme set forth in the statement and the campaign for its implementation have become the main direction of Soviet foreign policy for the coming years. The Political Report of the Central Committee to the 27th Congress of the CPSU outlines the principles for creating a comprehensive system of international security. These include the appeal to all governments, parties, public organisations and movements, to all those who are concerned about the destiny of peace on Earth, to work for closer and productive cooperation as a means of making peaceful coexistence the supreme and universal principle in relations between states.

"Soviet foreign policy is oriented on the search for mutual understanding and dialogue, and on asserting peaceful coexistence as a universal norm in relations between states," Mikhail Gorbachev said in his concluding speech at the Congress. The Party's foreign-policy strategy, formulated at the 27th Congress, is becoming an active factor in inter-

national life. Its principles should become part and parcel of political relations between states.

The world socialist system is a factor playing a particularly important role in improving the international climate. The Political Report of the CPSU Central Committee to the 27th Party Congress declares: "The destinies of peace and social progress are now linked more closely than ever before with the dynamic character of the *world socialist system's economic and political development*." The CPSU's foreign-policy strategy devotes much attention to the effective interaction of all socialist countries, the entire communist movement as a means of increasing the potential of peace.

SOCIALISM'S CONSTRUCTIVE POLICY AND NATO'S PLATFORM

A meeting of the Political Consultative Committee of the Warsaw Treaty States was held in Budapest in June 1986. A NATO Council session was held in Halifax (Canada) on May 29 and 30.

The Budapest meeting was preceded by a series of major peace initiatives set forth by the USSR and other socialist countries. The Soviet programme for nuclear and chemical disarmament by the year 2000 gave the world the hope of a secure future. At the Geneva Disarmament Conference Moscow presented a number of new ideas, making it possible to remove obstacles preventing the conclusion of an international convention on the liquidation of chemical weapons. At the Soviet-US talks in Geneva on nuclear and space arms, the Soviet Union tabled a draft agreement on medium-range missiles in Europe. The Soviet leadership extended for the third time its unilateral moratorium on nuclear tests. The Warsaw Treaty members called on the NATO countries to create nuclear-free zones in Europe.

The meeting in Budapest produced a new major peace initiative by the Warsaw Treaty. The heads of delegations signed an "address of the Warsaw Treaty member-states to the NATO member-states, to all European countries with a programme for reducing armed forces and conventional armaments in Europe. The fulfilment of this proposal made by socialist countries would make it possible to reduce substantially the level of military confrontation in Europe, where even now, according to estimates by specialists, the concentration of military forces and armaments is 20 times greater than the average in the world.

In this proposal the Warsaw Treaty countries took into account the wishes of the West European countries concerning the reduction of conventional armaments and armed forces. The reason they have done so is that some NATO, and above all US circles, have long since been making political currency out of this problem and fanning up fears of the "overwhelming superiority" of the USSR and other Warsaw Treaty countries in conventional armaments. This argument has been used, and is being used to this day, in attempts to block nuclear disarmament. But so far the reaction of the NATO leaders does not give ground for optimism: NATO is not in the mood to reduce conventional armaments and armed forces.

In Budapest, socialist countries called for a successful conclusion to the Stockholm conference on confidence-building measures and for progress at the Vienna talks. They attach much importance to post-Helsinki developments in Europe and for this reason, following the meetings in Belgrade and Madrid, called on their West European partners to hold the next all-European meeting, this time in Vienna in November 1986, in a constructive spirit.

The Communiqué issued following the meeting of the Political Consultative Committee of the Warsaw Treaty countries stresses: "It is the cardinal task of our time to protect peace, stop the arms race and start concrete disarmament measures, first of all in the nuclear field. It is possible to fulfil this task, reverse the growing war danger and return international relations to the channel of détente. Mankind can and must block the road to nuclear catastrophe".

Such is the political platform of the Warsaw Treaty countries, a platform designed to achieve a drastic change for the better, to radically improve the international situation by limiting and reducing all types of armaments, creating reliable mainstays of general security and extensive peaceful cooperation among states at a level worthy of our age of flourishing science and technology.

And what is the platform of NATO and its leader, Washington? Before the session in Halifax the American administration succeeded in drawing its main partners, despite their doubts and fears, into US plans for carrying out the Strategic Defence Initiative (SDI). It succeeded also in forcing chemical binary weapons on NATO. At a conference in Berne where experts on contacts between peoples, organisations and institutions met, Washington resorted to an unprecedented sabotage of European cooperation in the humanitarian field and humiliated its NATO partners, who were ready to sign the final document.

At the NATO Council session in Halifax yet another "surprise" was in store for US partners. They were informed that Washington had decided to abandon further compliance with the SALT-II limitations. By accelerating its Star Wars programme and undermining the Soviet-American ABM Treaty, Washington assumes grave responsibility not only before its own people but also before the whole of mankind. It is clear to all sober-minded people that this is the route to nuclear catastrophe.

It is necessary, as the Soviet Union never tires of stressing, to achieve a strict and effectively controlled ban on the manufacture, tests and deployment of space strike weapons. This clear-cut and principled stand is winning growing support in the United States itself. On the other hand, the Reagan administration's policy of militarising outer space gives rise to alarm and even encounters resistance of American political and public circles.

A statement in support of the ABM Treaty, issued by seven prominent public figures who took part in the talks on the signing of the SALT-I Treaty, emphasises that it is important to observe this document strictly because it is "central to the process of arms control". The acceleration of the Star Wars programme, the statement goes on, would signify a direct departure by the United States from observance of the obligations imposed by the ABM Treaty. Almost a half of the US Senators demanded a substantial limitation to expenditures on the Star Wars programme. This action, which many members of the House of Representatives intend to support, is viewed in the United States as serious opposition to the White House militaristic plans.

IN THE INTERESTS OF ASIAN SECURITY

The principles of comprehensive system of international security, formulated at the 27th CPSU Congress, and the programme of a stage-by-stage elimination of nuclear arms before the end of the century, put forward by Mikhail Gorbachev on January 15, 1986, also take full account of the interests of the Asian Pacific region. A recent statement by the Soviet government, published on April 24, 1986, declares that "in calling for détente, the full liquidation of nuclear arms by the end of the current century, the creation of an all-embracing system of international

security and the development of cooperation, the USSR also takes fully into account the interests of the countries of the Asian Pacific region. The important processes taking place there cannot but have a bearing on the position of the Soviet Union as one of the biggest Asian and Pacific powers, and also of its friends and allies, the interests of international peace and security". (These proposals were also reflected in the documents of the 27th CPSU Congress).

American militarism has long since wanted to include Asia in the sphere of its world-wide strategic preparations. Today, the concentration of US troops in the Asian Pacific region is second only to Western Europe. The Pentagon is pressing for the extensive inclusion of Asia within the sphere of the Strategic Defence Initiative programme. It is demanded of some countries, for instance, Japan, that they directly join in technological processes under the SDI programme. Other countries are expected to give their moral and political approval to American plans to militarise outer space. With this aim in view, US representatives are persistently seeking to persuade the Asian public that the SDI is intended as a means of defence against a certain threat invented by US propaganda. Attempts are also made to assure the Asian public that the Star Wars programme should make nuclear arms "impotent and obsolete" and result in their becoming useless.

The Pentagon is rapidly erecting installations around the Asian continent that have a direct relation to its Star Wars plans. Stations for missile tracking and guidance in outer space are being set up on atolls in Micronesia and also in Japan, the Philippines, Australia and the Diego Garcia Island in the Indian Ocean. The scope of this programme shows that in its Star Wars plans the United States attaches great importance to Asia. The American command intends to use the radar stations at US bases in the Indian Ocean to control laser installations on space platforms that will be able to hit targets both in outer space and on earth. These aims are also served by the Pacific radar barrier system.

The contentions that Asian security will benefit from this are deliberate lies. It is obvious that preparations for Star Wars will not result in the elimination of nuclear arms. On the contrary, they will give them access to outer space. This will remove all obstacles to a totally unlimited new round of the arms race that it will be impossible to control in any way.

The imperialist circles of the United States have lately intensified their attempts to turn the Asian Pacific region into yet another scene of military and political confrontation with the USSR, the other socialist countries and the forces of national liberation.

It is the aim of the US strategists to turn Eastern Asia and the adjoining Pacific and Indian oceans into an area for the deployment of forward-based nuclear weapon systems as is the case with Western Europe and the adjoining Atlantic. This explains the intensive build-up of American nuclear armaments and the creation of new bases for the Rapid Deployment Force in the region.

By encouraging militaristic tendencies in Japan, American imperialism wants to turn that country into a key link in an anti-Soviet, anti-socialist "Eastern front". For the same purpose it wants to form the Washington-Tokyo-Seoul military triangle and pave the way for the creation of a "Pacific Community" that will include not only the US military allies but also the Association of Southeast Asian Nations (ASEAN).

The Soviet proposal to create an all-embracing system of international security, the idea of a gradual elimination of nuclear arms are of special urgency for Asia. The complete prohibition of nuclear tests both in Asia and in the Pacific and Indian oceans would primarily accord with

the vital interests of the people of that area. The fulfilment of the Soviet programme of nuclear disarmament would radically improve the situation in the Asian Pacific region. The stage-by-stage fulfilment of this programme would also make it possible to safeguard the security interests of non-nuclear states. They would publicly proclaim their adherence to the three non-nuclear principles: not to possess nuclear arms, not to manufacture them, and not to allow such arms on their territory. As to the nuclear powers, they would formally undertake not to use nuclear arms against the countries and areas of the APR which adopt non-nuclear status.

The USSR proposes to start an extensive exchange of views among all interested countries in that part of the world on questions concerning equal, mutually advantageous and stable trade, economic, technological, scientific and cultural cooperation. This cooperation could involve the development of productive forces, the training of personnel, the fuller use of labour resources, the use of new energy sources, including nuclear energy, improvement of means of transport and communication, identification of new forms of trade, economic and financial cooperation with due consideration for the interests of the region's developing countries, exchange of scientific and technical information, elaboration of measures to protect the environment and make rational use of the biological and mineral resources of seas and oceans, peaceful space research in the common interest, joint projects in the field of medicine and public health, in coping with natural calamities and overcoming their aftermath, etc. The Soviet Union is ready to take the most extensive and active part in the search for new forms of bilateral and multilateral cooperation, in the planning and fulfilment of major long-term projects and programmes, and utilize its economic and scientific-technical potential for the cause of peace and consolidating trust among nations.

The USSR was and remains an Asian and Pacific power, and all attempts to "shoulder it out" of this region by way of economic sanctions or restrict by any other means its extensive ties with countries of the Pacific basin are doomed to failure. More than that, as was pointed out in the Political Report of the CPSU Central Committee to the 27th Party Congress, the importance of the Asian-Pacific direction in world politics and in the USSR's foreign policy is growing. The following was stated at the Congress concerning the aims of our country's foreign policy in that vast region in the coming period: "Here, it is necessary, without postponement, to search for the relevant solutions and paths. Evidently, it is expedient to begin with the coordination and then the pooling of efforts in the interests of a political settlement of painful problems, so as, in parallel, on that basis to at least take the edge off the military confrontation in various parts of Asia and stabilise the situation there."

The Soviet Union's call for a joint search for ways of promoting security in Asia and the Pacific, while using, in particular, the experience of the European Conference on Security and Cooperation, does not at all imply a mechanical application of the Helsinki pattern to Asia. But many elements of the European experience of easing tension can be applied in Asia as well. These are respect for sovereignty and non-interference in internal affairs, non-use of force, peaceful settlement of disputes, the right of peoples to shape their own destiny, and the development of equal and mutually advantageous cooperation.

In the USSR's opinion, the concept of Asian security could incorporate the five principles of peaceful coexistence (*pancha shila*) that were once elaborated by the Asian countries, the ten principles of Bandung and also a number of proposals made by the nonaligned and socialist countries of Asia. A number of constructive proposals concerning various aspects of Asian security were made recently by socialist countries. In ad-

dition to the programme of nuclear disarmament, the USSR proposed to discuss the question of confidence-building measures in the Far East (similar to those that are already being implemented in Europe on the basis of the Helsinki Accords). The Mongolian People's Republic proposed a convention on mutual non-aggression and non-use of force among the countries of Asia and the Pacific Basin. Vietnam, Laos and Kampuchea consistently call for Southeast Asia to be turned into a zone of peace, stability and cooperation, for the development of goodneighbourly relations with the ASEAN countries. The DPRK government has come up with constructive proposals directed at accelerating the peaceful, democratic unification of Korea and easing the military confrontation on the Korean Peninsula.

The attainment of genuine security on the Asian Pacific region is unthinkable without the vigorous participation of the PRC in this process. It is gratifying that the USSR and the PRC, two Asian nuclear powers, have pledged not to be the first to use nuclear arms, and that the People's Republic of China is opposed to the militarisation of outer space. Other factors, too, facilitate the attainment of the aims of Asian security. They include the growth of the anti-war and anti-nuclear sentiments, this being evidenced by the decision of the countries concerned to proclaim the South Pacific a nuclear-free zone. The international prestige and positive role played by the nonaligned movement are growing, and the campaign to restructure international economic relations on a just and equitable basis is expanding.

The elaboration of the concept of Asian security is a long-term task that will have to be solved stage by stage, moving from the simple to the complex. "The CPSU stands for the pooling of efforts by all interested states for the purpose of ensuring security in Asia and for carrying out a joint search by them for a constructive solution to the problem," declares the new edition of the CPSU Programme. In turn, the conversion of Asia into a continent of goodneighbourliness and cooperation would increase the chances of achieving peace, reason and goodwill. At a meeting in Vladivostok held on July 28, 1986 on the occasion of awarding the city the Order of Lenin, Mikhail Gorbachev stressed, in part, that "we are for the Asian Pacific region to be part of the comprehensive system of international security spoken of at the 27th CPSU Congress." Problems of regional settlement are to be tackled primarily. The Soviet Union comes out for blocking the spreading and building up of nuclear weapons in Asia and the Pacific. It proposes to start talks with the aim to cut down the activities of naval ships, primarily those carrying nuclear armaments on board, in the Pacific. The USSR vigorously supports the idea of resuming negotiations on turning the Indian Ocean into a zone of peace. It deems it very important to reduce armed forces and conventional armaments in Asia to reasonable limits. The Soviet Union believes that the time is ripe for action as far as the confidence-building measures and the non-use of force in the region are concerned.

The Soviet concept of Asian-Pacific security providing for a joint search for ways of ensuring peace in Asia by pooling the efforts of all the countries of the region is an important basis for developing understanding and cooperation among the countries of the Asian and Pacific region, and for establishing a lasting peace.

The CPSU and the Soviet government are intensifying their activity for peace, for averting nuclear war, stopping the arms race and for the general and complete elimination of weapons of mass destruction. They firmly and consistently pursue a policy of peace and peaceful coexistence between countries belonging to differing social systems. "We need peace just as everybody needs it. But we will not forgo our security, we will

not be worn down by the arms race, we will not be easy prey for space arms, we will not be surpassed in technology! Our defence capacity," and this was especially stressed at the June 1986 Plenary Meeting of the CPSU Central Committee, "rests on the reliable basis of the strategy of acceleration which was worked out by the Party and has found its detailed reflection in the plans of the 12th Five-Year-Plan Period, a period of a drastic change in the country's social and economic development".

Scholars from 32 countries gathered in Moscow last summer to discuss problems of preserving peace and world civilisation. In their declaration they issued a warning to the effect that the world was facing a plain but ruthless reality—human civilisation will not survive in a nuclear war. They also pointed out in their document that the Soviet Union's unilateral moratorium provided unique possibilities for introducing a complete ban on nuclear tests and expressed the hope that the United States and other nuclear powers would join it.

The Soviet Union stresses again and again that in the nuclear age the world has become too small and fragile for wars and all sorts of "using force", that today not only a nuclear duel, but preparations for it, that is the arms race, the striving for military superiority, cannot lead to anyone's political gain.

"Our aims are absolutely clear," said Mikhail Gorbachev at the June 1986 Plenary Meeting of the CPSU Central Committee. "These aims are the acceleration of the country's social and economic development; extensive international cooperation advantageous to all the participating nations; disarmament and the elimination of nuclear weapons; and peace for mankind. Hence our political course both inside the country and on the world scene."

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MONGOLIA: DEVELOPING SOCIALISM'S MATERIAL, TECHNICAL BASE

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 11-18

[Article by I. S. Sevastyanov and V. V. Smirnov: "Some Aspects of the Establishment of a Material and Technical Foundation for Socialism in the MPR"]

The MPR has scored tangible results on the road to socialism over a short historical period, having by-passed the capitalist stage of development. The transformation of an erstwhile feudal and backward Mongolia into a rapidly developing socialist agrarian-industrial state with a diversified economy and steadily rising popular prosperity is the major achievement secured by the activity of the Mongolian People's Revolutionary Party, the selfless labour of the Mongolian people, the fruitful cooperation of the MPR with the USSR and other countries of the socialist community.

Mongolia's experience is of much significance for understanding the process of the transition to socialism by countries with an initially low level of development. The theory and practice of building the material and technical foundation of socialism in the MPR constitute a major contribution to the collective knowledge of all fraternal parties, the Marxist-Leninist theory of socialist construction. The theoretical and practical directives of the 19th MPRP Congress are bound to play an important role in the creation of the material and technical basis of socialism in the MPR.

The MPR entered the phase of completing the construction of the material and technical foundation of socialism in the late 1960s. The 15th MPRP Congress (1966) registered the creation in Mongolia of the socio-economic groundwork of socialist society and adopted a new party programme aimed at completing the construction of socialism.¹

Since 1966 the Mongolian people have scored major successes in building the material and technical foundation of socialism. Thus, the 19th MPRP Congress noted the following: "Twenty years have passed since the adoption of the Fourth Programme of the Mongolian People's Revolutionary Party. Over those years, continuing to strengthen its fraternal friendship with the countries of the socialist community, and above all with the Soviet Union, with which it has engaged in broader and more intensive cooperation, the MPR has achieved new and major successes in strengthening and developing the material and technical basis of the economy, in raising people's well-being and cultural level.

"The industrialisation of the country is continuing. Besides Ulan Bator there have appeared new industrial centres such as Darhan, Erdenet, Choybalsan, Baga Nur, Bor Undur, Hutul, etc. Agriculture has been developing apace. The creation of mechanised dairy and feeding farms marks the beginning of the introduction of intensive methods in livestock farming."²

¹ See *The Mongolian People's Republic*, Moscow, 1984, pp. 25-26 (in Russian).

² *Unen*, May 29, 1986.

The Congress gave a close scrutiny to the achievements and problems of socialist construction and singled out as the most urgent the task of making a comprehensive study of key problems of social development, in particular the questions of choosing an optimal structure for the national economy.

The MPR's experience is of great significance for the theory of the transition to socialism by economically backward countries. It shows, in particular, that the concept of "industrialisation" depends to a large extent on the profound changes that are taking place in the economy, science and technology of economically advanced countries, on the current stage of the scientific and technical revolution. This implies a new approach to the concept of industrialisation which can no longer be reduced to ensuring a greater share of industrial production and heavy industry in the gross national income. Industrialisation in modern conditions implies a higher proportion of materialised labour over live labour in all major branches of the economy, including agriculture.

The scientific and technical revolution (STR) initially meant more industrial units capable of processing ever greater quantities of raw materials and semi-finished goods over certain time, and the industrialisation of less developed socialist countries, including the MPR, followed such a "resource-intensive" model of development.

The next stage of the STR saw the introduction of more sophisticated and expensive technologies providing for greater quantities of finished goods from the same amount of raw materials.

At this stage the growth of production is accompanied by a higher consumption of raw materials for fixed production assets per unit of finished goods, in other words, it makes the national income more material—or asset-intensive. With the appearance of a raw material deficit, corresponding models of industrialisation at this stage of the STR are no longer viewed as effective from the viewpoint of intensification of the national economy.

The current stage of the scientific and technical revolution, is characterised by the tendency towards a decreased share of live labour with a simultaneously lower consumption of raw materials and funds. At this stage the STR is becoming a revolution of science and production. The introduction of high technology is accompanied by a noticeable increase in and subsequently by the predominance of the share of "ideas" in the final cost of production, in other words, it means that the national income becomes more science-intensive. High technology makes it possible to turn out the same products as before but with new methods and lesser expenditure of live labour and raw materials (for example, achievements in bio-technology make possible the intensification of food production in agriculture).

The Central Committee Report at the 19th Congress stated in this connection: "In the present phase of the construction of the material and technical basis of socialism the growing effectiveness of social production is based on the rational use of capital investments, production potential and available material and labour resources, on higher labour productivity."³

The introduction of corresponding corrections in the concept of industrialisation, in the light of the latest achievements of the scientific and technical revolution, is of special importance for such countries as the

³ *Ibidem.*

MPR, which experiences a shortage of labour. Wide prospects for a new stage of Mongolia's socialist industrialisation are offered by the country's participation in the Comprehensive Programme of Scientific and Technical Progress of the CMEA Member-Countries, adopted in 1985 at the 41st extraordinary session of the CMEA.

The main feature of the Programme is that it makes it possible to translate basic scientific ideas (in certain selected priority areas) into concrete high technologies, to build a new generation of highly efficient machines and materials, to strengthen allround cooperation all along the chain of science-technology-production-marketing. The economic effect is achieved through an organic linkage of science and production, through an extensive use of high technology.

This will enable the socialist countries to enter the 21st century at a qualitatively new level of production. By the year 2000 they plan to at least double labour productivity, to achieve a sharp reduction in the expenditure of energy and raw materials per unit of the materialised national income, to effect cardinal changes in the supply of information, to streamline management.

The envisaged results will be achieved by concentrating material and intellectual resources on those aspects of scientific and technical progress that can bring about revolutionary transformations of production. These include the electronisation of the national economy, comprehensive automation, rapid development of nuclear power engineering, new technologies of production and processing and biotechnology.

The revolutionary development of science and technology in the countries of the socialist community, combined with a mechanism designed to harmonise international and national interests, will boost the efficiency of economic assistance by the CMEA member-countries to Mongolia, Vietnam, and Cuba and pave the way for a new type of industrialisation, an industrialisation adapted to the age of scientific and production revolution. In his speech at the 41st CMEA session, D. Sodnom, Chairman of the MPR Council of Ministers, noting "the great importance of the Comprehensive Programme for the accelerated development, higher efficiency and intensification of the MPR economy", expressed satisfaction over the readiness of the CMEA member-countries "to raise the efficiency of their economic and scientific-technological aid to the SRV, the Republic of Cuba and the MPR".⁴

The switchover to a new stage of industrialisation has been made possible by the achievements of the Mongolian people over the preceding years, especially the Seventh Five-Year Plan period (1981-1985). Speaking at the 19th MPRP Congress, Comrade Zh. Batmunkh said the following: "During the years of the Seventh Five-Year Plan, as a result of the active political and organisational work of the Party and the selfless creative labour of the peoples, thanks to fraternal assistance and support by the socialist community, and above all the Soviet Union, the MPR scored new successes in socialist construction."⁵

The period 1981-1985 proved to be an important stage in completing the construction of the material and technical foundation of socialism in the MPR. Over those years important steps were taken to intensify the development of industry, mechanise agricultural production, modernise industry, agriculture and other branches and move towards an optimal

⁴ *Pravda*, Dec. 18, 1985.

⁵ *Unen*, May 29, 1986.

Table 1
Average Annual Rates of Growth
of National Income Per Capita
in the MPR and the European
CMEA Member-Countries
(in per cent)

	MPR	PRB	HPR	GDR	PPR	SRR	USSR
1976-1980	2.6	5.8	2.4	4.2	0.4	6.1	3.0
1981-1985	4.1	3.7	2.1	4.6	-2.0	4.0	1.0

Compiled on the basis of *Economic Cooperation of the CMEA Member-Countries*, No. 2, 1986, p. 109.

model of the economy. Much attention was paid to ensuring the steady growth of the material well-being and raising the cultural level of the Mongolian people.

During the 1980s the Mongolian economy has been developing at a steady rate. Seventy per cent of capital investment are put annually into material production, the annual rate of growth of investments in 1981-1985 averaged over 10 per cent. In 1985 the national income rose by 36 per cent over the level of 1980, the volume of industrial production by 55 per cent, the gross

produce of agriculture by 38 per cent.⁶

The MPR managed to overcome the unfavourable tendency of slumping economic rates in the late 1970s and moved closer to the level of the European CMEA member-countries, this being reflected by such a dynamic index as the share of the national income per capita. As is seen in Table 1 the average annual rate of growth of the national income per capita in the MPR in 1981-1985 was higher than in 1976-1980 and was ahead of similar indexes for almost all of the European CMEA countries (with the exception of the GDR).

High rates of economic development allowed Mongolia to raise living standards considerably and fulfil, in the main, the targets of social development. Real incomes per capita in 1985 went up 12 per cent over the level of 1980, retail trade turnover rose more than 20 per cent.⁷

In the mid-1980s the MPRP took steps to use reserves in economy by saving material resources, using effectively fixed assets and circulating funds, by improving the quality of output and raising labour productivity. A turning point in this respect was the 9th Plenum of the MPRP Central Committee which charted a combination of measures to revitalise the economy and pointed out the need to "make up for what was lost over the past years... to radically change the style and methods of work".⁸

At present the MPRP is paying special attention to strengthening labour discipline, overcoming disproportions in the economy, ensuring the prompt deliveries of goods, lowering the volume of incomplete construction, doing away with the practice of last-minute-plan-fulfilment. Substantial reserves in Mongolia's industry can be released by economising material resources and cutting down the cost of production. The MPRP has adopted the policy of improving labour organisation and raising the role of material incentives. The MPRP Central Committee criticised the practice of fulfilling plans "at all costs", in which the adoption of planned targets is not accompanied by corresponding organisational and ideological measures, so that the potential of the material and technical basis of Mongolian society remains insufficiently utilised.⁹

The MPRP is devoting much attention at present to the development of livestock farming. During the Seventh Five-Year period capital investments in agriculture rose by almost 30 per cent over the figure for the Sixth Five-Year Plan, the fodder production capacity in 1984 showed a 15 per cent increase compared with 1980, yet the planned figure for

⁶ See *Economic Cooperation of the CMEA Member-Countries*, No. 2, 1986, p. 109.

⁷ *Statistics Yearbook of the CMEA Member-Countries*, Moscow, 1986, p. 46.

⁸ *News of Mongolia*, Dec. 14, 1984.

⁹ *Ibidem*.

livestock growth was not reached.¹⁰ This was due to inadequate and irregular supplies of fodder and a shortage of fodder storage facilities. Agriculture is also seriously handicapped by a shortage of manpower. Young people tend to leave the countryside for the town, while those remaining on the land constitute an ageing and dwindling labour force.

The 10th Plenum of the MPRP Central Committee, held in 1985, approved a programme of development of agriculture and improvement in food supplies. The bulk of the programme is to be realised during the Eighth Five-Year Plan period (1986-1990). It aims to halt the tendency of agricultural production to fall behind the rather high rate of population growth. The MPRP Central Committee and the MPR Council of Ministers mapped out concrete measures to improve planning and management in agriculture, a system of economic incentives, better housing, cultural amenities and other facilities for the peasants.

Acceleration of economic development by using reserves in Mongolia largely depends on improving the system of planning and management. The MPRP is stressing the need for more realistic planning and the creation of an economic mechanism that will stimulate working collectives "to undertake intensive obligations, to fulfil and overfulfil them".¹¹

The MPRP Congress stated the following: "The strengthening of central planning must be flexibly combined with an increase in the role of departmental and local bodies, with greater independence for enterprises and farms, greater initiative by working collectives, methods of stimulating their interest in formulating production plans of their own and taking responsibility for their fulfilment."¹²

The advantages of the socialist method of production and of socialist internationalism as a basis of cooperation between the CMEA member-countries provide for the solution of the complex economic problems pointed out by the MPRP. The ability to face up such problems, to utilise the rich theoretical and practical experience of real socialism in tackling them, demonstrates the strength of the socialist system.

The solution of the complex economic problems confronting the MPRP is necessary not only to accelerate Mongolia's economic development but also to create the necessary conditions for the optimal use of the economic assistance granted by the European CMEA countries, to utilize sparingly and efficiently the collective resources of the socialist community.

In this connection the 19th MPRP Congress pointed out the following: "It is necessary to achieve an even greater benefit from the realisation of the economic and technological assistance rendered by the Soviet Union and other fraternal countries, to fulfil in full the obligations assumed in bilateral and multilateral programmes, agreements and contracts, to raise the quality of export products."¹³

Economic cooperation within the CMEA framework provides the MPR, as well as other less developed countries of the socialist community, with a unique opportunity to jump over the historical stages of development of the productive forces, to shift over to more advanced forms of production organisation, tested in other countries of the socialist community. As a result of cooperation, the MPR receives the necessary equipment and technology, raises the skill of the national labour force, acquires experien-

¹⁰ *Ibidem.*

¹¹ *Ibidem.*

¹² *Unen*, May 29, 1986.

¹³ *Ibidem.*

ce in working out the best strategy of socio-economic development. As a result, the country can move more quickly to the creation of advanced means of production and mechanisms of management.

The CMEA countries, having common objectives and basing their relations on the principle of socialist internationalism, pursue an agreed policy of rendering assistance to the MPR, the Socialist Republic of Vietnam and the Republic of Cuba so as to accelerate their socio-economic development and help integrate them into the international socialist division of labour. The Comprehensive Programme for further deepening and improving cooperation and the development of socialist economic integration, adopted at the 25th CMEA Session (1971), noted the need for the accelerated growth and more effective development of the MPR economy, stressed the necessity of providing substantial capital investments and assistance from other countries in order to create an optimal economy in Mongolia. It was agreed that special measures would be taken on a bilateral or multilateral basis between the MPR and other countries so as to rapidly and effectively develop Mongolia's economy with due regard for the country's natural and economic conditions.

These measures envisage the joint construction and exploitation of industrial and other projects by the MPR and other countries, with the provision of money, material and technological means and manpower; assistance in bringing enterprises built with CMEA aid to their planned capacity; the granting of credits on favourable terms; advantageous prices for products of agriculture and the processing industry; assistance in the development of science and the training of national personnel; the granting of free aid in agreed cases.

A further elaboration of an agreed CMEA policy towards the MPR and other less developed countries of the socialist community was taken up at the economic summit in Moscow in 1984. In the statement on the guidelines for the further development of economic and scientific-technological cooperation among the CMEA member-countries, adopted at this meeting, it was pointed out that "the acceleration of the process of equalising the levels of development of the CMEA member-countries and, primarily, bringing the levels of economic development of the SRV, the Republic of Cuba and the MPR on a par with the development of the European CMEA member-countries was a major task in the field of economics and mutual cooperation at the present stage".¹⁴

Economic and technological assistance and allround mutual cooperation with the MPR, as well as with other less developed CMEA countries, remains a focal point of CMEA and bilateral intergovernmental commissions on economic and scientific-technological cooperation. Thus, the 40th CMEA session in 1985 approved the work being done by member-countries in cooperation, for example, with Mongolia. The Communique issued by the session noted the leading role of the USSR in elaborating and implementing the CMEA member-countries' common policy towards the MPR, the SRV and the Republic of Cuba.¹⁵

The USSR's adherence to the collectively elaborated policy of CMEA member-countries as regards aid to the MPR and other less developed countries of the socialist community, was confirmed at the 27th CPSU Congress. The Guidelines for the Economic and Social Development of the USSR for 1986-1990 and the Period Ending in 2000 set the following task in the sphere of the USSR's foreign economic activity. "To continue, together with other CMEA member-countries, to render international assistance to the Socialist Republic of Vietnam, the Republic of Cuba and the

¹⁴ *Economic Conference of CMEA Member-Countries at Summit Level, June 12-14, Documents and Materials, Moscow, 1984, p. 20.*

¹⁵ See *Pravda*, June 29, 1985.

Mongolian People's Republic in speeding up the development and enhancing the effectiveness of social production, in widening their participation in the international division of labour."¹⁶

The 19th MPRP Congress noted the growing creative power of Soviet-Mongolian cooperation and highly appraised the assistance of other CMEA member-countries in the development of Mongolia's economy and culture.

The significance of Soviet aid to Mongolia is seen from the following figures: some 50 per cent of the MPR's gross industrial product comes from the enterprises built with Soviet assistance, including 95 per cent of electric power, 81 per cent of coal, 100 per cent of copper-molibdenum concentrate, 70 per cent of building materials, 85 per cent of flour, 100 per cent of washed wool, felt footwear, woolen fabrics, etc;¹⁷ 60 per cent of construction and assembly work is done directly by Soviet organisations; Soviet credits and free grants account for 70 per cent of capital investments in the Mongolian economy.¹⁸

In 1961-1980 the MPR built with Soviet assistance over 400 projects involving every branch of its economy¹⁹ and created new industrial centres at Darhan, Choybalsan and Erdenet. In 1981-1985 construction of another 280 projects was under way, including the fourth territorial-industrial complex at Baga Nur.²⁰

A fresh impetus to Soviet-Mongolian cooperation was given by the long-term programme of economic and scientific-technological cooperation between the USSR and the MPR extending to the year 2000, signed in 1985. The aim of the programme is to improve the structure and enhance the efficiency of the MPR economy, make fuller use of the available industrial potential, develop MPR export resources in agriculture, consumer and food industries, and to open up new mineral deposits and enlarge existing mining enterprises.²¹

As to assistance to Mongolia by other CMEA countries, Bulgaria helped it build a sheep-hide processing factory and a meat-packing factory; a brick factory is under construction in Uvdag Hudug. Hungary helped construct a printing plant, a carpet factory and a meat-packing plant and is reconstructing porcelain and carpet factories in Ulan Bator. The GDR contributed to the development of the meat industry, reconstructed a meat-packing plant and is taking part in enlarging a carpet factory and creating hay-producing areas. Poland assisted in building a concrete plant, a wood-working plant, a building materials factory, and helped organise a veterinary service in cattle-breeding. Rumania helped build a knitted goods factory, and is assisting in the construction of a furniture cardboard combine. Czechoslovakia assisted in the construction of leather and footwear enterprises, hospitals, a cement factory, a radio-station, etc.²²

¹⁶ *Materials of the 27th CPSU Congress*, Moscow, 1986, p. 328.

¹⁷ *Questions of Economy*, No. 8, 1985, p. 92.

¹⁸ See *The Mongolian People's Republic*, p. 205.

¹⁹ *Ibid.*, p. 214.

²⁰ *Ibidem*.

²¹ See *Pravda*, Sept. 5, 1985.

²² See *News of Mongolia*, Nov. 26, 1985.

Table 2

MPR Trade with CMEA European Countries
(in million rubles)

	1980	1981	1982	1983	1984
Trade	985.0	1136.8	1358.4	1491.4	1549.4
Export	251.6	292.9	372.2	418.9	454.3
Import	733.4	843.9	986.2	1072.5	1095.1

Source: *MPR National Economy in 1984*, Ulan Bator, 1985, pp. 330-335;
The Mongolian People's Republic, Moscow, 1986, pp. 168-170 (in Russian).

Economic cooperation between the MPR and the European CMEA member-countries contributes to the growth of their mutual trade turnover. The CMEA countries account for 95 per cent of Mongolia's foreign trade. In current prices the MPR's trade turnover with the CMEA countries in 1984 rose by 57.3 per cent compared with 1980, imports went up by 49.3 per cent, exports by 80.6 per cent (see Table 2).

The structure of the MPR's trade with the CMEA European countries shows Mongolia's place in the international socialist division of labour.

Table 3

**The Structure
of the MPR's Trade With CMEA
European Countries in 1984**
(in percentage of the total)

	Export	Im- port
Machines, equipment and transport	0.2	34.6
Fuel, industrial raw materials	64.2	39.6
Foodstuffs and raw materials for their production	21.2	7.4
Industrial consumer goods	14.4	18.4

Source: *MPR National Economy in 1984*, pp. 330-335; *The Mongolian People's Republic*, pp. 168-170.

Predominant in MPR exports are fuel, industrial raw materials (over 60 per cent), foodstuffs, spices and raw materials for their production (about 10 per cent); in imports major items are machines and equipment (over 30 per cent), fuel, industrial raw materials (about 40 per cent); see Table 3. On the agenda is the task of diversifying the structure of mutual trade through the inclusion of new products and the development of industrial cooperation.

As an important factor of building the material and technical basis of socialism in the MPR, economic cooperation between Mongolia and the CMEA countries is undergoing constant improvement and development. The CMEA countries have

substantial reserves for further raising the effectiveness of cooperation, activating bilateral and multilateral ties, improving the mechanism of management of economic links with the MPR.

Soviet people note with satisfaction the achievements of the Mongolian people in building the material and technical foundation of socialism, the determination of Mongolian Communists to continue to work actively for the ideals of peace and socialism, to strengthen friendship with the USSR and other countries of the socialist community along the lines of Marxism-Leninism and socialist internationalism.

JAPAN'S ECONOMIC CHALLENGE TO U.S. DISCUSSED

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 19-30

[Article by Yu. P. Shipov, candidate of economic sciences: "The Japanese Challenge to the United States"]

In the postwar period the economic growth of the leading capitalist countries has been taking place against the background of the ever increasing influence of the scientific and technological revolution on the entire process of social reproduction. The emphasis in the industrial policies of those countries on priority development of science-intensive, high-technology industries together with a massive introduction of automation is enhancing the trend toward the transition from labour-intensive to capital-intensive production. All this combined with Washington's policy directed at a certain restriction of economic contacts with the socialist world is adding to the importance of the division of labour between the well-established centres of imperialism; namely, the United States, Western Europe and Japan.

As the economic exchanges, involving commodities, services, scientific and technological achievements, capital investments, etc., among those three centres keep growing contradictions between them become annually more acute. These contradictions are rooted in such objective factors as the slowdown of growth rates, the general deterioration and instability of the world capitalist system, foreign trade imbalances, the gap between competitiveness at the national and industrial level, and the aggravation of socio-political problems in developed capitalist countries. Given the common class interests shared by the ruling forces of those countries, efforts are made to formulate common approaches and policies not only in their confrontation with the world of socialism, but also in their attempts to find a cure for acute inter-imperialist contradictions. However, the annual summits of the leading Western powers have not produced any tangible results, despite their resolutions to normalise the world capitalist economy. When it comes to practical matters, each of the participating governments tries to protect the interests of national monopolies. The United States, which initiated these summits, is itself setting an example in this respect. At the 1981 summit conference in Ottawa, for instance, the US President was asked to revise Washington's policy of high interest rates and the artificially inflated dollar exchange rate, which were viewed as the primary cause of many economic troubles in the rest of the Western world. But over the years the US Administration has ignored the opinions of its partners. Another example is the regularly reiterated appeals for respect for the principles of free trade. In reality, however, each of the Western countries tends to protect national industries.¹

New developments in the growth of monopoly capitalism, are escalating the already existing inter-imperialist contradictions and making them even more severe and involved. One such development is the transnationalisation of financial capital and the overall expansion of the activities and scope of transnationals, which "shed their national roots and shift the emphasis to maximising profit on a global scale."²

¹ See *Kokusai keizei titsudzyo-ni kansuru teigen*, Tokyo, 1984, pp. 29-32.

² See *Pravda*, Jan. 3, 1986.

The present article attempts to analyse the nature, character, extent and cause of the present confrontation between the United States, the leader of imperialism, and Japan, which has challenged it, in trade and the economy.

The obvious reason for US displeasure with its current economic exchanges with Japan is the marked imbalances in their mutual trade, which the Americans blame on the "closed" Japanese market. American pressure on Japan, therefore, primarily manifests itself in demands that the activity of Japanese exporters of a number of commodities that are especially sensitive to US industry be curbed and that the barriers blocking American goods from the Japanese market be removed. However, anti-Japanese sentiments in the US Administration and Congress stem from more general and deep-seated causes; namely, the dramatic narrowing of the gap of the levels of economic development between the two countries, as well as Japan's superiority in a number of industries and in some areas of science and technology, especially applied and experimental. A symptomatic observation was made in this respect by Japanese businessman Kobayashi, President of the Fuji zerokkusu company: "The irritation of the USA is caused by its uncertainty of the future, explained, inter alia, by such realities as the overall deterioration of the major strategic sector of the American economy, agriculture, and Japan's rivalry in high-technology industries."³

Here are some facts and figures illustrating the condition of trade between Japan and the USA. Between 1981 and 1985, Japan piled up a surplus of \$117 billion in bilateral trade, \$40 billion of that during 1985 alone. The obvious superiority of Japan over its major trade rival is explained by a complex of factors. The most important factor is the high competitiveness of a comparatively small range of products that spearheaded the export expansion and the prompt restructuring of Japanese industry since the outbreak of the world fuel and raw materials crisis in 1973. The growth of Japanese exports was also stimulated by the depressed rate of the Japanese yen versus the dollar, which is also closely linked to the American policy of high interest rates.

As for the USA, it grew less competitive during this period for a number of reasons. This was the case not only on the international markets but also at home and in many types of industrial goods, including cars, in which America had once been pre-eminent.

Purposeful investments in Japan, major shifts of capital, the introduction of advanced lines of production with the large-scale application of automation, microelectronics, industrial robots, N/C machine tools, computers and other electronics-based technology, enabled Japanese monopolies to start the production of many products that were superior to similar goods in other countries in terms of cost effectiveness, sophistication and quality. Large-scale industries were set up with the foreign market in mind: they were designed to produce far more commodities for the foreign market.

As a consequence, engineering products constitute almost 80 per cent of current Japanese exports to the USA (in 1984), including 25 per cent of electrical engineering and electronics products and 33 per cent of motor vehicles (29 per cent of cars and components).

The share of machinery and equipment in the Japanese imports from the USA, meanwhile, is relatively small, just 26 per cent of the total in cost terms. The leading American exports to Japan are food and fodder (21 per cent), including grain (12 per cent); diverse raw materials, such

³ *Keidanren geppo*, No. 6, 1985.

as timber, soya beans (19 per cent), fossil fuel, predominantly coal (8 per cent), and chemicals (14 per cent).

Bilateral trade reflects what is called the vertical division of labour and fits into the basic Japanese economic pattern of importing raw materials and fuel, processing them at home and manufacturing goods to meet the domestic demand and to sell on foreign markets. In 1984, for instance, Japan sold the United States \$54 billion worth of engineering products and bought from it just \$7 billion worth of such products.

It is therefore not entirely without reason that some American spokesmen say, in a moment of anger, that Japan uses the USA merely as a colony, importing mostly food and raw materials from it and supplying it with manufactured goods. The problem is not so much that Japan exports cars, electronics goods and other manufactured items, to the USA (which the American consumers always readily buy), as that American manufacturers often cannot sell their products in Japan.⁴

Naturally, the Japanese market is not totally closed to US corporations. While there is no chance for products which cannot compete with Japanese-made goods or which come against numerous protective, predominantly non-tariff barriers, those pioneering advanced products that are not made by Japan itself find a ready market there. The United States, for instance, is virtually the monopoly supplier of certain sophisticated electronics products to Japan, along with telecommunications technology, satellite communication technology, military and civilian planes, helicopters and other technology. However, as time goes on, Japan borrows, improves and efficiently introduces this technology in production. One symptomatic example is integrated circuitry. As recently as 1975, for instance, the ratio of US imports and exports of integrated circuits (in cost terms) was 1 to 3.5. In 1980 Japan had its first surplus in IC trade with the USA and in 1984 the ratio was 2.3 to 1 (with Japanese IC exports worth \$3.7 billion and imports \$1.6 billion).⁵

The situation in many other electronics goods and the industry as a whole is much the same. Foreign trade exchanges in every field are influenced to a great extent by Japan's marked superiority over the USA in the prompt introduction of borrowed or domestic knowhow and it was the advanced and promising electronics industry that saw acute rivalry between Japan and the USA in the recent period. For instance, the United States took two years to switch from 4 to 16 K-bit integrated circuits and Japan a mere 8 months. As early as 1977, moreover, Japan's Nihon denki pulled ahead of American producers in the introduction of 64 K-bit integrated circuits, while in 1983 Japanese companies introduced 256 K-bit circuits and began to produce them on a mass scale in early 1984. The American competitors lagged behind by roughly one year.

The situation on the computer market is much the same. In 1979, the US IBM corporation unveiled its 4300 computer. Japanese companies took about five years to pull even with IBM. But the 308x model launched by IBM in 1983 made little impact, as an equivalent Japanese-made computer was already available on the market.

The reasons for huge imbalances in bilateral trade in high-tech goods are numerous. In addition to Japan's superiority in the introduction of innovation, an important role is played by the higher growth of labour productivity in engineering because the Japanese are quicker to introduce automated technology and to improve management, utilize a unique quality control system in their plants, and so on, and so forth.

Here are a few noteworthy figures. Now producing about 12 million cars annually, the Japanese car-making companies (including 11 leading

⁴ See *Economisuto*, Feb. 26, 1985.

⁵ See *Toyo keizei*, June 29, 1985.

assembly corporations and a large number of contractors and subcontractors which manufacture components) employ just 670,000 workers. Meanwhile, the workforce of the US corporation General Motors alone, including its foreign subsidiaries, amounts to 690,000. The wages paid by Toyota come to a mere 6 per cent of production costs, with the total wage fund standing at roughly \$1 billion, whereas General Motors pays \$18 billion in wages. Meanwhile the difference between the pay rates in the Japanese and US automotive industries is insignificant (comparable figures for 1981). The average number of hours of labour needed to produce one car is an important indicator of efficiency. Toyota manufactures about 4 million cars a year and the reduction in the man/hour per car indicator has enabled the corporation to maintain employment at about 45,000 over the past 10 years, while the volume of production has grown by more than 250 per cent during that period.⁶

Capital-intensive factors are growing in importance in Japan quite fast, while the importance of labour-intensive factors is declining, although until recently industrial plants built abroad relied on cheap manpower available there. Over the past few years, however, the share of the total Japanese direct investments abroad in the USA and other developed capitalist countries has been constantly growing. This is explained by the availability of well-developed infrastructures, absent in developing countries, and a skilled workforce of operators, although their pay rates are not below those in Japan and even slightly higher in the USA. The introduction of automated equipment lends far more weight to specific production indicators, including savings on labour and wages. Generally speaking, the introduction of robots, automated equipment and advanced processes makes the factor of cheap labour less important. For instance, the automated plants of the companies Yamazaki (machine tools) or FujitsuFanak (N/C machine tools) can generate a profit even operating at 10 per cent capacity, whereas the figure for the automobile-making company Toyota with its relatively labour-intensive assembly lines is about 70 per cent.

By and large, Japan's export expansion on the markets of the United States and other developed countries is based on a relatively small group of commodities produced by the more advanced and competitive Japanese industries. The availability of foreign markets is decisive for individual "crack" items: in 1984 as much as 92 per cent of the total output of clocks and watches, 87 per cent of photography and cinema equipment, 81 per cent of video tape recorders, 79 per cent of desk calculators, 75 per cent of ships, 68 per cent of TV sets, 65 per cent of motor bikes and 60 per cent of cars were exported.

The above industries grow markedly faster and have brighter prospects than the basic energy-material-and-labour intensive industries, which are gradually losing ground not only on the foreign markets but also at home. The only exception perhaps, is the iron and steel industry, which is still competitive internationally thanks, primarily, to its special status in the Japanese state-monopoly hierarchy and, second, to the strenuous efforts of the steel-making monopolies to carry out modernisation and automation programmes and to introduce extensively energy-and raw-materials-saving processes.

But labour productivity in a number of other sectors of the Japanese economy is much below that of the USA and other Western countries. These are agriculture, transport, the construction industry, forestry, the timber-processing industry, retail trade and most of the services. How-

⁶ See K. Ohmae, *Triad Power. The Coming Shape of Global Competition*, New York, 1985.

ever, all of them are still effectively protected from foreign competition by a number of different barriers.

That is why the United States is exerting strong pressure on Tokyo, demanding the further liberalisation of the Japanese capital market, retail trade, insurance, banking and other economic sectors. This broad approach is explained by the overall strategic goal of the US state monopoly capital to exploit in the competitive struggle the US superiority in national labour productivity.

Throughout the postwar period Japan's economic growth was based on the consistently higher growth rates of labour productivity in industry as compared with other Western countries. Japan is close to the level of the USA in that basic indicator and has even outpaced it in some industries. It is on closing the gap in labour productivity levels in industry that Japan's slogan of "catching up with America" is based. However, if we compare national labour productivity levels as a factor of durable influence on national competitiveness, we should reckon with the situation not in individual sectors or even in industry as a whole but in the entire economy.

According to Japanese figures (labour productivity figures are often hard to compare in different countries because of different methods and calculation base), already in the early 1980s Japan outpaced the USA both in volume and cost of output per employed in industry. The same indicator of hourly production is roughly equal in both countries. However, it is the added value in individual comparable commodities and industries that is a more important and accurate indicator, and Japan was markedly lagging behind the United States in this respect. In the late 1970s the US manufacturing industry was leading its Japanese counterpart by 16 per cent in the added value per employed. Since labour productivity was growing faster in Japanese industry in subsequent years, this gap, according to Japanese estimates, must have been narrowed or closed altogether.

As for the national labour productivity, in 1981 the Japanese level was a mere 67 per cent to that of the USA (64 per cent in 1979). It is far from easy to catch up with America in this indicator. According to certain Japanese estimates, even if labour productivity is "frozen" in the USA, Japan will take 20 years to catch up with or even come close to the USA. But since labour productivity in the USA is forecast to grow annually by 2.8 per cent over the next few years, Japan will at best need 30 or more years to accomplish this task, provided it maintains the annual increment in national labour productivity at the level of 3.5-4 per cent.⁷

Average labour productivity in the economy is computed by the share of employed in individual industries. In other words, the higher employment in sectors with low labour productivity, the lower the indicator for the entire economy, and vice versa.

At the time of high economic growth rates Japan saw major shifts of labour from agriculture into industry, which added considerably to national labour productivity. But since the early 1970s, the strength of the industrial workforce has kept dwindling, mostly because of an outflow of labour into the services, which has been having a negative effect on the national labour productivity level, although labour productivity in industry has been growing at a high pace throughout this period.

No such fluctuations in this indicator depending on shifts of labour have taken place in the USA because there, as distinct from Japan, diffe-

⁷ See *Economisuto*, May 17, 1983.

ferences between labour productivity levels in various sectors of the economy are insignificant.

At present about 10 per cent of the Japanese workforce are employed in agriculture, forestry, sea fishing and the mining industries, 10 per cent in the construction industry, 24 per cent in the manufacturing industries and 56 per cent in the services. Moreover, only 13 per cent of those employed by the manufacturing industries work in predominantly assembly plants with high labour productivity, which account for the image, seen by the outside world, of a highly competitive and efficient Japanese economic mechanism.

However, most of the Japanese workforce is concentrated in the services and other industries with labour productivity below that in the USA. The shift of labour into the services by no means contributes to the growth of overall labour productivity in the country because no growth in labour productivity has been recorded in that economic sector since 1973, mostly due to increasing employment (by an average of 2.5 per cent a year). Meanwhile, it is in the services that the United States is planning to join battle with its overseas rival.

The manifestations of the structural imbalances and weaknesses of the Japanese economy have been alleviated for quite some time by the state monopoly machine's creation of "hothouse" conditions for the non-competitive industries inside the country and by the protection afforded by legislative and administrative barriers from foreign competition. But these imbalances and weaknesses can drastically undercut Japanese efforts to "catch up with America", and furthermore, detract from the growth rate of the Japanese share in the capitalist economy (which at present stands at about 10 per cent).

Now let us see if the charges made by the USA and other countries that the Japanese market is "closed" are justified and, therefore, if their demands for its liberalisation are valid.

Japanese delegates to international conferences, no matter what level, always point out that Japan has the most "liberal" customs regulations among the developed countries. Indeed, at present Japanese customs dues on manufactured goods (except oil products) are 3.27 per cent (21 per cent in 1960, 15 per cent in 1970 and 4.3 per cent in 1980), as compared with the USA and West European countries that average 3.9 per cent. The situation with commodities that have fixed quotas is about the same. With the exception of farm products (22 items), Japan fixes quotas on five commodities (the figure in the 1960s was about 490), whereas the United States regulates 6 commodities, West Germany 11 and France 27.

But these figures can no longer convince Japan's major rivals of the sincerity of its efforts to create truly equal conditions for the import of manufactured goods as compared with the regime enjoyed by Japanese commodities supplied to the markets of other Western countries.

The main obstacle to the export of commodities other than raw materials and fuel to Japan is the numerous "non-tariff" barriers. These comprise a system of trade certificates, an intricate procedure of customs inspection, quality check ups, verification of the compliance of foreign products with Japanese standards, the specific features of the Japanese retail system, and many other factors.

Motor vehicles are the most graphic example in this respect. Japan is the world's leading exporter in this field: in 1984 it supplied 6,429,000 motor vehicles worth \$29,820 million (including 4,118,000 cars worth \$20,718 million) to foreign markets. All in all, counting the supplies of automotive parts to other countries (\$4.5 billion), the total exports of the automotive industry generated 20 per cent of the Japanese export revenue in 1984. Meanwhile, in the same year all the world's exporters put together sold a mere 45,000 motor vehicles worth about \$500 million

(just 1.7 per cent of the Japanese export in cost terms) on the Japanese market.

As for the trade relationship between Japan and the USA in that sector, it actually is a one-way traffic: the Japanese exports amounted to 2,749 thousand motor vehicles worth \$ 15,434 million (more than half the total Japanese exports), while the Japanese imports amounted to a mere 2,300 (worth \$33 million).

The high technological standards, fuel efficiency and general competitiveness of Japanese automobiles are common knowledge. But are they so superior to foreign makes that such leading automobile producers as the United States, France, Britain, West Germany, Italy and Sweden cannot make any gains on the Japanese market? As a matter of fact, from the time an automobile is unloaded at a Japanese port to the time it is handed over to the buyer its cost snowballs with numerous surpluses, as a result the cost of a US-made car is 100 per cent higher and a European-made compact 50 per cent higher than the export price charged by the foreign producer. Even when the commodity tax is computed, Japanese products are charged at the factory gate price and imports at the C.I.F. price, which includes the cost of charter and insurance. This alone adds several hundred dollars to the price of an imported automobile.

Another component of non-tariff restrictions, which according to specialists, especially boosts the price of an imported automobile, is testing. Japanese inspectors test every car individually to see if it meets Japanese standards (Japanese cars are subjected to sample testing in the USA and other importer countries). Usually, quite a few parts which are not up to the Japanese standards are identified and they are replaced with Japanese-made ones. It is virtually impossible and far from cheap to meet all the Japanese demands since the standards are often changed in the interests of local producers, while foreign makers are not notified. It's expensive and takes a lot of time just to bring every automobile to the test site.

There are also many other obstacles to foreign commodities and capital, which are a consequence of the overall course of Japanese state-monopoly capital to create auspicious conditions for local proprietors.

As the Japanese see it, there are two factors behind imbalances in trade with the USA. First, the growing US deficit is being explained by American rather than Japanese factors. Second, as the results of economic exchanges are computed, a broader approach should be taken, which would rely not only on foreign trade but also on the movement of capital, the operations of corporations of both countries in each other's economies and the overall balance of payments between Japan and the USA.

Most of the Japanese specialists say, and with good reason, that frictions between the USA and Japan over trade problems are caused to a large extent by the current economic policy of the US Administration, such as its reliance on an artificially inflated dollar rate, which substantially detracts from the competitiveness of American exports. The gap between the interest rates in Japan and the USA (about three per cent on long-term deals in May 1985) compounded by sluggish demand on the Japanese credit market explains the rush of capital from Japan, especially over the past two years. Japan's total deficit on long-term capital deals was estimated at \$ 18 billion in 1983, \$ 50 billion in 1984 and \$ 65 billion in 1985. Brisk Japanese capital investments in the USA in a way offset imbalances between trade payments.

A symptomatic statement was made in this context by Robert Back, Vice President of the Rodman and Renshaw investment corporation: "Americans think that Japan has 50 billion American dollars from trade. But they don't—those dollars stay in the US and are invested in new

plants. All the capital earned on trade with the USA is immediately ploughed back. Japanese plants featuring the latest machinery are helping to re-industrialise America, while Japanese purchases of US treasury bonds are helping finance the US budget deficit."⁸

If we consider the mutual marketing of commodities produced by corporations of each country both at home and by businesses with the participation of their capital in the other country, in 1984 Japan and the USA were perfectly balanced, with each earning \$70,000 million. Though inferior to Japan in the amount of export, the United States pulled far ahead in the scope of production and marketing by subsidiaries and mixed ventures. American corporations produced in Japan \$44 billion worth of commodities and services (with \$32 billion out of that sum accounted for by participation of American capital), while the respective figures for the operations of Japanese corporations in the USA are \$13 billion and \$10 billion. The USA, therefore, has a surplus in that type of commodity exchange. All this lends little weight to the American argument that Japan does not absorb enough American commodities. If the total exchanges of commodities (imports plus local production with the participation of the capital of the other side) are calculated, the average Japanese annually buys \$580 worth of American goods (spending 6 per cent of his average income on them), while the average American just \$298 worth (roughly two per cent). As for direct or visible imports, however the ratio is \$215 to \$240.⁹

The US ruling elite finds it convenient to blame Japan for at least part of the current failures of the US economy, such as mass unemployment, declining competitiveness and growing imbalances between different manufacturing industries, which are especially sensitive to the inundation of Japanese imports.

However, neither US Congress, the driving force behind the anti-Japanese campaigns, nor the American mass media would deliberately link the current trade and economic frictions between America and Japan and other countries to causes related to domestic phenomena, inter alia, such "sensitive" issues as the operations of American transnational corporations (TNCs).

During the early postwar decades the interests of American transnationals were predominantly directed toward Western Europe. The 1970s, however, saw the substantial reorientation of their investment expansion and by the end of 1983 the share of the EEC in the sum total of the transnationals' foreign capital investment had dropped to 35 per cent, while that of the countries of Latin America and Asia, including Japan, reached 27 per cent (according to figures of the Japanese organisation JETRO). Altogether 46 per cent of the total direct American investments in other countries were absorbed by Asia in 1983. As transnationals shift part of production to other countries, tensions on the US labour market grow, and a considerable part of goods produced by foreign subsidiaries are shipped to the USA but are recorded by the customs statistics as foreign rather than American.

Several hundred American corporations operate in Japan today. The total volume of their sales in the manufacturing industry in 1984 was estimated at \$29.5 billion, including \$1.5 billion worth of sales in the USA. In Japan, where numerous barriers to the operations of foreign capital have survived and where the local "specifics" have a strong impact on the local market, American transnationals operate very subtly, specifically, through Japanese corporations in the form of technological and production cooperation. Production by proxy under OEM contracts

⁸ *Mainichi Daily News*, Aug. 18, 1985.

⁹ *Chosa geppo (Mitsui ginko)*, No. 9, 1985; *Boeki to sange*, No. 6, 1985.

(abbreviated from Original Equipment Manufacturing) which means production of goods using the technology of American corporations and under their trade marks, has become especially widespread. Since such commodities bear the trade marks of American companies, when imported to the USA and marketed there, they do not evoke such strong negative sentiments as purely Japanese products do. According to the Mitsubishi Bank, the export to the USA of Japanese goods manufactured under OEM contracts in 1984 was worth more than \$6 billion, or over 10 per cent of the total Japanese exports to the USA, including \$2.2 billion worth of computers and peripherals and cassette videorecorders. This means that the USA had a shortfall in the output of those products to that value precisely and that many American workers were out of job as a result.

Summing up the arguments of the sides concerning the character of their commodity exchanges, we will cite the official view put across by the Japanese Ambassador to the USA, Nobuo Matsunaga, in his speech at the American press centre in September 1985. He said that "American goods [i. e., goods which are produced in Japan but the profit from which goes to US corporations—*Yu. Sh.*] amount to at least 30 per cent of the total Japanese exports to the USA."¹⁰

The growing international influence of major Japanese monopolies and banks, which are actually becoming transnational corporations patterned after the American transnationals, is a consequence of the burgeoning internationalisation of the Japanese economy over the past few years. As they overstep national boundaries and as their operations assume global proportions, the export of industrial capital grows more active, they come to play a more important role in the horizontal division of labour with the monopolies of the USA and other Western countries, and seek to strike a deal with American transnationals to maximise profit through harsher exploitation of the working people, including at home.

In late March 1985, direct Japanese investments in other countries totalled \$71 billion (fifth largest in the world), with about \$15 billion invested in the USA (in late 1984).¹¹ Until recently, these investments were mostly in the form of lending capital that was taken out of the country due to high US interest rates. Only the past few years saw the export of Japanese industrial capital to the USA, and only in the past 12-18 months that the dominant trend has become the establishment of subsidiaries of Japanese manufacturing monopolies in the USA or joint Japanese-American plants in manufacturing industries, mostly high-tech ones. That trend is in accord with the overall course of the external economic policy of the Japanese monopolies. In the next 10-15 years major Japanese engineering corporations expect their foreign subsidiaries to ensure 20-30 per cent of total sales.¹²

Japanese automakers are especially aggressive. Three plants have already been opened by them in the USA. One in Ohio by the Honda giken kogyo financial group, launched in November 1982 and producing 150,000 cars a year, another in Tennessee in 1983 started by Nissan jidosha and manufacturing 240,000 trucks and cars a year, and the third is operated by Toyota jidosha and the US General Motors corporation on a parity basis (the California plant was owned by the American partner, then bought by the Japanese company and put into operation in December 1984; its capacity is to reach 260,000 cars by the autumn of 1986).¹³

These are just the first inroads of Japanese competitors on the American continent. The next few years are likely to see the expansion of

¹⁰ See *Kyodo*, Sept. 18, 1985.

¹¹ See *Japan Times*, Aug. 20, 1985.

¹² See *Ibidem*.

¹³ See *Dayanondo*, July 13, 1985.

those and other Japanese companies into the US automotive market. Honda, in particular, is going to launch another production line at its plant by 1988, thereby doubling production. Matsuda is going to put a plant into operation in the autumn of 1987 to produce 240,000-300,000 cars on the grounds of a former foundry of the Ford company in Michigan. The year 1988 is likely to see production start at two joint Japanese-American plants as well.¹⁴ By 1988 the total automobile production by Japanese companies in the USA may reach 1.4 million, which means that 40 per cent of all the Japanese motor vehicles sold in America will be manufactured there.

Japanese electronics producers also have vast programmes for shifting production to the USA. Matsushita, for instance, is planning to build a video tape recorder factory in Chicago, to generate about 50 per cent of the company's current sales on the US market (300,000-400,000 a month).¹⁵ At present altogether 13 per cent of the total sales of that electric engineering giant are produced outside Japan.¹⁶ Major producers of integrated circuits and other electronic components are planning to produce in the USA 30-50 per cent of the current Japanese exports to that country.¹⁷

Previously, the Americans primarily complained about, first and foremost, the inundation of their market by individual Japanese products that caused "discomfort" to local producers. The sides usually settled their differences predominantly through "voluntary export restrictions". Such restrictions continue to be practised on individual commodities. For instance, a "quota" on car exports (originally fixed at 1.68 million and raised slightly from year to year), which was in effect till April 1985, gave the American car makers a "respite", which they used to rebuild and modernise their plants, to renovate their stock of machinery and to launch more economical models. Moreover, these artificial shortages of Japanese cars on the US market pushed up prices for all models (in September-December 1984, for instance, General Motors twice raised the prices for its cars) and helped the monopolies to double their profits in 1984 over the previous year.

The problem of the supplies of Japanese steel rolled stock to the USA was settled in the same way and with similar aims in view. By agreement, during the five years beginning with 1985, the Japanese exports are not to exceed 5.8 per cent of the US domestic steel consumption (the figure in 1980-1984 was 6.34 per cent).

However, growing imbalances in Japanese-American trade along with the continuous rise of the US foreign trade deficit (from \$123 billion in 1984 to \$148 billion in 1985) and the more energetic onslaught of the Japanese monopolies on the positions of their overseas rivals on the entire front of the international division of labour called for a broader approach to problems at the Japanese-American talks.

The worst tensions and conflicts yet flared up between the two countries in 1985. Dozens of conferences, talks and meetings at different levels were held, from practical business-like sessions on individual industries and problems to official top level negotiations. The Americans came forth with a number of complaints and demands. They pressed Japan to make greater efforts to boost domestic demand as a means of lessening its economic expansion and opening its doors wider to imports, to contribute more to the economic "aid" to developing countries, to make more strenu-

¹⁴ See *Toyo keizai*, Oct. 12, 1985.

¹⁵ See *Daily Yomiuri*, Nov. 28, 1985.

¹⁶ See *Japan Economic Journal*, Sept. 7; Nov. 16, 1985.

¹⁷ See *Mainichi Daily News*, Sept. 16, 1985.

ous efforts in world capitalist scientific and technological progress through larger spending on fundamental research, etc.

However, there is more to the American demands than economic problems. By deliberately building up tension at bilateral economic talks and putting Japan on the "defensive", the US Administration was seeking concessions on political matters. For instance, the agenda of the meeting between US President Ronald Reagan and Japanese Prime Minister Yasuhiro Nakasone in October 1985 featured two key subjects, i.e., trade problems and cooperation in the military field. Symptomatically, the Japanese Premier brought a Japanese five year programme of military build-up as a gift for his "overseas friend", as the press put it, which had been adopted against the strong resistance of the opposition parties and broad public forces of the country. The programme envisages expenditures totalling more than 18 trillion yen, which will effectively negate the official arms procurement concept, which limits the military budget to one per cent of the GNP. At the summit the Japanese were asked to increase their contribution to the US Star Wars programme, initially as joint research in advanced areas of science and technology through cooperation between private companies.

The Pentagon and American military-industrial monopolies are showing interest in Japanese achievements and demanding more and more insistently that Japan transfer knowhow and experience in such key areas as research into "fifth-generation" computers, laser technology, optical fibres and ceramics. The Americans claim that political concessions are needed as arguments against the anti-Japanese lobby in US Congress.

The first major action in response to strong US pressure was the adoption by the Japanese cabinet on April 9, 1985, of another "package" of measures, the seventh since 1981, to further liberalise the Japanese market for imports. The preamble to the text of the governmental announcement tactfully indicated the circumstances behind the Japanese step. Tokyo used laconic and vague phrases in an attempt to conceal the obvious fact that the latest "package" was a result of Washington's unprecedented assault making use of everything from psychological pressure to outright threats. For instance, there are dozens of anti-Japanese bills in various subcommittees of the US Congress, among them a draft bill on retaliation against Japan if major imbalances in Japanese-US trade persist, a resolution on retaliation against Japan's "unfair trade practices" unanimously approved by the US Senate in March 1985, and appeals from some law-makers for an international anti-Japanese conference with the participation of the USA, West European countries and developing states.

On July 30, 1985, the Japanese government released a "Programme of Action", which formulated a series of measures to further liberalise the Japanese market. The programme stated Japan's readiness to take steps to approximate the conditions for imports and the regulations for foreign capital to those practised by the USA and Western Europe.

The Japanese mass media touted the "Programme of Action" as a "great, well nigh prohibitive sacrifice for the country". Prime Minister Yasuhiro Nakasone characterised that series of concessions as "a major, once in a century reform" and Liberal-Democratic leader K. Miyazawa as "the third attempt to do away with Japan's isolation from the world community" (the first attempt was made in 1868 and the second in 1945). The reactions in the USA and Western Europe, however, were anything but enthusiastic since the Japanese measures gave no concrete solutions to the demands of trade partners for rectifying trade imbalances. According to preliminary expert estimates, even if Japan carries out the measures under the "Programme of Action" in their entirety, the current US

deficit in trade with Japan will be cut by a mere 10 per cent, whereas the Americans hoped for at least a 30 per cent reduction.¹⁸

This is a quite correct evaluation of the "efficiency" of the latest measures of the Japanese government, since their main purpose is to show a willingness to respond to the tough criticism of Japan by US Congress. The true causes of trade imbalances between the two countries, as has been shown above, are linked to the effect of far more fundamental economic factors. T. Pepper of Hudson Institute, a well-known American expert on US-Japanese relations, maintains: "But for trade relations to improve both Japan and the US must take an active role in getting their own economic houses in order: the US must reduce its budget deficit and Japan should have the self-respect to increase its domestic demand instead of introducing lawyer-like arguments explaining why it is impossible".¹⁹

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The current stage of trade and economic differences between the USA and Japan has a number of characteristics: conflicts have embraced a larger number of industries and economic sectors; the problems involved are now tackled at a state-to-state level; and the US ruling circles are trying to use these problems in a diplomatic tug of war with their military and political ally and economic rival in order further to involve Japan in militarisation and, as a manifestation of the latest trend, the internationalisation of the military-industrial complex through the involvement of Japanese monopolies and governmental agencies in the sinister Star Wars programme.

¹⁸ See *Japan Times*, Aug. 7, 1985.

¹⁹ *Mainichi Daily News*, Sept. 29, 1985.

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OVERSEAS CHINESE, PRC'S 'FOUR MODERNIZATIONS' PROGRAM VIEWED

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[Article by S. N. Goncharov, candidate of historical sciences]

The fulfillment of the programme of "four modernisations" is the PRC's main task in the current century. The "open policy" (*kaifang zhengie*), a policy of an allround expansion of cooperation with foreign countries in order to secure foreign capital investment, modern machinery and technology, as well as managerial experience, has become an important means of fulfilling this programme. Subsequently, a special role in the implementation of the "open policy" is given to China's southern provinces of Guangdong and Fujian, which have been given considerable independence in the financial field and major powers in external economic activity. Speaking early in 1985 at the 11th Meeting of the Standing Committee of the National People's Congress of the 6th convocation, Secretary of the CPC CC, Gu Mu, stressed that this decision was motivated to a considerable extent by the "abundance of overseas Chinese" in Guangdong and Fujian.¹ Some general information on the number of overseas Chinese, their geographical distribution and economic potential helps to explain why the PRC leadership attaches such serious importance to developing cooperation with them.

According to various estimates there are now from 24 to 30 million overseas Chinese throughout the world. Some 90 per cent of them live in countries of Southeast Asia, and 80 per cent are citizens of the countries of their residence.

There are about a million re-emigres in the PRC and more than 20 million people who are relatives of emigres.² It is through them that diverse ties with communities of overseas Chinese are set up and maintained. Most of the overseas Chinese (over 20 million) are from Guangdong Province. More than four million fellow countrymen from Hong Kong and Macao³ have similar roots. More than six million overseas Chinese originate from Fujian Province. In addition, people with a Fujian background comprise more than 80 per cent of the population of Taiwan.⁴ The Shantou and Foshan administrative districts in Guangdong Province and the Jinjiang area in Fujian Province have the biggest concentration of overseas Chinese. Regions with an increased concentration of overseas Chinese and their relatives are called "native places of the *huaqiao*" (*qiaoxiang*). It is there that work is mainly done to draw overseas Chinese into cooperation with the PRC.

Since the end of World War Two, overseas Chinese have gained very strong economic positions in their countries of residence. Thus, by the

¹ *Renmin ribao*, Jan. 18, 1985. The following terminology is accepted in the PRC: *huaqiao* are Chinese permanently living abroad and having PRC or Taiwanese citizenship; *waiji huaren* are people of Chinese origin who are citizens of their countries of residence. Often used is the abbreviated variant of this term, *huaren* (overseas Chinese); *huai* (ethnic Chinese), the descendants of *huaqiao* and overseas Chinese. *Guqiao* re-emigres) is the term for *huaqiao* or overseas Chinese who have come to the PRC from abroad for permanent residence; *qiaojuan* (relatives of emigres) are people resident in the PRC who are close relatives of *huaqiao* and overseas Chinese, or distant relatives receiving regular material assistance from abroad.

² *Renmin ribao*, April 12, 1984.

³ *Nanjing ribao*, Nov. 12, 1983; *Kaifang*, Guangzhou, 1985, No. 38.

⁴ *Huasheng bao*, May 15, 1983; Feb. 26, 1984.

middle of 1983, of the world's 12 major bankers in terms of personal wealth five were Chinese, each owning capital in excess of one billion dollars.⁵ Late in the 1970s, overseas Chinese had \$10,800 million on accounts in New York banks and \$6,700 million in the banks in San Francisco. The total capital of overseas Chinese is set at \$120-130 billion. The companies, firms and banks owned by them control a capital of up to \$300 billion.⁶

There is no doubt that the use of the vast economic potential of the overseas Chinese could serve as a substantial factor in accelerating the fulfillment of the "four modernisations" programme. But the rectification of injustices in respect of re-emigres and relatives of emigres, and also in respect of the overseas Chinese' property in the PRC committed in the period of both the "cultural revolution" and prior to it had to be a preliminary condition of cooperation with the overseas Chinese.

The worst repressions swept the native places of the *huaqiao* in Guangdong and Fujian in 1969-1970 during the campaign of criticising the "three overseas". The "Six-Point Regulation on Methods of Dealing with Cadre Workers" who had overseas ties was in force in Guangdong at that time. In accordance with that document, cadre workers with relatives abroad had to sever all contacts with them. People were also forced to divorce if a wife or a husband had "overseas ties". In the event of a refusal to do this cadre workers were persecuted, criticised, and expelled from the Party. In some areas of the province from 60 to 80 per cent of all cadre workers were subjected to repressions, as well as virtually all relatives of the emigres. All overseas Chinese were declared a reactionary class of the bourgeoisie. For this reason cash transfers by overseas Chinese to their relatives were qualified as unearned exploiter incomes of the latter; correspondence with overseas Chinese and visits by them to China were stopped as being conducive to espionage activity; all persons found guilty of having overseas ties were barred from the Party and the Komsomol (the Young Communist League of China), were not allowed to serve in the People's Army, and were denied promotion at work; the houses of overseas Chinese and their relatives were confiscated by the authorities, or forcibly taken over by the local population.

Late in 1977, Deng Xiaoping declared that the theory of overseas ties which had served as a pretext for repressions against relatives of emigres, was reactionary and that China should have as many of these ties as possible.⁷ Subsequently his statement provided the basis for work to rectify extremes which were branded as a Leftist deviation. The national conference on work with the *huaqiao* inside the country, held in May 1981, was of special importance. At this conference it was stressed that any actions directed at undermining the preservation and encouragement of the ardent patriotism of the *huaqiao* and their love for the native places⁸ were a criminal and punishable Leftist deviation. After this the work to rectify extremes was conducted with a markedly greater vigour.

The first measures within the framework of rectifying extremes were to change the social status of relatives of emigres, who were previously classified as rich peasants and landlords. The course taken was that of fully rehabilitating them and officially abolishing their former status.

⁵ They are: Li Chengyi (the Huaqiao Bank in Singapore), Guo Fanfeng (the Fenglong group in Singapore), Chen Bichen (the Bangkok Bank in Thailand), Lin Shaoliang (Asia Central Bank in Indonesia) and Guo Lingshan (the Fenglong group in Malaysia), *Huasheng bao*, Oct. 2, 1983.

⁶ *Huaxia*, Guangzhou, 1985, No. 1, p. 30; *Dagong bao*, March 25 and April 20, 1983; *Huasheng bao*, Feb. 5, 1984; *Renmin zhengxie bao*, May, 23, 1984.

⁷ *Huasheng bao*, May 1, 1983; *Zhengming*, Xianggang, 1983, No. 9, p. 20.

⁸ *Renmin ribao*, June 1, 1981; *Dagong bao*, June 1, 1981.

By September-October 1979, this work had been completed in the main in Guangdong and Fujian provinces. In Guangdong alone the authorities had issued to relatives of emigres as many as 41,806 certificates confirming their changed social status.⁹ Simultaneously, steps were taken to revise and correct the unjust, erroneous and falsified sentences passed on re-emigres and relatives of emigres in the period of the "cultural revolution". By the end of 1985, more than 33,000 such sentences had been corrected.¹⁰

It is an old tradition among overseas Chinese to return home in their native places on becoming old. For those whose families have lived abroad for several generations, the homes of their grandfathers and great-grandfathers remain the most compelling factor calling them back to the country of their forebears. That is exactly why the overseas Chinese are especially worried by the fate of these homes, many of which were occupied by strangers during the "cultural revolution". Such homes, with a total area of more than three million square metres, had been returned to their owners by the end of 1985.¹¹

In 1981, it was also decided to return to the overseas Chinese the homes that had been confiscated early in the 1950s, in the course of the land reform and the "socialist transformation of private property". By 1985, across the country houses with a total floor space of more than 15 million square metres, which had belonged to overseas Chinese and were "mistakenly confiscated" during the land reform, had been identified. Seventy per cent of them were in Guangdong Province. It is intended to complete the return of these houses to their owners by 1988.¹²

Along with measures to rectify extremes, the bodies responsible for the affairs of overseas Chinese drafted, late in the 1970s and early in the 1980s, a number of regulations intended to create a privileged position for re-emigres, relatives of emigres and the overseas Chinese themselves in the PRC. Decrees were adopted on the priority solution of the housing problems of re-emigres and relatives of emigres, and on easy terms for the job placement of their children.¹³ Young re-emigres and the children of overseas Chinese living in China have the right to be enrolled at the country's establishments of higher and secondary learning even if they get lower marks at the competitive entrance exams than the required national average. If both spouses are re-emigres, then within a period of six years following their arrival for residence in the PRC they are allowed to have a second child,¹⁴ whereas existing regulations in the country seek to encourage one-child families in every way. It is much simpler now for re-emigres and relatives of emigres to obtain exit visas to visit relatives abroad or to settle there permanently. Simultaneously, entrance formalities for overseas Chinese were also simplified: from August 1, 1985, *huaqiao* coming to the PRC on brief visits were allowed without entrance visas at all. The range and quantity of articles that overseas Chinese may bring to the PRC duty-free has been con-

⁹ *Guangdong qiaobao*, July 31, 1981.

¹⁰ *Guangdong qiaobao*, March 5, 1986. By early 1984, the authorities registered 27,800 unjust and erroneous sentences passed on re-emigres and relatives of re-emigres. *Renmin ribao*, Jan. 2, 1984.

¹¹ *Guangdong qiaobao*, March 5, 1985.

¹² *Huasheng bao*, Sept. 2, 1984. The return of such houses is done in two stages: first the return of the right of ownership is legally formalised and then, after the house has been vacated by its occupants, a document is issued on the return of the right of use. Documents on the return of the right of ownership of *huaqiao* homes with a total area of 6.3 million square metres had been issued in villages by early 1986, while in towns the right of ownership was returned for housing with an area of 2.5 million square metres, and right of use was granted in respect of housing with an area of 680,000 square metres. *Huasheng bao*, Feb. 25, 1986.

¹³ *Ibid.*, April 24, 1983.

¹⁴ *Ibid.*, July 10, 1983.

siderably expanded. In this respect overseas Chinese enjoy considerable privileges as compared to foreigners. Since 1984, overseas Chinese have paid the same price as the PRC citizens for an air ticket on China's domestic lines, while foreigners have to pay much larger sums.

The policy of rectifying extremes and especially the return of homes involving the eviction of people who occupied them, as well as the introduction of privileges for re-emigres and relatives of emigres were received with consternation and displeasure. Some cadre workers continue to look upon the overseas Chinese as the bourgeoisie.¹⁵ In this connection the present policy in respect of these people is characterised as a right-wing deviation and for this reason officials are afraid to be overzealous in implementing it because a possible future change in policy may cause them to be branded as right-wing elements.¹⁶ The argument against the return of houses to overseas Chinese is that this is excessively damaging to the masses and facilitates the aggravation of internal contradictions. It is argued that, by their actions the bodies responsible for the affairs of the overseas Chinese "gain their favour and lose the favour of the people". These bodies are also called embassies of the overseas Chinese and their relatives in the PRC, and it is stressed that their activity is not in the interests of the masses. There is particular dissatisfaction over the return to the overseas Chinese of houses that were "erroneously confiscated" from them in the course of the land reform. It is charged that the authorities are revising the land reform and ranging the overseas Chinese against the peasants. In a number of areas around the country peasants have started damaging or reselling houses in order to impede their return to former owners.¹⁷

But despite all these manifestations of dissatisfaction and even resistance, the Chinese authorities are firmly pursuing the course of "rectifying extremes" in respect of the overseas Chinese and their relatives, providing them with more privileges. As it has already been said, only such a policy makes it possible to develop economic cooperation with the overseas countrymen.

For a long time cash transfers from the overseas Chinese to relatives have been most widespread form of maintaining economic links with their homeland. In the late 1970s, the overseas Chinese reacted to the PRC's new policy of "rectifying extremes" and providing privileges for their relatives by substantially increasing such transfers. In 1979, the total sum of transfers had amounted to about \$400 million, with 75 per cent of all transfers going to Guangdong Province, and 25 per cent to Foshan district in that province.¹⁸ Almost the same amount that is about \$100 million was transferred to Shantou district.¹⁹ According to data provided by the American researcher, Wu Zhongxi, in the first 15 years after the formation of the PRC, transfers reached their maximum in 1950 (\$60.1 million), while between 1952 and 1964 this sum fluctuated between \$36.5 and \$44.92 million a year.²⁰ Thus the estimated average annual cash remittances by *huaqiao* to the PRC were roughly

¹⁵ *Guangxi qiaobao*, Aug. 17, 1984.

¹⁶ *Nanfang ribao*, March 25, 1984.

¹⁷ *Nanfang ribao*, March 19, 1984; *Huasheng bao*, Feb. 9, March 25, 1984; *Guangxi qiaobao*, June 27, 1984.

¹⁸ Zhang Quanling, Yu Yiping, Zhang Xinghan. "Out of Love for Their Homeland and Native Places (*Huaqiao*) Donate Money for Education". *Education of Huaqiao*, 1st edition, Guangzhou, 1983, p. 14 (in Chinese).

¹⁹ Chen Qiaozhi, Zhou Zhaoren, Yu Yiping. "Survey of the Attraction of *Huaqiao* Capital from Hong Kong to Build Up the *Huaqiao* Native Places, the City of Shantou". *Collection of Articles on the History of Huaqiao*, 1st edition, Guangzhou, 1981, p. 305 (in Chinese).

²⁰ Chun-Hsi Wu, *Dollars, Dependents and Dogma. Overseas Chinese Remittances to Communist China*, Stanford (Cal.), 1967, pp. 142, 158.

ten times greater in the late 1970s than in the period from 1952 to 1964.²¹

However, the transfers began to decline in 1980. In Shanton district, for instance, where the sum approached \$100 million, only \$76,850,000 were received in 1980.²² To understand the reasons for this decline it is necessary to dwell in greater detail on the regulations existing in the PRC, which govern such transactions.

According to these regulations the overseas Chinese should send the *huaqiao* remittances (*qiao hui*) through overseas branch offices of the Bank of China or through foreign banks that have relations of correspondence with it. In the PRC this foreign currency is exchanged according to the official rate for "people's money" (*renminbi*) and the latter handed out to the recipient. There are two main types of *huaqiao* transfers: remittances for the maintenance of families (*dan jia qiaohui*) and remittances for construction (*jianzhu qiaohui*). In the first case the remittance is issued (depending on the sum of the transfer) a certain quantity of special coupons which can be presented in "*huaqiao* stores" to purchase for "people's money" goods that are in short supply or of a high quality. In the second case the remittance can purchase on the same terms building materials and everything else necessary to build a house. According to the regulations, when a house is built on *huaqiao* transfers the local authorities are obliged to give priority to the provision of labour and equipment. Out of the total *huaqiao* transfers the state earmarks a certain part of the foreign currency for the purchase abroad of commodities and their subsequent sale in *huaqiao* stores. Initially (evidently, before the "cultural revolution") this share amounted to 6 per cent of the total sum of transfers, while at present it has reached 30 per cent in the case of transfers for the maintenance of families and 40 per cent of the transfers for construction.²³

With the intensification of contacts with the overseas Chinese,²⁴ their relatives in the PRC began to look for more profitable ways of spending foreign currency than on the terms offered by the state. First, it turned out that in a number of instances it is more profitable for the overseas Chinese to bring their relatives commodities than to transfer money for the purchase of these commodities in the PRC. In addition to this, the relatives had the opportunity to make handsome profits by reselling these imported goods.²⁵ Second, it turned out to be more lucrative for the overseas Chinese and their relatives to exchange foreign currency on the black market than at the Bank of China according to the official rate. Last but not least, there appeared a system of handing over foreign currency bypassing the Bank of China, through special go-betweens. The latter often used the *huaqiao* transfers to buy goods in Hong Kong and then smuggle them into the PRC. After selling these goods for a large profit, they gave the remitees "people's money".²⁶

²¹ This is indirectly confirmed also by data in the PRC press: in Taishan county (Foshan district), one of the main *huaqiao* native places, the sum of *huaqiao* transfers in 1980 exceeded 119 times the level of 1950. *Guangdong qiaobao*, Feb. 20, 1981.

²² Chen Qiaohu, Zhou Zhaoren, Yu Yiping. *Op. cit.*, p. 305.

²³ *Renmin zhengzhi bao*, Jan. 25, 1986; *Huasheng bao*, March 20, 1983. Transfers for construction, judging by everything, amount only to a small part of the *huaqiao* remittances. Thus, in 1980 in Guangdong Province they stood at roughly \$20 million, while the total sum of transfers in that province was about \$300 million. *Nanfang ribao*, March 4, 1981.

²⁴ From 1978 to 1985 China was visited by more than 61.4 million overseas Chinese and "countrymen from Hong Kong and Macao" (many of them, especially those from Hong Kong and Macao, visited the PRC several times). The largest number of visitors to native places was in 1985—over 16 million. The number of foreign tourists in the same period exceeded 5.6 million, including 1.7 million in 1985. *Huasheng bao*, Jan. 31, 1986; *Guangdong qiaobao*, Feb. 18, 1986.

²⁵ *Fujian qiaobao*, Jan. 21, 1981.

²⁶ *Ibid.*, March 11, 1981.

The spread of these practices explains a certain decline in the overall sum of *huaqiao* remittances.

The PRC government had to take measures to overcome this tendency. In April 1982, it was decided to transfer such much-sought goods as bicycles, motorcycles, sewing machines, washing machines, tape recorders, TV sets, refrigerators, electric fans and calculators of the best brands made in the PRC from Friendship Stores (where they were sold for exchange currency coupons which officially only foreigners and overseas Chinese can use) to *huaqiao* stores. The prices of foodstuffs, manufactured goods and building materials sold for *huaqiao* transfers were cut. The aim was to create a situation in which it would be more profitable to buy commodities in China than to bring them in from outside.²⁷ A number of services offered at a considerably reduced price and paid for by *huaqiao* transfers were introduced in Guangzhou²⁸ (sale of tourist vouchers, of furniture for newlyweds, meals and banquets at certain restaurants).

All things considered, these measures would appear to have yielded definite results. For instance, in Fujian province the size of *huaqiao* transfers began to grow again starting with April 1982,²⁹ while the amount of remittances in the first two months of 1983 exceeded those of the corresponding period of 1982 by 42 per cent.³⁰ But the PRC authorities did not succeed in fully overcoming the negative tendencies: reports continued to appear in 1985 about black market operations with *huaqiao* foreign currency and the smuggling of such currency to recipients bypassing the Bank of China.³¹

It should also be noted that considerable changes in the structure of *huaqiao* transfers have taken place in recent years. Whereas in the past they were used almost exclusively for the maintenance of families, now a considerable portion is being used by relatives of emigres to buy means of production and set up (in cooperation with other relatives of emigres) all sorts of enterprises.³² The PRC authorities are encouraging in every way the use of *huaqiao* transfers in the sphere of production. By early 1986, there existed in the country 2,823 enterprises set up by relatives of emigres and employing more than 76,000 people. Since 1978, these enterprises have attracted more than \$300 million of *huaqiao* and foreign capital.³³

Donations are another traditional form of economic ties between the overseas Chinese and the PRC. As a rule, these donations are sent to their native villages and counties to build schools, hospitals, roads, bridges, etc. The favourable policy adopted towards the overseas Chinese and their relatives by the PRC authorities has also paid off well. Thus, in the period from 1978 to 1983, the sum total of donations received in Guangdong Province amounted to 670 million yuan.³⁴ In Fujian Province in the same period the sum total of donations for developing education reached 53.6 million yuan, or 26.5 per cent more than in 1951 to 1978.³⁵ Some individual donations are very large. For instance, the Hong Kong businessman Li Jiacheng donated 180 million Hong Kong dollars for the construction of a university in Shantou.³⁶ The bulk of the donations, however, comes from small and medium businessmen.

²⁷ *Huasheng bao*, Jan. 16, 1983; *Guangxi qiaobao*, Jan. 27, 1984.

²⁸ *Huasheng bao*, July 17, 1983.

²⁹ *Fujian qiaoxiang bao*, Nov. 4, 1982.

³⁰ *Fujian ribao*, March 12, 1983.

³¹ *Jiushi niandai*, Xianggang, 1985, No. 6, p. 48; *Huasheng bao*, April 16, 1985.

³² *Guangdong qiaobao*, Feb. 11, 1986.

³³ *Huasheng bao*, Jan. 7, 1986.

³⁴ *Yangchen wanbao*, Dec. 9, 1984.

³⁵ *Fujian qiaoxiang bao*, Sept. 15, 1983.

³⁶ *Nanfang ribao*, Dec. 15, 1983.

It is the policy of the authorities to encourage donations in every way, to fulfil undeviatingly the will of the donors and keep to the principle that donations are voluntary. In practice, however, this is far from always being the case. The PRC press has reported the squandering of donations, their being spent not for the purposes assigned and the extortion of donations from the overseas Chinese by some organisations and "cadre workers". The local and central authorities had to issue special decrees with the aim of putting an end to such practices. There have been instances of donations (they are exempt from customs duties) being used as a cover for contraband operations.³⁷ Sometimes the donations were spent not on the development of education and medical services but on the construction of temples, shrines and other religious structures, thus facilitating the spread of feudal superstitions in the native places of *huaqiao*.³⁸

Chinese authors stress that donations for the development of native areas are made even by those overseas Chinese who in principle disapprove of the existence of the socialist system in the PRC.³⁹ The Chinese authorities are making a major effort to achieve a slow rechanneling of donations to build schools and hospitals towards investment of capital in enterprises, including those with a mixed capital.⁴⁰ In so doing the Chinese authorities are seeking to turn donations by the broadest sections of the overseas Chinese into a sort of an interim link, making it possible to draw them in the future into cooperation in the production sphere.

The simplest and most widespread forms of cooperation by overseas Chinese in the PRC production sphere is the processing of imported materials, assembly of imported parts, production based on imported models and buy-back trade. The most widespread of these forms is the processing of imported materials, mostly the making of clothes out of imported fabrics, etc. In this form of cooperation the overseas Chinese are responsible for the delivery of raw materials and the marketing of finished goods. As to the production itself, the local authorities usually provide the premises and manpower, and also the day-to-day organisation of the process. The overseas Chinese supply, as a rule, the equipment and machinery. For China this is an advantageous form of cooperation because it creates many jobs in the native places of *huaqiao* and makes it possible to acquire comparatively quickly equipment and foreign currency from abroad. The overseas Chinese gain from the cheapness of labour in the PRC and the opportunity to make profits for minimal capital investments. Mostly small and medium businessmen take part in such forms of cooperation. They set up enterprises for processing imported materials in their native counties and villages and can earn the reputation of benefactors among the local people.⁴¹ This form of cooperation is to the advantage of both sides. It has become extensively developed in a number of native places of the *huaqiao*. In Zhongshan county Guangdong Province, for instance, the output of such enterprises in 1983 amounted, in terms of value, to a half of the value of the county's industrial output, while in Jinjiang county (Fujian Province) the figure was 43 per cent.⁴²

³⁷ *Fujian qiaoxiang bao*, July 22, 1982.

³⁸ *Guangdong qiaobao*, May 29, 1981, No. 39; *Fujian qiaoxiang bao*, July 11, 1981.

³⁹ Zhang Quanning, Yu. Yiping, Zhang Xinghan, *Op. cit.*, pp. 32-33.

⁴⁰ *Renmin ribao*, July 19, 1983. Ju Deji, Lin Jingzhou, An Jin. "Survey of the Use of *Huaqiao* Capital to Accelerate Economic Development in Fuqing county. *Fujian luntan*, Fuzhou, 1983, No. 1, pp. 35-36 (in Chinese).

⁴¹ Yao Zhiyou, Zhou Daren. "Concerning the Processing of Imported Materials in Jijiang District". *Huaqiao duxue luncong*, Guangzhou, 1983, No. 1 (in Chinese).

⁴² *Nanfang ribao*, Nov. 11, 1983; *Fujian qiaoxiang bao*, Dec. 9, 1984.

But the development of such cooperation also involves a number of problems caused mainly by the dependence of the overseas Chinese' enterprises on the international capitalist market. Very often contracts are concluded initially with several counties but in the end business contacts continue with those of the partners who are ready to work for the lowest pay. This, Chinese authors note, generates fierce competition among different collectives in the native places of the *huaqiao*. In addition to this, the overseas Chinese depend to a large extent on the world market fluctuations and as a result supply raw materials at very uneven intervals. Considering this unstable nature of production, the overseas Chinese usually press for the deletion from the contract of the clause concerning the payment of compensation for disruption of production owing to delays in deliveries. So only 10 per cent of the signed contracts are actually fulfilled. As to the already operating workshops and factories, they often work only several days a month.⁴³

Capital investment in joint enterprises is the highest level of cooperation by the overseas Chinese with China. The bulk of the capital is invested in Guangdong and Fujian provinces. Thus, for Guangdong Province as a whole, in the period from 1978 to 1984 inputs made by the overseas Chinese exceeded 90 per cent of foreign capital invested in PRC's production. Moreover, by 1985, this province had accounted for 45 per cent of all the already utilised direct foreign capital investments in the PRC.⁴⁴ The city of Guangzhou alone received \$1,170 million as foreign investments between 1978 and 1983, with 96 per cent of them coming from the overseas Chinese and the countrymen from Hong Kong and Macao.⁴⁵ For the sake of comparison it can be said that, in the period from the late 19th century to 1949, the overseas Chinese had invested in enterprises in the whole of China approximately 700 million PRC yuan.⁴⁶

Of the \$240 million that were attracted from abroad to Fujian Province from 1978 to 1983, a third were provided by the overseas Chinese. They accounted for 88.2 per cent of all capital invested in joint-stock companies built in that province.⁴⁷ In contrast, throughout the entire period before the "cultural revolution" only 80 million yuan of capital belonging to the overseas Chinese was attracted to Fujian Province.⁴⁸

All the four "special economic zones" of the PRC (Shenzhen, Zhuhai, Shantou and Xiamen) are in those parts of Guangdong and Fujian provinces that have long been viewed as native places of the *huaqiao*. Overseas Chinese are making an exceptionally big contribution to the development of these areas, which are called upon to become "laboratories of advanced experience" for the entire country. Thus, of the \$580 million of foreign capital invested in Shenzhen by 1984, more than 90 per cent came from the overseas Chinese and countrymen from Hong Kong and Macao.⁴⁹ The bulk of the \$470 million drawn to the Xiamen "special zone" came directly from the overseas Chinese or from foreign businessmen through the mediation of overseas Chinese.⁵⁰ The

⁴³ Chen Qiaozhi, Zhou Zhaoren, Yu Yiping. *Op. cit.*, pp. 310-311; Yao Zhiyou, Zhou Daren. *Op. cit.*, p. 37.

⁴⁴ *Yangchen wanbao*, Sept. 5, 1984; *Nanfang ribao*, Jan. 6, 1985.

⁴⁵ Li Zixiong. "Concerning the Question That the Large Number of *Huaqiao* Is a Potential Advantage of the City of Guangzhou". *Guangzhou yanjiu*, Guangzhou, 1984, No. 4, p. 59 (in Chinese).

⁴⁶ Lin Jinzhi. "Some Problems of the History of *Huaqiao* Investments in Shanghai Enterprises in Recent Years". *Xiamen daxue xuebao*, 1984, No. 1, p. 69.

⁴⁷ Gu Ming. "On the Problem of Attracting *Huaqiao* Capital". *Fujian luntan*, 1983, No. 6, pp. 67-68.

⁴⁸ *Huasheng bao*, Feb., 26, 1984.

⁴⁹ *Renmin ribao*, Jan. 18, 1985; *Huasheng bao*, April 1, 1984.

⁵⁰ *Fujian qiaxiang bao*, Jan. 18, 1985; *Huasheng bao*, April 1984.

same applies to the Shantou "special zone", where a special committee of advisers on the special economic zone has been formed from among countrymen from Hong Kong and Macao and the overseas Chinese with origins in Shantou.⁵¹

Being aware of the exceptionally important role of overseas Chinese in the development of the "special zones", the PRC leadership is prepared to employ new forms of cooperation with them. Reports appeared in the second half of 1985 about the creation in Shenzhen of a special *huaqiao* city designed to serve as a window of sorts for attracting inputs by *huaqiao*.⁵² This city has additional privileges for investments made by overseas Chinese.⁵³

The following fact illustrates the importance of investments by overseas Chinese for the PRC: by 1983, 65 per cent of all joint enterprises in the country had been built in cooperation with them.⁵⁴

Special go-between investment companies are set up in Guangdong, Fujian and some other provinces to attract the capital of overseas Chinese. It is a widespread practice to attract investments by overseas Chinese with the help of their relatives living in the PRC, and those by foreigners through the mediation of overseas Chinese. In China this method is compared with a needle that draws the thread after it.

Special attention is given in the PRC to the development of cooperation with firms owned by the overseas Chinese and working in advanced fields of industry and technology. Definite results have been achieved here lately. For instance, Wang An's North American computer manufacturing company opened offices in the PRC early in 1985 and announced the building of three joint enterprises there in which it will invest \$150 million over a period of three years.⁵⁵

Of late, the PRC has decided to further step up economic ties with the overseas Chinese and move the centre of business contacts with them directly to the countries of their residence. In the opinion of the PRC economists, the more intensive attraction of the overseas Chinese' capital can help diversify sources of investment, because Chinese businessmen have close ties with financial and industrial groupings around the world.⁵⁶

Proceeding from this evaluation of capital inputs by overseas Chinese, the PRC has, for a number of years, been drafting regulations designed to provide them with more beneficial conditions than foreign investors. Such regulations already exist at the level of provinces, cities and counties. Thus, in August 1984, the Fujian provincial authorities announced the following special privileges for investments by overseas Chinese and countrymen from Hong Kong and Macao: first, if, under the terms of the contract, the enterprise in which capital has been invested by the overseas Chinese is to be jointly operated for more than ten years, it is exempt from income taxation for five years, starting with the first year the enterprise makes a profit, and will pay only a half of the tax starting with the sixth year. If the joint enterprise is to be operated from five to ten years, it is exempt from income taxation in the first three years and only a half of the tax is paid starting with the fourth year. Second, such enterprises pay only a half of the land-use

⁵¹ *Chao, Shan xiangxun*, Jan. 2, 1985.

⁵² *Renmin ribao*, Aug. 25, 1985; *Guangdong qiaobao*, Nov. 20, 1985.

⁵³ *Guangdong qiaobao*, March 12, 1986.

⁵⁴ *Huasheng bao*, May 22, 1983.

⁵⁵ *Xiamen ribao*, Feb. 13, 1985; *Shenzhen tiqu bao*, Feb. 7, 1985; *Far Eastern Economic Review*, October 31, 1985, Vol. 130, No. 43, p. 61.

⁵⁶ Huang Zhiguai, Lin Jingzhou. "During the Construction of 'Special Zones' Serious Attention Should Be Given to Attracting and Using the Capital of *Huaqiao*". *Fuqing lun-tan*, 1983, No. 4, p. 36 (in Chinese).

tax.⁵⁷ It should be borne in mind that the joint enterprises set up by foreigners in the PRC enjoy less advantageous conditions—they are fully or partially freed from paying income tax for a period of not more than five years.⁵⁸

One of the aims of such benefits is to exploit the overseas Chinese attachment to relatives and friends living in the PRC and thus prompt them to cooperate. According to a regulation adopted in Enping county (Guangdong Province), the overseas Chinese can appoint a relative or a friend to the post of director of a joint enterprise built with their assistance. They also can fill 10 per cent of the jobs at the enterprise with relatives and friends. In Guangzhou, if an overseas Chinese has invested more than \$300,000 in a joint enterprise in that city, one of his relatives is allowed to change his village registration for registration in that city. Also provided are bonuses for "friends and relatives" depending on the amount of capital of the overseas Chinese the former has attracted.⁵⁹

It appears that the adoption of such benefits was one of the factors that stimulated a sharp growth in the volume of foreign inputs in 1984, with a simultaneous development of economic cooperation in Fujian Province. In 1984, the Fujian firm for capital investment in enterprises alone attracted a total of \$130 million from overseas Chinese and foreigners, or 30 per cent of the amount it had attracted during the previous five years. Investments in large enterprises have grown considerably. Whereas in the past, 65 per cent of the capital investments were made in such initial forms of cooperation as the processing of imported materials, in 1984 the share of this form of cooperation dropped to 4 per cent, while joint stock companies accounted for more than 90 per cent of the investments. Successful business contacts with the overseas Chinese are viewed as one of the main causes of these changes.⁶⁰ Similar trends in the development of economic cooperation were observed in 1984 in Guangdong Province as well.⁶¹

As far back as 1984 the overseas Chinese proposed to set up abroad an institute of official trade representatives from among Chinese businessmen who, commanding excellent knowledge of local business situation, could buy advanced technology and equipment for the PRC at the lowest prices. Also mentioned was the possibility of establishing abroad firms of overseas Chinese which would provide the PRC with economic information and advice.⁶² Specialised firms were opened in the United States and Hong Kong in 1985 with the purpose of attracting capital and equipment to the Shantou "special zone", through Chinese businessmen with roots in that region.⁶³ Quite clearly, such firms have good prospects for development.

Much importance is given in the PRC to the utilisation of the overseas Chinese' knowhow to fulfill the "four modernisations" programme. The most notable event in this respect was the invitation to the former Vice Premier of Singapore, Wu Qingrui, to serve as an adviser to the PRC government on matters of developing the economy of coastal areas and tourism. In 1985, Wu Qingrui made four trips to the PRC that included inspection tours of all the "special zones", the island of Hainan and Shanghai. He had a meeting with the PRC's leaders and presented

⁵⁷ *Guangxi qiaobao*, Sept. 14, 1984.

⁵⁸ S. Manzhhev, "Foreign Entrepreneurial Capital in the PRC's Economy", *Far Eastern Affairs*, 1985, No. 1.

⁵⁹ *Huasheng bao*, Feb. 26, 1984; *Guangdong qiaobao*, July 11, 1984.

⁶⁰ *Renmin zhengxie bao*, Feb. 12, 1985; *Fujian ribao*, Jan. 30, 1985.

⁶¹ *Nanjing ribao*, Jan. 21, 1985.

⁶² *Huasheng bao*, March 25, 1984.

⁶³ *Renmin ribao*, Dec. 28, 1985.

to them his proposals on how to develop the economy of these areas.⁶⁴

It is extremely important for the PRC to establish close economic ties with the Chinese in the countries of Southeast Asia.⁶⁵ The governments of those countries, however, are extremely wary about the prospect of the PRC's growing influence on their Chinese communities. In this connection the improvement of interstate relations with the ASEAN countries acquires special importance for China. Throughout 1985, the PRC's diplomatic policy developed precisely in this direction. Visits were paid to Peking by Prime Minister of Singapore Lee Kuan Yew (September 1985), Prime Minister of Malaysia Mahathir bin Mohamed (November 1985), and talks were successfully held on the restoration of direct trade contacts with Indonesia. It was noted, in particular, in the Chinese and foreign press that it is precisely the overseas Chinese who are the major force in the ASEAN countries, interested in improving the latter's relations with the PRC. Thus, representatives of business circles in Singapore stressed that one of the reasons for their being interested in cooperation with the PRC is "the close social and cultural ties between China and Singapore".⁶⁶ Businessmen of Chinese origin in Indonesia are most interested in the development of direct trade contacts with the PRC.⁶⁷ It was also noted by a high-ranking official of Malaysia that the PRC preferred to do business with Malaysians of Chinese extraction.⁶⁸ Delegations of Chinese businessmen from Thailand, Singapore, Malaysia and the Philippines paid visits to China in 1985. It is believed in the PRC that in 1985 conditions were created for a qualitative expansion of economic ties with the Chinese in the ASEAN countries. The Chinese press emphasises that the overseas Chinese in the Philippines are willing to invest capital in the PRC because "they lack confidence in the future of the Philippine economy"; that Chinese in Malaysia "transfer capital to China because they are worried by and have doubts about the Malaysian government's national policy"; that the most favourable conditions exist for the development of economic ties with the Chinese in Thailand and Singapore.⁶⁹ Moreover, businessmen of Chinese extraction in Southeast Asian countries stress that the development of trade and cooperation with the PRC is a good way to overcome the present unfavourable economic conditions in these countries.⁷⁰ On the whole, the expansion of China's economic contacts with the overseas Chinese in the ASEAN countries may dramatically increase the contribution by overseas countrymen to the fulfillment of the "four modernisations" programme. But much here will depend on the general state of the PRC's relations with these countries.

At present, according to assessments by Chinese specialists, the following main problems exist in connection with overseas Chinese' investments: first, most of them are made in the service industry and only a comparatively small part goes to the production sphere; second, the bulk of the investments are from the countrymen from Hong Kong and Macao and, to a much lesser extent, from overseas Chinese and

⁶⁴ *Liaowang*, Peking, 1986, No. 1, pp. 32-33.

⁶⁵ At present the PRC is not satisfied with the scale of economic cooperation with the ASEAN countries. Thus, early in 1986, the PRC's share in foreign trade of these countries did not exceed a mere 1.5 per cent, while the ASEAN countries accounted for only 4.6 per cent of China's foreign trade turnover. Moreover, in recent years the share of the PRC in the foreign trade turnover of Malaysia, Thailand and the Philippines has had a tendency to decline. *Liaowang*, 1986, No. 12, pp. 30-31. In these conditions it is obvious why such serious importance is given to the development of ties with the Chinese population in Southeast Asia.

⁶⁶ *Dagong bao*, Nov. 3, 1985.

⁶⁷ *Jiushi niandai*, 1985, No. 8, p. 28; *Merdeka*, Sept. 13, 1985.

⁶⁸ *Asiaweek*, October 4, 1985, Vol. 11, No. 40, p. 17.

⁶⁹ *Guangdong qiaobao*, Dec. 4, 1985.

⁷⁰ *Guangdong qiaobao*, Jan. 1, 1986.

huaqiao (true, the latter often invest capital in the PRC through banks and companies in Hong Kong and Macao). In addition to this, the overseas Chinese prefer to make donations to their native places for charitable purposes because this requires comparatively small sums and entails rather simple formalities. On the other hand, when it comes to making investments in joint enterprises, many overseas Chinese are frightened away by the excessive complexity of the formalities and the lengthy process of having the project approved by a multitude of different agencies. Evidently, in the future steps will be taken in the PRC to remove these problems.⁷¹

It follows from the above that cooperation with the overseas Chinese is one of the key components of the PRC's present "open policy". In recent years the People's Republic of China has succeeded in achieving certain success in economic cooperation with them; in terms both of volume and variety of forms, it is without precedent not only throughout the period of the PRC's existence but also the whole of Chinese history. At the same time, in order to develop such cooperation the PRC leadership is compelled to make a number of concessions to the overseas Chinese. Judging by materials in the Chinese press, this gives rise to certain social problems, lack of understanding, dissatisfaction and sometimes even resistance on the part of the cadre workers and the broad sections of the population. In this sense PRC's cooperation with the overseas Chinese reflects both the achievements scored and the difficulties encountered by the PRC in pursuing its "open policy".

⁷¹ *Guangdong qiaobao*, Feb. 11, 1986.

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SOLUTIONS TO FOOD PROBLEM IN KAMPUCHEA PROPOSED

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[Article by D. V. Mosyakov, candidate of historical sciences]

At the beginning of the year, when a rice harvest has been brought in, the numerous roads, converging on Kampuchea's capital, are filled with strings of peasant carts, each drawn by a pair of buffalos, as well as of lorries loaded with sacks of newly harvested rice. The picture has now become so familiar in Kampuchea that it is hard to imagine multitudes of tattered and emaciated people streaming along the very same roads to Pnompenh in the spring of 1979. The Pol Pot regime of genocide had just been toppled and the country faced the terrible threat of famine. The bulk of the country's food resources had been destroyed by the fleeing Pol Pot men. On the eve of the revolutionary forces' entry into Pnompenh, thousands of tons of rice stored in the capital's suburb were burnt on the orders of Pol Pot. The Pol Pot men did the same before the liberation of Battambang, a major city in western Kampuchea. They also rendered fully inoperative the irrigation and land improvement systems: blew up dams, destroyed canals and pumps of which there were not many in the country. The peasants who survived lacked agricultural implements, draught animals, mineral fertilizers. Seeds were lacking too. As Heng Samrin, Chairman of the People's Revolutionary Council, said at the time: "The most horrible crime committed by the Pol Pot men is the extermination of over three million people, the main productive force of the country. Those who survived are completely emaciated". The very existence of the Khmer nation was called into question.

The People's Revolutionary Council of Kampuchea took urgent measures to combat famine and revive agricultural production in the country. It was decided to leave the peasants all the rice where it was harvested, and supply other regions from state stocks replenished through international assistance, which had begun to reach the country. The Pnompenh airport, Pochentong, the ports of Pnompenh and Kompong Thom daily received hundreds of tons of food delivered to Kampuchea by air and by sea. The bulk came from Vietnam, the USSR and other socialist countries. In 1979 alone, the USSR sent Kampuchea 112,000 tons of food, mostly rice.¹ In 1980, the volume of Soviet aid was even greater, with food topping 160,000 tons.² Rice (tens of thousands of tons), as well as various agricultural implements were supplied by Vietnam. Besides the socialist countries, food to Kampuchea was delivered from the funds of a number of international organisations acting under the auspices of the UN. Upwards of 82,000 tons were supplied through UNICEF, the International Red Cross, the World Food Programme and the FAO, while OXSFAM delivered about 18,000 tons of food.

The effectiveness of international aid, which saved tens of thousands of Kampucheans from starvation and death, was largely due to the fact that the revolutionary authorities were able to establish and exercise strict control over receipt and storage of the incoming supplies, organised food deliveries into distant regions stricken by famine. The People's Revolutionary Council called on the people to use every kilo of rice economi-

¹ *World Marxist Review*, No. 10, 1980.

² *Southeast Asia. Current Political Development*, Moscow, 1984, p. 77.

cally. Representatives of the Council kept a constant check on the available rice. Thanks to these measures, the revolutionary authorities managed not only to provide the population with the necessary minimum of food, but also build up a seeds fund, whose rapid formation proved a major factor in the successful 1980 agricultural campaign, when the area under crops almost doubled in comparison with 1979 and the harvest of rice topped 1,500 tons.³

Simultaneously Kampuchea began to draw up a long-term plan of agricultural development called upon to turn its agriculture into a stable, effective and modern branch of the economy. The newspaper *Kampuchea* pointed out at the end of 1979: "The plan to revive the country's agriculture, which is under elaboration now, will set out the main direction in the development of this crucial branch of the national economy in the coming years."⁴ The plan envisaged a number of measures: creation of mutual assistance labour groups (MALGs) in the countryside, the gradual collectivisation in the village, development of mechanisation and chemicalisation, enlargement of areas under crops through the cultivation of wastelands, intensive irrigation and land reclamation work. The revolutionary authorities' agrarian policy is centred now on the establishment of mutual assistance labour groups, which have spread rapidly across the country and become the main productive force in agriculture. There are now more than 100,000 of them, embracing 1,300,000 peasant families.⁵ Addressing party and state functionaries of the People's Republic of Kampuchea Heng Samrin said in January 1984: "Mutual assistance labour groups, from the moment of their formation, have become the chief form of the peasants' labour association, having turned the peasants into the owners of the land, of the results of their work. This has never been the case under previous regimes."⁶

What makes MALGs popular among Kampuchean peasants? It should be taken into account that traditionally the family has played a dominant role in Kampuchean agriculture, and this has influenced the labour activity and even the psychology of Kampuchean peasants. It should also be borne in mind that, by its voluntaristic economic experiments, the Pol Pot regime utterly discredited the very idea of collective labour. However, as early as February-March 1979 thousands of families volunteered to join MALGs, which embraced at the time from 20 to 50 families each (later they were reduced to 10-15 families). The explanation lies in the fact that, by their very nature the MALGs fully met the social and economic needs of the Khmer peasants. They were interested in an organisation that would unite them for collective labour because they understood that separate families would not be able to overcome the dislocation caused by the Pol Pot regime and that only by collective effort would they be able to rehabilitate the country. Of much importance was also the fact that the MALGs were fundamentally different from the Pol Pot "communes". They organically united three forms of property that existed in the country. The land, while remaining the property of the state, was turned over to the MALGs for productive use. Collectively-owned farm implements and the harvest formed a cooperative form of ownership. And, lastly, the peasant's own holding was the property of each individual peasant family.

In the course of their development the MALGs gradually split into three main categories, differing considerably from one another in the level of socialisation and the nature of land tenure. Groups of the first category (they number over 15,000) are to be found in the most developed central

³ See *Kampuchea*, No. 73 (in Khmer).

⁴ *Ibid.*, No. 235.

⁵ *Ibid.*, No. 228.

⁶ *Ibid.*, No. 235.

regions of the country, as well as in the province of Battambang in western Kampuchea. They are agricultural cooperatives wherein production is based on the peasants' collective labour. Personally-owned farm implements and livestock are not socialised. However, when planting or harvesting rice, members of the cooperative offer for common possession, part of their livestock and implements and receive money compensation. The cooperatives also have a collectively-owned fund of farm implements, formed mainly at the state's expense.

The payment system in the groups of the first category was established in August 1980, with publication of a decree on the distribution of incomes in the mutual assistance labour groups. Payment directly depends on the amount of the work done, with due account of the number of work-days and the kind and volume of accomplished work. The whole of the harvest grown by the group is divided in this way: a part is kept for seed; another part is paid for the hire of tractors or is exchanged for industrial goods needed by the group; a third part forms the collective fund of the group for subsequent distribution among its members.

Groups of the second category (they number almost 50,000) are to be found all over the country and represent the majority of the MALGs. They constitute the initial form of organised peasant labour. The peasants unite only to the most arduous jobs (usually at the time of planting and harvesting rice). Otherwise the peasants remain the sole owners of all their implements, and livestock, each family cultivating individually the plot assigned to it. The land is distributed by a committee, annually elected by the general meeting of the group. The group not only organises the peasants for collective agricultural, irrigation or road-building work, but also often owns the common material fund. The fund is formed by all the families, who contribute to it a part of their rice stock after harvest-time. This fund is used to hire tractors and remunerate those peasants that have done special kind of jobs for the benefit of the whole group. Sometimes the fund includes certain farm implements (mainly those supplied by the state). The existence and size of this fund makes it possible to determine the level of collectivist processes in the groups of the second category. In some groups of this category, especially in the region of Pnompenh and central provinces, this fund is sufficiently large and stable in volume, and these groups cannot envisage their existence without it. But in many places the groups assigned to the second category do not yet have such a fund, which is explained by the low level of the productive forces and commodity-money relations, so that peasant's labour is practically devoted to the satisfaction of his family's needs, while links with the market and state organisations remain rather weak. At the National Conference of the People's Revolutionary Party of Kampuchea in November 1984, groups of this category were described as "a transitional form from individual to collective farming".⁷

Groups of the third category (there are more than 35,000 of them) are also spread throughout the country but especially in the mountainous and other hinterland regions. As with the second category, the land here is handed over to peasant families. As for implements, they are permanently owned by individual families and can be exchanged among them when doing various work. These groups differ from the two other categories in that the harvest here fully belongs to the family and it conducts its own accounts with the state. Groups of this category were characterised by the PRPK Conference as "actually based on the private principle of economy". Collective factors come into play here only in dealing with administrative and socio-cultural matters. The group can grant credit to its member for production needs, distribute mineral fertilizers and seeds

⁷ Documents of the PRPK National Conference, Pnompenh, 1984 (in Khmer).

supplied by the state. In addition, the group is obliged to do away with illiteracy and keep law and order in the village.

...After a two-hour tiring drive we pulled up in the village of Kiem Ro, some thirty kilometres from the town of Prey-Veng, the centre of a province of the same name. The rainy season had just begun and the endless checkers of rice fields, separated by high dikes, were dry. Only here and there in low places was there enough moisture and rice planting was under way. Seven pairs of buffalos moved slowly, round after round, turning up the soil softened by the rains. "This year the rains are a little late," said MALG's leader Bun Bo, "therefore we are taking every opportunity to prepare the soil for sowing. Our group, along with the two others in Kiem Ro, is fully prepared for sowing. Compared with last year our seed fund has grown, we also have more agricultural implements. The group consists of 10 families, 75 people in all, cultivating over 11 hectares of land. Bigger families get bigger plots of land. Agricultural implements are collectively owned, but draught animals belong to individual families. The whole of the rice harvest—last year it was over 19 tons—we divide in three parts: six tons are sold to the state at fixed prices; this part also includes one ton paid as an agricultural tax. The remaining 12 tons are divided among the families depending on the number of members in them. On the whole each family gets about a ton or more of rice. In addition there is also the collectively-owned seed fund." It became immediately clear that individual farming was largely developed in this typically Khmer village, which not only provided peasants with vegetables, poultry and even meat, but also enabled them to sell the surplus produce at an improvised market situated right alongside the road. "In 1979, there was nothing but ashes here," said Bun Bo, "and it is only thanks to collective efforts that we were able to build up the village anew."

Similar MALGs are to be found all over the country. They are rapidly gaining strength, being not only farm production units but also fulfilling important social and political tasks.

As was pointed out at the 7th Plenary Meeting of the PRPK CC, held late in 1983, "the MALGs are a decisive force in the development of agricultural production, an important factor in building a new life in the village, in supporting the organs of state power, and maintaining public order in localities".⁸ The MALGs are gradually turning into the political organisation of the Kampuchean peasants, called upon to implement the decisions of the PRPK and the PRK government, mobilise the peasants to beat back the attacks of the Pol Pot gangs and other counter-revolutionary forces, strengthen security in the country, and support the truly revolutionary forces in the countryside. In addition, the MALGs perform an important social function: they provide for most of the 200,000 orphans, whose parents were murdered by the Pol Pot henchmen as well as for war invalids and families that have lost their breadwinners.

Of late, the MALGs have begun to diversify their economy, to add new branches to rice-growing. MALGs situated in the centre of the country and around lake Tonle Sap have taken to fish-farming. In 1984 alone, over 600 ponds were dug to breed fresh-water fish. Handicrafts are yet another branch of development. Repair work and production of farm implements and various types of consumer goods are also becoming an important factor in the MALGs economy. These trends are supported by the PRPK and the government. The 7th Plenary Meeting of the PRPK CC stressed that "the MALGs should develop traditional handicrafts which help satisfy the population's needs of priority consumer goods".⁹

⁸ *Kampuchea*, No. 228.

⁹ *Kampuchea*, No. 228.

Naturally, the formation and strengthening of the MALG system do not proceed smoothly. Certain problems stem first and foremost from poorly-developed agriculture, the tragic consequences of the Pol Pot regime, the unceasing scheming by foreign enemies. The PRPK noted that "the bulk of the administrative cadres are characterised by a low level of culture. They lack experience and find it difficult to manage the development of agriculture. Some peasants have not yet realised the cardinal difference between the MALGs and the 'communes' of the Pol Pot regime, do not understand that the main purpose of MALGs is to raise the people's well-being. A major handicap is also the remaining low level of the productive forces. Quite often peasants lack even the simplest farm implements, while state organs do not always provide them with everything necessary".¹⁰ "Certain difficulties encountered by the MALGs today can be overcome," wrote the newspaper *Kampuchea*. "The solution of the current problems will open up new horizons for development to the MALGs."¹¹

The PRPK CC and the government of the republic regard the MALGs as the main factor of progress in agriculture. It was pointed out at a party conference in November 1984 that "the MALGs actively participate in rehabilitating the national economy. Over six years they increased the area of arable land by 75 per cent, the number of cattle by 66 per cent, and have done away with the problem of famine in Kampuchea". The plan of the PRPK CC of the fulfilment of the decisions of the 7th Plenary Meeting, published by the Kampuchean press, stressed that "the MALGs must proceed along the road mapped out by the Party. The main criterion of their development should be that they meet the objectives and tasks of the revolution, the interests of all peasants".¹² The plan of the PRPK CC envisages to improve the system of the MALGs through strengthening their collective basis and merging the existing three categories of groups into a single category. "It is necessary to develop and promote by every means the MALGs of the first category," points out the document, "gradually broadening their rights in guiding and managing production, and improving their material and technical basis. The second category groups at present match the level of economic development, as well as the interests and aims of the majority of peasants. Their activity must be directed at increasing production, and be thoroughly controlled especially harvest distribution. It is necessary to help groups of this category acquire the habit of collective labour and keep in check proprietary interests of their members. It is important to raise the level of management in this category. As for groups of the third category, they will gradually be turned into groups of the second category as their material and technical basis grows stronger. In this way, as a result of progressive measures in agriculture, the whole of Kampuchea will get a single form of MALGs."¹³

Along with the development of the socio-economic basis of the MALGs, it is also planned to invigorate political work in the countryside. "This work," says the document, "must be done in a way to persuade the peasants that it is only on a collective basis that an increase in production can be brought about. Every MALG member must take an active part in the struggle against the enemy, defending state and cooperative property. Every MALG must provide a basis for promoting state power in the country, party construction in the village, and spreading the influence of the truly revolutionary forces. These conditions observed, the MALGs will be able to fulfil to the utmost the two main objectives of our revolution:

¹⁰ *Ibidem*.

¹¹ *Ibid.*, No. 235.

¹² *Ibid.*, 237.

¹³ *Ibidem*.

to ensure the all-out development of agricultural production and to defend reliably the achievements of people's power."¹⁴

The state taxation policy has also contributed to the progress of agriculture. During the first, most difficult years, when Kampuchea's agriculture had not yet overcome the chaos caused by the Pol Pot regime, the state did not levy the agricultural tax at all. It was introduced only in 1982, when the economy was in the main rehabilitated. "The purpose of the agricultural tax," Sin Ninni, Deputy Minister of Agriculture of the PRK, said to this author, "was not only to increase the material fund of the state, and form the reserves of grain, but also to speed up the development of agriculture, to reactivate peasants' labour and make it more efficient. Since the per hectare size of the tax is stable, the peasants are interested in raising the productivity of every hectare. We regard the agricultural tax as an important lever to boost production in farming."

In order to put all MALGs on an equal footing as regards the agricultural tax, the country was divided into three main zones. The first zone, where the yield of rice reaches or tops one ton per hectare, includes flooded lands around lake Tonle Sap, as well as the most fertile areas of the provinces Kandal, Prey Veng, Svay Rieng, Battambang, Kompong Thom and Siem Reap. The second zone, where rice yields do not surpass 0.8 ton per hectare, embraces the maritime provinces of Kampot and Koh Kong and less fertile areas of central provinces. The third zone, with a yield of some 0.6 ton per hectare, is mainly made up of the mountainous provinces of Ratanakiri, Mondolkiri, Preahvihie, Stingtraeng.

"Although such a system provides a certain degree of equality between MALGs of different regions, it is still far from perfect and needs further improvement," said the newspaper *Pnompenh*. "That is why the most fertile lands of the first zone are subdivided into three categories, with the agricultural tax being different for each of them. But even this is not satisfactory. So, to achieve more fairness, it is necessary that state bodies in many regions determine a tax size depending on the condition and quality of the land used by this or that mutual assistance labour group or by a separate family."¹⁵

Of special importance is the fact that the state collects an equal tax from individual peasants and those who are MALG members. "We cannot allow peasants," wrote the newspaper *Pnompenh*, "to join MALGs just for material considerations. Membership in the MALG has never been and will never be by itself an advantage over individual status."¹⁶ The high effectiveness of the agricultural tax is borne out by the rise in yields. Thus, from 1982 to 1984, the average rice yields in the environs of Pnompenh grew almost by 0.5 ton per hectare to reach 1.86 tons per hectare. Yields in other parts of the country are also growing (true, at a slower rate).

The chemicalisation, mechanisation and introduction of scientific methods in agriculture are also contributing significantly to raising production. The amount of organic fertilizers per hectare of arable land is increasing every year and is now approaching 10 tons, the level of the most developed countries of Southeast Asia. As for mineral fertilizers, they are in short supply. During the 1983 rainy season the country had a mere 25,000 tons. To produce maximum effect mineral fertilizers are used on the most fertile lands. In the Pnompenh area, for example, where in some places up to 100 kilos of mineral fertilizers per hectare were applied, the yield of rice exceeded 15 centners per hectare, quite a bumper crop in the conditions of Kampuchea. This testifies to great reserves of productivity in the PRK's agriculture.

¹⁴ *Ibidem*.

¹⁵ *Pnompenh*, No. 151-153.

¹⁶ *Pnompenh*, No. 152.

Thanks to the Soviet Union and other socialist countries, mechanisation is gaining momentum in the PRK. The country's fleet of tractors is growing, the bulk of them being the Soviet made tractors *Belarus* and DT-75. These tractors and spares for them began to arrive in Kampuchea immediately after liberation, and today they can be seen in every province. In 1982 alone, the USSR supplied the PRK with some 220 tractors which were used to cultivate thousands of hectares of land. In 1984, about 70,000 hectares were ploughed by tractors. The machinery received by Kampuchea are intensively used by mobile tractor teams which are sent from the centre to the provinces during the sowing season. Each team includes from 5 to 15 tractors and operates under contracts signed with the MALGs.

The author had occasion to acquaint himself with the work of one such team in the small town of Kompong Traebak, almost 100 km Southeast of Pnompenh.

...We reached Kompong Traebak at night, after a four-hour travel along narrow roads running on top of high dikes. We immediately noticed the change in the landscape. Tiny rice checks, sometimes too small even for a pair of buffalos to move around, had disappeared. The road was flanked now by vast fields well prepared for rice planting. In Kompong Traebak I was told that several mobile repair teams and a small repair shop were based in the town. "We have 18 tractors and all of them are Soviet-made: 12 *Belarus* and 6 DT-75. With them we shall be able to cultivate over 5,000 hectares," said U Vithi, director of the tractor fleet in Kompong Traebak. "The effect is tremendous. It takes peasants five days to plough a hectare of land using buffalos, while we complete the job in two hours."

Indeed, the use of tractors means quite a revolution for Kampuchea's agriculture. However, before tractors can shoulder the main burden of field work many problems have to be solved. These include a shortage of fuel and qualified machine-operators, the need to expand traditionally tiny rice plots which are too small to be cultivated by tractors, and the consolidation of the MALGs material base.

Large-scale irrigation and land reclamation work, the development of new areas of land are another potential for agricultural progress. During the years of the Pol Pot regime thousands of hectares of arable land became wastelands overgrown with brush. Irrigation canals were silted up, dams half ruined, fields flooded with water. Rehabilitation of these lands entailed extensive work and large expenditures. And this had to be done all over the country, on all of its 120,000 hectares of wastelands.

"Rehabilitation of wastelands is a major aspect of our policy," *Kampuchea* wrote. "It will enable us to increase steadily the output of farm produce and return to life whole regions. The state must constantly assist in irrigation projects, while finance organs must grant credits for their implementation".¹⁷

The main burden of the irrigation programme is borne by the MALGs, to which the state has given an interest in expanding ploughed lands. The produce of newly-cultivated lands is fully retained by a family or a MALG, being exempted from taxation. In this way, as well as through special credits, the state has provided incentives for the rapid expansion of the area under crops. At present the irrigation programme is under way throughout the country. The year 1983 saw completion of the first section (11.5 km) of a 23-km-long dam in Kompong Cham Province, which enabled over 6,000 hectares of land to be brought under cultivation. In 1984, a 2-km-long dam and a pumping station were put into operation in Prey Veng Province which helped irrigate more than 2,000 hectares of

¹⁷ *Kampuchea*, No. 253.

land. In 1983-1984, big reservoirs in Bin Prey and Nong Koem in the provinces of Koh Kong and Takeo were commissioned, as well as smaller dams in the provinces of Siem Reap, Battambang and Pursat. Thanks to intensive irrigation construction, the area sown under rice in the dry season is growing with every year. As *Kampuchea* pointed out, since 1979 the country has built more than one thousand irrigation facilities which provide water to some 55,000 hectares of land in the dry season and 150,000 hectares in the rainy season.¹⁸

In Kompong Spi Province I visited the construction site of a new dam. ...The dam, almost 200 metres long, was practically completed. Scores of peasants from neighbouring villages were working on its very top. Having formed a long line, they were passing along round reed baskets filled to capacity with earth. "We are still experiencing an acute shortage of modern building machinery," said engineer Son Put. "So we are obliged to mobilise hundreds of peasants to carry out irrigation construction work. Many of them apply to us themselves, offering their help, for they understand full well the importance of this dam for the whole district. The state has been very helpful too, having granted special credits for the construction. The dam will help irrigate an additional 800 hectares and take in from this land two harvests a year."

State credits for irrigation projects have become an important source of financing land reclamation work all over the country. As a result, in 1982-1984 about 100,000 hectares of newly-cultivated lands were added to the country's agricultural capacity.¹⁹

Credits for irrigation projects are only one of several forms of assistance rendered by the state to the peasants. In many less developed and mountain regions farm implements are still supplied to peasants by the state, while many MALGs in central regions are provided with diesel fuel for pumping stations at favourable prices. The state helps peasants in seed selection work, supplies them with new, highly productive varieties of rice instead of the traditional ones. All these measures tend to strengthen the peasants' trust in people's power and consolidate the position of the revolutionary forces in the countryside.

The achievements scored in rice-growing made it possible to expand the area sown under subsidiary crops: maize, beans, manioc, batatas, as well as cotton, jute, sesame and some other, which play an important role in providing the population with food and industry with raw materials. These crops had to be virtually resurrected since the Pol Pot regime, relying only on rice-growing, totally destroyed these crops. The result was disastrous because subsidiary crops became non-existent and yields of rice that took their place were minimal.

Replanting of subsidiary crops in 1979-1981 proceeded at a slow pace because, given the acute shortage of food, it was difficult to set apart large areas for them. But as the economic and food situation was improved and stabilised, the area sown to these crops began to expand rapidly. "Today we can focus attention on the expansion of areas under subsidiary crops, especially maize and beans," wrote *Kampuchea*.²⁰

As to livestock farming, its rate of growth in Kampuchea has been even higher than crop cultivation. Every year the bull and buffalo population has increased by 140,000-160,000 head. At present all MALG members have their own buffalos. In 1984, an unusually tough year as regards weather conditions, the number of bulls and buffalos continued to rise. The total head of them today reaches 1,970,000, an increase of 160,000 head over 1983.²¹ This helps speed up farm work, steadily expand the area of tilled

¹⁸ *Kampuchea*, No. 286.

¹⁹ *Ibidem*.

²⁰ *Kampuchea*, No. 227.

²¹ *Kampuchea*, No. 292.

land, and cope with the quirks of the weather, which seriously disrupted the 1984 plans.

As was noted at the 5th PRPK Congress, held in Phnompenh in October 1985, "the Party policy of moving towards collective forms of labour in agriculture has been fully justified. Land has become the property of the whole people and is handed over for use to mutual assistance labour groups, whose number at present exceeds 100,000. In 1983, the harvest of rice and other food crops reached 2 million tons, i. e., approached the pre-war level. First steps have been made to intensify agricultural production". In the coming five years farming will develop at a greater pace along the road of intensification and raising the efficiency and productivity of labour so that "by the year 1990 its gross output reaches three million tons". Moreover, "agriculture is expected to export part of its produce and meet partially the requirements of industry in raw materials". To achieve these goals, it was pointed out at the 5th Congress, "it is necessary to reinforce MALGs, revive lands which were neglected in the war years and restore the irrigation installations".

Thus, in the years of popular power agricultural production has grown noticeably. The republic has managed to overcome in a short time the great hardships, economic dislocation and famine left behind by the Pol Pot regime and, under the leadership of the PRPK and the PRK government, start creating a modern, highly intensive and profitable agriculture.

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CHANGES IN CHINA'S PLANNING SYSTEM ASSESSED

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[Article by V. Ye. Avremov]

The economic reform launched in 1979 by way of experiment is a major economic policy line in today's China. It is a set of measures to invigorate China's backward production forces, strained by an excessively large population, by introducing economic forms and methods involving the wide use of commodity-money relations, foreign capital and private enterprise.

The changes in the system of planning, which are nation-wide and comprehensive, are accorded special importance as regards theoretical and practical foundation of the economic reform as such. The system of planning embraces all aspects of economic life and all the varied relations formed in the process of production, distribution, exchange and consumption.

All practical questions pertaining to carrying through the reform of the planning system are dealt with by the Sector of Planning Methods in the Joint Department of the State Planning Committee (Gosplan) of the PRC. It works in collaboration with the State Committee for Reforming the Economic System, chaired by Zhao Ziyang, Premier of the PRC State Council. A special department of the Institute of Planned Economy under the PRC Gosplan deals with theoretical problems and drafts proposals. The research centre under the PRC Gosplan coordinates the activities of all research organisations engaged in the problems of planning reform. The latter are also dealt with by relevant local bodies (in provinces, towns and districts). Initially, changes were not implemented on the basis of the necessary unified approach to the problem of planning, but later these activities took on a centralised character. This was facilitated by the adoption of two documents: "The Interim Rules for Improving the System of Planning", approved by the PRC State Council on October 4, 1984, and the "CC CPC Resolution on the Reform of the Economic System", which spelled out the theoretical foundation of the reform.¹ The adoption of these documents was preceded by a nation-wide discussion by the public and the press of issues involved in the economic reform, concentrating primarily on the reform of the planning system.²

Characterising the existing system of planning, Chinese economists noted that it was "based on the experience of economic management in the liberated regions", developed creatively in a new setting following the liberation of China, and in part used the experience of the Soviet Union.³

¹ See *Renmin ribao*, Oct. 23, 1984.

² A number of books have been published in China in recent years dealing with the system of planning and its reform. These are: Luo Gengmo, *On Some Theoretical Problems of Socialist Planned Economy*, Shanghai, 1982; Shen Liren, "On Planned Economy", *Jiangsu renmin chubanshe*, 1982; "The Principles of National Economic Planning", *Zhongguo renmin daxue chubanshe*, 1983; Li Zhenzhong, "The Economics of Planning", *Zhongguo renmin daxue chubanshe*, 1983; Liu Suinian, et al., *The Planning of China's Economy*, Peking, 1985; He Jianzheng, Wang Jiye, "The Problems of Planned Management in China", *Zhongguo shehui kexue chubanshe*, 1984; and others.

³ See Wei Liqun, Han Zhiguo, "The Discussion of the Planning System", *Guangming ribao chubanshe*, 1984, p. 1.

The planning system in China was reformed several times in the period before 1979, yet "the main model was not subjected to major changes". Chinese economists believe that the former system of planning had played an "active role", in the building of socialism, yet it had serious drawbacks, such as excessive centralisation, directive methods, preference for administrative over economic methods, disregard for the market regulator. For this reason, Chinese theoreticians unanimously say, the above drawbacks should be eliminated by reforming the system of planning, revitalising it and making it adequate to the present stage of development of China's national economy.

The inefficiency of the previous planning policies, which was largely due to the inadequate training of professional planners, amplified by some objective planning problems in the PRC, disillusioned many Chinese economists as regards the possibilities of a planned economy and made them look for alternative means and methods of national economic development, chiefly propaganda and the commodity-money levers. By extolling one-sidedly the cost levers and treating the law of value as a panacea which would help resolve all complex economic problems, many Chinese economists, inadvertently or not, underestimated or rejected altogether the role of comprehensive planning and the law of planned proportional development.⁴

He Jianzhang, a prominent Chinese economist, noted that such an approach resulted in a situation in which "certain comrades do not recognise that socialism is a planned economy" and that "in a socialist society there operates the law of planned proportional development".⁵

Alongside those who blatantly ignore the need for comprehensive national economic planning (although they stop short of rejecting it outright), there have appeared some authors in China who are dissatisfied with the results of the system of planning in the PRC and seek to prove the "impossibility" or low efficiency of a plan for the whole country. These economists, who do not reject the plan in general but give way before difficulties involved in organising and managing the national economy, appeal to their country's specific conditions which allegedly support their arguments. This trend was given a solid push following the fiasco of the "new leap" plans in 1978, and also after the large-scale campaign to use cost levers in China's economy and the search for a "rational model of socialism".

The reasons for the "impossibility" of a comprehensive national economic planning include, according to Chinese economist Ma Jiaju, the fact that "labour under socialism has not as yet taken on completely a direct social character".⁶ The country's immense territory and the ensuing difficulties in "complex balancing" are cited as another reason.⁷

Another Chinese theoretician, Wang Mengkui, reduces planning to maintaining proportionality (which alone is insufficient) and believes that a comprehensive national economic plan is not only inexpedient, but also "contradictory to ensuring proportionality".⁸ In this case the reason for the plan's inexpediency is seen in continuing commodity production, the low level of the productive forces, the people's cultural backwardness, the scattered and multi-sectoral economy, and the shortage of modern means of communication and computer technology.

As regards these assertions, in the context of socialism, especially at its initial stage of development, direct social labour indeed does not attain a high level of development. This is due to the insufficient level of develop-

⁴ See *Xueshu yuekan*, No. 1, Guangzhou, 1981; *Guangming ribao*, August 9, 1982.

⁵ *Renmin ribao*, March 22, 1982.

⁶ *Wen shi jie*, No. 1, Jinan, 1980, p. 78.

⁷ See, for instance, *Renmin ribao*, June 10, 1980.

⁸ *Jingji yanjiu*, No. 6, 1980, p. 13.

ment of the social nature of production. In China, the low level of development of direct social labour stems primarily from the formal socialisation of production in the mid-1950s. The etatisation of China's dispersed, atomistic economy largely resulted in formal-planned management. Yet, somewhat formal character of the comprehensive planned management is not identical to its potentialities.

Although, objectively, the planned form of economy in China is far from being fully determined by the development of the social nature of production, it nonetheless plays an invaluable, progressive role in the building of socialism. Of course, one should not underestimate the difficulties involved in organising comprehensive planning in a country such as China. But even allowing for the "special conditions" referred to by the above-mentioned economists, their position cannot be considered justifiable.

In contrast to theoreticians who call into question the effectiveness of the centralised planned management of China's national economy, many economists firmly believe that the centralism of the first five-year plan should be reinstated. The latter category includes Luo Gengmo, a prominent Chinese economist who invokes the successes of the First Five-Year Plan period and advocates strict observance of the law of the planned proportional development of the national economy. He criticises Chinese economists who actually call into question centralised planning as such by referring to economic backwardness, the low level of production socialisation, etc. Luo Gengmo reminds those sceptics that all these factors played a considerable part in the course of the First-Five-Year Plan as well, and yet the successes are evident.⁹ Pointing to shortcomings in the organisation of planned management in China, the adherents of centralised planning are at the same time convinced that "they can be overcome. These shortcomings do not cast any doubt on the need for a planned system."¹⁰ Li Zhenzhong, citing the propositions of Marx, Engels, and Lenin, writes in his textbook *The Economics of Planning* that socialist economy is a planned economy. Planning embraces the entire economic system of socialism. "By using a single economic plan," he writes, "society regulates the proportional distribution of aggregate social working time between various branches of production, establishing a balance between production and social needs and seeking coordinated development of the national economy."¹¹ Li Zhenzhong stresses that the planned development of production serves to "satisfy the ever growing material and cultural requirements of the popular masses".¹² Insofar as commodity-money relations still exist under socialism, the planning of national economic development must be effected with due regard for them. This approach, which does not exclude but welcomes a wider use of commodity-money relations in the planned socialist economy, is adopted by many Chinese economists who uphold the need for a comprehensive centralised planning. The reform of the planning system within the period under review was analysed within the framework of the "plan and market" discussion started in 1979.¹³

The first stage of the discussion (1979-1980) was marked mainly by the criticism of the bankrupt dogmas of "the four", who belittled or nega-

⁹ See *Ibid.*, No. 2, 1981, pp. 41-52.

¹⁰ *Hongqi*, No. 22, 1982, p. 21.

¹¹ Li Zhenzhong, "The Economics of Planning", *Zhongguo renmin daxue chubanshe*, 1983, p. 3.

¹² *Ibid.*, pp. 5-6.

¹³ This wording of the problem ("plan and market") was criticised in Soviet economic literature. The prominent Chinese economist Sun Yefang (died in 1983) was also against this wording (see *Renmin ribao*, Feb. 22, 1982). Aware of the scientific inaccuracy of the term, the author thinks it to be possible, because it was widely used not only in Chinese theoretical studies, but also in party and government documents in the CMEA member-countries.

ted the role of commodity-money relations in the development of socialist economy and treated the plan and plan levers as non-economic categories. This line of reasoning cleared the way for a broad, informal use of commodity-money relations in China's economy. Moreover, it made many Chinese economists, who underestimated the effectiveness of plan levers, increasingly enthusiastic about market methods, frequently to the detriment of economic planning.

At the second stage of the discussion (1981-1983), some economists gradually abandoned their excessive "market romanticism" and praise of the omnipotence of cost levers and turned to planned methods of economic management combined with the commodity-money mechanism. This was due not so much to the more profound theoretical studies of this problem, as to the negative results of some economic experiments that led to certain political losses. Theoretically, this change was largely connected with the popularisation and discussion of Chen Yun's thesis of the 1950s regarding the correlation of the plan and the commodity aspects in the socialist economy.¹⁴ In spite of the explicit emphasis in Chen Yun's statement on the importance of planning in the socialist economy, many Chinese economists differed considerably as regards the correlation of the plan and cost levers under socialism. Having taken up Chen Yun's thesis: "The planned economy is the basis, and the market is a supplement," and having dealt with it quite enough in their theoretical studies, Chinese economists advanced, beginning in the second half of 1982, a three-pronged formula of national economic management: directive planning, guiding planning, and market regulation. Subsequently, this formula was declared the theoretical basis of the "Chinese system of planning". Essentially, the formula includes a broad spectrum of issues: the correlation of planning and commodity orientation, the possibility of realising the principle of democratic centralism in organising and managing the economic processes, and the correlation of the plan and cost accounting (*khozraschet*). These issues sparked off new discussions in the Chinese press. The discussion was summed up in the above-mentioned document of the PRC Gosplan entitled "Interim Rules for Improving the System of Planning". The circular pointed out that the existing system of planning has various drawbacks stemming from the excessive directiveness of management, the neglect of market regulators and the economic methods of management, the absence of an adequate system of responsibility, the spread of egalitarianism, and other factors. "The experience of 30-odd years," the document said, "shows that viewing the planned economy as merely directive planning is one-sided."¹⁵ This is why use should be made of not only a directive plan, but also of guiding planning and the market regulation of certain spheres of the economy. The circular spelled out the relevant rules as regards the planning of production, of fixed assets, of foreign investments, of the distribution of material means, etc.

In October 1984, the PRC State Council approved, in the main, the Gosplan document, stressing the need to "duly narrow down the sphere of directive planning and expand the framework of guiding planning and market regulation".¹⁶ The Third CC CPC Plenum (12th convocation) adopted a resolution which officially accepted the main propositions of the

¹⁴ In the 1950s, Chen Yun was Deputy Premier of the PRC State Council and Head of the Financial and Economic Office. Today, he is member of the Standing Committee of the CC CPC Politburo and First Secretary of the CPC Central Commission for Discipline Control. In January 1982, *Renmin ribao* published Chen Yun's statement, made at a meeting with senior staff of the PRC Gosplan. Chen Yun said that in the socialist economy one should "firmly uphold the proposition: the planned economy is primary, and the market economy is secondary... We must enhance planning even more." (See *Renmin ribao*, Jan. 26, 1982.)

¹⁵ *The Planning of China's Economy*, Peking, 1985, pp. 407-408 (in Chinese).

¹⁶ *Ibid.*, p. 406.

above documents and gave an assessment of the system of planning in China. Today's economy in China is characterised as a "planned commodity economy" in the resolution; it notes that the existing system of planning includes directive planning, guiding planning, and market regulation. This approach, the document says, is dictated by the following objective conditions: China's immense territory, numerous population, inadequate transport and information, great unevenness in economic and cultural development, underdeveloped commodity economy, etc. Given these conditions, the resolution concludes, a "genuine plan", i. e., a comprehensive state plan, is a "bureaucratic utopia" for today's China.¹⁷ "Considering the reality," the document says, "it should be understood that our national economy plans can only be approximate and elastic over a rather long historical period."¹⁸ To restructure the system of planning, the "traditional view" opposing the planned economy to a commodity economy should also be abandoned. "Full development of the commodity economy" alone can truly "revive the economy". This "revival of the economy", the resolution emphasises, "cannot be achieved by relying exclusively on administrative methods and directive plans."¹⁹

Guided by the propositions of the resolution, primarily its fundamental formula: "The socialist economy is a planned economy,"²⁰ Chinese economists begin to study more profoundly the problems of directive planning, guiding planning, and market regulation, and their correlation.

Most Chinese economists, however, continue criticising directive planning. Wei Liquan, for instance, believes that "excessive" directiveness leads to demand exceeding supply, shortages of commodities, their drabness and low quality, absence of stimuli for producers and even the emergence of phenomena, such as "semi-anarchy" and "disorder".²¹ In his criticism of the principle of directive planning, Wei Liquan attributes to it all the shortcomings of concrete planning in China. By making the principle of directive planning responsible for numerous drawbacks, Wei Liquan criticises the elements of bureaucratic centralism which had struck deep roots in China's economy. Yet economic bureaucratism and directiveness of planning are far from being identical.

Wei Liquan and other Chinese economists contrast guiding planning to directive planning (even "purified" of its extreme, "rigid" forms). They regard guiding planning as the "most important form of planning" in China. Analysis of numerous articles on the problems of guiding planning and the documents of the All-China Conference specially convened to discuss this problem makes it possible to single out three approaches.

Those who adhere to the first approach in fact approximate directive and guiding plans, although in word they make a distinction. By recognising that directive planning does not renounce the use of economic levers and the law of value, and must be sufficiently flexible,²² these economists seem to have weak arguments to prove that it differs from guiding planning.

In the theoretical constructions of Chinese economists representing this group, both directive and guiding plans are drawn up with some use

¹⁷ CC CPC Resolution Concerning the Reform of the Economic System (October 1984), Peking, 1984, p. 16 (in Chinese).

¹⁸ *Ibid.*, p. 17.

¹⁹ *Ibidem.*

²⁰ A "breakthrough in the traditional opposing of the planned to commodity economy" is the "most important achievement" of the resolution. It clearly indicates that the "planned economy is a planned commodity economy based on social ownership". (See *Guangming ribao*, February 4, 1985.)

²¹ CC CPC Resolution Concerning the Reform of the Economic System (October 1984), Peking, 1984, p. 16.

²² *Yangcheng wanbao*, November 28, 1984; *Wenhui bao*, December 28, 1984; *Jingjixue zhoubao*, No. 47, 1984.

of certain elements of cost accounting mechanism. The proponents of this approach characterise the guiding plan (to use the expression of Chinese economist Pan Danhe) as "the guiding plan of a directive type". This approach seems to be an attempt by the adherents of the wide use of directive planning in economy to adapt themselves to the obtaining situation in the Chinese theory and practice of planning.

Other Chinese economists, such as Wei Liqun and Wu Junyang, while stressing the special significance of guiding planning, are more consistent in pointing to its specifics and distinctions vis-à-vis directive planning. Wei Liqun characterises guiding planning as a system of ways and means for the state planning organisation and management of the socialist economy in order to attain purposeful and sustained proportionality. As to its distinctive features, Wei Liqun mentions not only the use of economic levers, the law of value, but also the fact that guiding planning combines "in the best way" the plan and the market regulator, which makes it more flexible than directive planning. The objectivity and viability of guiding planning, writes Wei Liqun, are seen in the fact that it is a "product of the planned commodity economy", its concrete form.²³ Another distinctive feature of guiding planning is that it involves target setting with no administrative diktat. As a result, guiding planning has the "nature of an appeal", and also a "guiding", "expecting", "alive and changeable" nature. Moreover, guiding planning is instrumental in developing horizontal links, competition between enterprises.²⁴

Wei Liqun is against combining directive and guiding plans and warns against "mixing together" guiding planning and market regulation. He emphasises that guiding planning is based not only on the law of value, but also on the basic economic law, the law of planned proportional development.²⁵

Actually, guiding planning, as presented by Wei Liqun and many other Chinese economists, with certain amendments, might be characterised as a substantiated introduction into the socialist economy of the principles of full cost accounting.

It should be noted that there are many Chinese economists who actually equate guiding planning and market regulation. This is indicated, for example, by Wei Liqun. Such economists see directive planning as a temporary phenomenon brought about by objective reasons, chiefly by the fact that conditions are not yet ripe for introducing guiding planning, comprehensively, on a nation-wide scale. This is why they consider guiding planning as the only effective form of planning, as the "central link" of the entire economic planning activities of the state.²⁶ Guiding planning, which does not set an enterprise concrete detailed targets, is based on market information, the state of the market, the use of the law of value, the law of demand and supply. In actual fact the guiding planning advocated, for instance, by Chinese economist Pan Danhe is identical to direct market regulation with all the ensuing consequences.²⁷

Theoretical recommendations and practical conclusions advanced by Chinese economists during the course of the discussion of the planning reform, as well as the experience accumulated by conducting a number of experiments, have materialised in some practical measures. Following the publication of the above-mentioned documents of the CC CPC and the State Council and the PRC Gosplan, the reform has passed from the mainly experimental stage into the stage of practical implementation.

²³ See *Jingji lilun yu jingji guanli*, No. 3, 1985, p. 21.

²⁴ See *Ibidem*.

²⁵ See *Ibidem*.

²⁶ See *Jingji yanjiu*, No. 2, 1985, p. 4.

²⁷ See *Jiangnan luntan*, No. 4, 1985, pp. 11-13.

In keeping with the "Interim Rules for Improving the System of Planning",²⁸ measures were taken to adapt the economic mechanism mainly to three economic levels whose methods of management were characterised as directive planning, guiding planning, and market regulation. Chinese economists offered three principles to determine the sphere of management: (1) according to the form of ownership; (2) according to enterprise subordination; and (3) according to the type of output.

Although these principles are closely interconnected, the last one, viz., determination of the sphere of management according to the type of output, is the most widespread today. In keeping with this principle, the sphere of directive planning includes the production and distribution of major products which are distributed in a centralised way and which determine the rate and proportion of economic development. These are: coal, crude oil and various oil products, rolled steel, non-ferrous metals, timber, cement, electric power, major types of chemical raw materials, chemical fertilizer, artificial fibre, basic types of electrotechnical equipment, newspapers, cigarettes, and also the output of the defence industry, and other major products. In agriculture, directive planning involves procurements in the form of tax in kind, compulsory purchase and distribution of grain, cotton, oil-bearing crops, tobacco, jute, pork, etc. In transport, directive planning only includes the haulage of major freight by railway and water transport and also the distribution of goods traffic among major sea ports. Directive planning also embraces the purchase and sale of bare necessities, as well as exports and imports of the most important types of products, admission to higher educational establishments, and distribution of specialists.

The sphere of directive planning has shrunk and that of guiding planning expanded, which is seen in the fact that beginning in 1985, the number of industrial products formerly planned by Gosplan in a directive way has decreased from 123 to some 60 items, the range of farm and subsidiary craft products purchased and distributed by the state according to plan has gone down from 29 to some 10 items; and the range of export goods planned by the state has been reduced from 70 to 36.²⁹ As regards the centralised purchase of goods of the first category, their number has decreased from 21 to 12 and those of the second category, from 18 to 9.³⁰ China's Gosplan proposed that the number of items included in the material and financial supplies be cut down from 256 to 65.³¹ The range of directly planned products varied markedly for towns and for provinces. For example, in 1985 in Peking the figure decreased to 26, while their share in the gross industrial output of the city went down from 55 per cent in 1984 to 16 per cent in 1985 (according to the plan).³² In Taiyuan, for instance, the total planned range of industrial products was reduced from 448 to 215, including 52 items remaining within the sphere of directive planning.³³ On a nation-wide scale, in 1985 the state directive plan for six types of industrial products accounted for some 20 per cent of the cost of gross industrial output.

The ministries and departments of the State Council, provinces, autonomous regions and centrally subordinated cities may also set directive plans for enterprises under their authority as regards a small range of major products manufactured by their industry or region. The following

²⁸ See also the published PRC State Council resolution on activating work in four directions: improving regulation methods, establishing a system of economic information, developing consultative economic work, and stepping up research activities in the field of planning (*Renmin ribao*, Oct. 13, 1984).

²⁹ See *Renmin ribao*, Dec. 3, 1984; *Zhongguo jingji wenti*, No. 4, 1985, p. 7.

³⁰ See *Zhongguo renmin gongheguo gouyuan gongbao*, No. 17, 1984, p. 583.

³¹ See *Gongren ribao*, December 3, 1984.

³² See *Renmin ribao*, March 11, 1985.

³³ See *Jingji wenti*, No. 6, 1985, p. 15.

condition is, however, to be observed: major enterprises which receive directive guidelines in keeping with the national and the branch (regional) plans simultaneously, must have a single plan, with higher bodies splitting it up into components when distributing the output.

The ministries and departments of the State Council planned directly some 20 per cent of gross industrial output, and local bodies—another 10 per cent.

The production of output according to a directive plan must be ensured by material and technical support by the planning bodies, i. e., alongside a directive plan for output, there exists a corresponding plan for material and technical supplies. Responsibility for failing to fulfil the latter devolves wholly upon relevant directive body. Should an enterprise fail to fulfil the plan because of inadequate material and technical supplies through the fault of the directive body, it is not held responsible. Thus, the relevant directive body will have to pay out of its own funds the missing part of the wages fund.

An enterprise is usually given the following directive targets: assortment, the volume and quality of products, fulfilment of the labour agreement, the wages fund, the number of workers and employees,³⁴ and also the volume of capital investment.

The prices of output produced in keeping with state directive planning are also obligatory. Directive planning is effected on the "accumulated result" principle. This means that, if a directive plan is not fulfilled, the relevant state planning body must increase it for the next year to make up for the output that the enterprise has failed to produce (with no additional raw materials or energy), and also fine the enterprise, the fine being paid out of the latter's own resources. At the same time a directive plan may be adjusted by the higher body that has set it.

As regards the organisation of planning activities in the sphere of directive planning, no major changes have been made as compared with previous practice. The volume of planning activities, however, has decreased considerably. In drawing up directive plans, planning for a five-year period has grown in importance.

The sphere of guiding planning embraces all the other types of output planned by the state, and also all output over and above the plan (except special cases). Moreover, when a directive plan is fulfilled 100 per cent, 2 per cent of the output may be realised by the enterprise itself (certain types of output), i. e., that output passes from the sphere of directive planning into that of guiding planning.

In practice, guiding planning is a sphere of state planning which is not directive or compulsory. It embraces some 30 to 40 per cent of gross industrial output. The system of guiding planning includes plans drawn up by an enterprise independently and then sent to higher planning bodies "for information" only. The state plays virtually no mediatory role in the organisation of production according to a guiding plan. The necessary material and technical supplies are provided by using similar output of other enterprises. This creates, as it were, an independent cycle of reproduction of the output of "guiding planning". The suppliers are selected by the enterprise independently. As a rule, the price of this output is also determined independently within the limits set by the state (usually they should not deviate more than 20 per cent from the state-fixed price of a similar product). Yet, in this case, too, the price of the end product must be approved by relevant bodies (usually, various price-fixing depart-

³⁴ At the same time at certain experimental enterprises the wages fund may be increased in proportion to the increase in output and in the volume of deductions to the state. A special provision states that the wages fund should not grow faster than the productivity of labour. The overall wages fund is controlled by taxing the bonus fund and by other taxes.

ments), and the prices of certain types of output must correspond to state prices.

It is not yet clear how narrow the sphere of directive planning will be. This depends on the first results of the planning reform. Chinese economists do not rule out the possibility that, in future, the sphere of directive planning may be expanded or rejected entirely. In general, there is no consensus among them on the essence and correlation of directive and guiding planning.³⁵ Yet, some propositions made by Chinese economists when discussing the reform of the planning system and also when implementing measures to expand the independence of Chinese enterprises in connection with guiding planning are rather interesting and warrant a deeper study. At the same time it should be noted (without claiming to make any final judgement) that many theoretical constructions by Chinese economists dealing with the problem of guiding planning, as well as its practical implementation, reveal that they differ but slightly from proposals to carry through complete cost accounting as presented by some Soviet economists.³⁶ The problem of directive and guiding planning, both in theory and practice, is actually a problem of the correlation of planning and cost accounting activities. It is, of course, a crucial element, an essential aspect of the management of socialist production, of ensuring its efficiency.

Lenin stressed in his time that the degree of coordination between the plan and cost accounting had to be determined necessarily by the state of production, the level of its development, and concrete tasks to be achieved. In view of the fact that these problems have been dealt with in many publications by Soviet economists, Chinese economists' search in this direction clearly should not be discarded.³⁷

As regards the sphere of market regulation, which includes the production of various small consumer goods, a selection of farm produce and handicrafts, as well as everyday services and public catering, this is not planned. It is regulated for the most part by the spontaneous action of the law of value and the law of supply and demand. These commodities and services are mainly realised at contract prices, as are some 10-20 per cent of industrial output.

In recent years the sphere of market regulation also began to include means of production. According to *Jingji ribao*, this sphere includes nearly 50 per cent of the country's coal output, 40 per cent of rolled steel, 60 per cent of timber, and 75 per cent of cement.³⁸ This increases the share of market regulation in gross industrial output.

On the whole, the division of production management into three economic levels is so far in the experimental stage, and the task of defining clearly the framework within which these three types of management are to operate, is very urgent. Guiding planning gives rise to numerous problems because it directly involves the use of economic levers that have not as yet been properly tested. For this reason concrete methods of organising planning activities are made contingent on the results of "repeated experiments" and the "accumulation of experience in connection with carrying through a reform of prices, taxes and the credit procedure". Chinese economists believe that a wide use of economic levers also requires such conditions as genuine independence of enterprises,

³⁵ See, for instance, "The Discussion on the Problems of Directive Planning", *Guangming ribao*, June 1, 1985.

³⁶ See, for instance, G. Popov, *Effective Management*, Moscow, 1985, p. 135; G. Popov, *The Theory of Management*, Moscow, 1974 (second revised and supplemented edition, translated into Chinese in 1983).

³⁷ The term "guiding planning" used in Western economic literature is hardly apt or necessary for that matter.

³⁸ See *Jingji ribao*, October 12, 1985.

balanced demand and supply, existence of a developed socialist market, an all-embracing system of economic information, sufficiently developed economic legislation, etc.³⁹ But the fact that reform implementation is only at its initial stage, and that the above-mentioned conditions have not yet developed shows that a considerable number of enterprises do not as yet have sufficiently precise economic guidelines and are compelled in their practical activities to proceed mainly from the current economic situation. The weak theoretical substantiation and the practical difficulty of combining three different components (directive planning, guiding planning, and market regulation) into a single national economic mechanism constitute one of the stumbling blocks in carrying the reform through.

Thus, if the sphere of directive planning is narrowed and the sphere of guiding planning and market regulation is correspondingly expanded, one cannot be sure that a balanced development of the national economy can be ensured. The solution of this problem hinges on various planning bodies. Under the new conditions, they must ensure a balanced use of financial, material and manpower resources in keeping with the planned rates of economic growth, control over the scale of capital investment, the use of foreign investment, the placement of major fixed assets, the growth of retail prices, etc. These basic economic proportions can only be ensured through effective control.

In reality, however, the planning bodies can use only one economic instrument—directive planning. Economic levers, however, such as prices, taxes and credits, are outside the sphere of their control if only for the fact that they are within the competence of the Ministry of Finance, the Ministry of Labour, the People's Bank, the State Department for Material and Technical Supplies, the Chief Tax Department, and other bodies which are not directly subordinated to the planning organs and which, in the new conditions, often regard the latter's instructions as recommendations. The existence of departmentalism, given the absence of a body actually coordinating their activity, substantially hampers the comprehensive use of economic levers.

Theoretical studies and practical steps in reforming the system of planning in the PRC, the constructions of a comprehensive mechanism of directive and guiding planning, as well as of market regulation show that there exist many problems along this path. By now, Chinese economists have actually solved general problems: they have shown that the reform is necessary, they have chartered its basic guidelines and taken the initial steps towards implementing the reform, having scored some successes and, at the same time, encountered new problems. So far the problem of democratic centralism in economic organisation and management has been dealt with, in a sense, perfunctorily. China's national economy is now entering a more complex and responsible stage which calls for a deeper scientific analysis of the problems involved in organising socialist planning and managing the national economy.

³⁹ See *Jingjixue zhoubao*, March 17, 1985.

PROBLEMS, PROSPECTS OF FOREIGN INVESTMENTS IN CHINA

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[Article by S. A. Manezhev, candidate of economic sciences: "The Use of Foreign Capital in the PRC"]

The encouragement of foreign investment is a key point of the so-called "open door" policy pursued by China in recent years. The activity of foreign companies in the PRC has acquired various forms, not only those of daughter and mixed enterprises, but also a wide network of non-joint-stock contractual forms of cooperation, including contracts on industrial cooperation, technological assistance, services, division of output, etc. By the beginning of 1986, the PRC had approved contracts on the creation of over 6,000 projects with foreign participation worth a total of \$16.2 billion, including \$4.6 billion already invested in about 2,000 projects.¹ The use of foreign capital, it is noted in China, has become an important component in the long-term and annual plans of the country's economic development.

Conspicuous among the main foreign investors by their zealous activity are the numerous, though small, companies of Hong Kong and Macao. Often operating on an informal basis, they account for some 60 per cent of the sum total of contracts on foreign investments in the PRC economy.²

As for the main investors from the capitalist world, they have been acting cautiously so far on account of the PRC's insufficiently developed investment legislation, chronic shortages of energy, transportation facilities and trained personnel. The major imperialist monopolies dominant in various spheres of the world capitalist economy and participating in the real economic division of the world (so-called transnational corporations or TNCs) account for no more than 30 per cent of foreign capital attracted by China in 1979-1984.³

The relatively limited participation of TNC capital in the Chinese economy determines their modest role in the development of the country's productive forces: the projects created with TNC participation in 1984 are estimated to account for only 0.2-0.3 per cent of the PRC's gross industrial output. This shows that the impact of the TNCs on the PRC's socio-economic development is insignificant so far and should rather be viewed as a tendency.

However the situation varies considerably in different branches of the economy. Thus, as a result of the creation in 1983 in Peking of a mixed Sino-US auto company with the participation of American Motors, the share of the TNCs topped 2 per cent in the PRC auto industry in 1984.⁴ There are reasons to expect increasing participation in the near future by TNCs in the development of the oil and electronics industries, as in 1983-1984 their investments in these branches averaged 3-4 per cent and 4-5 per cent respectively of the state capital investments.⁵

¹ See *Renmin ribao*, Jan. 30, 1986; *Beijing Review*, Feb. 10, 1986, p. 28.

² Calculated on the data in *Zhongguo duiwai jingji maoyi nianjian*, 1984, Peking, 1984, pp. IV-184.

³ Calculated on the data in *Zhongguo duiwai jingji maoyi nianjian*, 1984, pp. IV-183-185; *Zhongguo tongji nianjian*, 1984, Peking, 1984, p. 194; *China Trade Report*, January 1985, p. 4; *Far Eastern Economic Review*, October 5, 1983, pp. 68-69. As the PRC statistics do not separate the TNCs from other foreign investors, the figures on their activity in China are calculated in the main on the basis of official Chinese data on the sources of foreign investments, their break down in kind, general share of joint enterprise, etc.

⁴ Calculated on the data in *Zhongguo duiwai jingji maoyi nianjian*, 1984, pp. IV-191; *Renmin ribao*, March 10, 1985, *China Daily*, January 25, 1985.

⁵ Calculated on the data in *Zhongguo duiwai jingji maoyi nianjian*, 1984, pp. IV-185, 187; *Zhongguo tongji nianjian*, 1984, Peking, 1984, pp. 302, 312-315, 335, 414.

These data testify to the possible growing influence of the TNCs on the development of the productive forces and relations of production in some branches of the Chinese economy.

From an economic point of view, TNC investors are attracted into China first of all by its rich and varied natural resources, potentially vast domestic market, abundant and cheap manpower. In recent years this traditional interest was enhanced by the PRC's policy of liberalising investment conditions, and opening up vast maritime regions to foreign capital, as well as by implementing the economic reform promoting private enterprise and market relations. For its part, by encouraging TNC investment the PRC is demonstrating its interest in the immense financial potential of the TNCs, their managerial experience, high technology and marketing possibilities.

As a result of this merging of interests the TNCs have been more active of late in penetrating China's economy. Aside from the already mentioned American Motors, the following corporations have got a foothold in the Chinese machine-building industry: Volkswagenwerke AG (FRG), Peugeot (France), FIAT (Italy), McDonnell Douglas (USA) and some others. The fuel and energy industry are gradually being penetrated by such oil monopolies as Atlantic-Richfield, Texaco, Esso, Getty Oil (USA), Shell, Claff Oil (Britain); talks are under way and first contracts are being signed on the joint extraction of coal with such major companies as Mitsui Mining (Japan), Occidental Petroleum, Bechtel International (USA). The electronics and electrical-engineering industries are marked by the ever-more conspicuous presence of the Japanese companies Hitachi, Sanyo, Sharp, the American Hewlett-Packard, Minnesota Mining & Mfg, the Belgian Bell Telephone Manufacturing, etc.

The activity of most of the TNCs in China is still in its initial phase, i. e., the specifics of their investment, technological and social policies have still not been worked out and finalised. Nonetheless, given the current TNC activity in China, it is possible to single out certain features and trends in that activity, in order to look, as it were into the future and determine the character and direction of TNC influence on socio-economic processes in the PRC.

EFFECTIVENESS OF INVESTMENT

As reported by the Chinese press, the use of certain elements of foreign high technology and of methods of management has resulted at some enterprises with TNC participation in a five-to-six-fold increase in labour productivity over a period of 2-3 years.⁶ As a result, the effectiveness of capital investments at the TNC enterprises is at least two times higher than at the state enterprises.⁷ This also indicates certain prospects for the stimulating influence of TNCs on the effectiveness of the PRC industrial production.

However there are a number of serious factors limiting the use of TNC capital in the economic development of the PRC. Obviously even now the TNCs show a clear tendency to isolate their activity in the Chinese economy. In the manufacturing industry the TNC enterprises, as a rule, tend to import raw materials and components and export the output through their own channels. Such a pattern of business activity can be illustrated by the example of the subsidiary of the Japanese corporation Epson operating in the Shenzhen special economic zone. Making mi-

⁶ See *Guoji maoyi*, No. 2, 1982, p. 7; *Renmin ribao*, Jan. 15, 1983; *Intertrade*, No. 4, 1984; *Beijing Review*, Feb. 11, 1985, p. 28.

⁷ Calculated on the data in *Shehui kexue*, No. 2, 1982, pp. 5-6; *Zhongguo tongji nianjian*, 1981, Peking, 1982, pp. 17, 20, 307; *Zhongguo jingji jigou wenli yanjiu*, Peking, 1981, pp. 120, 247, 279.

miniature printing devices this enterprise obtains the necessary parts and components from a Hong Kong branch of Epson. Finished goods are sold by the Shenzhen branch through the trade network of the same company for subsequent use at its enterprises in Hong Kong, Singapore and Japan in the production of calculators, electronic cash-desks, etc.⁸

High dependence on imports is the hallmark of TNC enterprises in various branches of the Chinese economy. Enterprises set up in China with the participation of such companies as Daihatsu, Volkswagenwerke AG, Isuzu (auto industry), Westinghouse Electric, Combustion Engineering, (energy machine-building), Foxboro, Hitachi (instrument-making), Canan Inc., (production of Xerox machines), Mitsubishi Heavy Industries Ltd., (general machine-building), Sharp, Sony, Sanyo, Matsushita (electronics), Reynolds Tobacco and some others purchase abroad up to 100 per cent of the necessary materials and components.⁹ Even NIKE (USA), manufacturing sneakers at Tianjin and Shanghai shoe factories, ventured to switch over to utilizing Chinese-made laces only after three years of operation.¹⁰

Cooperation at enterprises of this kind is obviously profitable for the TNCs since it expands their markets. The export of component parts, along with payments for the transfer of technology and a portion of production profits, ensures in some cases up to 90 per cent of the TNCs total income from their cooperation with the Chinese partners. Besides, this export provides an additional incentive for the development of relevant branches in the capital-exporting countries. Thus, having substantially expanded its export to China of parts for the production of colour TV sets and having turned the PRC into its main market for this kind of output, Japan in 1984 for the first time in 8 years managed to overcome a downward slide in this area of production.¹¹ That is why many contracts by the TNCs with Chinese enterprises envisage a very low limit (not more than 10 per cent) for the use of local raw materials and components. For China all of this means not only an additional strain on its trade balance but also insufficient utilisation of the local possibilities, the artificial creation of obstacles in the development of inter-branch (and intra-branch) links in the economy.

As for the monopolies operating in the raw material branches and accounting for 55-60 per cent of TNC investments in China, their orientation on exporting their output creates unfavourable prospects for reproduction processes in the Chinese economy of the loss of a considerable part of its economic resources, thus introducing certain changes in the programme of modernisation.

A typical example of this situation is provided by the fuel-and-power industry. It is known, that the PRC is planning to provide the necessary energy resources for the envisaged quadrupling of the gross industrial and agricultural output by the year 2000 in the following way: the planned doubling of the production of the primary energy resources is to be coupled with the doubling of the efficiency of their utilisation. The average annual rate of growth of the production of energy in this case is intended to reach about 3.5 per cent.

⁸ See *Japan Economic Journal*, Nov. 20, 1984, p. 10.

⁹ See *Fortune*, February 18, 1985, p. 22; *Business Week*, May 7, 1984, pp. 54-55; *Japan Economic Journal*, March 6, 1984, p. 11; September 18, 1984, p. 10; November 20, 1984, p. 10; January 15, 1985, p. 9; January 22, 1985, p. 11; August 14, 1984, p. 11.

¹⁰ See Ho S. P. S., Huenemann R. W., *China's Open Door Policy. The Quest for Foreign Technology and Capital*, Vancouver, 1984, p. 128; *China Business Review*, No. 1, 1982, p. 43.

¹¹ The PRC accounted in 1984 for 32.7 per cent of Japan's export of components for colour TV sets and 42.7 per cent of export of TV tubes (See *Economist*, August 10, 1985, p. 56; *Japan Economic Journal*, January 29, 1985, p. 11).

These optimistic calculations proceed from the assumption that almost all of the energy output (minus a small portion assigned for export) can be used for the PRC's domestic needs. However, as Chinese specialists point out, due to a shortage of necessary materials, financial resources, technological and managerial know-how, these targets cannot be fulfilled without heavy reliance on foreign investment.¹² At the same time the contracts on joint fuel and power projects signed by China with leading oil and coal monopolies of the capitalist world, oblige the PRC to supply its foreign partners with a considerable quantity of its energy production. Thus, the agreement on the joint extraction of oil on China's continental shelf stipulates that foreign companies obtain, in different forms, up to 33 (in some cases up to 42.5) per cent of the volume of extracted oil.¹³ The contract between a Chinese company and Occidental Petroleum Corporation on a joint coal mining project in Antaibao, Shanxi Province, with an annual capacity of 15 million tons, envisages that 52 per cent of the extracted coal would be exported by the American company to Japan, South Korea, the Philippines and other countries.¹⁴

Taking into account the time length of contracts (15-30 years), it should be noted that the export by foreign partners of such amounts of energy resources will inevitably prove a serious obstacle to China's own planned expansion of energy production. When taking into account the scale of foreign participation in the development of the PRC's oil and coal deposits, calculations show that the average annual rate of growth of the energy output for domestic consumption over the period ending in 2000 will amount only to 2.7 per cent, far short of the demands of the Chinese economy.¹⁵ Thus the policy of the monopolies dictates a substantial modification in the PRC's priorities of development, a remodelling of the branch structure of the economy in the direction of priority development of the least energy-intensive branches (agriculture, the light and textile industries) at the expense of a slower development of transport, machine-building, metallurgy and the chemical industry, which consume a lot of energy.

From the point of view of regional policy it is worth noting the TNCs low interest in investing in the PRC's backward hinterland or distant areas, despite the fact that China's development plans give priority to many of them and foreign investors are granted significant privileges there, such as a 10-year partial exemption from income tax.¹⁶ Although by 1985 joint projects with the participation of foreign capital existed in 27 provinces, autonomous regions and centrally-administered cities, the territorial break-down of foreign investments looks very irregular: two-thirds of the sum total is concentrated in a rather limited area, embracing 4 special economic zones (46 per cent of the total foreign investment in the PRC economy), 14 open cities (15 per cent) and Hainan Island (one per cent).¹⁷ Opting for already developed regions, where they are guaranteed the highest profits and the least investment risks, the TNCs tend to

¹² See *Shijie jingji daobao*, Feb. 8, 1982; *Jingji yanjiu*, No. 11, 1984, p. 37.

¹³ See *Far Eastern Economic Review*, October 2, 1981, p. 57; *China Business Review*, No. 5, 1982, pp. 35-36.

¹⁴ See *Asia Research Bulletin*, May 30, 1983, p. 1048; *Korea Herald*, March 9, 1983.

¹⁵ Calculated on the data in *Zhongguo tongji nianjian*, 1981, Peking, 1982, p. 228; *Far Eastern Economic Reviews*, October 6, 1983, p. 70; *China Business Review*, No. 5, 1983, p. 38; *China Trade Report*, December 1983, p. 8; *Beijing Review*, September 12, 1983, pp. 15-16.

¹⁶ See *Zhongguo touzi zhinan*, Xiangan, 1982, pp. 209-210; *China Daily*, August 5, 1982.

¹⁷ Calculated on the data in *Jingji guanli*, No. 9, 1984, pp. 56-59; *Renmin ribao*, Feb. 6, 1985; *The China Investment Guide 1984/85*, Hong Kong, 1984, pp. 70, 72, 76, 83, 108; *China Daily*, Feb. 25, 1984; Dec. 19, 1984; Jan. 30, 1985; *China Economic News*, September 10, 1984, pp. 4-5; October 1, 1984, p. 7.

exacerbate the already marked unevenness in distribution and development of the PRC productive forces.

Thus the TNCs activity in China does not go beyond the general practice worked out in the course of the long-term export of private capital from the imperialist powers into the countries of the former colonial and semi-colonial world. Such an approach, undoubtedly, puts a limit on the participation of imperialist monopolies in the solution of the internal problems of China's economy.

PROBLEMS OF TECHNOLOGY TRANSFER

The intensive acquisition and assimilation of advanced foreign technology are declared in China to be key objectives in the development of joint enterprises. It is expected that cooperation with the TNCs, the biggest embodiments of high technology, will help the Chinese side quickly and without excessive expenditure to make use of the latest achievements of science and technology, raise the country's productive forces to a new level, meeting the demands of the scientific and technical revolution. True, the TNC enterprises operating in China, as a rule, turn out products of higher quality and wider assortment. Thus, a joint Sino-Japanese TV factory Fujian-Hitachi, set up in 1981 in the city of Fuzhou, Fujian Province, provided not only a sharp increase in the volume of production but also an improvement in its quality: the period over which the TV sets operate without repair has been increased 8.4 times.¹⁸ In some cases cooperation with the TNCs enables China to manufacture absolutely new kinds of products, many of which used to be purchased abroad. This includes 40-ton dumptrucks manufactured by Mitsubishi Heavy Industries Ltd in cooperation with the Dalian Automobile Plant, automatic welding machines manufactured with the technical assistance of Matsushita Industrial Equipment Company,¹⁹ and some others.

Still there are many obstacles in the sphere of technology transfer in China. Modern technology makes it possible to break down the most complicated processes into simple operations which can be performed by unskilled labour. For example, it takes only 7 days to teach former school girls to assemble electronic calculators at Japanese Sanyo enterprises in the Shenzhen special economic zone.²⁰ Due to a great difference in wages between the PRC and developed capitalist countries, foreign monopolies obtain substantial savings in paying for such labour-intensive operations in China, thereby considerably raising the competitiveness of their products and increasing profits. For example, a worker's by-the-hour payment at the Chinese Beijing Jeep company is 37 times less than at US automobile plants.²¹ Under these conditions, even in mixed enterprises manufacturing sophisticated products in machine-building, electronics, etc., the TNCs prefer to transfer to China only the simplest and most labour-intensive links in the chain of production. Transfer of technology in this case boils down to teaching the local personnel some simple technical skills and operations, which are of little use outside their narrow sphere of application.

In those cases in which the TNCs are obliged to supply the PRC with certain technological information, they seek by every possible means to limit the process and keep it under control. Hitachi, for instance, when setting up the afore-mentioned mixed enterprise in Fujian Province, undertook to supply China over a period of 15 years with information on

¹⁸ See *Zhongguo duiwai maoyi*, No. 3, 1985.

¹⁹ See *Japan Economic Journal*, November 6, 1984, p. 11; February 12, 1985, p. 9.

²⁰ See *Kitai*, No. 5, 1985, p. 13 (in Russian).

²¹ A mixed enterprise of the Peking Auto Plant and American Motors (USA), see *Newsweek*, May 16, 1983, p. 45.

certain secondary improvements in the production process, keeping silence about the basic technological novelties.²² In a number of cases the Chinese partners are deliberately supplied with outdated technology (Volkswagenwerke AG, FRG; Reynolds Tobacco, USA; etc.), and are denied access to modern foreign equipment at mixed enterprises (Squibb and Sons, USA), etc.²³ Such measures are aimed at limiting the PRC's technological capacity and placing it in strict dependence on capitalist monopolies. All of this, understandably, causes concern in China. At a Sino-Japanese symposium on economic cooperation held in Peking in November 1984, annoyance was voiced by many PRC representatives over the lukewarm attitude of the Japanese companies in the transfer of technology.²⁴

In the final analysis, the technological policy of the TNCs is gradually pushing China into a two-level system of technology transfer which of late has been assuming an ever more distinctive shape in the Asian-Pacific region under the impact of Japan, the USA and other major exporters of private capital. The "upper level" is the movement from the main imperialist centres of the relatively complex and capital-intensive (from the viewpoint of an underdeveloped economy) kinds of production which have become out-dated or unprofitable by the standards of industrially developed countries, to a limited number of states and territories (Singapore, Hong Kong, South Korea, Taiwan). The "lower level" represents transfer of less complex and more labour-intensive types of production with low added value to the least developed countries of the region. This transfer is carried out by imperialist investors either directly, or through mediator countries.²⁵

An absolute dominance of labour-intensive types of industrial production in the structure of foreign investment in the PRC processing industry, coupled with Hong Kong's role as the chief source of these investments, indicates that the imperialist partners are equating China (or rather certain parts of the country with the greatest concentration of foreign investment) with such countries as Indonesia, Thailand, the Philippines, Sri Lanka, which in the international division of labour are characterised by an abundant but only semi-skilled workforce.²⁶ This means that the PRC has to travel a long and thorny path as a recipient of foreign capital before it gets wide access to modern technology in the more or less advanced branches of industrial production.

SOME SOCIAL ASPECTS

By creating additional production capacities, the TNCs create new jobs. Their enterprises in China employ about 30,000 Chinese workers which accounts for 0.02 per cent of the total of the employed in the cities.²⁷ Thus it is clear that the present level of TNC activity can hardly alleviate the unemployment in China, where the number of unemployed and partially employed is known to run into millions.

The prospects in this respect are also problematic. The creation of new TNC enterprises in China is mainly oriented towards raw material branches of the economy, towards the extraction and export of minerals and fuel. Because of the high cost of the work-place, the hiring capacity of such enterprises is low. Thus, the opencast coal-mining project in Antai-

²² See Ho S. P. S., Huenemann R. W., *Op. cit.*, p. 104.

²³ See *Far Eastern Economic Review*, May 23, 1985, p. 75; *China Trade Report*, November 1983, pp. 6-7; Ho S. P. S., Huenemann R. W., *Op. cit.*, p. 132.

²⁴ See *Japan Economic Journal*, December 4, 1984, p. 24.

²⁵ See *South*, September 1983, p. 27.

²⁶ See, for example, *Asia Research Bulletin*, October 31, 1981, pp. 852-853.

²⁷ Calculated on the data in *Renmin ribao*, May 11, 1985; *China Daily*, May 10, 1985.

bao, which is being created with the help of US Occidental Petroleum with a total investment of \$600 million, plans to employ 1,700 people as production personnel, including 30-40 American engineers.

Furthermore, the predominant export orientation makes TNC production activity highly dependent on the volatile situation on the world market. Hence the changing and unstable character of employment at TNC enterprises. Lastly, the contribution of the TNC to the solution of the employment problem is hampered by their above-mentioned isolation in the PRC economy.

However, that is only one side of the coin. In fact, by creating projects in the manufacturing industry, the TNCs are actively using already existing Chinese enterprises. Only as a result of introduction of Western methods of management and organisation of production, aimed at the maximum intensification of labour, these enterprises often make redundant up to 50-70 per cent of their personnel.²⁸ For instance, the joint enterprise of the Peking Automobile Plant and American Motors made redundant 6,000 Chinese workers and employees.²⁹ In the final analysis, the TNC total impact on the employment situation in China may well prove to be negative.

Enterprises set up in the PRC with the participation of foreign investors, including the TNCs, enjoy special rights in the spheres of employment, wages, social security, labour protection, discipline, etc. Retaining only general guidelines in these crucial questions PRC legislation gives foreign investors much leeway in the practical application of general rules. The function of "defending the working people's democratic rights and material interests" is entrusted to the grassroot trade union organisations which have the right to conclude collective contracts and control their fulfilment, to voice the workers' demands at the board of directors' meetings, etc.³⁰ However, as experience shows, these provisions exist mainly on paper. According to reports coming from China, it is a rare joint enterprise that can boast a trade union organisation as envisaged by the law. In the Shenzhen special economic zone, for instance, trade unions are functioning in less than one-fourth of the projects involving foreign capital.³¹ In case where grass-roots trade union organisations do exist, their activity, as a rule, is only of a nominal nature and is ignored by the foreign investors, which is recognised today in China itself. A collective contract, which is supposed to keep in check the activity of the investors, is often replaced by numerous personal contracts between the company and individual workers. These contracts are, as a rule, renewed every year.

The conditions of work at the TNC enterprises reveal a greater intensification of labour, the very system of payment there is directed towards this end. Some TNCs (US Gillette, for example) flatly refuse to establish a guaranteed minimum wage at their enterprises. Others acting more latently, have a basic (fixed) wage of such a low level that it cannot meet the worker's vital needs. Thus, in the Shenzhen zone, where food prices are 2-6 times higher than in hinterland China, the fixed part of wages at joint enterprises is about the same as the average for the country.³² This means that the reproduction of labour force demands an additional, "floating" part of the wage which compensates the enhanced labour activity. No wonder that the zone enterprises widely practice overtime work, often extending the working day up to 13-18 hours.³³ At the

²⁸ See *Intertrade*, No. 4, 1984; *Business Week*, May 7, 1984, p. 55.

²⁹ See *Fortune*, February 18, 1985, p. 22.

³⁰ See *Zhonghua renmin gongheguo gouyan gongbao* (Bulletin of the PRC State Council), No. 21 (416), 1983.

³¹ *Gongren ribao*, Jan. 28, 1985.

³² See *Renmin ribao*, Jan. 24, 1983; *Beijing Review*, Dec. 3, 1984, p. 22.

³³ See *Beijing Review*, Dec. 17, 1984, p. 28.

same time foreign investors take stringent measures to maintain labour discipline: a worker can lose the whole "floating" part of his monthly wage for reporting several hours later at his job.³⁴ As a result, the real gain of Chinese workers from the enhanced payment at the TNC enterprises does not look very attractive.

Along with the pursuit of maximum profits the TNCs strive to widen the social base of their activity in China. With this aim in view they resort to various methods of influencing the workers, advertise the "virtues of capitalism", cultivate among the workers the feeling of loyalty to the foreign company. The Hitachi corporation, for instance, gives much publicity to charity lunches for the workers of its enterprise in Fujian Province, undertakes to cover part of the expenses for the provision of factory kindergartens for the workers' children; provides the personnel with specially designed uniforms, offers a "suggestion box" on the betterment of labour conditions and every-day life for the workers. In its efforts to instill in the workers a kind of "corporate patriotism" the Japanese firm went to the length of publishing its own illustrated magazine and composing an anthem for the Fujian-Hitachi company. According to the company's management, the labour efficiency and loyalty of the workers are "extremely high".³⁵

Of major significance is also the fact that the TNCs in China are trying to widen their social base and forge links with the local state and party apparatus. Offering high salaries, they invite the most experienced and influential administrative personnel into the management of joint enterprises. Thus, the chairman of the board of directors of the Sino-US company Shanghai-Foxboro is a high official of the City People's Government; the Fujian-Hitachi board of directors is headed by the chief of the Provincial Board of Foreign Economic Ties and Foreign Trade, etc.³⁶ Establishment of direct links of this kind with the local authorities makes it possible for the TNCs to influence PRC policy in the sphere of joint business.

To sum up, even though the activity of the TNCs is not yet a major trend in the development of joint and foreign business in the Chinese economy, certain consequences of their impact on the socio-economic processes of the PRC are already apparent. These include an increased unevenness in the development and distribution of the country's productive forces; attempts to draw China into the international capitalist division of labour in the role of a dependent supplier of raw materials and maker of unsophisticated labour-intensive products; a deepening of the social differentiation of Chinese society; encouragement of private enterprise, etc. Although today all these negative features are of a limited and local nature, should the TNCs strengthen their positions in China, these trends could become serious problems for the socio-economic development of the country.

³⁴ See *Renmin ribao*, Jan. 15, 1983.

³⁵ See *Japan Economic Journal*, Jan. 21, 1984, p. 7; *Beijing Review*, Feb. 11, 1985, p. 28.

³⁶ See *China Newsletter*, No. 51, 1984, pp. 17-19.

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CHINESE COMMUNIST PARTY MARKS 65TH ANNIVERSARY

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[Article by V. I. Glunin and A. V. Meliksetov, doctors of historical sciences]

In July 1921 Shanghai was the venue of the 1st Congress of the CPC, which announced the formation of a proletarian party of a new type in conformity with the Bolshevik pattern. The ultimate goal of the Party was to overthrow the exploiter system and build a classless communist society. This congress was held secretly, and was attended by only 13 representatives of the 50 adherents to scientific socialism. At that time the event did not evoke any special response in China, but looking back one can see that it was clearly the beginning of immense revolutionary developments which radically changed the historical destiny of the Chinese people.

During the 65 years of its existence, the Communist Party of China has traversed a hard and heroic path marked by impressive victories, as well as a complex search for solutions, bitter setbacks and miscalculations. According to the last, 12th, Congress of the CPC, it was "both the road of development of a democratic revolution, full of twists and bends..., and the zigzag road of socialist revolution and socialist construction..."¹ At present the CPC constitutes a large contingent of the international communist movement numbering almost 42 million members and ruling a great socialist state where about a quarter of humanity lives. It is only natural, therefore, that the contradictory historical experience of the CPC, its quest for an optimal solution to the extremely difficult problems of building socialism in the conditions of a large, overpopulated and once backward Asian country attract the close attention of all political forces around the globe, including sincere friends of the Chinese people and its enemies from among imperialist reactionaries.

The history of the CPC has been closely linked with all the ups and downs of the Chinese revolution, in which huge masses of people, including most diverse social forces, took part. The CPC was developing simultaneously with the revolution. The development of the Chinese revolution was neither straightforward nor simple. The history of the CPC reflected the zigzags of that revolution, it represented the complicated process of development of a political force which was basically new for China but which, in the final analysis, has become a determining factor of China's social development. The history of the CPC demonstrated the specifics of shaping the communist movement in the conditions of a semi-colonial and semi-feudal country which did not have and could not have, from the very beginning, an adequate social base for such a movement.

The democratic stage of the revolution (1920s-1940s) was for the CPC the period of its emergence, establishment and development as a militant vanguard, and later as the recognised leader of the revolutionary national liberation struggle of the Chinese people. During those years the Communist Party of China had to traverse a difficult road of search and reflection upon local realities in the light of the theory of Marxism-Leninism, which was accompanied not only by gradual accumulation of most valuable revolutionary experience, but also by ideological and political vacil-

¹ *12th All-China Congress of the Communist Party of China (Documents)*, Peking, 1982, pp. 2-3 (in Chinese).

lations and delusions, including such features as sectarianism, revolutionary impatience, vanguardism, nationalism and social utopianism. In the course of its growth, the CPC "suffered" from all "infantile disorders" more or less like other contingents of the young communist movement, and also from its own specific "illnesses".

The objective difficulties inherent in the formation and development of the CPC were rooted in the general socio-economic and cultural backwardness of the country, the predominance of precapitalist relations, its semi-colonial dependence on imperialist powers, and the relatively weak, small and young Chinese proletariat. Another difficulty was that, prior to the 1920s, China practically knew nothing of Marxism, and different feudal, nationalistic and chauvinistic views and concepts were widespread and dominant in the country.

The restoration of national independence and the definitive break up of the thousand-year-long feudal order, national rebirth, social renovation, the modernisation of the country, and the acquisition of a corresponding role within the system of international relations as a mighty great power—all this constituted the objective content of the democratic (national-democratic) stage of the Chinese revolution. For decades the country's national emancipation was the immediate goal for the Communist Party of China. Particularly during the war against the Japanese invaders (1937-1945) and the struggle against the Guomindang rule (1945-1949) the CPC became a powerful national-revolutionary force. This won broad strata of population to its side and made the victory over the Guomindang possible. The same factors, however, in combination with the pressures from precapitalist non-proletarian elements which made up an overwhelming majority of the party members, as well as China's population, increased the possibility of a distorted interpretation of Marxism-Leninism.

At the same time, the history of the Chinese revolution is that of a constant search for an optimal combination of its national and social tasks. Attempts to solve them in isolation, the disregard or underestimation of anyone of them inevitably resulted in failures and setbacks. The success of the Chinese Communists in 1949 is explained not only by a unique combination of historical circumstances and powerful international support, primarily from the USSR, but also by the fact that they succeeded in drawing lessons from their own and others' misfortunes and errors, and found the necessary correlation of national and social aspects in the revolutionary struggle. However, at that period the CPC was unable to carry out an adequate theoretical generalisation of its own revolutionary practice in the spirit of Marxism-Leninism, which was hampered by the nationalistic ambitions of some of its leaders and by the burden of archaic concepts characteristic of the remote countryside. The absolutisation and dogmatisation of the specific "peasant" features of the CPC's historical experience engendered by the precapitalist social milieu and the "village route" of a considerable part of the road traversed by the revolution, in combination with nationalism, were a major reason for the setbacks of the party at the subsequent stage of China's socialist transformation.

As a result of the close intertwining of national and social tasks in the revolutionary struggle of the Chinese people, the class goals of the communist movement were frequently ousted by national objectives. The majority of the revolutionary democrats who joined the CPC came to Marxism not via the working class movement but via the national liberation and anti-feudal struggle. This determined the long-term influence of national revolutionariness on the party and told on the assimilation of the theory of Marxism-Leninism and its implementation.

This was one of the main reasons for the emergence and protracted existence in the party of two basic tendencies—proletarian-internationalistic, Marxist-Leninist, and non-proletarian, nationalistic and non-Marxist. The activities of the CPC and its intra-party struggle saw not only clashes between these tendencies, but also their coexistence, fusion, and compromises in solving specific problems. As a result, the differences between these tendencies were sometimes slurred over, and the same party functionaries could sometimes personify different tendencies in diverse political situations. Besides, the ideological and political life of the CPC was marked by the assimilation of nationalism and left-wing radicalism, while leftism often acquired nationalistic colouring. This, in turn, meant that the Marxist tendency was associated merely with a sober evaluation of the real socio-economic and political situation in the country and with certain political restraint.

The wide-ranging assistance on the part of the Comintern and the CPSU were the principal external factors which promoted the establishment and development of the communist movement in China. Beginning with the 2nd Party Congress (1922) and up to 1943, the CPC functioned as a section of the Communist International.

Due to objective historical circumstances, China was among the first big countries on which the main provisions of Lenin's theory of the national liberation movement in the epoch after the October Revolution were tested by life itself, by revolutionary developments of great historical scope. Together with its Chinese section, the Communist International for the first time summed up theoretically and tested in practice many aspects of the strategy and tactics of the national liberation struggle which became part and parcel of the arsenal of the international communist movement and are used on a wide scale at the current stage of the revolutionary process in the developing countries (the problems of the correlation of national, international and social aspects of the revolution, of mass movements and revolutionary armed forces, of solving agrarian-peasant issue, of non-capitalist way of development, national democracy, single anti-imperialist national front, subsequent stages of movement of class forces, and so on).

It is self-evident that the activities of the Comintern, including its resolutions on China, could not be free from errors. Alongside the causes which were common for the entire international communist movement, the incomplete and sometimes erroneous or distorted information from China also played its role. Nevertheless, it was the positive factors that were predominant in the approach of the international communist movement to the problems facing the CPC. The experience of national liberation and anti-feudal movements in China and the collective theoretical efforts by the Comintern, which spared no effort to provide the most intricate processes of the Chinese national-democratic revolution with Marxist understanding, enriched the Leninist theory of the national-colonial question with new conclusions which still remain treasure-house of the entire world communist and national liberation movement. Of course, Chinese Communists have made a weighty contribution to that treasure-house.

The concept of the democratic stage in the Chinese revolution resulted from close interaction between the Marxist theory and practice. It was elaborated by the joint effort of the Comintern, its practical workers in China and the Chinese Communists who adhered to Marxism-Leninism. In spite of all the difficulties, errors, misfortunes, temporary setbacks, attacks and distortions on the part of the right- and "left"-wing opportunists and nationalists, this concept, in the main, withstood the test of time and acted as the ideological and theoretical weapon which led the CPC to victory in 1949.

At the same time, an objective assessment of the CPC's historical experience during the national-democratic revolution in all its entirety

and diversity shows that the ideological and theoretical, as well as political legacy of the party comprises rather complicated and heterogeneous phenomena. What was called the "collective experience of the party" and the "combination of Marxism-Leninism and the practice of the Chinese revolution" in CPC documents and in Chinese historical and party literature included not only fundamental Marxist provisions borrowed from the common treasure-house of the international communist movement, not only the contribution made by the Comintern and the truly independent contribution made by Chinese Communists who adhered to Marxism-Leninism, but also elements of overt or covert distortion of Marxism. Such elements were manifest in the moves towards the "Sinicisation" of Marxism, manifestations of nationalism and social utopianism, the idealisation of some sort of a "war communism" engendered by the severe conditions of the anti-Japanese and the civil wars.

The historic victory of the CPC in 1949 was a result of a unique combination of internal factors (social self-isolation of the Guomindang and its decline) and external factors (victory of the anti-fascist coalition in the Second World War, Soviet assistance to the Chinese revolution, the overall alteration in the alignment of forces in the world arena). At the same time, that victory vividly showed the CPC's tremendous moral and political superiority over all its political adversaries. The CPC, in the course of the national liberation struggle, managed to rally around it all the most honest and advanced elements of Chinese society and thus became the genuine leader of the Chinese people having exceptionally high political and moral prestige.

The triumph of the democratic revolution and the formation of the PRC in 1949 is a major watershed, not only in the history of China but also in the history of the CPC. These developments completed the historic stage in the establishment of the CPC and its struggle for power as the vanguard of the revolutionary forces of the Chinese people, and marked a new stage in which the CPC was turning into the ruling party and was guiding the progress of China along non-capitalist, socialist lines. At the same time, the victory of the democratic revolution in no way signified the end of the struggle for national rebirth and social renovation of the country, nor the end of the struggle to overcome its backwardness, but chiefly decided the question of the path to be taken in attaining those objectives. It was only natural that these objectives should become the long-term problems facing the new system and the same political force which had brought democratic revolution to victory and taken power. China, to an even greater extent than Russia witnessed, as Lenin put it, a change in the "usual historical order", which fact left a very heavy imprint on the entire subsequent development of the country and predetermined a number of specifics characterising China's movement towards socialism.

Immediately after its advent to power, the CPC had to tackle a number of enormous problems both of a short-term and long-term character. China remained a country with an extremely low level of development of its productive forces, suffering from poverty, and total illiteracy of the working people fettered with medieval and nationalistic prejudices. The rather meagre economic resources of the country had been depleted by protracted wars, undermined by inflation, profiteering, corruption, unemployment, gangsterism and other social evils. At the same time, the political, socio-economic and international situation, that had taken shape by the time the PRC was formed, exerted a favourable influence on the establishment of the new, people's power and the onward development of the revolutionary process. The three-million-strong CPC won its victory as an actual monopoly political force. Its prestige was unprecedentedly high and it had a many-million-strong people's army. The new power automatically seized the former state-capitalist sector ("bureaucratic capital"),

which had formed under the Guomindang due to the absorption of large-scale national and almost all foreign capital, and which held the commanding heights in the economy. In the course of the anti-feudal land reforms carried out by the CPC, the surplus product made by peasants and formerly usurped by rural exploiters and Guomindang officials began to be channelled into the treasury of the people's state through a new progressive tax system. The allround state support for the PRC by the Soviet Union and other socialist countries, which frustrated the schemes of the US imperialist intervention and blockade, created the most important favourable international conditions. The Soviet-Chinese Treaty of Friendship, Alliance and Mutual Assistance signed in Moscow in February 1950, which laid down the foundations for cooperation between the two great powers in the struggle for the common cause of peace and socialism, played a prominent role in strengthening people's power, restoring and developing PRC's economy and ensuring its security.

The new people's statehood that took shape after the formation of the PRC, rapidly proved its efficiency and deprived counter-revolutionary forces of any hope of restoring the old order. At the same time, the new state machinery was naturally built in conformity with the CPC apparatus, having assumed completely its chief characteristics, including negative ones. Like the CPC, it was based along the lines of militarisation and super-centralism. The CPC Central Committee stated in 1981: "The gradual creation of a highly democratic socialist political system is one of the major tasks facing the socialist revolution. This task has been somewhat ignored since the formation of the PRC, and this was one of the major reason for the emergence of the 'cultural revolution'. This is a sad lesson for us."²

The tremendous military-political power of the new state machinery and the considerable economic levers in the hands of the CPC were an important positive factor which helped to raise the revolutionary process onto a higher, socialist level.

At the same time, these huge possibilities had their reverse side: they engendered the illusory concept among some CPC leaders of the omnipotence of the political and administrative levers, and the underestimation of, sometimes disregard for, economic mechanisms in building the foundation of a new society (in the narrow sense, commodity-money, market levers). In combination with the traditional anti-market mood of the poorest population, these concepts promoted the establishment of the policy of using extra-economic methods to solve the problems of the transitional period.

The historical experience gained by the PRC and other states making the transition to socialism in the conditions of the domination of a semi-colonial and semi-feudal order and the powerful influence of pre-capitalist relations brought to light some specifics of that transitional period, which consist not merely in the length of that period, but are characterised primarily by a quite distinct content. The immaturity of the objective conditions for a socialist revolution demands that the socio-economic revolution be augmented by the creation of a material and technical basis adequate to the new society and by the implementation of a far-reaching cultural revolution creating the psychological prerequisites for the building of a new society. It is precisely the creation of the material and technical basis and the development of productive forces that prove to be the principal (in a certain sense, preliminary) condition for the economic and cultural revolution and the development of the very social vehicles of the new social relations. By the time of triumph of the Chinese revolution there was no such precedent in China, except for the experience of Russia,

² *Decisions on Some Problems of the CPC History Since the Formation of the PRC*, Peking, 1981, pp. 83-84 (in Chinese).

which, however, was making the transition from capitalism to socialism, albeit a capitalism of medium level, with a relatively low level of development of the productive forces in a country of peasant small-holdings. The strategy of the socio-economic development of China was mirrored in the general line of the party during the transitional period (1953), during the First Five-Year Plan (1953-1957), and in the decisions of the 8th CPC Congress (1956). Of special importance were the decisions of the 8th Party Congress which declared Marxism-Leninism and proletarian internationalism to be the ideological and political foundation of the entire activity of the party, and which also elaborated the policy of a long-term progress towards socialism; the gradual, systematic creation of the material and technological basis of socialism and socialist relations of production, the development of socialist and intra-party democracy, the enhancement of the material and cultural level of the people. However, the Congress failed to work out the necessary organisational and political measures which could ensure the implementation of its policy provisions, and later on this led to the consequences rather tragic for the party and the entire Chinese people.

On the whole, the first half of the 1950s was one of the most fruitful periods in the activity of the CPC both inside and outside China. That was the period marked by the establishment of socialist foundations, by the lofty political and labour enthusiasm of the people, by the rapid development of the economy, and raising living standards for the working people, by the party's high prestige, China's broad and allround cooperation with the socialist countries, the PRC's greater international authority, its active and efficient participation, together with all progressive forces on earth, in the struggle for peace, socialism and national emancipation.

The first half of the 1950s is assessed highly in Chinese contemporary historical and party literature, and Chinese social scientists constantly turn to the experience of that period. At the same time, the brilliant victory of the democratic revolution and the first palpable achievements of China on the road towards socialism engendered, among some CPC leaders headed by Mao Zedong, an euphoria which made itself felt first in the voluntaristic leaps over incomplete stages of development, in the artificial acceleration of socialist transformation, and then in the launching of widely-known tragic large-scale social "experiments", including the "great leap forward", "people's communes", and later on the "cultural revolution".

The left-extremist and largely utopian policy which dominated the CPC, with small intervals, for twenty years, inflicted incalculable sufferings on the Chinese people (and today it is officially recognised in China), led to tremendous economic losses, lowered the living standards, damaged social morality, brought about ideological confusion in the party and the loss of its political capital accumulated over decades of heroic struggle. This policy isolated the CPC from the international communist movement and socialist cooperation, and caused other, no less grave, consequences whose elimination will need considerable time, and effort.

The international communist movement gave a clearcut negative assessment to the political line of the CPC during the "great leap forward" and particularly during the "cultural revolution". The basic aspects of that evaluation were reaffirmed in the "Decision on Some Issues of the History of Our Party After the Formation of the PRC", adopted by the CPC CC in 1981, and other official party documents: "The 'cultural revolution', which lasted from May 1966 to October 1976, inflicted the most serious setbacks and losses on our party, state and people since the formation of the PRC. It was Comrade Mao Zedong who launched that 'cultural revolution' and guided it... The history of the 'cultural revolution' shows that the main provisions of Comrade Mao Zedong, which served

as the substantiation for launching the 'cultural revolution', ran counter to Marxism-Leninism, to Chinese reality. Life shows that the 'cultural revolution' did not and could not constitute either a revolution or social progress in any sense... History has already demonstrated that the 'cultural revolution' was lawlessness caused from above through the fault of the leader and used by counterrevolutionary groupings, lawlessness which inflicted serious damage on the party, state and the whole multinational people."³ The official report on the 30th anniversary since the formation of the PRC described the political regime during the 'cultural revolution' as the 'dictatorship of a totally rotted and most extreme fascism with a touch of feudalism.'⁴

At the same time, the very character of the ruling party as a communist party, its genetic, theoretical, ideological and political links with the international communist movement and the world revolutionary process, as well as the inevitability of the party's option for the socialist road of development, even under most unfavourable conditions, could not but contribute to the permanent reproduction of the Marxist-Leninist tendencies and forces in the party.

The CPC began extricating itself from this profound ideological and political crisis only after Mao Zedong's death in 1976, when, in the course of a bitter inner-party clash, the members of the "gang of four" who adhered to leftist extremism in internal and external policies were removed from the top echelon of party leadership. This political turn in October 1976, signified the beginning of a long period of complicated intra-party struggle on the fundamental issues of the development of China and the activities of the party. The content of that struggle was marked primarily by two interconnected processes: on the one hand, a gradual consolidation of political position of those figures in the CPC leadership who were striving to break with the social utopianism and political extremism of Maoism and to overcome the ideological, political, social and economic consequences of the "cultural revolution" to which many of them had fallen victims; on the other, the assertion of a new political line in the building of socialism in China, based on a sober consideration of the objective situation in the country, an understanding of the profound socio-economic, ideological and political crisis through which China was going and which was the result of the former policy pursued by Mao Zedong.

The fact that, despite the heavy losses sustained by the party and the long deformation of its entire intra-party life, there remained forces capable of soberly assessing the situation in China, taking a critical stand as regards Maoist ideological and theoretical legacy, drawing practical conclusions from their own sad political experience, deserves, in our opinion, close attention and apparently reflects deep-rooted characteristics of political culture that took shape in China over recent decades.

The 3rd Plenary Meeting of the CPC Central Committee, the 11th convocation (December 1978), at which the new political forces took predominant positions and got an opportunity to implement their objectives, became a milestone in the intra-party struggle and the entire political life in China.

Of course, the 12th Party Congress (September 1982) played an important role in strengthening new processes in the party. The proceedings and decisions of the Congress were of great and far-reaching importance for the development of the CPC and the building of socialism in China. In his introductory speech Deng Xiaoping, Deputy Chairman of the CPC Central Committee, stressed the three basic tasks facing the Chinese people in the 1980s: "Acceleration of the rates of socialist modernisation,

³ *The Resolution of the CPC Central Committee on Some Problems of History of the CPC Since the Formation of the PRC*, p. 33.

⁴ *Renmin ribao*, Sept. 30, 1979.

struggle for the unification of the Motherland, including Taiwan, struggle against hegemonism, and for the preservation of peace throughout the world."⁵ In his Report to the Congress, Hu Yaobang, Chairman of the CPC Central Committee, emphasised that during the "great historic change", i. e., after the removal of the "gang of four", "the heavy, years-old fetters of dogmatism and the personality cult in ideology were smashed", and that the centre of gravity of the whole work had been shifted to implementing a "socialist modernisation". Such an approach to policy-making provisions is linked with the highly important proposition contained in the Report, to the effect that the principle "class struggle is the major link" was erroneous. The struggle with the leftist extremism stood out in bold relief in the entire activities of the Congress. The Report stressed its appeal to eliminate completely the "leftist errors of the cultural revolution and of the preceding period".⁶

The critical reappraisal of the previous ideological provisions, which for several decades had determined the activities of the party, was presented at the Congress as the restoration of the "true image of the thought of Mao Zedong", while the policy-making section of the newly-adopted CPC Rules pointed out that, in its activity, the party is "guided by Marxism-Leninism and the thought of Mao Zedong".⁷ This situation, too, has its explanation in the history of the CPC. When today, in China, the collective character of the origin of the "thought of Mao Zedong" is increasingly emphasised, we have to admit that this assertion is close to the truth, as many present and past CPC leaders have made an essential contribution to the ideological system predominating in the CPC. The last decade has witnessed a vigorous revision of the fundamental ideological principles of the CPC advanced by Mao Zedong, particularly those related to socio-utopian goals and left-extremist methods of attaining those goals. At the same time, the CPC's ideological platform is being more and more enriched by a theoretical understanding of the experience of socialist construction in the PRC, particularly over the recent years, and also by the assimilation of the experience gained by the fraternal communist parties, and linked to the solution of historically similar tasks (for example, Soviet experience, economic reforms in Hungary, etc.).

The foreign policy section of the Report to the 12th CPC Congress contained a provision that China would "firmly adhere to an independent foreign policy".⁸ This formulation actually reflected the recognition by the party leadership of the untenability of the foreign policy of joining hands with imperialist countries, setting up a "single anti-Soviet front", pursued in the latter half of the 1970s, and perhaps the realisation of the important fact that anti-Sovietism can only hamper socialist development in China. The foreign policy provisions of the Congress and post-Congress foreign policy practice demonstrate that the CPC is seeking to subordinate its foreign policy to the interests of socialist modernisation. That is why the Report pointed clearly to the possibility that the development of "Chinese-Soviet relations may turn towards normalisation".⁹

At the All-China Party Conference in September 1985, the CPC leadership elected by the 12th Congress¹⁰ succeeded in consolidating the trend to-

⁵ *12th All-China Congress of the Communist Party of China (Documents)*, p. 4 (in Chinese).

⁶ *Ibid.*, pp. 10-12.

⁷ *Ibid.*, p. 99.

⁸ *Ibid.*, p. 59.

⁹ *Ibid.*, p. 64.

¹⁰ The Standing Committee of the CPC Central Committee Political Bureau included Hu Yaobang, Ye Jianying, Deng Xiaoping, Zhao Ziyang, Li Xiannian, Chen Yun. The post of Chairman of the Central Committee was cancelled. Hu Yaobang was elected General Secretary of the Central Committee. Deng Xiaoping was elected Chairman of the CPC CC Military Council. *Ibid.*, p. 162.

ward the renovation of the party life. In particular this is true as regards the decisions taken by the Conference on party cadres (the composition of the central Party bodies was changed considerably) and, no less important, younger, more energetic and educated functionaries came to replace the party workers of the old style at all levels.¹¹ Of course, the new generation of party functionaries is marked not only by their age and education but primarily by active adoption of the new ideological and political line. Having adopted basically important recommendations concerning the 7th Five-Year Plan (1986-1990), the Party Conference also confirmed a new direction in the socio-economic development of China.

In summing up some of the results achieved over this decade in the renovation of party life, one can note a fundamentally important move away from the concentration of effort on the notorious "class struggle" in its ugly, Maoist interpretation, towards the solution of topical socio-economic tasks of socialist modernisation and the related ideological and political problems. The party has been concentrating more on the economy. Due to this, the image of the country is changing visibly, the socio-economic efficiency of the new party line is becoming increasingly palpable. The task now is to increase gross output by the end of the 20th century by 300 per cent, as compared with 1980. This should, at the same time, signify a basic, qualitative shift in the entire socialist development of China.

The economic shift implemented during the past decade in the course of overcoming the former, largely utopian, socio-economic policy can be summed up, in our opinion (with a certain simplification) in the three basic provisions: emphasis on economic (in a narrower sense market) methods of management (preserving centralised state planning and control); large-scale use of individual and private sector in agriculture, in cottage industry and in the services with the aim of invigorating to the utmost the personal factor in production; versatile involvement of foreign capital to bring the country more rapidly to the international level of science and technology, to expand export possibilities, and achieve a greater potential of economic construction.

Economic transformation first began in the countryside. From the end of the 1970s the system of "people's communes" was gradually restructured, and by 1983 the family (homestead) contract established itself completely in the Chinese countryside as a form of production responsibility, and this, in its turn, removed the economic and administrative functions of the "people's communes". Thus, while preserving collective ownership of land (the production team acts as the legal owner), a peasant family became the chief production unit, and the system of petty individual land cultivation has been restored. Active encouragement of the peasants' personal initiative, supported by the state, demonstrated considerable economic efficiency of the new policy in the countryside, over a rather short period. In 1981-1985 the production of grain increased from 305.3 million tons to 370.6 million tons, of cotton from 2.24 million tons to 4.32 million tons, the market produce of animal husbandry, as well as the production of industrial crops, increased considerably, and the annual increment of gross production in agriculture became stable.¹² For the first time in many decades China has overcome its chronic shortage of food.

Socially, the new policy in the countryside has also proved efficient, although its social results are varied. On average, during the past five years, the incomes of the peasants doubled, i. e., rose more than during the 20 preceding years. Of course, the growth of the peasant incomes was unequal and led to a certain increase in the difference between incomes.

¹¹ At the conference, 64 members of the CPC Central Committee, including ten members of the Political Bureau, resigned. During the year that preceded the conference about 2 million old cadre workers were replaced by younger functionaries.

¹² See *Renmin ribao*, April 14, 1986.

About one-sixth of peasant households, as a result of introduction of highly marketable farming, obtain relatively high incomes. However, it is important to note that the poor have not become poorer. For example, while in 1978 about two-thirds of the peasants had a per capita income less than 150 yuan a year, by the spring of 1986 the poor households (the very notion of "poverty" had changed by that time, and households with an average annual per capita income of less than 200 yuan are regarded as poor), accounted for only 8 per cent (about 14 million families, about 70 million people). At the same time, according to the Chinese press, the growth of inequality in incomes is leading to greater social tension of a new type in the countryside holding back and deforming new economic processes.

The achievements in economic transformation in the countryside have made it possible to speed up and expand changes in the town (on the basis of experiments carried out since 1979). The economic reforms have become all-embracing. The 3rd Plenary Meeting of the CPC CC, 12th convocation (October 1984) passed a decision, "On the Reform of the Economic System". The main objective was "the building of a socialist system with Chinese specifics", the laying of its foundation was to take the whole of the 7th Five-Year-Plan period.

The central link in the economic system in the town is the conversion of industrial enterprises into "independent economic organisations", reduction of the sphere of management by directive and the introduction of a guiding planning, the quest for ways to develop a new type of competition, and a switch from expropriation by the state of enterprise profit to the imposition of income tax. At present about 50 per cent of all state-owned industrial enterprises (in the main, medium and small) have already switched over to the new system of management, and the rest are to switch over in the course of the current five-year-plan period.

Within the framework of the new economic system, the CPC aims to invigorate individual enterprise in small cottage production, in trade, in the services, and is also encouraging the creation of collectively-owned enterprises. Collective and individual enterprise plays an essential part in stimulating employment of the urban population and has already made possible a sharp reduction in urban unemployment. It also plays a considerable role in satisfying the demand for basic goods and services. All this helps to raise the living standards of the urban population.

An important component of the new economic system is the "open foreign economic policy" which proclaims the strategic necessity of using foreign capital, technology, science and know-how for the socialist modernisation of China. The expansion of economic ties with highly developed capitalist states, including the active involvement of foreign capital to set up foreign and mixed industrial enterprises, is for the moment the determining trend in foreign economic strategy. In order to create a favourable investment climate, four special economic zones were set up where favourable conditions for entrepreneurial activities were created for foreign capital. Later on, fourteen coastal towns were opened to foreign enterprise, and state-owned enterprises were given wider opportunities to maintain direct commercial ties with foreign investors. Between 1981 and 1985 the PRC made use of \$10.3 billion of foreign investments. At present the experiment has not lasted long enough and the volume of investments has been too limited (for such country as China) to provide grounds for drawing final conclusions about the effectiveness of this experiment. However, one can already see the ability of the Chinese economic system to subordinate the activities of foreign capital to national interests.

The implementation of the economic reform has substantially changed China's economic structure. In terms of political economy, this change

may be described as a return to the multistructural economy which was provided for by the CPC general line during the transitional period. This has been achieved by returning to private ownership, with some of the property socialised in the 1950s, mainly by administrative and political, rather than by economic methods. This, however, is in no way a regressive movement because the present multistructural system differs radically from the previous one, primarily as regards the much greater economic role and power of the state.

The profound economic transformations now at the early stage in China are already causing important social changes which, in their turn, cannot but influence the economic life of the country. We have already referred to one of the aspects of these changes, i. e., the significant growth in the peasants' living standards, and now we shall also look at the growth in the living standards of the bulk of the urban population. To this should be added the development of the education system and the improvement of production skills among the working people in town and country. The other side of these changes, just as important if not more so, is that, in the course of these economic transformations, the coercive forms of labour which played such a great role in the past, are being removed. China is witnessing the gradual break up of the legal and political barriers between different social groups of the working people, and now there is the possibility of choosing a place of residence, work, and forms of production association. These social shifts, whose scope may increase still further, are of immense significance for the future of the economic reform and, moreover, for the very nature of China's social development.

The implementation of these socio-economic changes, which have affected practically every aspect of the life of the Chinese people, are accompanied by the emergence or, to be more precise, the stimulation of a number of negative phenomena testifying to the reverse side of the economic reform. The danger of different forms of corruption in the party and state apparatus has increased sharply. Bribery, nepotism and other anti-social phenomena have drawn the attention of the party and its press as presenting a serious danger to the cause of socialist construction. The party and state leadership is taking a number of administrative and political measures (for example, cadre workers are forbidden to engage in entrepreneurial activities), and is looking for ways to improve the economic mechanism itself.

We believe, however, that some of these phenomena are nothing but the expression of more profound and complicated processes stemming from the different rates of development of the socio-economic processes, on the one hand, and of political and legal processes, on the other. The development of political, administrative, legal institutions and the democratisation of social life are obviously lagging behind the development of production, and this is a serious obstacle to socialist modernisation. A number of articles carried in the party press demonstrate that the party leadership is becoming increasingly aware of the danger inherent in this gap and the need for "unity in the construction of socialist democracy and socialist modernisation" is proclaimed.¹³ With increasing frequency, however, the historical experience of the political development of the CPC and the PRC shows that it is not easy to translate such slogans into life.

The gradual change in the policy of the CPC leadership as regards the Soviet Union and the CPSU comes within the framework of the general move to accelerate socialist development. This change brought about the revival and development of mutually-beneficial contacts (for which the Soviet side had called for many years). In October 1982 Soviet-Chinese

¹³ See, for example, one of the recent such publications with the references to the statements by Deng Xiaoping and Hu Yaobang in *Guangming ribao* of June 7, 1986.

political consultations began between special representatives of the governments of the USSR and the PRC. Annual consultations on international problems have been held since 1983 between the Foreign Ministers of the USSR and the PRC alternately in Moscow and Peking. The trip by Ivan Arkhipov, First Deputy Chairman of the USSR Council of Ministers, to the PRC in December 1984, and by Yao Yilin, Deputy Premier of the PRC State Council, to the USSR in July 1985, as a result of which agreements were signed on trade and payments for the new five-year-plan period, and the agreement on economic and technological cooperation were the milestones that have marked a new stage in our economic relations. These agreements provide for a considerable growth of trade, and for Soviet participation in the construction of 7 new enterprises and the reconstruction of 17 old enterprises. Parliamentary ties are broadening, as well as cultural and sports exchanges. Mutually useful contacts between scientific establishments have been resumed. It can be said that Soviet-Chinese cooperation is again becoming a factor of social orientation in the development of the PRC and the CPC. Mikhail Gorbachev stated on June 26, 1985: "I think time has demonstrated to the both sides that neither of them stands to gain from dissociation, all the less so from hostility, suspicion, while neighbourly cooperation is quite possible and desirable. We, for our part, intend actively to support the ending of the negative period in the Soviet-Chinese relations, which gave rise to quite a few artificial barriers. I am sure that, in the final analysis, it will be so ended."¹⁴ This principle has been expressed clearly in a decision of the 27th CPSU Congress, which noted with satisfaction a certain improvement in the USSR's relations with its great neighbour, socialist China, the possibility, despite differences in approach to a number of world issues, to develop cooperation on an equitable basis, without touching upon the interests of third countries. The Congress is convinced that the potential for such cooperation is enormous because it meets the vital interests of the two countries whose people share the most important—the desire for socialism and peace.¹⁵

¹⁴ *Pravda*, June 27, 1985.

¹⁵ See *Pravda*, March 26, 1986.

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8TH CONGRESS OF CHINESE CP RECALLED THIRTY YEARS LATER

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[Article by K. V. Kukushkin, candidate of historical sciences: "On the 30th Anniversary of the Eighth CCP Congress"]

The 8th All-China Congress of the Communist Party of China took place from 15 to 27 September, 1956, at a crucial period in the history of the Chinese people, i.e., the start of the large-scale and systematic building of socialism. Chinese Communists were facing impressive tasks—to sum up correctly the experience of their struggle, to draw lessons from successes and errors, and to determine prospects for the development of their country during the remaining stage of transitional period from the completion of democratic transformation to the building of the foundations of socialism.

The CPC came to its Congress as a major political party numbering 10,730,000 of which 14 per cent were workers, 69 per cent were peasants, and 12 per cent intellectuals. 60 per cent of all communists joined the party after 1949, i.e., after the triumph of the popular revolution.

Participants in the Congress included 1,026 delegates with a decisive vote and 86 delegates with a consultative vote. It was also attended by representatives of more than 50 communist and workers' parties.

The Congress discussed the political report of the CPC CC (delivered by Liu Shaoqi), the report on the changes to be introduced into the Party's Rules (by Deng Xiaoping), the proposals on the second five-year plan (report by Zhou Enlai), adopted decisions on the reports and elected the supreme party bodies.

The three decades that have elapsed since the 8th CPC Congress have corroborated the correctness of its decisions and conclusions, many of which are still valid today.

It is to the credit of the 8th CPC Congress that it emphasised the vital importance of Marxism-Leninism as the theoretical basis of the Party, as the guideline in the building of socialism in all Party activity.

The task of intensifying regular study of Marxism-Leninism set by the 8th CPC Congress made it imperative to master the scientific method and the creative application of Marxism-Leninism in the course of socialist construction. The ability to use Marxism-Leninism in the examination and solution of practical problems, in reviewing experience and bringing to light the laws governing the development of specific phenomena was declared to be the principal requirement for Party functionaries.

The new Rules of the CPC¹ adopted by the Congress has fully revealed the most complicated aspects of Marxism-Leninism as the ideological and theoretical basis of the CPC. The Rules read in part: "In its activities the Communist Party of China is guided by Marxism-Leninism. Only Marxism-Leninism explains correctly the laws of the development of society, indicating the correct way to build socialism and communism.

¹ The previous CPC Rules, adopted in 1945 at the 7th Party Congress, read in part: "In its entire activity the Communist Party of China is guided by the thought of Mao Zedong which is the result of applying Marxism-Leninism in the prevailing conditions of China." Liu Shaoqi, *On the Party*, Peking, 1953, p. 69 (in Chinese).

The Party adheres firmly to the outlook of Marxist-Leninist dialectical and historical materialism, and struggles against idealistic and metaphysical world outlooks. Marxism-Leninism is not a dogma but a guide to action; it demands that, in the course of the struggle to build socialism and communism, the people proceed from the real situation, apply flexibly and creatively its provisions in resolving different practical issues emerging in the course of struggle, and constantly develop its theory. That is why, in its activities, the Party firmly adheres to the principle of close correlation of the universal truth of Marxism-Leninism with practice of the revolutionary struggle in China, and opposes every dogmatic or empirical deviation."²

This fundamental provision of the CPC Rules, adopted by the 8th Party Congress, remains fully valid today. The experience of world socialism testifies that the loyalty of the ruling communist and workers' parties to the teaching of Marxism-Leninism and the creative application of that teaching constitute a most important factor in its successful onward movement.

The historical significance of the 8th CPC Congress also lies in the fact that it has reaffirmed the correctness of the general policy of the Party during the transitional period, and has formulated, on the basis of Marxism-Leninism, the task of launching allround building of socialism in China.

In 1952, proceeding from the existing situation in China, the CPC Central Committee determined the general policy course of the Party during the transitional period as follows: "To carry out over a rather long period of time the socialist industrialisation of the country and gradually to implement socialist transformations in agriculture, cottage industry, capitalist industry and trade."³

In 1954 this general line of the party was adopted by the National People's Congress and written into the PRC Constitution as the basic task of the country during the transitional period. At the 8th Congress this general line of the Party was included in the Rules as a major policy-making provision of the CPC.

The political report of the CPC Central Committee stated: "The general policy of the Party during the transitional period serves as a beacon illuminating our entire work."⁴ In conformity with the general line, in 1953 China began solving task of implementing the first five-year plan for the development of the national economy, i.e., planned socialist construction. The course of fulfilling the first-five-year plan in the PRC confirmed that "it will take three five-year periods or more"⁵ to translate into reality the main aims of the transitional period—industrialisation of the country and socialist transformations.

Thus, this general policy of the Party oriented Chinese Communists and all working people towards a comparatively long period of effort to achieve the consistent and systematic implementation of industrialisation and socialist transformation of the entire economy of China. The "Resolution of the CPC Central Committee on Some Problems of the History of the CPC Since the Formation of the PRC", adopted at the 6th Plenary Meeting of the CPC Central Committee, 11th convocation, in June, 1981, noted: "This general line mirrored historical necessity."⁶

² *Materials of the 8th All-China Congress of the Communist Party of China*, Vol. 1, Peking, 1956, p. 137 (in Chinese).

³ *Materials...*, p. 18.

⁴ *Ibidem*.

⁵ *Ibid.*, p. 19.

⁶ *Resolution of the CPC Central Committee on Some Problems of the History of the CPC Since the Formation of the PRC*, Peking, 1981, p. 19.

The Congress emphasised that the departure in the Party's activities from the general line inevitably brought about errors of the right or "left" deviation. Special emphasis in the documents of the Congress was placed on criticising the "leftist" deviations from the general line which mainly consisted in the demand that socialism be built overnight, and in "blind running ahead". The real danger of the "leftist" deviation made itself felt in the unjustifiably hasty, often unprepared transformation of the private forms of ownership of the means of production which happened on the eve of the Congress in 1955-1956.

"The Resolution of the CPC Central Committee on Some Problems of the History of the CPC Since the Formation of the PRC" states on that score: "From the autumn of 1955 we began displaying excessive rashness in the cooperation of agriculture, the transformation of cottage industry and private petty trade; were negligent in our work, changed too fast the forms of farming, applied excessively uniform types of cooperation, this resulting in the emergence of problems which remained unresolved for a long time."⁷ Such "leftist" errors led to serious distortions in the essence of the general line during the transitional period and to gross subjectivist and voluntaristic distortions of the CPC policy. That is why the concentration of attention on the pernicious consequences of "leftist" errors is to the credit of the 8th Congress.

While guiding complicated, difficult and far-reaching social transformations in the country, the CPC also secured the growth of industrial and agricultural production. From 1953 to 1966 the gross output of industry was, on the average, increasing annually by 19.6 per cent, whereas the gross output of agricultural produce—by 4.8 per cent. This is evidence of the Party's major achievements in socialist construction.

Having summed up the results of socialist changes in agriculture, cottage and capitalist industries and trade, the Congress stated: "At present these socialist transformations have won a decisive victory. And this means that in our country the contradiction between the proletariat and the bourgeoisie has been resolved in the main, an end has been put to the system of class exploitation which existed for several millennia, and a socialist system has been set up."⁸ The Congress emphasised the need to continue paying serious attention to overcoming the influence exerted by capitalist factors on the economy, policy and ideology. At the same time, it was concluded that, in connection with the accomplishment, in the main, of the socialist transformation, the class struggle in the PRC was tending to subside. The documents of the Congress pointed out that the "mass class struggle of the revolutionary period"⁹ had in general come to an end.

The Resolution of the Congress stressed that, under the new conditions, "the contradiction between the demands of the people to build an advanced industrial power and our backward state as an agrarian country, and also the contradiction between the rapidly growing economic and cultural requirements of the people and the inability of the present-day economy and culture of our country to satisfy these needs became the main contradictions inside the country. In the conditions of the socialist system which has been established in our country, these contradictions, in their essence, are a contradiction between the advanced socialist system and the backward social productive forces. At present the major task of the party and the whole people consists in concentrating efforts on the resolution of this contradiction in order to turn our country, as soon as possible, from a backward and agrarian into an advanced and industrial

⁷ *Ibid.*, pp. 21-22.

⁸ *Ibid.*, pp. 115-117.

⁹ *Ibid.*, p. 84.

state. This task is extremely difficult and formidable." ¹⁰ The basic guidelines of the PRC's economic policy for the next two or three five-year periods were subordinated to the solution of that task.

The Congress decided that socialist industrialisation of the country, the creation of the necessary material basis for the technological reconstruction of the economy and improvement of the living standards of the people were to be the principal aims of the economic policy pursued by the party and state. The implementation of the broad economic programme elaborated by the Congress was to be carried out by means of a close combination of China's domestic resources with assistance from the Soviet Union and other socialist countries. The Resolution of the Congress noted that, thanks to this opportunity, China has the chance to develop its productive forces at a rapid rate.

The documents of the Congress set the task of setting up, within approximately fifteen years, an integral industrial system which would be able to produce major machinery, equipment and raw materials, and to meet in the main the needs of the expanded reproduction and technical reconstruction of the national economy. The development of the PRC's economy envisaged its greater interaction with all socialist countries. The Resolution of the Congress pointed out: "The creation of such an industrial system is of immense importance not only for the allround development of the national economy of our country, but also for the strengthening of cooperation between countries of the socialist camp, and for an overall upswing in the economies of all socialist countries." ¹¹ The implementation of the Party's economic policy was based on systematic and consistent advance against the background of complex economic balancing.

Explaining this policy, Chairman of the State Planning Committee of the PRC Li Fuchun stated: "All branches of the national economy present an organically linked single whole, influence each other and determine each other... When studying the internal links between things and making use of the law of regular and proportional development of the national economy, it is necessary to ensure complex balancing and allround organisation of planning." ¹²

This policy presupposed complex balancing and allround planning of proportional development of the different interconnected branches of the national economy, namely, of industry and agriculture, production and circulation, economy and finance, accumulation and consumption, labour and wages, cost and prices, economic activity and cultural and educational work, economic and cultural construction and defence, centre and provinces, and also of many other aspects of the national economy.

The documents adopted by the Congress demonstrated a broad creative approach to the planning of the national economy which, alongside the directive planning, provided for indirect planning and, to a certain degree, for market regulation. ¹³ This approach was worked out by Chen Yun, who is the author of a formula which is widespread in China today: "Centralised planning should play the key role, while market regulations—an auxiliary role".

The 8th CPC Congress elaborated a large-scale programme for the implementation of the cultural revolution in China, and examined the problems of education, the development of science and culture. The task was set of applying maximum effort to achieve the gradual elimination of illiteracy and ensure universal compulsory elementary education within

¹⁰ *Ibid.*, pp. 116-117.

¹¹ *Ibid.*, p. 117.

¹² *Materials...*, Vol. II, p. 305.

¹³ See *Ibid.*, pp. 177-180.

the subsequent 12 years. A system of measures was elaborated to accelerate the development of science and technology. It was emphasised that it is necessary to use on a broad scale the achievements of science and technology in the USSR, socialist countries and other states of the world.

These major provisions of the CPC's economic and cultural policies were specified in the proposals on the second five-year plan (1958-1962), adopted by the Congress. The main guidelines of the plan were as follows: to continue industrial construction with emphasis on heavy industry, to proceed with technical reconstruction of the national economy, to establish a solid basis for the socialist industrialisation of China; to complete consistently socialist transformations, to consolidate and expand collective and social property; on the basis of developing capital construction and the further implementation and accomplishment of socialist transformations, to continue the development of industrial, agricultural and cottage production, to develop transport and trade; to train construction cadres on a large scale, and improve research work in order to satisfy the needs of the development of socialist economy and culture; on the basis of developing industrial and agricultural production to strengthen the country's defence, and to ensure the further improvement of the material and cultural living standards of the people.¹⁴

Moreover when the Congress adopted directives for the second five-year plan, they oriented the country towards further high rates of the development in industry and capital construction.

It was planned to increase by one hundred per cent the total sum of capital investments during the second five-year-plan period, as compared with the first one, and ensure an increase of the gross output in industry by one hundred per cent in 1962, as compared with 1957. Provisions were made for further progress in basic branches of heavy industry—metallurgy and engineering—and also strengthening such weak links in heavy industry as the mining and smelting of rare metals, chemical industry and organic synthesis. It was also planned to carry out active construction in new branches of industry—oil and radio-technical.

The task was set of moving industry further into the hinterland and creating new industrial bases in Central, North, Northwest and Southwest China. It was recommended that emphasis be placed on the building of large-scale industrial enterprises, while medium and small industrial enterprises were assigned an important, but auxiliary role.

The development of the productive forces was viewed at the congress from the point of view of improving the people's living conditions. The Resolution on the Political Report stated: "The main task of the entire work of the party is the maximum satisfaction of the material and cultural requirements of the people. That is why it is necessary, on the basis of developing production, gradually and steadily to improve the life of the people, which, in its turn, is a *sine qua non* of raising the production activity of the people."¹⁵ Of special importance was the task set by the Congress of carrying out consistently the principle of payment according to work done, and also the use of other economic incentives in production.

The elaborations and conclusions of the Congress concerning the development of the national economy directly reflected the principles of scientific socialism, in particular, the law of planned and proportional development, the principal law of the political economy of socialism. This was one of the greatest merits of the 8th CPC Congress.

The 8th CPC Congress devoted much attention to the problem of party and state construction. It warned the Party against the danger of

¹⁴ *Materials...*, Vol. 1, pp. 290-291.

¹⁵ *Ibid.*, p. 124.

petty-bourgeois influence. The Political Report stated: "In our country the petty bourgeoisie comprised the majority. The mood of that class exerts permanent influence and pressure on us, the bourgeoisie also influences us permanently in different spheres."¹⁶

The Congress lay bare manifestations of dangerous petty-bourgeois and nationalistic tendencies, gross violations of the inner-party democracy, and the subjectivism and red tape which were widespread in the party. The subjectivist errors in the CPC were explained by the existence of the huge petty-bourgeois layer in the country and the insufficient Marxist-Leninist training of a considerable number of communists who could become "the vehicles of subjectivism and dogmatism."¹⁷ It is to the credit of the 8th Congress that it raised the problem of the personality cult in the CPC. The 20th Congress of the CPSU exerted great influence on the CPC in that matter. The Congress of the Soviet Communist Party, as Deng Xiaoping put it, "made it clear to us to what serious consequences the idolisation of personality may lead".¹⁸ Analysing the situation in the CPC from this angle Deng Xiaoping noted in his report on the changes in the CPC Rules, that the "cult of personality as a social phenomenon has a long history and it could not but find some reflection in our party and social life. Our task is resolutely to continue the line of the Central Committee spearheaded against the idolisation of personality and its glorification."¹⁹

As subsequent developments demonstrated, the CPC failed to prevent the development of Mao Zedong's personality cult in the party. An analysis of the process of the establishment of Mao Zedong's personality cult in the CPC was given in the "Resolution on Some Problems of the History of the CPC Since the Formation of the PRC" adopted in June 1981 by the 6th Plenary Meeting of the 11th convocation. It stated that "at a time when the new task—to switch the centre of gravity of work to the building of socialism—was facing the party and demanded particular circumspection, the prestige of Comrade Mao Zedong reached its peak. He was giving himself airs, breaking with reality and with the masses, becoming subjective, taking voluntaristic decisions and placing himself over and above the Central Committee of the party, and this gradually weakened and even undermined the principle of collective leadership and democratic centralism in party and public life."²⁰ It was further stated that during the period of the "cultural revolution" "the erroneous, leftist one-man leadership of Comrade Mao Zedong actually replaced the collective leadership of the Party's Central Committee, and the personality cult of Comrade Mao Zedong assumed fanatical dimensions".²¹

At the 6th Plenary Meeting of the CPC Central Committee the Party revealed the reasons for the emergence and development of Mao Zedong's personality cult and resolutely condemned this negative social phenomenon. The Rules of the Party adopted in September 1982 by the 12th Congress of the CPC, proceeding from this historical experience and its lessons, stressed, as Hu Yaobang stated at the Congress, "the need strictly to observe the principles of democratic centralism and collective leadership by Party organisations at all levels—from centre to grass-roots".²² The CPC Rules stated clearly that the "party prohibits the cult of the personality in any form".²³

¹⁶ *Ibid.*, p. 98.

¹⁷ *Ibid.*, p. 102.

¹⁸ *Ibid.*, p. 205.

¹⁹ *Ibid.*, p. 206.

²⁰ *The Resolution on Some Problems...*, p. 48.

²¹ *Ibid.*, p. 38.

²² *12th All-China Congress of the Communist Party of China (Documents)*, Peking, 1982, p. 72 (in Chinese).

²³ *Ibid.*, p. 115.

In its struggle to overcome the grave consequences of Mao Zedong's personality cult, the CPC gave due credit to the historic significance of raising and resolving that problem at the 8th Congress of the CPC. "The Resolution of the CPC Central Committee on Some Problems of the History of the CPC Since the Formation of the PRC" pointed out: "Raising the question of the construction of the ruling party, the Congress stressed the need firmly to observe democratic centralism and collective leadership, to oppose the personality cult, to develop inner-party democracy, democracy among the people, and strengthen ties between the party and the masses."

Another major achievement of the 8th Congress was that it confirmed and developed a consistently socialist line in the sphere of foreign policy, based on the need for an allround strengthening of unity and friendship among socialist countries, the struggle for peaceful coexistence, and against the imperialist policy of aggression and war.

The PRC's foreign policy elaborated by the 8th CPC Congress was based on the principles of proletarian internationalism. These Marxist-Leninist principles ensured the unity of socialist domestic and foreign policies. While stressing the vital necessity to the party and the country of the consistent observance of the principles of proletarian internationalism, the Congress called on the party "resolutely to struggle against any manifestations of the dangerous deviations of great-power chauvinism and bourgeois nationalism".

The Congress formulated a most important provision to the effect that the destiny of socialism in the PRC depends directly on the close alliance of the Communist Party of China with socialist countries, with the international communist movement, and the national liberation movement. In this connection the Report of the CPC Central Committee emphasised: "Without the great international solidarity of the proletariat of all countries, and without support from international revolutionary forces, the victory of socialism in our country is inconceivable, and if the victory is won, it will be impossible to consolidate it."

The 8th Congress regarded the unbreakable union between China and the USSR and other socialist countries as the principal element determining and cementing the foreign policy of the PRC. The report of the CPC Central Committee stated in part: "The unity and friendship of China with the great Soviet Union and other socialist countries, based on common goals and mutual assistance, are eternal and unbreakable. The further strengthening and intensification of this unity and friendship is our supreme internationalist duty and the basis for the foreign policy of our country."²⁴ The policy of friendship and close cooperation between the PRC and other socialist countries was elaborated in detail by the 8th CPC Congress. It included broad exchange of experience in socialist construction, allround cooperation in economic development, science, technology, and culture. The policy of fraternal cooperation found its specific expression in the assistance and support provided by the Soviet Union and other socialist countries to China for the industrialisation of the PRC and the strengthening of the latter's defence capability. Finally, this friendship was embodied in the joint struggle waged by the PRC, the USSR and other socialist countries against the imperialist policy of aggression and preparation for a new war.

Soviet-Chinese relations and wide-ranging cooperation between the USSR and the PRC increased.

The Treaty of Friendship, Alliance and Mutual Assistance between the USSR and the PRC, which was signed on February 14, 1950, buttressed the position of world socialism, created reliable guarantees for the se-

²⁴ *Materials...*, Vol. 1, p. 93.

curity of the PRC and the protection of its revolutionary gains, and ensured a solid basis for the solution of intricate problems of the democratic and socialist remaking of China.

In conformity with the Treaty and the Agreements, which were concluded simultaneously, the Soviet Union began rendering various forms of assistance to China to restore its war-devastated national economy. In 1950-1952 more than 50 big industrial enterprises were built or reconstructed with Soviet assistance, and this largely contributed to the strengthening of the public sector of the economy.

When China began the planned building of socialism, the Soviet Union in conformity with the Treaty, rendered allround assistance to the Chinese people in socialist industrialisation. The USSR granted the PRC sizeable credits on easy terms and gave technical assistance in the building of more than 250 large modern industrial enterprises and other projects. As a result of putting these enterprises in operation, the image of China began to change: new branches of industry—aircraft, automotive, tractor industries, and modern engineering emerged. Enterprises were built which produced sophisticated equipment for electric energy, metallurgy and the mining industry. Enterprises which smelted high grade steel and non-ferrous metals were built. In noting the great significance of the enterprises built with Soviet assistance for the industrialisation of the PRC, Li Fuchun, Member of the Political Bureau of the CPC Central Committee, Deputy Premier of the State Council, said: "These enterprises comprise the backbone of our industry not only in volume, but also in the level of modern, advanced technology."

Of tremendous significance for the industrialisation of China was the successful development of scientific and technological cooperation between the USSR and the PRC.

Soviet assistance enabled the People's Republic of China, within a comparatively short period of time and on the basis of a rational combination of the tasks of economic and military construction, to lay the foundations of modern defence industry. The Soviet Union assisted in the construction of more than a hundred basic defence enterprises. Thanks to this, in the mid-1950s the PRC began producing combat aircraft, helicopters, tanks, field and anti-aircraft artillery, machine-guns, submachine-guns, radio stations, munition, and so on.

The 8th CPC Congress highly evaluated the contribution made by the USSR to the building of socialism in the PRC. The leaders of the Party and government who spoke at the Congress, noted unanimously that Soviet assistance had helped in overcoming many difficulties, and had enabled China to develop its economy at a rather rapid rate. "The Soviet Union," the Political Report of the CPC Central Committee stated, "rendered tremendous assistance to socialist construction in our country. The Chinese people will never forget this comradely assistance."²⁵

The historic significance of the 8th Congress of the Communist Party of China, first and foremost, consisted in that it adopted a large-scale programme of socialist construction in China. The general line of the party, confirmed by the Congress, was in the spirit of Marxism-Leninism and proletarian internationalism. The decisions of the Congress reaffirmed the policy of socialist construction in China in close alliance with countries of the world socialist system.

The 8th Congress and its decisions constitute an important chapter in the history of the development of world socialism and of the international communist movement. The permanent value of the decisions taken by the 8th CPC Congress lies in the fact that they embodied the creative implementation of general laws in the development of socialism in the condi-

²⁵ *Materials...*, Vol. 1. p. 93.

tions prevailing in China. That is why they have retained their significance till our day.

The documents of the 8th CPC Congress present a convincing argument within the history of world socialism, demonstrating the objective necessity for close cooperation among all socialist countries in the name of socialism and peace. This has been corroborated by the entire history of revolutionary interaction and cooperation between the CPSU and the CPC, the peoples of the USSR and the PRC. Addressing the 27th Congress of the CPSU Mikhail Gorbachev, General Secretary of the CPSU Central Committee, stated: "The Chinese Communists called the victory of the USSR and the forces of progress in the Second World War a prologue to the triumph of the people's revolution in China. It turn, the formation of People's China helped to reinforce socialism's positions in the world and disrupt many of imperialism's designs and actions in the difficult postwar years. In thinking of the future, it may be said that the potentialities for cooperation between the USSR and China are enormous. They are great because such cooperation is in accordance with the interests of both countries; because what is dearest to our peoples—socialism and peace—is indivisible."²⁶

²⁶ Mikhail Gorbachev, *Political Report of the CPSU Central Committee to the 27th Party Congress*, Moscow, Novosti Press Agency Publishing House, 1986, p. 92.

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SUN YATSEN PRAISED ON 120TH ANNIVERSARY OF HIS BIRTH

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[Article by Academician S. L. Tikhvinskiy: "Sun Yatsen--the Great Chinese Revolutionary Democrat and Friend of the Soviet Union (On the 120th Anniversary of His Birth)"]

Sun Yatsen, the outstanding Chinese revolutionary democrat who was a great and sincere friend of the Soviet people, has gone down in history as the organiser and inspirer of the Chinese people's struggle that led to the overthrow in 1912 of the feudal Manchu dynasty which had ruled China for 267 years. Sun Yatsen was made Provisional President of the Chinese Republic, but soon had to relinquish that post due to pressure from internal and external reactionary forces. An ardent patriot, Sun Yatsen devoted all his energy to the cause of China's liberation from domination by feudal and imperialist reactionaries and from its position as a semi-colony of world imperialism. "A revolutionary democrat, endowed with the nobility and heroism,"¹—that is how Lenin described Sun Yatsen in 1912, in an exceptional appraisal of Sun's desire to improve the position of the working masses in China.

Influenced by the ideas of liberation borne of the Great October Socialist Revolution in Russia and by the powerful surge in the Chinese people's struggle against imperialism and feudalism, Sun Yatsen attained an understanding of what the priorities and goals of a revolution aimed to abolish a semi-feudal and semi-colonial regime must be. His historic accomplishment was that he led an open offensive against imperialism and feudal-militaristic reaction and was the first statesman in Asia to accept the Communist Party of China's proposal to mobilise all the nation's forces to combat those enemies.

Sun Yatsen closely followed the revolutionary developments in Russia. In as early as 1897, he met with Russian political emigrés in London. When he was in exile in Japan between 1905 and 1907, he established ties with Russian revolutionaries who had taken part in Russia's first revolution and had subsequently moved to Japan. After the Great October Socialist Revolution, Sun Yatsen displayed a keen interest in the revolutionary developments taking place in Russia in conversations he had with Soviet representatives in China—G. N. Voitinsky, S. A. Dalin, A. A. Ioffe, and others; he long corresponded with G. V. Chicherin, Soviet People's Commissar for Foreign Affairs, and L. M. Karakhan, Soviet Ambassador to China. At Sun Yatsen's request, a senior member of the Bolshevik Party, M. M. Borodin, was dispatched to the headquarters of the revolutionary government of Southern China at Guangzhou as a political adviser, as were a group of prominent Red Army officers who helped Sun Yatsen reorganise the Guomindang and build a strong military base for the revolution. Sun Yatsen was profoundly aware of the need for a close alliance with Soviet Russia; he was an ardent advocate

¹ V. I. Lenin, *Collected Works*, Vol. 18, p. 165.

of Sino-Soviet friendship, and tirelessly stressed the need for all nations oppressed by imperialism to rally round Soviet Russia, the inspiration for the national liberation struggle against imperialist oppression.

In the autumn of 1923, Sun Yatsen sent a cable to Karakhan, the head of the USSR's diplomatic mission in China, in which he said, "...our countries' genuine interests call for the elaboration of a common policy which would enable us to live in equality with the other powers and free us from the political and economic slavery imposed by the international system which is backed by force and uses the methods of economic imperialism".²

In a cable sent to Karakhan on January 24, 1924 on behalf of the 1st Congress of the Guomindang, Sun Yatsen thanked the Russian people for being the first to demonstrate solidarity with the Guomindang's struggle against militarism and imperialism, and expressed the profound conviction that "both peoples, the Chinese and the Russian, will cooperate as they work to achieve freedom and justice". He sent "fraternal greetings to our great neighbour, Soviet Russia".³

In his letter to the Soviet People's Commissar for Foreign Affairs, Chicherin, dated February 16, 1924, Sun Yatsen wrote: "I welcome your proposal to maintain our ties. We must do this not only for the sake of exchanging ideas, but also that we will have the opportunity to coordinate our efforts in the world struggle."⁴

During the last few years of his life, Sun Yatsen repeatedly turned his attention to the Soviet experience, a fact which proves the historical necessity of friendship between two great nations, China and the Soviet Union.

Sun Yatsen can justly be considered the first of the leaders of the national liberation movement in Asia, Africa, and Latin America to elaborate an extensive programme for his country's industrial development through the establishment of a public sector in the national economy.

Sun Yatsen's personal charm, modesty, utter lack of interest in self-gain, virtually encyclopaedic knowledge, familiarity with contemporary socio-political and natural scientific theories of Europe and America, as well as Chinese history, and his talent for propaganda and organisation activity were extremely attractive, even to people who did not share his political views.

The acme of Sun Yatsen's political programme was "the three basic political guidelines", which he put forward at the 1st Guomindang Congress in January 1924. They were: alliance with the Soviet Union, alliance with the Communist Party of China, and support for the struggle of China's peasant and worker masses.

In keeping with these guidelines, the Guomindang and the Communist Party of China twice formed a united anti-imperialist front which lasted from 1924 to 1927 and from 1937 to 1946.

The People's Republic of China reveres the memory of Sun Yatsen, a revolutionary democrat of great courage and the founder of the republican system. Millions of people visit his Mausoleum in Nanjing, his Memorial House in Shanghai, another Memorial in Zhushan county where Sun Yatsen was born (formerly called Xiangshan but later renamed in memory of Sun Yatsen), the study of the Provisional President in Nanking, and other places where Sun Yatsen lived and worked. Peking's Central Park and Guangzhou university now bear the name of Sun Yatsen; the anniversary of his birth is observed every year and his

² *USSR Foreign Policy Documents*, Vol. VI, Moscow, 1962, p. 435 (in Russian).

³ *Ibid.*, Vol. VII, Moscow, 1963, pp. 25-26 (in Russian).

⁴ Sun Yatsen, *Selected Works*, 2nd Edition, Moscow, 1985, p. 751 (in Russian). The 1st Russian-language edition of Sun Yatsen's *Selected Works* came out in 1964.

books are published regularly. The government of the PRC, in advocating the peaceful reunification of Taiwan and Mainland China, is widely publicising the statements Sun made in favour of Chinese unity and calling on the Guomindang government in Taiwan to form a third united front with the Communist Party of China.

Sun Yatsen was born on November 12, 1866, to a poor peasant who lived in the village of Cuiheng in the southern Chinese province of Guangdong. His elder brother, who had emigrated to the Hawaiian Islands in search of work, helped him to get a good education: Sun studied medicine at a college in Xianggang (Hongkong), and upon graduating became a doctor.

At a young age, Sun Yatsen saw the poverty and social injustice that reigned in the feudal Qing Empire, felt the Manchu-Chinese rulers' outrageous oppression, and witnessed the aggressive moves the capitalist powers made against China. After the Qing monarchy's first defeats in the war against the young imperialist plunderer, Japan—defeats that showed the Manchu feudal regime to be utterly rotten—Sun Yatsen chose the path of uncompromising struggle against the Manchu monarchy, which the Chinese revolutionaries of the late XIX century regarded as the sole reason for their country's backwardness, weakness, and underprivileged position.

Between the first revolutionary rebellion staged by Sun Yatsen's anti-Manchu revolutionary organisation, the Alliance for the Rebirth of China (Xingzhong hui), in the southern Chinese city of Guangzhou (Canton) on October 26, 1895 and the victorious Xinhai Revolution which started with an armed uprising of Wuchang soldiers on October 10, 1911, there were sixteen years of intensive, selfless, and dangerous revolutionary activity aimed at the overthrow of the Qing monarchy. When the first uprising in Guangzhou was defeated, Sun Yatsen had to go into exile (during which time he lived in Japan, Britain, Indochina, the United States, and other countries), but he continued to direct the preparations for more and more anti-government protests, while working out the theoretical basis for the struggle to bring down the Qing monarchy, establish a republican system of government and improve the position of the masses.

During his years in exile, Sun Yatsen worked hard to discredit reformist ideas and organisations, which were quite popular then among China's bourgeoisie, landlords, and intellectuals. The reformists, led by the celebrated Chinese educators and publicists Kang Youwei and Liang Qichao, thought that the Qing Emperor Zai Tan (Guangxu), a Manchu, could be retained if a constitutionally-based government were established, if Chinese were widely admitted to government posts, and if a number of bourgeois reforms were carried out. At the same time Sun Yatsen familiarised himself with the socio-political theories and social issues then current in Western countries.

In 1905, Sun Yatsen expounded the theory of the "three popular principles" which underlay the programme of the United Alliance (Tongmeng hui), a new, socially broader revolutionary organisation set up in Japan in 1905 on the basis of The Alliance for the Rebirth of China and other organisations. These principles included "nationalism" (the demand to overthrow the alien Manchu dynasty and to restore the rights of the Chinese, Han, nation), "popular power" (establishment of a democratic republic in China) and "popular well-being" (the demand for "equal rights to land", i. e., nationalisation of land and the transfer of the right to land rent to the state). According to Sun Yatsen, the con-

stitution of the future republic was supposed to give citizens of China the right of executive, legislative and examination power, while the future central governmental apparatus was to consist of five chambers.

As to its class composition, the United Alliance was rather motley. Indeed, it included representatives of bourgeois-democratic elements from Southern, Eastern and Central China, bourgeois-feudal elements from Eastern and Central China, revolutionary minded students and instructors, representatives of the emigrant bourgeoisie and officers of the "new army".

Sun Yatsen saw and closely took to heart the oppressed and semi-colonial status of China, and its dependence on imperialist powers. However, most of all he was afraid of open interference by powers in the anti-Qing revolution on the side of the Manchu court (the years 1860 and 1900, when the Qing regime was saved only due to the support of powers was a case in point). For this reason in the years leading up to the revolution Sun Yatsen did not advance any anti-imperialist slogans in his programme; on the contrary, he repeatedly pledged that the revolutionaries would strictly observe all the treaties and agreements that the imperialist powers had concluded with the Qing government if those powers retained their neutrality.

The Russian revolution of 1905-1907 had a great impact on Chinese revolutionaries, who widely publicised it in their publications. From 1906 to 1911 the United Alliance, whose membership exceeded 10,000, staged a total of ten uprisings in Southern and Central China. And though all the uprisings were quelled, they made a considerable contribution to the creation of the revolutionary situation in the country. In exile, Sun Yatsen ran the United Alliance's headquarters, devising plans, raising funds, and purchasing weapons for rebellions.

The economic and social changes that were taking place in China at that time, the growth of the country's industry and trade were factors that increased the pitch of anti-Qing and anti-feudal protests. The United Alliance began to pay a great deal of attention to conducting revolutionary propaganda in the armed forces; many of the army officers were its members. The uprising against the Manchu authorities started by soldiers in Wuchang on October 10, 1911 rapidly spread to neighbouring towns and provinces. Soldiers stationed at local garrisons, peasants who lived close to urban areas, workers, craftsmen, students, petty bourgeoisie, and intellectuals actively supported the revolutionaries and joined the revolutionary army or volunteer units, displaying great courage and heroism in battling against the Qing troops. By December 1911, the Qing dynasty retained its hold over just three provinces—Zhili, Henan, and Gansu.

On December 29, 1911, Sun Yatsen, who had returned to China a few days before, was elected Provisional President of the Chinese Republic by delegates from the 17 revolutionary provinces.

During his brief presidency in Nanjing, Sun Yatsen succeeded in issuing a number of democratic laws and instructions on behalf of his government, an indication of deep concern for the needs of his people. The government adopted a republican constitution, passed laws protecting personal freedom and personal property, proclaimed freedom of speech and assembly, prohibited the practice of selling people into slavery along with the removal of slaves from the country, abrogated the old slave sale acts, abolished the use of corporal punishment and torture in prisons, put an end to rice speculation, prohibited the removal of unique works of Chinese art from the country, etc.

As the imperialist powers intervened in the revolution on the side of General Yuan Shikai, who was backed by feudal and comprador forces, and the Chinese bourgeoisie, frightened by the growing activeness of the

masses, quickly departed from the revolution, Sun Yatsen had to yield his presidency to Yuan Shikai. In exchange, the latter ensured the abdication of the Qing dynasty in February 1912. That was the end of the Manchu dynasty, which had ruled China for 267 years, and of feudal monarchy, which had existed there for centuries.

Sun Yatsen and his supporters expected that the republicans, who represented the bourgeoisie and landlords of Southern and Central China would secure a majority of the seats in the parliament, which was to be elected in accordance with the democratic provisional constitution adopted in Nanjing in 1912, and that in this way Yuan Shikai would be kept in line. But, with the monarchy deposed, among the former supporters of Sun Yatsen who had previously been affiliated with the United Alliance, the leading role began to be played by right-wing conciliators, who hoped to bar Yuan Shikai's party from actively running the state by parliamentary means alone, without resorting to mass popular action. In August 1912, the United Alliance merged with a number of liberal bourgeois-and-landlord parties of Southern and Central China to form the National Party (Guomindang). After resigning the provisional presidency of the Chinese Republic, Sun Yatsen began actively to seek support for his plans, designed to promote China's economic development and the well-being of its people. He called on the republican government to adopt policies which would ensure that capitalist monopolies would be unable to develop in China, and exposed the anti-popular essence of those monopolies, citing as examples European and American companies. Sun Yatsen also made practical recommendations to the government, proposing that the state establish control over the exploitation of natural resources, that major factories and railway lines be nationalised, and that ground-rent be levied by the state. He called for "socialism" to be built in China.

The leader of Russia's proletariat, Lenin, closely followed the revolutionary developments in China. At the Prague Conference in January 1912, the Russian Social-Democratic Labour Party adopted a special resolution regarding support for the Chinese revolutionaries.

As Lenin pointed out in 1912, "in Europe and America—from which the progressive Chinese... have borrowed their ideas of liberation—emancipation from the bourgeoisie, i. e., socialism, is the immediate task. This is bound to arouse sympathy for socialism among Chinese democrats, and is the source of their *subjective* socialism"⁵.

Soon after he resigned from the post of provisional president, Sun Yatsen wrote a lengthy article entitled "China's Second Step"⁶ for a Belgian socialist newspaper, *Le Peuple*. In it he stated that the main task facing Chinese revolutionaries was to carry out a "social" revolution, i. e. to effect social reforms that would eliminate forever social inequality between the rich and the poor. However, Sun Yatsen could not find the right way for reaching that goal and advanced utopian plans for "averting" capitalism by granting ground rent to the state: in that case "the surplus value of real estate would remain the property of the people, the creator of that surplus value, and not of individual capitalists, who became landowners by chance".⁷

Lenin responded to Sun Yatsen's article with a lengthy article of his own, entitled: "Democracy and Narodism in China". The article was published in a party newspaper, *Novskaya Zvezda*, on July 15, 1912. In it Lenin gave an exceptionally high appraisal of the Chinese revolutionary's

⁵ V. I. Lenin, *Collected Works*, Vol. 18, p. 166.

⁶ Sun Yatsen, *Selected Works*, pp. 745-747 (in Russian). The article was first published in Russian under the title "The Social Significance of the Chinese Revolution" in the *Novskaya Zvezda* newspaper on July 15, 1912.

⁷ *Ibid.*, p. 747.

work. He wrote: "Every line of Sun Yatsen's platform breathes a spirit of militant and sincere democracy. It reveals a thorough understanding of the inadequacy of a racial revolution. There is not a trace in it of indifference to political issues, or even of underestimation of political liberty, or of the idea that Chinese social reform, Chinese constitutional reforms, etc., could be compatible with Chinese autocracy. It stands for complete democracy and the demand for a republic. It squarely poses the question of the condition of the masses, of the mass struggle. It expresses warm sympathy for the toiling and exploited people, faith in their strength and in the justice of their cause" [My italics.—S. T.].⁸ Sun Yatsen's ideology of militant democracy, Lenin pointed out, was combined with dreams of socialism with the hope that China would keep from the path of capitalism, and with calls for radical land reform. Lenin found that Sun Yatsen's programme had much in common with the programme of the Russian *Narodniks*, and showed the inconsistency both of Sun's dream to "avert" capitalism and of his arguments that, due to China's backwardness, it was easier to carry out a "social revolution" there. Lenin demonstrated that the "economic revolution" Sun Yatsen was calling for, which would simply give the state the right to collect rents as advocated by Henry George, or, in other words, to nationalise land, was in fact an agrarian programme that would only speed up the development of capitalism in agriculture. He put down the emergence of this programme to the objective need to wipe out feudalism in China. Lenin used the example of Sun Yatsen to show that "in Asia there is still a bourgeoisie capable of championing sincere, militant, consistent democracy, a worthy comrade of France's great men of the Enlightenment and great leaders of the close of the eighteenth century".⁹ Lenin stressed the important role played in the Chinese revolution by the lofty and sincere democratic enthusiasm of the toiling masses, and emphasised that China's renewal could only be brought about through "the heroism of the revolutionary masses... Whether and to what extent this will succeed is another question... The decisive factors will be the international situation and the alignment of the social forces in China" [My italics.—S. T.].¹⁰

Subsequent developments revealed that the alignment of social forces was unfavourable to the Chinese revolution: the liberal bourgeoisie became afraid of the masses and switched sides, joining the counter-revolutionary forces. The international situation, too, did not develop in a way favourable to the cause of Sun Yatsen and his followers. Despite strong protests from the republicans, Yuan Shikai was granted a big loan by an international banking consortium and launched an open campaign of counter-revolutionary terror against the Guomindang leaders. Sun Yatsen had to leave for Japan once again.

He found himself at the beginning of a new stage in his life, the period of opposition to Yuan Shikai and other militarists, who had usurped power in China to serve the interests of the Chinese feudal lords, compradors, and foreign imperialism. In the course of that struggle, Sun Yatsen had to re-analyse the internal political processes all over again, to search for new forms and methods of revolutionary work, and to seek a social base within China and allies in the world scene.

On June 8, 1914, in Tokyo, Sun Yatsen established the Chinese Revolutionary Party (*Zhonghua gemingdan*), a clandestine revolutionary organisation that set itself the task of fighting for the re-enactment of the democratic provisional constitution of 1912, and opposing Yuan Shi-

⁸ V. I. Lenin, *Collected Works*, Vol. 18, p. 164.

⁹ *Ibid.*, p. 165.

¹⁰ *Ibid.*, p. 168.

kai and his plans to restore the monarchy with the support of the imperialist powers. During those years, a series of rebellions against Yuan Shikai occurred among army units in several provinces of Southern and Eastern China. The rebels advocated a republican system of government and their officers had ties with the Chinese Revolutionary Party. On May 12, 1916, a Southern Federation of Independent Provinces was established in Guangzhou. It proclaimed the provinces of Yunan, Guizhou, Guangxi, and Guangdong to be independent of Yuan Shikai's rule. On June 6, when the anti-monarchical movement was at its height, Yuan Shikai suddenly died.

On June 21, 1916, Sun Yatsen returned from exile to Shanghai and moved soon thereafter to Guangzhou, the capital of the Southern Federation, to organise a base of opposition to the Beiyang militaristic clique in Northern China, which had seized control of the Peking government after Yuan Shikai's death.

On October 3, 1917, Sun Yatsen was elected Generalissimo of Southern China and placed in command of the Southern Federation's armed forces. But he had no real troops at his disposal, since all the Southern Federation's troops belonged to various provincial militaristic cliques that were constantly at odds. In early May 1918, the leader of the Guangxi clique, General Lu Yongting, who maintained close ties with the northern clique, demanded that Sun Yatsen be removed from the post of the Commander-in-Chief. The latter had no troops to support him, so he had to resign and moved back to Shanghai. For some time he did not engage in active revolutionary work but completed his *Programme for Building the Country*, conceived a long time before and partially written in 1916.

In that work Sun Yatsen called on the Chinese bourgeoisie to recognise the need for the country's political reunification, to cease the militaristic intestine wars, to set up a strong national government, and to start promoting China's economic development via state capitalism, using foreign capital.

Directly influenced by socialist teachings, Sun Yatsen devoted considerable attention in his work to the need to improve the well-being of the masses and to provide people with decent food and housing. He also wrote that the workers should share in factory profits.

At the same time, the *Programme for Building the Country* revealed the weakness and duplicity of China's bourgeoisie and its dread of relying on the masses in consistent, all-out struggle against the colonialists. As he did not have a stable base in China and was without any external support whatsoever, Sun Yatsen then tried to take advantage of conflicts between imperialist powers, and particularly between the United States and Japan, in order to prevent them from dividing China. He was ready to believe in the "fourteen points" declared by President Wilson in his message to the US Congress on January 8, 1918 and broadly publicised in the Western press. That was a programme designed to establish the domination of US capitalists in the post-war world, including domination by it over China, though on the surface the plan envisaged the establishment of the League of Nations to bring peace and brotherhood to the world, the elimination of all obstacles to international trade, arms reductions, settlement of the colonial issue, etc. Not until shortly before his death did Sun Yatsen realise the predatory nature of US imperialism.

The Great October Socialist Revolution in Russia and the popular anti-feudal, anti-imperialist movement known as the May 4 Movement that swept China in May-June 1919 (a direct result of the penetration into China of the liberation ideas inspired by the socialist revolution in Russia) had a profound impact on Sun Yatsen's views and influenced everything he did from that point on. The movement started with a stu-

dent demonstration in Peking, held in protest against the terms of the Versailles Peace Treaty, that were degrading to China. Supported by factory workers, merchants, and office workers in Peking, Tianjin, Anqing, Wuchang, and other cities, it became a nation-wide movement in late May and June 1919. Japanese goods were boycotted, and powerful strikes were staged in major industrial centres, such as Shanghai, Nanjing, Hankou, and others. The strike movement also involved the railwaymen of Northern China. For the first time in Chinese history, the proletariat emerged on the political scene, proclaiming anti-imperialist and anti-feudal slogans.

Influenced by these events, Sun Yatsen wrote articles and delivered political speeches in Shanghai in late 1919 and early 1920 in which he stressed more and more often the need to restore the parliamentary republic in China by revolutionary means, that is to say, through an armed overthrow of the ruling militaristic clique. Another result of the new wave of revolutionary activity in China was the resurrection by Sun Yatsen of the Guomindang in Shanghai on October 10, 1919.

In October 1920, General Chen Jiongming, a Guomindang leader who declared himself to be a follower of Sun Yatsen, banished the Guangxi warlord Lu Yongting from Guangzhou. In December 1920, Sun Yatsen moved from Shanghai to Southern China once again. Many politicians who opposed the northern militarists gathered there. At the extraordinary parliamentary session that opened in Guangzhou on April 7, 1921, Sun Yatsen was elected President of the Chinese Republic. But the real power in Guangdong was held by the warlord Chen Jiongming, who held the posts of War Minister, Minister of the Interior, Provincial Governor, and Commander-in-Chief.

To ensure the rapid reunification of his country, Sun Yatsen began making preparations for a military expedition to Northern China. His purpose was to bring down Wu Peifu, the head of the Zhili clique, who had seized control of the central government in Peking with the backing of the British and US imperialists. By that time, the British imperialists had established close links with Chen Jiongming, who was completely opposed to Sun Yatsen's plan to send troops to fight against the Zhili militarists. On the night of June 15 to 16, 1922, while most of the units loyal to Sun Yatsen were engaged on the battle-field, Chen Jiongming staged a counter-revolutionary coup, during which the Presidential residence was shelled, and proclaimed Guangdong's "independence". Sun Yatsen tried to put down the coup, using army and naval units that remained loyal to him, but Chen Jiongming was openly supported by Britain and the United States, so Sun Yatsen had to leave Southern China again. He settled in the French concession in Shanghai.

The end of 1922 was the start of a new stage in Sun Yatsen's life—the period when his practical and theoretical activity reached its peak. Chen Jiongming's treachery demonstrated to Sun Yatsen once again that joining forces with one set of warlords to oppose others would not bring about China's reunification. In his search for a way out of the situation that had taken shape, Sun Yatsen eagerly continued studying the experience of the Great October Socialist Revolution in Russia and of the Bolshevik Party, which had not only brought down the monarchy and wrested power from the capitalists and landlords, but had also driven well-armed foreign forces out of Russia. By this time Sun Yatsen had established links with the young Communist Party of China through Professor Li Dazhao, one of China's first Marxists. Those links later developed into a close and whole-hearted alliance between the revolutionary democrat and the militant vanguard of China's working class.

Some time earlier, in the summer of 1918, Sun Yatsen sent a message of greetings to Lenin (the message had to go from Shanghai to Rus-

sia via Canada), in which he wrote, "The Gemingdang expresses its great respect for the difficult and remarkable struggle the members of Your country's revolutionary party are waging and hopes more than ever that the revolutionary parties of China and Russia will form a close alliance for the joint struggle." In his letter to Sun Yatsen dated August 1, 1918, Soviet Russia's People's Commissar for Foreign Affairs, Chicherin, acknowledged the receipt of Sun's message of greetings to the worker and peasant government of Russia in which Sun Yatsen also pointed out that "the Russian and Chinese revolutions have the same goals, and that they are aimed at emancipating the workers and establishing lasting peace based on the recognition of the common interests of the two great proletariats those of Russia and China".¹¹

The Shanghai newspaper *Mingo Ribao*, which was published by Sun Yatsen's party and expressed the ideas of the revolutionary-democratic wing of the Chinese bourgeoisie, gave considerable attention to the foreign policy line of the newly-established Soviet state, praising its strong renunciation of the predatory policies formerly pursued by the tsarist regime and the bourgeois provisional government of Russia, and the carrying out of friendly policies based on the principles of equality with regard to China and other colonial countries oppressed by imperialism. In 1919, Sun Yatsen made plans to send his close associates Liao Zhongkai, Zhu Zhixin, and Li Zhangda to Soviet Russia, to study Russia's revolutionary experience, but he was unable to do so at that time.

It was very hard to maintain communications with revolutionary Russia. The imperialist-controlled Telegraph Office of Shanghai refused to send Sun Yatsen's cables to Moscow, so in the summer of 1920 he even had to send his reply to greetings from the Third All-Russia Congress of the Chinese Residents of Russia, via New York and Copenhagen. A letter from Soviet Russia's People's Commissar for Foreign Affairs, Chicherin, dated October 31, 1920 only reached Sun Yatsen on July 14, 1921. In his reply Sun Yatsen expressed the wish to establish personal contact with Chicherin and other friends in Moscow, and indicated that he was following all the developments in the young Soviet Republic closely, especially "the organisation of your Soviets, your army, and education". Sun Yatsen concluded his letter by conveying his best regards to Lenin, whom he called his friend.

When G. N. Voitinsky came to Shanghai in the autumn of 1920 as a representative of the Far-Eastern Secretariat of the Comintern Executive Committee, Sun Yatsen literally bombarded him with questions about the October Socialist Revolution and about life in Soviet Russia, down to the smallest details of the social and economic structure of the young Soviet state. During that meeting he expressed the wish to be in permanent contact with Soviet Russia. In the spring and summer of 1922, Sun Yatsen met on several occasions with the Russian Communist, S. Dalin, who had come to Southern China to attend a congress of the socialist youth of China. Sun asked him a great many questions concerning Soviet Russia's revolution. In the autumn of 1922, when he returned to Shanghai after Chen Jiongming's counter-revolutionary putsch, Sun Yatsen entered into a lively correspondence with A. A. Ioffe, who was in Peking as Soviet Russia's Ambassador. Sun sent his associate, Zhang Ji, to Peking to arrange his meeting with the Soviet diplomat.

In January 1923, Ioffe stopped in Shanghai on his way to Japan and had several conversations with Sun Yatsen about the situation in the USSR, the priorities of the Chinese revolution, and Soviet-Chinese relations. In order to maintain ties with Ioffe and be able to continue their conversations on various issues relating to international relations, So-

¹¹ *USSR Foreign Policy Documents*, Vol. I, Moscow, 1957, p. 415 (in Russian).

viet Russia's experience in making revolution, party work, etc., Sun Yatsen sent his close comrade-in-arms, Liao Zhongkai, to Japan.

Sun Yatsen's links with leading members of the young Communist Party of China were strengthened in those years, too. The Great October Socialist Revolution made the revolutionary ideas of Marxism-Leninism enormously attractive to all Chinese patriots. Following the May 4th Movement, Marxist societies were set up by young intellectuals in Shanghai, Peking, Changsha, Wuhan, and other Chinese cities, and people joined them to study Marxism. Newspapers and magazines for workers began to be published; Marxist-Leninist ideas were actively promoted in the press and at special meetings, and works by Marx and Lenin were published in Chinese.

On July 1, 1921 the Communist Party of China secretly held its First Congress in Shanghai. In keeping with Lenin's propositions and the decision taken at the Second Comintern Congress to the effect that the Communists of the colonial and dependent countries should support bourgeois liberation movements when those movements were truly revolutionary, the Congress directed the Party to assist Sun Yatsen in his struggle against the arbitrary actions of warlords and their imperialist patrons. That was the start of the CPC's cooperation with Sun Yatsen, which later became very close and lasted until Sun's dying day. The Communist Party of China made the spontaneous anti-imperialist and anti-feudal struggle of China's heroic working class and peasant masses a conscious revolutionary movement.

The *Xiangdao* magazine, the central organ of the CPC established in September 1922, actively supported Sun Yatsen's revolutionary work, approved of his policy of opposition to imperialist oppression and of rapprochement with Soviet Russia, and called on him to rely on the worker and peasant masses of China. Impressed by Soviet Russia's heroic struggle against foreign interventionists and its friendly policies towards China, and influenced by the rapidly growing nationwide movement against imperialism and feudalism in China, Sun Yatsen drew conclusions from his own revolutionary experience and started thinking seriously about consolidating the forces of revolution and making the Guomindang an effective political organisation that could become the true leader of the masses' revolutionary struggle.

With greater and greater frequency Sun Yatsen began considering the advice proffered by the Communist Party of China, which effectively implemented the call Lenin made in 1913 to the future party of the Chinese proletariat, the party that "while criticising the petty-bourgeois utopias and reactionary views of Sun Yatsen, will certainly take care to single out, defend, and develop the revolutionary-democratic core of his political and agrarian programme".¹² Sun Yatsen condemned the imperialists with increasing severity for financing China's warlords who murdered civilians, plundered their homes, obstructed the country's reunification. In his articles and speeches Sun Yatsen often referred to Soviet Russia's experience. At the same time he openly supported striking workers who spoke out against imperialism and militarism, as, for instance, the seamen and stevedores of Xianggang in early 1922 and the employees of the Peking-Hankou railway line in early 1923.

In January 1923, troops loyal to Sun Yatsen ejected Chen Jiongming's counter-revolutionary units from Guangzhou, and on February 21, 1923, Sun Yatsen returned to Southern China to head the newly-established revolutionary government there. He started making preparations to reorganise his party, the Guomindang, preparations which took the revolutionary experience of Russia's Bolsheviks into account.

¹² V. I. Lenin, *Collected Works*, Vol. 18, p. 169.

The Third Congress of the Communist Party of China, which was held in Guangzhou in June 1923, discussed the establishment of a united revolutionary front with the Guomindang. The Congress criticised, in very friendly terms, Sun Yatsen's past errors which, like his hope of gaining victory with the support of imperialist and feudal militaristic groups alone, resulted from his isolation from the masses. At the same time, the Congress expressed support to his struggle for promoting democracy and his desire to build a revolutionary army and reorganise the Guomindang into a mass revolutionary party. The Congress adopted a decision concerning the CPC's cooperation with Sun Yatsen, and the CPC members joining the Guomindang, with the Communist Party itself remaining an independent entity, in terms of policy and organisation. The Congress formulated the basic principles of the CPC-Guomindang united front.

Sun Yatsen was grateful for the support provided by the Communist Party of China and started working to ensure popular support for the revolutionary government of Southern China. To gain a deeper insight into the Soviet Union's revolutionary and military experience, he sent a special party-and-military delegation to Moscow in the autumn of 1923 and invited M. M. Borodin, a senior member of the Soviet Communist Party, to come to Guangzhou as a political adviser to the the government there. He also invited a group of Soviet military experts to come to China to help organise an officer-training school.

In November 1923, Sun Yatsen announced a reorganisation of the Guomindang and stated his determination to rely on the masses, to study and apply in China the experience gained by Russian Communists. "We should study Russia's methods, organisation, and the way its party members are trained, for only then can we hope to win,"¹³ these words indicate Sun Yatsen's firm determination to bring the Chinese revolution against the warlords and imperialists to a victorious end.

Relying on the strong support of the people of Guangdong Province, the Sun Yatsen Government rebuffed Chen Jiongming's attack on Guangzhou and struck out against the imperialist powers by taking control over the Guangzhou Customs Administration. Prior to this action, China's seaport customs and the collection of salt duties had been controlled by imperialist countries through the British Customs Administration which made regular deductions from customs and other tax revenues, using the money to repay foreign debts and indemnities. The remaining money, the "excess" customs duties, went to the Peking government, which used the revenue as it pleased and even spent it on military operations against the Guangzhou government.

In September 1923, Sun Yatsen made a presentation to the consular corps in Guangzhou demanding that the "excess" customs duties collected in Southern China be given to the Guangzhou government. But the consular corps made no reply. Sun Yatsen's second presentation, made in October 1923, went unanswered, too. In December 1923, Sun Yatsen told the foreign powers that his government would take over the Guangzhou customs house by force if need be. In response, the British, American, and French warships stationed on the Zhujiang River landed troops to guard the customs house.

There were 19 foreign warships in the Guangzhou roadstead. On January 9, 1924, ships belonging to six powers—Britain, the United States, France, Japan, Italy and Portugal—conducted a joint demonstration of strength in an attempt to exert pressure on Sun Yatsen in the conflict over the customs duties. The workers of Guangzhou responded by staging more strikes at foreign-owned factories. Patriotic organisations

¹³ Sun Yatsen, *Selected Works*, p. 327.

put up posters all over the city calling on people to boycott British and American businesses and to act together to recover the customs houses for China.

The Guangzhou government's resolute stand forced the imperialist powers to make a concession and pay the former the "excess" customs duties.

On December 17, 1923, Sun Yatsen sent to the United States an Address to the American People, in which he said: "America... was an example to us, when we started our revolution to eliminate the autocracy and corrupt ministries, and to establish a republic in China. We could expect an American Lafayette to come and fight side by side with us in this great cause. But on the twelfth year of our struggle for freedom there comes not a Lafayette, but an American Admiral, bringing into our waters military vessels in numbers greater than any other nation did, to join those who want to crush us and bring about the death of the Chinese Republic."¹⁴

Similar ideas were expressed in a message that Sun Yatsen sent in late December 1923 to Britain's Labour Prime Minister R. MacDonald, whom Sun Yatsen asked to "inform the British people, especially the workers, of the grave situation that has emerged in Guangzhou, primarily due to the position of the British envoy to China. An international squadron comprised of a score of cruisers and gunboats is threatening my government with hostilities. Armed troops have landed in Shamen. All this was arranged by the diplomatic corps in Peking with the support of the British envoy on the advice of the doyen of the consular corps in Guangzhou, who is at the same time a representative of the British Army and of the Briton who is the Inspector-General of Customs."¹⁵ Sun Yatsen warned the British government that gunboat diplomacy would get them nowhere in China.

In an interview with the editor of the *Peking Leader*, G. Clarke, published at about the same time, Sun Yatsen said that the leaders of foreign countries had always supported reactionary forces and even monarchists in China, that they had always opposed the revolutionary movement in the country.¹⁶ Clarke wrote that Sun Yatsen had especially bitter feelings about America, although he thought that the American people in general sympathised with his aspirations. For some reason the American government had taken a hostile stand towards China since the Washington Conference. In the main it followed Britain's example although sometimes it went even farther. To prove this point, Clarke indicated that the United States had more vessels at Guangzhou than any other country and that the US envoy to China, Sureman, actually assisted Cao Kun in his election and subsequently helped him gain recognition from the imperialist states.¹⁷

In the same interview, Sun Yatsen spoke with deep respect of the policy pursued by the Soviet Union, stressing that Russia and China were natural friends whose alliance was virtually invulnerable. In a future global encounter, he pointed out, those peoples who wanted real freedom—the Chinese, the Indians, the Russians, the Germans, the Irish, the Filipinos, and the American Negroes—could all act together regardless of race or colour against their oppressors.¹⁸

Sun Yatsen made great efforts to ensure that China established diplomatic relations with the Soviet Union as soon as possible. He also

¹⁴ *Far Eastern Times*, Dec. 21, 1923.

¹⁵ From a report by Reuters News Agency of December 23, 1923 about a meeting between Sun Yatsen's secretary, Chen Yuren, and the Governor of Xianggang.

¹⁶ See *Peking Leader*, Jan. 12, 1924.

¹⁷ *Ibid.*, Jan. 15, 1924.

¹⁸ *Ibid.*, Jan. 17, 1924.

called on the government of Japan to normalise relations with the USSR. In a letter sent to the Japanese Minister Inukai in November 1923, Sun Yatsen strongly condemned the British and US imperialists for trying to provoke the Japanese into attacking China and the Soviet Union and warned that if the Japanese people allowed itself to be led by Britain and the United States, it would be the first victim of that unreasonable policy. He pointed out that the road of rapprochement with Soviet Russia was Japan's only road to self-preservation.¹⁹ He advised Inukai and the entire Japanese Cabinet to recognise the Soviet Union at once, for the Japanese government's unreasonable adherence to the policy of Britain, France and the United States in that matter was enormously detrimental to the interests of Japan. "...Japan should be the first to recognise the government of Soviet Russia," Sun Yatsen wrote. "It should do it immediately, never looking back to see if the great powers approve."²⁰

Sun Yatsen condemned Japan for taking part in the intervention against Soviet Russia. He disproved the arguments put forward by Japanese politicians, who said Japan could not recognise the Soviet state because that state was built on entirely different principles than Japan was. "People who reason like that just resemble those who look at the sky from the bottom of a well," Sun Yatsen said, "their outlook is very narrow!"²¹

Sun Yatsen's letter to Inukai also helps us understand the evolution of Sun's views on solidarity among the Asian people in the struggle against imperialism.

From the very start of his revolutionary activities, Sun Yatsen had great sympathy for the Philippines' struggle against US imperialism and for the Vietnamese patriots' revolutionary struggle against the French colonialists but his then views were limited by a bourgeois-racial concept of the principles of solidarity. Now, in his letter to Inukai Sun Yatsen emphasised that after the war in Europe a new force had emerged in the world. He wrote: "The masses rose to fight against coercion.

"The majority of oppressed people live in Asia, therefore as the Asian nations are drawn into that worldwide stream they will certainly rise up against European coercion."²² Noting that Turkey, Persia, and Afghanistan had already embarked upon that path and would inevitably be followed by India and Malaya, Sun Yatsen thought it particularly important that the 400 million people of China should follow that path, too. The sympathies of all those countries, he said, were then with Soviet Russia, which he called the saviour of the oppressed peoples of Europe and the principal adversary of the oppressors. Sun argued that the peoples of Asia, were oppressed much more severely than those in Europe and were longing for liberation. And since there was no country in Asia to help them, they, too, pinned their hopes on Soviet Russia. Persia's and Turkey's expectations that the Soviet Union would help them had proven well founded and now, Sun Yatsen declared, China and India were planning to take advantage of the assistance the USSR could provide. He called on Japan to follow the Soviet Union's example and act in defence of oppressed peoples. In the same letter Sun Yatsen criticised the chauvinistic ideas of "Pan-Asiatism" and the racist "theories" concerning the inevitability of war between the yellow and the white races, broadly disseminated in those years by Japanese militarists.

On January 20, 1924 Sun Yatsen's party, the Guomindang, opened its First Congress in Guangzhou. The Congress chaired by Sun Yatsen was

¹⁹ Sun Yatsen, *Selected Works*, p. 318.

²⁰ *Ibid.*, p. 316.

²¹ *Ibid.*, p. 317.

²² *Ibid.*, p. 313.

attended by 165 delegates representing provincial and foreign branches of the party. Leading members of the Communist Party of China also attended and were quite active. The 1st Congress approved the party's reorganisation and the policy of cooperation with the CPC. Sun Yatsen's speeches at the Congress and the Manifesto adopted there detailed his new political programme. This contained a new interpretation of his "three popular principles", reflecting a rise in his ideological and theoretical sophistication and an ability first, to revise his views, and second, to take both the existing state of affairs and the demands of the masses into account.

The principle of "nationalism" expressed the ideas of the struggle to end imperialist domination in China and the demand for the full equality of all nationalities. The anti-imperialist essence of that principle increased the popularity of Sun Yatsen and the Guomindang in China.

The principle of "popular government" contained criticism of the drawbacks of the bourgeois parliamentary system and called for a state system capable to ensure the masses truly democratic rights and freedoms. That principle also meant active opposition to foreign imperialism and those in China who served it.

As set forth in the Manifesto of the First Guomindang Congress, the principle of "popular well-being" comprised the demand that the landless peasants be granted plots of their own, that the state start helping the unemployed, that working conditions be improved and workers' organisations protected. However, both Sun Yatsen's agrarian and labour programmes were still burdened by the illusion that a peaceful solution could be found to the conflict between the peasants and the landed class and to the conflict between the workers and the industrialists. Sun Yatsen was clearly off the mark in thinking that all those issues could be settled by legislative means alone, without resorting to class struggle. Representing the interests of the Chinese bourgeoisie, Sun Yatsen called on the working people to maintain class peace and join forces with the industrialists in opposing the imperialist powers' political and economic domination of China. He repeatedly emphasised that China was an agrarian country, and appealed first to the peasants, and then to industrial workers.

Sun Yatsen's third principle, like the first two, was clearly anti-imperialist in essence: Sun Yatsen stressed the leading role of the peasant and worker masses in the struggle against foreign capitalists and called on the Guomindang to do everything in its power to promote the anti-imperialist movement among peasants and workers and facilitate the growth of peasant and trade unions. He proposed "a limitation of capital" and a transfer of factories belonging to foreign capitalists and Chinese monopolies to the state.

In their new interpretation Sun Yatsen's "three popular principles" provided the basis for the political programme worked out by the First Guomindang Congress. Included among the urgent political demands made there were: cancellation of the inequitable treaties China had with the imperialist powers and conclusion of new treaties based on the principles of equality and full sovereignty for both parties; restoration of democratic freedoms; regulation of the collection of land taxes; abolition of all extortions from the peasants and improvement of their living conditions; restoration of the trade unions; division and definition of the functions of central and provincial government. The Congress elected the Guomindang's Central Executive Committee, which also included a number of leading members of the Communist Party of China.

The First Guomindang Congress helped consolidate the friendship between revolutionary China and the Soviet Union. Sun Yatsen called on the Guomindang to learn from the Soviet Union and spoke highly of the

USSR's assistance to the Chinese people in their struggle for liberation from imperialism. The Congress approved the three basic policy guidelines proposed by Sun Yatsen: alliance with the USSR, alliance with the Communist Party of China and support for the struggle of China's peasants and workers. These guidelines reflected the consistent progressive changes that had taken place in the consciousness of China's outstanding revolutionary-democrat.

It was with deep sorrow that Sun Yatsen and all the delegates to the Congress learned of Lenin's death. Guangzhou was in mourning for three days, and the Congress was adjourned. At a meeting held in Lenin's memory, Sun Yatsen made a moving speech and traced a memorial calligraphic inscription dedicated to Lenin. It read, "A Friend of China and the Teacher of Peoples."

After the First Guomindang Congress, Sun Yatsen devoted a great deal of his time to promoting its decisions, speaking before peasants and workers in Guangdong Province, building a revolutionary army, and preparing for an expedition against the warlords of Northern China. Sun Yatsen's revolutionary government in Guangzhou actively supported the anti-imperialist struggle of the Chinese proletariat and, for its part, relied on the broad popular masses in its effort to counter the attempts of foreign powers to overthrow the government.

In the spring and summer of 1924, Sun Yatsen delivered a series of lectures on "The Three Popular Principles" and "The Constitutions of Five Authorities" for party activists in Guangzhou. The lectures pointed to major changes in his system of views. He had evidently come to the realisation that imperialism was the number-one enemy of every segment of the Chinese population and called on the nation to unite and fight that enemy in a close and indissoluble alliance with the Soviet Union, the first state to cast off the yoke of imperialist exploitation. Sun Yatsen's lectures were permeated with sincere democratism, together with the desire to ensure China's liberation from imperialist oppression and to improve the people's well-being. They indicated Sun Yatsen's unshakeable determination to put his "three basic political guidelines" into effect. At the same time, these lectures, along with his earlier works (such as *The Teaching of Sun Wen*), paid tribute to the nationalist ideas, wide-spread among the Chinese bourgeoisie, according to which the Chinese nation was superior to others because China's population was so big and its cultural traditions dated back so many centuries. Sun Yatsen dreamed of a "Great Eastern State" in which China would unite its neighbours under its own supremacy, although he tried to link those ideas with his programme of anti-imperialist struggle.

In his day-to-day work as Head of the Government of Southern China, Sun Yatsen came increasingly to rely on the support of the Chinese Communists, trade unions, and peasant organisations. Assisted by the revolutionary proletariat of Guangzhou, Sun Yatsen's government put down a counter-revolutionary uprising inspired by Britain and staged by Guangzhou merchants in August 1924. In an attempt to save the mutineers from utter defeat, the British government presented an ultimatum to Sun Yatsen, threatening to intervene if the Guangzhou government forces used artillery against the merchants. Sun Yatsen boldly rejected the ultimatum and strongly condemned the act of aggression against China committed by MacDonald's Labour government. In August 1924, at the initiative of the Moscow workers who had set up the Hands Off China! Society, working people all over the world launched a powerful campaign of solidarity with Sun Yatsen's revolutionary government and of protest against the British intervention; this forced the British government to reconcile itself, at least temporarily to the routing of its agents in China.

As imperialist aggression rose in intensity and the mass anti-imperialist, anti-feudal struggle expanded in Southern China, Sun Yatsen called more and more persistently for close friendship and unity with the Soviet Union. When the merchant mutiny in Guangzhou was at its height, he sent the following message to the revolutionary troops. "At this moment revolution is unthinkable if Russia's experience is not studied... Our party's struggle will be futile if we do not learn from Russia."²³ Sun Yatsen cordially welcomed the crew of a Soviet ship, the *Vorovsky*, which arrived on October 8, 1924, bringing weapons and ammunition from the Soviet Union to the government of Southern China. And these goods were so much needed then because of the imperialist blockade.

During the final years of his life, in speeches, letters and articles Sun Yatsen ardently and persistently held up the example of the Great October Socialist Revolution and the Soviet Union. He called for Sino-Soviet friendship to be strengthened and engaged in a resolute and ruthless struggle against right-wing elements in the Guomindang that opposed the alliance with the USSR, the Communist Party of China, and the broad masses. In a letter to the USSR's Ambassador to China, Karakhan, dated September 12, 1924, Sun Yatsen wrote: "...The time has come for an open struggle against world imperialism in China. In this struggle I turn to your great country for friendship and support which will help liberate China from imperialism's powerful grip and restore our political and economic independence."²⁴

On October 23, 1924, General Feng Yuixiang, a member of the Zhili clique, broke with its leaders in protest against their anti-popular policies, moved his troops into Peking, drove out Wu Peifu, and called for an end to the civil war. He proposed that the leaders of China's various groups and cliques meet in Peking to discuss the convocation of a National Assembly there that would develop a plan for the peaceful reunification of China. Sun Yatsen eagerly responded to this call and declared his determination to go to Peking. He insisted that before the National Assembly was convened there should be a preparatory conference in Peking broadly attended by representatives of commerce and industry, peasant and worker organisations, youth and teachers' associations, and provincial communities. He also insisted that the delegates be determined in free elections and that all political prisoners be released. Sun Yatsen planned to use his trip to Northern China as a springboard for large-scale campaign to promote the struggle against militarism and imperialism and consolidate China's friendship with the Soviet Union.

Speaking at a press-conference for Chinese journalists in Shanghai on his way to Peking, Sun Yatsen demanded abrogation of the treaties which foreign capitalists had used to shackle China and called for ensuring the country's political and economic independence from imperialists. He pointed to the Soviet Union as the only state that had cancelled all its inequitable treaties with China of its own initiative and was pursuing friendship with her.

Sun Yatsen repeated his demand that the inequitable treaties be abrogated in Kobe, Nagasaki, and Moji, where he stopped on his way to Tianjin (there was no direct connection between Shanghai and Tianjin).

In Kobe on November 25, 1924, Sun Yatsen delivered a long speech calling on the Chinese residents of Japan to actively support the efforts being made to bring about the peaceful reunification of China and the abrogation of China's inequitable treaties with the imperialist powers. He gave his compatriots a detailed account of the Guangzhou government's struggle against imperialist aggression.

²³ *Ibid.*, p. 695.

²⁴ *Ibid.*, p. 756.

During his brief stay in Japan, Sun Yatsen also tried to influence public opinion there in favour of the democratic movement in China.

In interviews with Japanese pressmen and during meetings with Japanese public figures, Sun Yatsen appealed to Japan's democratic public, calling on it to launch a campaign that would make the imperialist powers renounce their inequitable treaties with China.

Once again Sun Yatsen spoke of the Soviet Union, the first state to voluntarily renounce the inequitable treaties it had with China in Kobe on November 28, 1924. He said: "The reason Russia renounced the inequitable treaties is that after the revolution it started following the principle of humaneness. Knowing that those treaties were extremely inequitable and unfair to China, Russia, of its own accord, renounced them along with its special rights in China".²⁵

Sun Yatsen called on Japan to follow Soviet Russia's example, indicating that abrogation of the inequitable treaties was an indispensable condition for friendship between Japan and China. In his second speech in Kobe on November 28, 1924, he spoke of the need for the backward nations of Asia, oppressed by foreign imperialism, to try and follow the example of Soviet Russia. He said: "There is now a new state in Europe. All the white people of Europe shun it. All the Europeans regard it as a venomous snake, as some kind of beast, not as a human state, and they are afraid to have anything to do with it. Here in Asia, we have a good many people who behave just like that, too. What state am I referring to? Russia. Russia is now getting ready to separate itself completely from Europe. Why is it preparing to do that? Because it follows the 'path of fairness', and not the 'path of tyrants'. Russia stands on the principle of humaneness, justice, morality, and ethics. It does not seek profit or grab preferential rights. Russia firmly adheres to the principles of social justice and does not accept oppression of the majority by the minority. In view of this, the new culture that has recently emerged there coincides exceptionally well with the ancient culture of the Orient and for this reason will go hand in hand with the East and part with the West. Europeans refuse to deal with Russia because of its new views; they fear that if Russia's views prevail, this will cause irreparable damage to the principles of the tyrants' path'. That is why they are slandering Russia."²⁶

In this speech Sun Yatsen essentially developed the same ideas concerning solidarity between the Eastern nations oppressed by imperialism and Soviet Russia, that he had expressed in his letter to Inukai in November 1923 and in the lectures "On the Three Popular Principles".

In conclusion, Sun Yatsen said: "Oppressed peoples are found not only in Asia. They are found in Europe, too. The states that follow 'the tyrants' path' oppress not only peoples of other continents and other countries, but also the peoples of their own continent and their own country... American academics believe that any national liberation movement is a crime against culture. The demand we are making for the elimination of inequality is a crime against 'the tyrants' path' alone. We stand for a culture of peace among nations and for their liberation."²⁷

This shows that at the end of his life Sun Yatsen discarded the limited bourgeois-nationalistic concepts regarding the so-called racial solidarity of Asian countries and stated outloud his support for the principle of indissoluble ties between the national liberation struggle of the peoples oppressed by imperialism, and the Soviet Union's efforts to put Lenin's plans into effect, as well as the struggle of the international proletariat

²⁵ Sun Yatsen. "Japan Should Help China Abrogate Inequitable Treaties". *Complete Works*, Vol. II, "Speeches", Part 5, Chengdu, 1944, p. 82 (in Chinese).

²⁶ Sun Yatsen, *Complete Works*... p. 80 (in Chinese).

²⁷ Sun Yatsen, *Complete Works*, Vol. II, "Speeches", Part 5, p. 80 (in Chinese).

to eliminate the entire system of imperialist exploitation. In his final statements, Sun Yatsen repeatedly emphasised the enormous significance of a close alliance between China and all the peoples oppressed by imperialism on the one hand, and the world's first socialist state, on the other.

In an interview with the Japanese daily *Nagasaki shimbun* on November 23, 1924, Sun Yatsen said: "The goals of the Chinese revolution coincide with the goals of Russia's revolution.... China's and Russia's revolutions are following the same path. Therefore China and Russia not only have close relations but, in terms of their revolutionary links, they truly make up a single family."²⁸

Sun Yatsen never managed to implement his noble plans. Upon arriving in Northern China at the end of 1924, he became gravely ill and died in Peking on March 12, 1925. He left a political testament calling on his associates to complete the national revolution, and a Message to the Soviet Union, which contained these prophetic words: "Dear comrades! In parting with you, I would like to express my ardent hope that the dawn is near. The time will come when the Soviet Union will hail a mighty and free China as its best friend and ally, when in the great battle for the freedom of the world's oppressed nations the two countries will advance side by side and win."²⁹

The Chinese people's armed struggle against the joint domination of the imperialist powers and feudal reactionaries, which started after Sun Yatsen's death in 1925, ended in the revolutionary forces' temporary defeat in 1927. The final victory over the age-old enemies of the Chinese people was gained by China's heroic working class and peasantry under the leadership of the CPC after many years of fierce and persistent struggle. In the course of the struggle, the Communist Party of China energetically advocated Sun Yatsen "three popular principles" and three basic political guidelines as the foundation for the political programme of the democratic revolution, and exposed feudal and comprador groups within the Guomindang such as Chiang Kaishek's and Wang Jingwei's which used Sun Yatsen's name as a cover for betraying China's national interests.

The goals of the anti-imperialist and anti-feudal bourgeois-democratic revolution in China could not be successfully pursued under bourgeois leadership, because the Chinese bourgeoisie was weak and the enemies of the Chinese revolution were strong. Those goals were achieved only under the leadership of the proletariat. The formation of the People's Republic of China in 1949 was an outstanding event in modern history. The people's revolution in China dealt a crushing blow to the feudal and comprador ruling clique and to imperialism in Asia; it largely promoted a shift in the correlation of forces in the world in favour of socialism and served as a powerful impetus to the national liberation movement. An unforgettable contribution to the glorious victory of the Chinese revolution over the internal and external reactionaries was made by the 40-year-long revolutionary activity work of the Chinese people's outstanding son Sun Yatsen.

In his testament Sun Yatsen told the people of China to defend and cherish its friendship with the fraternal Soviet people, which, during Sun Yatsen's lifetime, provided China with selfless assistance whenever China was going through hard times. After his death, the Soviet people remained faithful to this policy. The Soviet Union was the only nation to come to

²⁸ See Sun Yatsen, *Selected Works*, p. 717.

²⁹ *Ibid.*, p. 742.

the aid of the Chinese people in the face of mortal danger when the Japanese militarists attacked China in 1937. In 1945, the Soviet armed forces routed the Kwantung Army, crack Japanese troops, and liberated Northeastern China. The Soviet Army's operations against the Japanese militarists and the Manzhouguo troops in Northeastern China (Manchuria) were supported by the Amur Red Banner Flotilla. The first subdivision of that flotilla's river ships included a monitor named after Sun Yatsen. On August 30, 1945, the *Sun Yatsen* was awarded the honorary title of Guards Ship, in recognition of the valour, steadfastness, courage, firm discipline, efficiency, and heroism displayed by its crew. The Soviet people's internationalism and fraternal solidarity with China were again in evidence during the civil war and the US intervention in China between 1946 and 1949, creating favourable conditions for the triumph of the Chinese revolution and providing considerable material aid to China's democratic forces. The Soviet people also fulfilled a great historical mission when it gave the People's Republic of China fraternal assistance in rebuilding its economy and laying the foundations for socialist industrialisation in the period of 1949-1960. Sun Yatsen's behest that China should cherish its friendship with the Soviet Union is now more relevant than ever, as the world is once again faced with the threat of war—the result of the runaway arms race initiated by US imperialism.

The Political Report of the CPSU Central Committee to the 27th Party Congress, delivered by the General Secretary of the CPSU Central Committee, Mikhail Gorbachev, noted with satisfaction a distinct improvement in the Soviet Union's relations with its great neighbour, socialist China, and emphasised that "in many cases we can work jointly, cooperate on an equal and principled basis, without prejudice to third countries".³⁰

³⁰ *Political Report of the CPSU Central Committee to the 27th Party Congress*, p. 92.

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PRC SOCIAL SCIENCE DELEGATION VISITS USSR

Moscow PROBLEMY DALNEGO VOSTOKA in Russian No 3, Jul-Sep 86 (signed to press 14 Aug 86) pp 151-153

[Article by Ye. P. Stepanov: "On the Visit to the Soviet Union by a Delegation from the Academy of Social Sciences of China"]

[Text] A delegation from the Academy of Social Sciences of China, led by Professor Ding Weizhi, deputy general scientific secretary, visited the Soviet Union from 11 May to 2 June 1986 at the invitation of the USSR Academy of Sciences. It comprised Professor Xing Benshi, director of the Philosophy Institute of the Academy of Sciences of China; Jiang Hanzhang, deputy head of the Foreign Affairs Bureau of the Academy of Social Sciences of China; Wang Chi, departmental head of the Institute of USSR and Eastern European Studies; Ren Yunzhen, departmental head at the Law Institute; Wang Shouhai, professor at the World Economics and International Politics Institute; and Yang Jianguo, worker of the Foreign Affairs Administration of the Academy of Social Sciences. The delegation also included Tian Shihuei, second secretary at the PRC embassy in Moscow.

The program for the Chinese delegation's stay in the USSR provided for talks on the establishment of scientific ties and on cooperation in the sphere of social sciences with the USSR Academy of Sciences, the delegation of which was headed at the talks by Academician Yu. V. Bromley, deputy chief scientific secretary of the USSR Academy of Sciences.

The Academy of Social Sciences of China was founded in 1977 on the basis of institutes belonging to the social sciences section of the Academy of Sciences of China. At present the academy numbers 32 institutes, in which about 5,200 scientific associates work. The basic areas of the academy's activity are the analysis of problems connected with the economic reform now being carried out in the PRC; the study of questions of Marxist-Leninist philosophy and contemporary bourgeois philosophy; China's history, ideology and culture; research in the sphere of law; research into problems of world economics and international relations and the analysis of foreign countries' policies and economies; the study of China's national problems; research into the history, ideology and culture of foreign countries.

In the course of its visit, the delegation visited a number of scientific centers and industrial enterprises in Moscow, Leningrad, Kiev, Tbilisi,

Alma-Ata and Novosibirsk. Delegation members laid wreaths and flowers at obelisks, monuments and memorials to the Soviet soldiers who gave their lives for the liberation of the motherland in the Great Patriotic War.

Questions connected with the decisions of the 27th CPSU Congress and their implementation were at the center of attention in the talks that were held.

The Chinese specialists were primarily interested in economic issues, such as the expansion of self-supporting enterprises, their self-recoupment and cost accounting, the practical implementation of the course of shifting the economy to a track of intensive development, and also the policy of accelerating technical reequipment. The Chinese scientists displayed particular interest in the restructuring of planning (and were interested most of all in the task of reducing the number of directive indicators from above) and of material-technical supply (especially many questions were asked about the development of direct ties between suppliers and consumers). The specialists from the PRC showed a great interest in the question of forming enterprises' wage funds and also other funds, and of enterprises' rights to dispose of funds; they paid much attention to problems connected with the dependence of workers' wages and bonuses on the results of their work; they were also interested in questions linked to the improvement of the price system in our country and in the problem of socialist competition between enterprises. The Chinese specialists noted that in the economic sphere "the decisions of the 27th CPSU Congress have already begun to be put into practice."

Toward the end of their stay in our country, the members of the delegation from the Academy of Social Sciences of China came to the conclusion that there are broad possibilities for the USSR and the PRC to exchange experience in the sphere of economic development, particularly on matters of combining the course of increasing the effectiveness of centralized planning with the expansion of enterprises' independence, of the price system reform and of economic management reorganization. Ding Weizhi, the leader of the delegation, directed attention to the similarity of the strategic goals facing the economic development of the USSR and the PRC, and also of the tasks of the Chinese 7th Five-Year Plan and our 12th Five-Year Plan.

The Chinese scientists highly praised the state of technical equipment of the Soviet enterprises they visited, the wide-scale utilization of computers and automated production complexes, and the creation of scientific-production associations as the most effective way of introducing the achievements of the technological revolution into production as well as of organizing at our enterprises the conditions for both the work and the leisure of working people.

The Chinese social scientists paid attention to the regional peculiarities of our country's economic development. Thus, in Leningrad they became acquainted with the "Intensification-90" program and the concrete ways of implementing it; in Tbilisi they showed detailed interest in economic experiments, for example the family contract in mountain regions.

Soviet economists were interested in their turn in the reform being carried out in agriculture and in the cities of China, and in the situation in the

private sector of the Chinese economy. As far as the private sector is concerned, Wang Shouhai constantly stressed that it has a place only in the service sphere and small-scale trading, plays an extremely insignificant role in the country's economy and is under the state's complete control. The basic forms of this control consist first of all in the issuance of licenses to private enterprises by the state and, secondly, in the imposition of a progressive tax on the income of small enterprises. As a whole, Wang Shouhai stated, specialists in the PRC consider the private sector "a useful supplement to the social economy," which, as before, will play a determining role in the country.

The Soviet scientists were interested in the problem of the use of hired labor in the private sector of the PRC's economy. Wang Shouhai replied that for the moment there are no unified laws on this count for the whole country, but that in principle "it is permitted to hire a few workers." The state devotes serious attention to this problem and proceeds from the view that the formation of exploiter relations cannot be allowed, and that consequently it is necessary to limit the use of hired labor and strictly regulate the conditions of its use, but not to "undermine the activity" of private entrepreneurs. In the words of Wang Shouhai, "some time after" practical experience has been accumulated, a statewide law on hired labor in the private sector will be adopted.

The delegation from the Academy of Social Sciences of China noted the favorable prospects for economic cooperation between China and the USSR, the basis for which is created by the "mutually supplementary nature of the economies" of our two countries. Ding Weizhi stated that the problems of developing the energy industry and transportation are the most pressing for China today, and that cooperation with the USSR in these spheres could be particularly useful to the PRC.

The talks in Kiev touched on problems connected with the accident at the Chernobyl AES. At a meeting in the Presidium of the Ukrainian Academy of Sciences on 20 May, Ding Weizhi stated that "the Western mass news media are inflating the magnitude of the accident in every way," and that having been in Kiev, the members of the Chinese delegation "were able to convince themselves personally that the city is leading a peaceful, normal life and that there is not even a hint of panic."

The sphere of ideology and Marxist-Leninist theory represents an important area for the exchange of experience and for joint research. High appraisal was given to Soviet research devoted to criticism of bourgeois philosophical concepts and to achievements in the sphere of the philosophical problems of the natural sciences and scientific-technological progress. The Chinese specialists stressed that, bearing in mind the new tasks facing our countries today, great significance is being acquired by sociological research, the development of its methodological bases and the practical utilization of its results.

In the course of the discussions the matter of reorganizing the system of teaching social sciences in higher educational establishments of the PRC was

also touched on. In Xing Benshi's opinion, the basic task of the reorganization now being carried out is the renunciation of dogmatism and the creative "independent utilization of Marxist methodology to analyze the contemporary problems of China and foreign countries."

The Chinese scientists showed great interest in the problems of perfecting our state's political and legal system, and particularly in the measures to implement the Law on Labor Collectives. A great impression was made on the delegates from the PRC by the development of collectivism at our enterprises, democracy and the significant role which labor collectives play at a number of enterprises (for instance in the Sibelectroterm Production Association in Novosibirsk) in the appointment or dismissal of leading cadres. The delegates were also interested in the role played by labor collective meetings in determining plans for the socioeconomic development of enterprises, as well as in the functions of enterprise brigade-leaders councils.

Many questions were asked about the mechanism of resolving controversies and conflicts between the enterprise leadership and the labor collective. All in all, according to the Chinese representatives' statements, they formed the impression that "energetic efforts which had already produced results had been undertaken" in putting into practice the Law on Labor Collectives after the 27th CPSU Congress. The delegation members stressed that they regard the Law on Labor Collectives as one of the ways of putting socialist self-government into practice.

The question of the more precise division of functions between party, state and economic organs was also at the center of attention. Wang Chi stressed that in China "great interest was aroused by Comrade Yeltsin's speech at the 27th CPSU Congress." In the course of the discussions at enterprises, the Chinese scientists were given thorough explanations of the problems of party support for production work and of concrete forms of interaction between party committees and administrations.

The Chinese delegation members were interested in the new tasks which the 27th CPSU Congress set for our judicial science. They admitted more than once that both previously and now Chinese lawyers have "attached exceptionally great importance" to using the achievements of their Soviet colleagues, and that "Soviet experience is extraordinarily important for the creation of the PRC's judicial system," and they declared the need to organize a "constant exchange of information on legislative activity" between the lawyers in our two countries.

During the discussions held with the Chinese delegation in the Presidium of the USSR Academy of Sciences, in which Academician P. N. Fedoseyev, vice president of the USSR Academy of Sciences, and Professor R. G. Yanovskiy, rector of the Academy of Social Sciences of the CPSU Central Committee, participated, the expediency of organizing scientific contacts between the Academy of Social Sciences of China and the CPSU Central Committee Academy of Social Sciences was examined. Professor Ding Weizhi, the leader of the Chinese delegation, replied that "this proposal is of interest" and affirmed that without fail he would convey it to the leadership of the Academy of Social Sciences of China. In the course of the discussion, Academician P. N. Fedoseyev passed on an

invitation to Hu Sheng, president of the Academy of Social Sciences of China, to visit our country as a guest of the USSR Academy of Sciences. The Chinese representatives promised to convey this offer to their leadership.

A deep impression was made on the representatives of the Chinese delegation by the concern shown by our party and government for the development of the social sciences and for the high general standards of research. They were interested in the organizational restructuring of the work of research organizations, in the shift to a new system of remuneration for scientific workers' work and in concrete features of recertification.

As a result of the talks, on 2 June the heads of the delegations signed a final protocol providing for an exchange of scientific workers and delegations for a period of 1 year.

The delegation members stressed repeatedly that the establishment and further development of contacts between the Academy of Social Sciences of China and the USSR Academy of Sciences will undoubtedly enable our peoples to become better acquainted with one another and to open up new ways of developing and strengthening friendly relations between our countries. A verbal agreement was reached on providing all possible assistance to the two countries' trainees in the fulfillment of their scientific tasks.

In the opinion of both sides, the visit was a success and contributed to deepening mutual understanding, to the creation of new opportunities for exchanging experience and to a general improvement in Sino-Soviet relations.

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30 YEARS AFTER TREATY USSR-CHINA CULTURAL EXCHANGES LISTED

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[Article by V. Ya. Matyayev and G. S. Syalov: "Mutual Interest, Broad Prospects: On the 30th Anniversary of the Cultural Agreement Between the USSR and the PRC"--Chinese names within single parentheses as transliterated]

[Text] July 5 this year marked 30 years since the signing of the Agreement on Cultural Cooperation between the Government of the Union of Soviet Socialist Republics and the Government of the People's Republic of China, which came into effect on 7 December 1956. It has played a major role in the mutual familiarization of the peoples of the two countries with each other's cultural achievements. Today, too, the agreement is a good basis for developing exchanges between the USSR and the PRC in the sphere of science and education, literature and art, sports and health services, book publishing, and television and radio broadcasting. The agreement represents a durable and time-tested contractual-legal foundation for the entire complex of Soviet-Chinese ties in the cultural sphere.

Complying with the behest of V. I. Lenin, the Soviet Union has always advocated enriching the spiritual life of the working people through the boons of general human civilization and introducing them, through art, to the life of the peoples of all countries. Socialist culture has invariably been the herald of leading contemporary ideas--the ideas of peace, humanism, and social progress. Embodying the ideological wealth and diversity of the spiritual life of socialist society and its true humanism, it enriches world culture and more and more fully shows its worth as a powerful factor in the spiritual progress of mankind. In today's disturbing times, when the fate of the entire human race is under a question mark, the role of art as a means of spiritually uniting people is even greater. The new edition of the CPSU Program adopted by the 27th CPSU Congress notes: "The CPSU is a supporter of broad mutual exchange of genuine cultural values. This exchange must serve humane goals: the spiritual enrichment of peoples and the consolidation of peace and good-neighborliness."

The preamble to the Soviet-Chinese Agreement on Cultural Cooperation points out that the USSR and PRC Governments decided to conclude it "for the purpose of further strengthening the close fraternal friendship between the peoples of

both countries, of promoting the rapid development of cultural construction in both countries, and of maintaining peace throughout the world and the progress of mankind."

The 5 July 1956 agreement established a period of validity of 5 years with an automatic extension for a subsequent 5 years if one side did not express a desire to terminate its operation within 6 months of the expiry period. In subsequent years, although Soviet-Chinese relations at different times had various characteristics, neither contracting party stated an intention to terminate the operation of this agreement. In the Soviet Union it has always been considered an important component of the contractual-legal basis of relations between the USSR and the PRC. Judging by the statements of the Chinese side, the agreement is given the same assessment in China.

The permanent vital power of the Soviet-Chinese agreement of 5 July 1956 is that it was a natural result of many years of cultural exchanges, whose inspiration were the leading representatives of Soviet and Chinese culture.

Cultural cooperation between the USSR and the PRC took shape on an equal and mutually beneficial basis. It was permeated with profound respect for national features and traditions, was of a genuinely mass nature, and had an enormous impact on the broad strata of working people.

Familiarity with the cultural life of the Soviet people, who had traversed the long path of the struggle for socialism, and with their science, literature, and art promoted a strengthening of the influence of the Marxist-Leninist world outlook on the Chinese working people, the assimilation of socialist ideas by the builders of the new China, and provided vital and graphic models that helped find new paths of progress and that could be used to develop the spiritual life of the multimillion-strong masses of the until then quite recently semifeudal and semicolonial country.

The principles of socialist internationalism were strikingly manifested not only in the multifaceted cultural exchanges of the 1949-59 period, but also in the free transfer to the PRC Government of unique memorials of Chinese national culture that were kept in Soviet museums and archives. From the end of the seventies China took the course of resolutely boosting the cultural level of the billion-strong population. The objective historical trend toward broad and vital contacts between the two great neighboring socialist countries invariably paved the way.

Throughout these years the Soviet public in the Soviet Union did not cease their acquaintance with Chinese culture, and the Soviet-Chinese Friendship Society played a particularly perceptible role in this activity. From the beginning of the eighties China resumed publishing translations of Russian classical and Soviet multinational literature in mass editions. At the same time as translations of Soviet fiction, translations of books by Soviet authors dealing with the most varied spheres of knowledge, as well as Soviet schoolbooks, appeared. At the end of 1980 and beginning of 1981 more than 100 books by Russian and Soviet authors were published, more than 30 of which

were works of contemporary Soviet literature, including "Thin Reed in the Wind" and "The Will" by G. Markov, "Law of Eternity" by N. Dumbadze, "The Red Cranberry" by V. Shukshin, works by Ch. Aymatov, and of course, the Russian classics--L. Tolstoy, V. Belinskiy, A. Chekhov, and N. Gogol. Already at the start of 1981 Russian classic and Soviet literature took first place in the number of published translations.

In 1980 the journal (SULYAN VENSUYUE) ("Soviet Literature"), published by the Institute of Soviet Literature of the Beijing Teachers' University, appeared, and soon after two others: (SULYAN VENYI) ("Soviet Literature and Art"), organ of the Beijing Foreign Languages Institute, and (ESU WENSUYUE) ("Russian and Soviet Literature"), published by the efforts of eight universities in various Chinese provinces.

It is as if a new discovery of Russian and Soviet literature were occurring in China. Chinese readers were introduced to the plays of A. Vampilov. After a long break the works of M. Sholokhov were again publicized. In 1981 the third and fourth volumes of "The Quiet Don" were published in Beijing, and a new, revised translation of "The Destiny of a Man" was published. In 1982 a large volume of "Materials for Studying Sholokhov" was published, containing both opinions on the writers' works by major artists of the word--M. Gorkiy, A. Serafimovich, A. Fadeyev, and K. Fedin--and the works of Soviet literary experts L. Yakimenko, K. Priyma, A. Biryukov, and others. Chinese translators and publishers started to widely introduce readers to the Soviet literature of the last decade, to the stories of V. Shukshin and the works of V. Tendryakov, B. Polevoy, V. Rasputin, G. Baklanov, Yu. Bondarev, and V. Lipatov.

The first contacts in the sphere of literature took the form of book exchanges between the A. M. Gorkiy Institute of World Literature of the USSR Academy of Sciences and the Institute of Foreign Literature of the Chinese Academy of Social Sciences, Beijing University, Shandong University, the Tianjin branch of the Chinese Writers Association and the Guangdong Province Academy of Social Sciences. In November-December 1983 well-known Chinese translators of Soviet literature Gao Mang, deputy chief editor of the journal (SHITSE VENSUYUE) ("World Literature"), and Ge Baoquan, senior research assistant of the Institute of Foreign Literature of the Chinese Academy of Social Sciences, took part in the Fourth International Meeting of Translators of Soviet Literature in Moscow. At the meeting Ge Baoquan was presented, on behalf of the Board of the USSR Union of Writers, with a testimonial "For Major Achievements in the Many Years' Work of Translating Soviet Literature." In December 1983-January 1984 (Chzhan Yuy), deputy director of the Institute of Foreign Literature of the Chinese Academy of Social Sciences, and (Li Khueyfan), chief of the Department of USSR Literature of the Chinese Academy of Social Sciences, were in the USSR.

In June-November 1982, at the invitation of the China Printed Matter Import and Export Co., Soviet organizations took part in five traditional Chinese book exhibitions. In July 1983, for the first time Chinese books were exhibited at the Moscow International Book Fair. In September Chinese films were shown at the 13th International Film Festival in Moscow.

In February 1982 the USSR Ministry of Higher and Secondary Specialized Education expressed a readiness to organize an annual exchange of student groups and teachers. In August-September 1983 the first groups of students and trainees (10 people from each side) left for the PRC and for the USSR.

Noticeable progress in Soviet-Chinese cultural ties was made in 1984. In May the USSR Ministry of Culture conducted consultations between Soviet and Chinese representatives, as a result of which the sides coordinated a plan of cultural exchanges for 1984. In accordance with this plan, artists from the People's Republic of China toured Moscow, Kishinev, and Odessa in May-June. The Soviet audience was won over by the poetic quality and elegance of the performance of pianist (Vey Danvey), prizewinner at international competitions. Violinist (Syuye Vey), another prizewinner at international competitions, captivated listeners with the warm sound of her instrument and the profound feeling for the substance and style of melody. Perfect vocal purity, fullness, and technical completeness distinguished the performances of singers (Chzhan Manhua) (mezzo-soprano), (Chzhan Fenyi Fenyi) (soprano), and (Fu Khaytszin), who performed with feeling Igor's aria from A. P. Borodin's opera. In September-October a group of Soviet artists performed in the PRC: a ballet duet--N. Bessmertnova, state prizewinner and USSR People's Artist, and I. Mukhmedov, prizewinner at the International Ballet Dancers Competition in Moscow; professional singers--USSR People's Artist Kh. Krumm and Azerbaijan SSR Merited Artist Kh. Kasimova; and pianist N. Demidenko and violinist A. Vinnitskiy, prizewinners at the P. I. Tschaikowsky competition. The group was headed by well-known Soviet composer A. Flyarkovskiy. The Soviet masters of the arts introduced audiences in Beijing, Nanjing, Shanghai, and Guangzhou to the works of Russian and Soviet composers and also performed works by Chinese authors.

From 8 to 23 November 1984 RSFSR People's Artist Yu. Marsulin, soloist of the Leningrad S. M. Kirov State Academic Theater of Opera and Ballet, toured the PRC; more than 10,000 people attended his concerts in Beijing, Tianjin, and Guangzhou. "Yu. Marsulin's technique is excellent," wrote the newspaper CHINA DAILY, citing (Shen Syan), professor of the Chinese Central Conservatory. "He confidently holds high notes, which sound powerful and full, and at the same time the low ones sound tender and sincere." In February Soviet admirers of the singing genre applauded the remarkable art of well-known Chinese singer Hu Xiaoping.

In September 1984 an exhibition of the "gohua" painting style was held in the State Museum of Oriental Art. In November-December the exhibition "Soviet Contemporary Painting" was shown in Beijing, and then in Xian. More than 60 works by artists representing multinational Soviet art were displayed at it. The exhibitions produced the most ardent interest in both countries.

Mutual cultural exchanges in 1984 were not restricted to the plan. Two prominent representatives of PRC culture--(Li Delun), conductor of the Beijing Philharmonic, and composer (Chzhu Tszyaner) attended the Second Moscow International Music Festival as honored guests. The symphonic fantasy by (Chzhu Tszyaner) "In Memory of Heroes Who Died for Truth" was played there by

an orchestra conducted by F. Glushchenko. The Chinese author's work was highly assessed by experts and by the general audience. The author himself noted the great skill of Soviet performers.

In 1984 contacts in the sphere of book publishing and the printing trade expanded. A group of Chinese scientists specializing in the study of the classic novel "The Red Chamber" visited the Soviet Union and acquainted themselves with the unique manuscript of this masterpiece of Chinese prose fiction, which is kept in the Leningrad Department of the Institute of Oriental Studies of the USSR Academy of Sciences. Agreement was reached on a joint facsimile edition of the novel. Business contacts between the encyclopedia publishing houses of the two countries were made.

Cooperation in the sphere of education expanded substantially. The number of students and trainees was increased to 70 people from each side, and the range of specialties, besides the humanities, included natural and technical disciplines.

The rapid resumption of cultural contacts between our countries showed that mutual interest in each other's rich national culture had never waned. Life showed that the principles and ideas incorporated in the 1956 agreement were still alive and that the agreement itself had withstood the difficult test of time and had proved its usefulness, effectiveness, and vital power. It was therefore natural that at the beginning of 1985 the sides confirmed the validity of the 1956 Treaty on Cultural Exchange and agreed to carry out cultural exchanges in the future on the basis of intergovernmental plans based on this agreement. In June 1985 talks were held in Beijing between USSR and PRC governmental cultural delegations, and a plan of cultural cooperation for 1985 was signed. The sides exchanged large artistic collectives. In September Soviet spectators ardently welcomed a ballet troupe from Gansu Province, which gave a performance of "The Silk Route Is Strewn With Flowers." During the Fifth International Ballet Dancers Competition in Moscow in the summer of 1985, Chinese performers attracted the attention of professionals and enthusiasts of choreography.

In October 1985 performances in Beijing and Shanghai by a troupe of the USSR state concert ensemble, the Moscow "Classical Ballet," under the direction of RSFSR People's Artist N. Kasatkina and RSFSR Merited Arts Figure V. Vasileva, were a great success. Chinese dancers (Tan Min) and (Chzhan Veytsyan), who took part in the Fifth International Ballet Artists Competition in Moscow, also participated in performances together with Soviet artists.

In December the Belorussian SSR State Academic People's Choir toured China. A total audience of more than 12,000 attended the seven performances, which were an enormous success. The Chinese press noted that the Soviet collective's program was not limited wholly to national traditional genres, but reflected USSR culture as a whole.

Tours to both countries by solo performers were a great success. Concerts by G. Provotorov, chief conductor of the Belorussian SSR State Academic Bolshoy

Theater--the first Soviet conductor to visit China in many years--were held in front of packed halls. According to Chinese press reviews, "the audience was won over by his energetic interpretation of Russian music." In Beijing the Soviet musician performed with the Beijing Philharmonic, which is led by the well-known Chinese conductor (Li Delun), who was a classmate of G. Provotorov at the Moscow State Conservatory. Unusual ease, spirit, and eloquence of performance--that is how the Chinese press assessed the concerts of pianist E. Andzhaparidze. In December 1984-January 1986 listeners in Kaunas, Vilnius, and Novosibirsk applauded masters of the arts from the PRC--(Chen Siyan), conductor of the Shanghai Philharmonic, and (Van Syaodun), violinist of the Shanghai Conservatory.

A Soviet fine arts exhibition, which opened on 14 November 1985 in the halls of the Chinese Historical Museum, produced great interest among the Chinese artistic public. It displayed 150 pictures from the State Russian Museum in Leningrad. A greeting from the PRC Ministry of Culture on the occasion of the exhibition's opening stressed that the works of Soviet artists that were presented at it not only reflected their love for their homeland, but also the ideals of peace, humanism, and progress. It was noted that the exhibition would promote mutual understanding and friendship between the peoples of the PRC and the USSR. An exhibition "Contemporary Chinese Decorative and Applied Arts" was held in the fall of 1985 in the State Museum of Oriental Art.

In 1985 ties between the creative unions of the two countries were restored. In October-November 1985, at the invitation of the Chinese Writers Association, a delegation of Soviet men of letters comprising S. Mikhalkov, Ye. Yevtushenko, Yu. Semenov, and L. Eydlin were in the PRC. It visited Nanjing, Shanghai, and Suzhou, took part in a creative seminar, and held meetings with prominent Chinese writers, translators, and Russian language specialists. The halls in which they appeared were always filled to capacity. In the Shanghai Institute of Foreign Languages a concert was organized by students, who read in Russian the verses and fables of S. Mikhalkov, the lyric poetry of Ye. Yevtushenko, and excerpts from the works of Yu. Semenov. Professor L. Eydlin delivered a report before the students and teachers in Chinese on the work of Soviet Sinologists. The delegation had a warm meeting with Ba Jin, one of the oldest Chinese writers and chairman of the Chinese Writers Association.

On 17 November 1985 a delegation of the Chinese Writers Association consisting of prose writers Shao Hua and (Li Goven), (Lyu Lyaoi), translator and editor of the "People's Literature" Publishing House, and (Se Yunvan), critic and chief editor of the newspaper (VENYI BAO). The guests visited Moscow, Leningrad, and Tbilisi, took part in numerous meetings with Soviet men of letters, visited industrial enterprises and kolchozes, and became acquainted with the life of our country's workers and peasants. On the eve of their departure from the Soviet Union Shao Hua, head of the delegation and member of the Secretariat of the Chinese Writers Association, stressed in a talk with an IZVESTIYA correspondent: "Direct contacts between the men of letters of the two countries and knowledge about each other are of enormous importance to strengthening friendship and mutual understanding between our peoples."

In October 1985 the All-Russian Theatrical Society received a delegation of the China Federation of Literary and Art Circles headed by (Chzhou Lay), director of the Chinese Children's Art Theater. The Chinese theatrical workers met the leadership of the All-Russian Theatrical Society, held talks at the All-Union Copyright Agency and at the editorial office of the journal TEATR, and visited Kiev and Leningrad. In November-December 1985 trips were made to the PRC by a delegation of Soviet artists headed by A. M. Lopukhov, secretary of the Board of the USSR Union of Artists and chairman of the Ukrainian SSR Union of Artists, and a delegation of Soviet composers headed by Ya. P. Ryaets, secretary of the USSR Union of Composers and chairman of the Board of the Estonian Union of Composers.

In September 1985 a delegation of Soviet theatrical arts workers visited China. It comprised: A. Zharov, chief of the Theaters Administration of the USSR Ministry of Culture, and USSR People's Artists R. Struchkov, M. Ulyanov, and G. Ansimov. In November 1985 a group of Soviet cinema personages headed by F. T. Yermash, chairman of the USSR State Committee for Cinematography, and consisting of well-known directors S. Rostotskiy and E. Ryazanov and actress I. Shevchuk, visited China. "Soviet cinematic art has greatly influenced the formation and development of Chinese cinema," noted Seypidin, vice chairman of the Standing Committee of the PRC National People's Congress during a meeting with the delegation. "The expansion of Soviet-Chinese cultural cooperation will promote mutual understanding between the two peoples and the two countries."

In December 1985 a delegation of Soviet choreographers visited a number of educational institutions in Beijing, Xian, Guangzhou, and Shanghai, and held meetings with PRC dance figures, and exchanged views on problems of the development of the art of ballet in both countries. The Soviet teachers gave a few instructive lessons for the students of choreographic schools. Chinese ballet experts said that the ballet "The Beautiful Fish-Girl" is still running in China.

The visit to the PRC by workers of the USSR State Committee for Publishing House Printing Plants, and the Book Trade, which acquainted itself with the work of the "Great Chinese Encyclopedia" Publishing House, the XINHUA printing office, and the ("Vensyuye Chubanshe") Publishing House, was useful.

Cultural ties between our countries in 1985 also were not limited by the framework of the signed plan. It was already mentioned before that Chinese representatives for the first time in many years took part in the Fifth International Ballet Dancers Competition in Moscow.

On 5 July 1985 a Soviet book exhibition opened in the Central Exhibition Hall of the Chinese capital. Displayed were collected works of the classics of Marxism-Leninism, books discussing socialist construction in the USSR, scientific-technological literature of leading Soviet publishing houses, dictionaries, albums, publications in languages of the USSR peoples, as well as works by Chinese writers published in the Soviet Union. One of the leading

displays of the exhibition was devoted to the victory of the Soviet people over German fascism and Japanese militarism.

The display of the People's Republic of China at the Fifth Moscow International Book Fair, which was held in September 1985, was extensive and attractive. PRC publishing houses displayed 2,000 books--one quarter more than at the last fair. "This is a reflection of how successfully the exchange between our countries is developing," said (Vey Yunkhe), vice president of the Company for the Import and Export of Book Products. "And the current fair will give it new impetus. A number of accords have been reached: For instance, the network of bookstores selling Soviet literature at home and Chinese literature in your country is expanding." The Chinese display itself testified to the interest in Russian and Soviet literature in China: On the shelves were translations of works by Pushkin, Gogol, Tolstoy, Mayakovskiy, Simonov, and Fedin.

On 25 July a ceremony was held in the Oriental Studies Institute of the USSR Academy of Sciences to present the PRC Embassy with a four-volume Great Chinese-Russian Dictionary. Handing over the publication to Li Zewang, PRC ambassador to the USSR, Academician Ye. M. Primakov noted that this was the largest Chinese-foreign language dictionary in the world. Its direct preparation began almost 30 years ago, and actually work was done even earlier, in the postwar years. The dictionary also reflected the work of Chinese scholars. Ambassador Li Zewang, having expressed profound gratitude for the valuable gift, called it a symbol of cultural exchange between the peoples of the two countries.

In August 1985 "But the Dawns are Quiet Here," an opera by Soviet composer K. Molchanov based on a story by B. Vasilyev of the same name, premiered in the PRC capital. The production was carried out by the opera troupe of the General Political Department of the Chinese People's Liberation Army and was devoted to the 40th anniversary of the victory over Hitlerite fascism and militaristic Japan. This was the first production by the collective of a foreign opera on the Chinese stage. The opera's score was presented to the Chinese side as a gift.

In December 1985 G. P. Berdnikov, director of the A. M. Gorkiy Institute of World Literature of the USSR Academy of Sciences, who was visiting China, spoke at a solemn meeting devoted to the great Russian writer A. P. Chekhov. The number of publications of translations of Russian and Soviet literature in the PRC increased constantly in 1984-85. According to incomplete counts, during this time about 130 books of Russian and Soviet literature were published and together with novels, stories, and film scripts carried in journals, the list exceeded 150 titles. Soviet poetry began to be widely translated. In 1984-85 two collections of poetry by Soviet poets came out one after the other: "Selected Soviet Poetry" and "Soviet Lyric Poetry." Various Chinese provinces began publishing new series on Soviet literature. Since 1984 the Zhejiang Province Literature and Art Publishing House (in Hangzhou) has been publishing a "Contemporary Soviet Literature" series, of which "Cry of the Crane" by V. Bykov and "Seasons of the Year" by V. Panova have already

been released, and publication of the novel "Siberia" by G. Markov and books by K. Simónov, D. Granin, and others is in preparation. In 1986 the Hunan Province Literature and Art Publishing House in Changsha began releasing a "Works of Soviet Literature Awarded Lenin, State, and Other Prizes" series. In Wuhan the ("Chantszyan Venyi Chubanshe") Publishing House has started a "Translations of Russian and Soviet Literature" series, and a series "Soviet Revolutionaries" is being published in Harbin. This list could go on.

Soviet cinema is very popular in China. Movies belonging to the classics of our cinematography--"Lenin in October," "Chapayev," and others--are invariably welcomed with interest in China. The works of contemporary Soviet cinematographers, which began to be shown in China in 1983, immediately won the recognition of viewers. Movies devoted to the exploits of the Soviet people in the Great Patriotic War--"But the Dawns are Quiet Here" and "Little Aleksandr"--produced a profound response. Movies treating our country's current moral-ethical and socioeconomic problems--"Moscow Doesn't Believe in Tears" and "The Understudy Begins to Act," and others--received a wide response.

In 1985 at the 14th International Film Festival in Moscow Soviet viewers became acquainted with the works of contemporary PRC cinematographers. The feature films "Girl from (Huangshan)" and "Why I Was Born" (the latter was presented for noncompetitive showing) immediately won the approval of film enthusiasts in our country. The films "Little Street" and "Under the Bridge," which admirers of the art of film in the USSR like very much, are currently being shown on the screens of Soviet movie theaters.

Ties with the PRC in the sphere of education developed significantly in 1985.

On 26 May 1986 a plan of cultural cooperation between the USSR Government and the PRC Government for 1986-87 was signed in Moscow. This plan, through its fullness and range of the spheres, forms, and aspects of exchange, reflects even more fully the substance of the 5 July 1956 cultural cooperation agreement. Recording the fundamental provisions for 2 years, the plan envisages the possibility of concluding additional annual interdepartmental protocols that will regulate the forms and number of exchanges in individual areas, particularly in the sphere of higher schools and sport between the USSR Academy of Sciences, the Chinese Academy of Sciences, and the PRC Academy of Social Sciences.

The Ukrainian SSR P. Virskiy State People's Dance Ensemble (1986) and the USSR State Chamber Orchestra (1987) will introduce Chinese audiences to the best examples from the repository of national and world culture. Soviet spectators anticipate meetings with the uniquely captivating Beijing Opera (1987) and the inimitable art of traditional Chinese dance performed by the Chinese Central Ballet Troupe (1986). The sides will exchange collectives whose creativity will leave no categories of audiences indifferent: In 1987 the world-famous Central Puppet Theater under the leadership of S. V. Obraztsov will make a tour of China, and a puppet theater representing an art that has been developing in China for a long time will come to our country.

There is no doubt that "The Image of the Contemporary Man in Soviet Fine Arts" painting and sculpture exhibition (1986) will serve as the best introduction of Chinese people to the labor and everyday life of the Soviet person, his vital stances, and the ideals he is fighting for. The "Relics of October" exhibition, which is devoted to the 70th anniversary of the Great October Socialist Revolution and is depicted holographically, is planned for the jubilee year. Art admirers in the Soviet Union await with interest the PRC exhibitions "Lacquer Ware and Engravings" (1986) and "Contemporary Chinese Oil Painting" (1987).

The plan specifies that direct ties will be established between the P. I. Chaykovskiy Moscow State Conservatory and the Beijing Central Conservatory, between the Moscow Academic Choreographic School and the Beijing Central Choreographic School, between the State Hermitage and the Beijing ("Gugun") Museum. The plan outlines extensive contacts between our countries in the sphere of publishing houses, the printing trade, and the book trade. The sides will continue discussion of the practical issues of cooperation in publishing encyclopedic literature, a Big Russian-Chinese Explanatory Dictionary, and other reference literature. As in previous years, the USSR and the PRC will take part in book fairs in Beijing and Moscow. Ties in the sphere of cinematography will be further developed. Exchanges along the lines of the two countries' Central Television and Radio are planned. The plan for 1986-87 envisages further expansion of ties between Soviet and Chinese creative unions. Contacts between the Telegraph Agency of the Soviet Union and the XINHUA News Agency and exchanges in the sphere of health services and social security are planned. There is no doubt that this plan complies with the increased level of Soviet-Chinese ties, and its fulfillment will provide a new, powerful impetus to exchanges of the best examples of culture and will make mutual spiritual enrichment more fruitful. The Soviet Union considers the forward development of Soviet-Chinese cultural ties and the imparting of more diversity and fullness to them as an important and integral component of the general process of improving Soviet-Chinese relations on an equal and mutually beneficial basis.

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DEVELOPMENT OF INTER-SECTORIAL ('HORIZONTAL') TIES IN PRC

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[Article by B. N. Basov]

Numerous articles have appeared in the Chinese press on the economic reform, most of them being articles and interviews with public figures and economic managers discussing the establishment and development of the so-called horizontal, i. e., inter-sectoral, ties between various enterprises, organisations and research centres, and their role in economic life today and in the near future.

The policy of developing horizontal links has been pursued in China since the early 1980s. As the Chinese press explains, the need for such links derives from the fact that, under the existing system of economic organisation, interaction between industrial enterprises, research organisations and trading establishments was hampered by "vertical partitions". In the view of the Chinese leaders, the "horizontal" association of enterprises and organisations makes it possible to "use economic levers without changing the form of ownership of their components and of existing links". Based on the principle of "voluntariness, equality and mutual benefit, associations are set up with one common aim, viz., the output of new products and the development of new production technology, techniques or implementation of technical transformations", all of which raises production efficiency.

Renmin ribao wrote on March 13, 1986, that "horizontal" economic links became rather popular during the Sixth Five-Year Plan, the reform of the economic structure, and the expansion of enterprise independence. According to incomplete statistical reports, the newspaper wrote, the number of agreements on economic and technological cooperation totalled 85,000, more than 11 times the 1981 figure. In terms of value, the volume of this cooperation amounted to 16 billion yuan, or over 5 times what it was in 1981.

According to the Chinese press, new trends have appeared in the development of horizontal ties.

First, their scale has expanded because the property of associations goes beyond the framework of individual industries and that of administrative and economic regions. A pertinent example, says *Renmin ribao*, is the Second Auto Plant and the 100-odd enterprises in more than 20 provinces associated into one company, *Dongfeng*, which makes 5-ton lorries. In some cases, horizontal links are strong, in others they are not. Some links involve production, others are auxiliary.

Second, links between enterprises in towns and regions are getting stronger, with due account taken of the relations that have formed historically and geographically. By way of example, the Chinese press cites the Shanghai economic region, three provinces and two towns in North China, and four provinces in Southwest China. Joint production and coordinated deliveries of some types of output for transport, power genera-

tion and extraction of raw materials have been started in three provinces in Northeast China. Joint inter-province freightage on 30 motor-roads is being organised, and joint construction of port facilities and wharves is underway.

Third, technical cooperation is becoming the main content of horizontal links, which, according to the Chinese press, is an important trend. In 1985, the number of agreements on technical cooperation was 19,000, i. e., three times as many as in the previous year. Today, agreements on technical cooperation account for 60 per cent of all the agreements on inter-sectoral links (*Renmin ribao*, March 13, 1986). Chinese economists estimate that "the expansion of technical cooperation and the enrichment of its essence and forms further boosted mutual coordination between science, technology and production". As a result, "scientific and technical achievements are rapidly becoming a productive force". At present, there are almost 10,000 scientific and production associations, and the "technology market" is developing.

Fourth, according to the Chinese press, the switch-over to long-term contacts is a stable trend in the development of horizontal links. *Renmin ribao* writes that this has become an imperative for the effective development of the economy of many regions and enterprises. For example, in 1985, in Jiangsu Province one-third of the consumed coal, a quarter of the rolled steel and 40 per cent of the sawn timber were supplied on the basis of stable horizontal links.

It seems that the practice of introducing horizontal economic links was generalised at the First All-China Workers' Meeting on the Reform of the Economic Structure in Towns. Sponsored by the PRC State Council, in Peking in early March 1986. *Guangming ribao* wrote on March 17, 1986 that "the question of horizontal economic links was dealt with at the meeting in all seriousness". On March 15, Zhao Ziyang, Premier of the State Council, reported to the Standing Conference of the State Council on the discussions at the All-China Meeting. In his report, the newspaper wrote, he said that "from now on, the establishment of associations on the basis of horizontal economic links should be considered the most important work".

Zhao Ziyang pointed out that horizontal economic links were very important for the structural reform of the economy of town and country and noted that the setting up of associations based on such links was an "imperative for the development of the socialist commodity economy, an imperative for modernising production". In 1985, the CC of the CPC adopted a resolution on the reform of the economic structure. This decision, Zhao Ziyang noted, "was permeated with one basic idea, viz., the economic structure in China should correspond to the need to develop the socialist commodity economy". In his view, horizontal economic ties, are, in fact, "a basic condition for the existence and development of the commodity economy; they remove partitions separating various industries".

In the past, Zhao Ziyang said, the economic structure lacked links between its various components, which slowed down the development of the commodity economy. The reform is designed to resolve this contradiction. Without this, he said, there is no point in talking about a commodity economy. Links based on the administrative principle, Zhao Ziyang noted, fettered enterprises. On the other hand, he said, vertical disassociation leads to a situation in which "the property of the whole people actually becomes the property of departments, the property of regions, making enterprise dependence on the departments and regions too great". In the past, Zhao Ziyang went on to say, economic activities in China were based on vertical subordination. This situation still obtains to a considerable degree. A commodity economy, however, makes it imperative that economic links should develop horizontally and that a

single market system and an all-embracing economic network should be formed. From that viewpoint, the process of the broad development of horizontal economic links and the liquidation of dissociation, Zhao Ziyang noted, takes us from old to new economic structures.

People in China understand that considerable difficulties will arise in the process of reorganisation. In Zhao Ziyang's view, "horizontal association in itself deals a blow at the old structure, combats dissociation; contradictions with the old economic structure will inevitably emerge in the process of setting up associations, especially in the fields of planning, finance, foreign currency, material supplies, and money circulation". According to *Guangming ribao* (March 17, 1986), Zhao Ziyang urged those attending the meeting to "expose all that hampers the development of horizontal links under the present system".

Various enterprise associations are being set up in China today on the basis of horizontal links. They differ radically from companies organised on the administrative principle. Their participants unite voluntarily on the basis of mutual service, support, interconnection and coordination of activities. Analysis of the Chinese press shows that the establishment of horizontal links and the activities of associations formed on their basis encountered considerable difficulties due to the lack of relevant legal norms and legislative acts. This was also noted at the First All-China Workers' Meeting on the Reform of the Economic Structure in Towns. For this reason soon after the meeting (on March 24, 1986) the Regulation of the PRC State Council concerning certain problems of the further introduction of horizontal economic links was published. Its full text appeared on the front pages of all central newspapers, which fact alone shows that China's leaders attach considerable importance to this document.

The Regulation includes 30 articles grouped into several sections according to subject-matter.

The preamble notes that in the period following the Third Plenum of the CPC CC (11th Convocation) held in late 1978, in the context of economic "recovery", "horizontal economic links have become widespread in the sphere of production, commodity circulation, science and technology, at various levels and in various forms". With their greater economic independence, enterprises "began to form economic associations based on horizontal economic links, varying in form and essence". The document emphasises that this new phenomenon in China's economic life "has already demonstrated its immense advantages and great vital force". Horizontal economic links are considered the "most important element in the reform of the economic structure", "an imperative for the development of the productive forces of society".

The document further says that the practical development of such ties has already shown that they "facilitated the finding of resources, the rational use of funds, the formation of commodity circulation and a single socialist market, rational exchange of talented personnel and technical progress, the rationalisation of the economic structure and the formation of regions".

In the opinion of Chinese leaders (and this is emphasised in the Regulation), horizontal economic links and the associations that emerge on their basis "are an objective imperative for the development of the socialist commodity economy and an inevitable trend in the socialisation of production; they have dealt a telling blow at the isolation of various economic sectors".

A section of the Regulation entitled "The Principles and Aims of Associations Based on Horizontal Links", says that "enterprise associations are the main form of horizontal links". Special emphasis is placed on the need to "remove limitations between regions and departments, and also

limitations connected with the form of ownership". It is believed that the development of horizontal economic links between enterprises will gradually give rise to new economic associations which will eventually develop into a single economic organism. The Regulation calls for ensuring the "independence of associations based on the principles of horizontal economic links". It says that "on the basis of their agreements and charters, enterprises must have the right voluntarily to join such associations and voluntarily to withdraw from them". The forms of management within such associations "are agreed upon and established by the participating parties". The Regulation makes it binding upon relevant departments to "implement the directives regarding enterprise independence" and to "refrain from interference in the development of horizontal links on the ground of parochial interests". It contains a direct reference to the need to "halt the further use of administrative methods in forming economic associations".

While paying great attention to ensuring independence in developing horizontal links, the Regulation, on the other hand, contains a section entitled "To Improve Planned Management and Statistical Methods", which points to the need to improve management and leadership at the macrolevel on the basis of plans and statistics. It is emphasised that management at the macrolevel must not "act blindly; it must be geared toward the comprehensive use of resources, liquidation of shortages, expansion of the production of export commodities, and reduction of the production of goods with a low technological level". A separate article instructs enterprises participating in economic associations to guarantee the fulfilment of all plans set by government bodies and strictly to meet contract obligations. Production plans for such enterprises are set either by the relevant curator departments and regions, making use of the available mechanism, or by the economic associations themselves. The Regulation stipulates that various technical and economic indicators of economic associations must be "included in unified government statistics".

The document says that "departments controlling the means of production must facilitate the large-scale establishment of economic associations based on horizontal links". Local authorities are also required to "expand the markets of means of production" and "set up trading centres for this purpose". The "activation of the market mechanism" must promote the further development of horizontal economic links. The additional output of economic associations based on horizontal links (besides that specially determined by the state and supplied according to the plan) may be sold by the enterprises at their discretion.

The document spells out other benefits accorded enterprises which belong to associations based on horizontal links. These benefits must develop the energetics, infrastructure and economy of remote and backward regions.

The Regulation includes another important section entitled "To Strengthen Cooperation Between Production, Science and Technology", which deals with the principles and aims of scientific and production links. It emphasises that economic associations must make wider use of their technical possibilities by involving research institutions in their activities, and must participate in mediatory projects, with curator departments making special provisions for this in their plans. In turn, banks must establish a procedure for financing such activities.

The next section, "To Develop Finance Operations in Associations Established on the Basis of Horizontal Links", states that, following the registration of economic associations by the relevant administrative and management departments, banks must open special accounts for such associations. Banks are given the right to independent decision-making as

regards the provision of credits for the fixed assets of these economic associations within the credit and investment limits set by the state. Special emphasis is laid on the need to "ensure in this respect the independence of banks and to protect them from interference". The document also establishes a procedure for giving credits for current assets.

The section "To Regulate the Methods of Taxation" establishes a procedure for taxing economic associations. The most important factor, the Regulation states, is to protect enterprises that form associations from "double taxation": first, as individual enterprises, and, secondly, as members of associations. In some cases, however, additional direct taxes may be collected. A taxation procedure is filed with the Central Tax Office of the Finance Ministry. The document provides for tax benefits for enterprises in underdeveloped regions which invest in the infrastructure or energetics. Taxes are also reduced when a new product is turned out, and in many other cases. This is used to stimulate the activities of enterprises in the interest of the whole state.

The final section of the Regulation deals with the guaranteed rights and interests of economic associations established on the basis of horizontal links. In keeping with the Regulation, such associations are to be registered by trade-and-industrial and administrative-and-management departments following their approval by competent local authorities. The document stresses that such economic associations "must observe state legislation and relevant political instructions and propositions". Their legitimate rights and interests regarding "fixed assets, interest, profit, output, and foreign currency outlays are protected by the laws of the state". The charter is the main legal document of an association. It must "clearly define the rights and duties of the participating parties, the distribution of their interests and responsibilities, the procedure of forming administrative bodies and appointing executives".

The document accords great freedom of action to both enterprises and local administrative bodies. It says specifically that "provinces, autonomous regions and towns subordinated to the centre, and also special economic zones may elaborate, on the basis of this Regulation, concrete methods for implementing necessary measures".

Following the publication of the Regulation, the articles on the problem of horizontal economic links appearing in the Chinese press have become more frequent and varied. In all these commentaries the development of horizontal links is viewed as a positive phenomenon for the country's economy.

A link-up between research establishments and production enterprises in town and country is regarded by many commentators as a special and important trend in the development of such economic links. Yu Weidong, a *Guangming ribao* observer, wrote on March 3, 1986 that modernised production is "socialised production based on modern science and technology. For this reason increasingly close cooperation and link-up between the process of research and production is its specific feature". In principle, the author writes, such cooperation is not new. It existed on a rather wide scale in the initial period following the establishment of the PRC, when 156 science-production associations operating in the country. They also existed in the 1960s. But all those associations were set up by administrative decision.

The Chinese press divides science-production associations formed on the new basis into two types.

The first category includes research and production organisations and enterprises formed on the basis of contracts for making certain specific items. They jointly produce a new product or piece of equipment and, once the contract for this particular item has been fulfilled, consider their mission accomplished and the association is, as a rule, liquidated.

Such associations are temporary. According to Chinese newspapers, they are a "lower form of associations based on horizontal links".

The second category includes associations involving the merger of the capital of two or more parties. A single economic mechanism is set up which engages in joint economic activities, distribution of profits, etc. *Guangming ribao* writes that the Dalian cotton-printing production association is a pertinent example. It includes a higher educational establishment, a research institute, and 16 enterprises. This has made it possible to organise a research-and-production complex dealing with a whole range of problems: from developing raw material samples and chemicals up to turning out the end product. Over a two-year period the association has organised the output of several new products.

Guangming ribao wrote on March 30, 1986 that in recent years horizontal links between science and production "have gained wide currency and showed their vitality". The newspaper believes that they play a diversified role. First, they promote technical progress at enterprises, especially medium and small ones, in small rural districts and settlements. The newspaper adds that economic practice has proved the efficiency of such cooperation. Second, research institutions and higher educational establishments "are looking to the urgent problems of economic development". Moreover, research institutions have begun to receive incomes, they have consolidated their material base for further development and raised the standard of R & D, teaching and education, training new personnel who "combine theory and practice". Third, a large number of researchers and technicians are "leaving their armchairs" and engaging in practical work on the frontline of production, applying their knowledge at small and medium enterprises in small rural districts and settlements.

Yet, Chinese press notes, there are many problems in the development of horizontal links still to be solved. Above all, this involves the elaboration of relevant legislation guaranteeing the lawful rights and interests of the associated parties. There are also problems with financing. In the view of *Guangming ribao*, the absence of theoretical studies dealing with the "commodity nature of technical breakthroughs, the materiality of science" is a serious drawback, causing great confusion with prices on the so-called market of technology. Remuneration for developing new technology also varies. The overall conclusion is that the development of horizontal links between research and production organisations is an "imperative for modernising today's production, an imperative for the socialist commodity economy".

What hopes does China pin on horizontal links? Referring to information received from the PRC State Economic Council, *Renmin ribao* wrote on March 31, 1986, that some positive trends are already in evidence. The establishment of inter-sectoral economic links during the course of the economic reform had yielded the following results: new groups of enterprises are emerging which cooperate independently of regions and sectoral affiliation; cooperation between regions and towns is growing stronger; the national economy is being stabilised; technical cooperation is developing; the policy of economically developed regions assisting remote regions is receiving a new impetus; the necessary requisites are being formed for rational placement and use of production and raw material resources, technology, equipment and labour.

Judging by the Chinese press, the development of these trends, and of horizontal economic links as a whole, will help implement the economic reform in China and raise the efficiency of the national economy.

CHINA'S PRESS CITED ON POLICY TOWARD DEVELOPING COUNTRIES

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 158-162

[Article by I. O. Olshanskiy: "Chinese Views on Developing Countries"]

As part of the People's Republic of China's policy of establishing and expanding comprehensive relations with developing countries of the Asian-Pacific region, Africa and Latin America, political, economic and social problems faced by those countries feature prominently in the Chinese press. A network of specialised research organisations to study those problems has been set up in the PRC and continues to expand. The organisations include the Institute of Asia and Africa at Peking University, the Institute of Latin America of the PRC Academy of Social Sciences, the Institute of Southeast Asia at Jinan University, the Institute of South Asia at Sichuan University, and the Institute of the Southern Seas at Xiamen University. The study of developing countries' problems is included in the curricula of several other educational, fundamental and applied research institutions.

The work of the above scientific organisations and educational establishments is covered by the journals and bulletins they publish, as well as by national newspapers and foreign affairs magazines.

Chinese periodicals divide all problems facing developing countries into political and economic. The first include problems related to the defence of national independence and state sovereignty and consolidation of political independence on the basis of greater economic independence. In analysing these problems, Chinese political scientists take "the struggle between the two superpowers" as the main cause of the instability and tensions in the world, which, according to them, also has an impact on the developing countries. *Shijie Zhishi*, a periodical dealing with international affairs, points out that "since the early 1980s, the rivalry between the Soviet Union and the United States for influence in the third world has come to a head". The journal concludes that that is "the main source of unrest and instability in the third world".¹ The situation in the Middle East and Central America is cited as examples of the negative effect which the "struggle between the two superpowers" has on the political situation around and inside developing countries. The situation around Afghanistan and Kampuchea is interpreted in a similar way.

As regards the developing countries' internal political problems, the Chinese press actually disregards the social and political factors which result largely from the impact of the "neoglobalist" policy of the imperialist countries, first and foremost the United States, and the activities of transnational corporations. Chinese political scientists reduce the analysis of these problems to a tracing of the "two superpowers'" involvement and role in the situation in this or that region.²

In considering developing countries' problems, the Chinese press lays emphasis on economic matters. The *Liaowang* journal last year carried Deng Xiaoping's statements on the situation in the modern world, in which he stressed that the problem of relations between developed and developing countries "has a global strategic significance" and faced the two groups equally, for "if the South is not sufficiently developed, the export of capital and goods from the North will also be very limited".³

¹ *Shijie Zhishi*, 1986, No. 8, p. 16.

² *Shijie Jingji*, 1985, No. 1, 1985.

³ *Liaowang*, 1985, No. 1, p. 10.

A well-known political scientist, Qian Jinzhui, pointed out in the article, "the Third World and the New International Economic Order", that "the developing countries regard their domestic contradictions as secondary. Their prime task is still to establish a particular international economic order, one that is comparatively equitable and just, so as to counter the plunder and moderate the diktat on the part of developed capitalist countries".⁴

Work for economic change on the international scene, for a new international economic order, is regarded as urgent since all the developing countries' political and economic problems such as "more unfavourable terms for foreign trade, huge debts, backward agriculture, food shortages, soaring unemployment, utter poverty and a low standard of living of the working people",⁵ are rooted, in the opinion of Chinese scholars, in "the modern international economic structure which, despite the new and powerful socialist system and political independence won by many third world countries is on the whole still the old highly irrational, highly unjust and highly inequitable order, which is under the sway and control of the imperialists, colonialists and hegemonists, and in which the third world countries are the main target of diktat and exploitation".⁶

The Chinese press views the developing countries' struggle for strong economic independence as "an integral part of the historical development" of the modern epoch, and concludes that the efforts by that group of countries to establish a new international economic order is "the continuation and development of the great postwar national liberation movement".⁷ Chinese economists and political scientists thus consider it the developing countries' main task to reform the existing system of international economic relations so as to be able to solve all their economic, social, internal political and foreign policy problems. The *Hongqi* journal, a theoretical publication of the CPC Central Committee, wrote in the article "Defence of the Rights and Interests of Third World Countries Is an Obligatory Internationalist Duty of Our Country" that "at present the national liberation struggle of the peoples of third world has entered a new historical stage, the primary task now being the defence of the national independence, development of the national economy, and attainment of economic independence to consolidate the political independence".⁸

Chinese newspapers and magazines note that "the economic position of many third world countries is difficult".⁹ They emphasise that "the economy of the developing countries has been going through an extremely hard period since the early 1980s, hit by the economic crises in the West"¹⁰. The developed capitalist countries place the burden of the economic crises and other negative phenomena in their economies on the developing countries, thus doing much damage to the latter's economy. This slows down their economic growth rates and widens the development gap between various regions of the world.

Among the diverse economic problems facing the developing countries, the Chinese press highlights the debt problem. According to Chinese scholar Zhao Jihua, the developing countries' debt is pivotal in "North-South" relations.¹¹ Huan Xiang, a prominent Chinese political

⁴ *Shijie Jingji*, 1984, No. 7, p. 5.

⁵ *Shijie Jingji*, 1983, No. 10, p. 2.

⁶ *Ibidem*.

⁷ *Ibid.*, p. 3.

⁸ *Hongqi*, 1984, No. 16, p. 13.

⁹ *Ibid.*, p. 20.

¹⁰ *Guoji Wenti Yanjiu*, 1984, No. 2, p. 11.

¹¹ *Ibid.*, p. 34.

scientist, has said that these matters "affect both the developing and developed countries" and are both economic and political in character.¹²

Chinese scholars believe that the reason why the aforementioned problems remain unresolved is that "the unjust international economic system is not changing fundamentally", whereas foreign debts and interest payments keep growing.¹³ The developing countries' debt burden is increasing largely due to factors such as their growing foreign trade deficit, the fall in the prices of raw materials and semi-finished products, which account for 85 percent of those countries' exports, the slowing down of economic growth, the fall in crude oil prices and, in this connection, the outflow of petrodollars that started after the 1979-1982 economic crisis of capitalism.¹⁴

Some articles emphasise the negative role of United States' policy which aggravates the developing countries' difficult position. Regarding the US Administration's approach to those countries' debt problem, Zhao Jihua has said that "US economic policy is to blame for the deep debt crisis" and that the United States "consistently takes a hard-line approach to the third world's debts". Higher US interest rates increase the developing countries' debts. The Chinese press notes that "a one-percent rise in interest rates makes the developing countries pay an extra \$2 billion of interest a year".¹⁵ In Zhao Jihua's opinion, the US IMF policy toward the developing countries, must be changed. The author points out, however, that the US policy of "giving aid to other countries has overtly political and military aims".¹⁶ This policy calls for "interference in the third world countries' domestic affairs and consolidation of US monopoly capital's positions".¹⁷

The Chinese press also emphasises the negative role of the developed capitalist countries' protectionism in trade relations with the developing countries which was stepped up in the early 1980s. Chinese scientists estimate that in 1985 alone export revenues of the developing countries fell by 2.5 percent as compared with 1984.¹⁸ According to the Chinese press, the protectionist measures "cause grave concern in the developing countries", since they "undermine their ability to repay the debts, compensate for the gap between external revenues and expenditures, tap and develop currency reserves, and secure a turn for the better in the economy".¹⁹

Many authors point out that the developing countries' worsening financial and economic position affects their living standards. Special measures taken by those countries to normalise and stabilize the economic situation only "put up serious obstacles to economic growth and improvement in the standard of living".²⁰ That, in turn, "has a profound impact on the stability of the political situation" and "is closely linked" with the aggravation of the political climate in several developing countries.²¹

On the whole, Chinese political scientists and foreign affairs analysts give a fairly full and objective view of the economic problems and difficulties facing the developing countries, but they conclude that the main cause of those problems is the unbalanced relations between the "rich

¹² *Shijie Zhishi*, 1986, No. 3, pp. 2-6.

¹³ *Ibidem*.

¹⁴ *Guoji Wenti Yanjiu*, 1984, No. 2, p. 14.

¹⁵ *Ibid.*, p. 34; *Shijie Zhishi*, 1984, No. 5, p. 9.

¹⁶ *Guoji Wenti Yanjiu*, 1984, No. 2, p. 36.

¹⁷ *Ibid.*, p. 36.

¹⁸ *Shijie Jingji*, 1986, No. 2, p. 21.

¹⁹ *Shijie Zhishi*, 1984, No. 5, p. 9.

²⁰ *Shiji Jingji*, 1986, No. 2, p. 21.

²¹ *Guoji Wenti Yanjiu*, 1984, No. 2, p. 13.

North" and the "poor South"²² and the "irrational and unjust 'international economic order'", rather than the exploitation of the developing countries by the imperialists and transnational monopolies. This vision of the developing countries' problems gives the estimates and forecasts of the Chinese press a certain tinge. One should add here that in considering the problems of the interconnection between the world economy and world politics, some Chinese scholars come to the conclusion that "at present everything suggests that economy is superior to politics".²³

Chinese experts therefore regard the campaign for a new international economic order and for the restructuring of present-day international economic relations as the main task of the developing countries. A prominent foreign affairs expert, Xue Mouhong, has noted that given their economic difficulties, the developing countries "should have common long-term goals in the work for a new international economic order and find a speedy solution to some urgent economic questions."²⁴ According to Chinese political scientists, success in this field will enable the developing countries to solve the whole range of problems facing them, including social and political ones.

The Chinese press considers a number of measures which the developing countries need to take so as to make progress in these areas. An article entitled, "Changes in South-North Economic Relations and Prospects for Economic Growth", carried by *Guoji Wenti Yanjiu* in 1985, said that the developing countries "should, through 'South-South' trade and by streamlining national economies and tapping inner motive forces, ultimately shake off the dependence on the developed countries". The article emphasised that the developing countries should streamline their economies in two fields: structural reorganisation, and reshaping of economic policies. The first includes generalising experience, creating one's own models of development, and looking for new ways to improve the national economy. For the second field the article suggested conducting an open-door policy, scaling down construction, encouraging export in every way possible, putting import under strict control, and cutting down expenses.²⁵ But, the article said, each country should look for its own path, adding that the reforms were not likely to bring about immediate results. As a general recommendation, the article suggested that "all third world countries strictly control and direct the activity of foreign capital, implement anti-feudal land reform, guarantee and enhance the masses' democratic rights, consolidate national unity, and gradually improve the material and cultural life of the masses".²⁶

The director of the Institute of Western Europe, Li Zong, gave specific recommendations as to how developing countries could overcome the economic difficulties. At a discussion of international affairs arranged by the *Shijie Zhishi* editorial board in December 1985, he offered four ways to solve the debt problem: 1) introduction by the debtor countries of total control over economic growth, and strict economy; 2) a policy aimed to raise export revenues; 3) reduction by the US of the dollar's exchange rate and of lending rates; 4) redistribution of debts.²⁷ Li Zong said that these measures greatly depended on the creditor countries. He also added that the latter should also have an interest in this since slow economic growth in the developing countries would retard economic prosperity in the developed countries.

²² *Shijie Jingji*, 1985, No. 1, p. 7.

²³ *Shijie Jingji*, 1984, No. 7.

²⁴ *Hongqi*, 1986, No. 6, p. 20.

²⁵ *Guoji Wenti Yanjiu*, 1985, No. 3, p. 11; *Ibid.*, 1984, No. 2, p. 16.

²⁶ *Shijie Jingji*, 1983, No. 10, p. 4.

²⁷ *Shijie Zhishi*, 1986, No. 1, p. 3.

Cooperation between developing countries, the "South-South cooperation", features prominently in the Chinese press. Chinese experts believe it is one of the most efficient ways to solve the developing countries' economic problems and promote "South-North" dialogue. *Guoji Wenti Yanjiu* emphasised in the above-mentioned article that although direct investment by the developed countries and trade with them on a parity basis could somewhat improve the developing countries' positions in finance and trade, the latter "will ensure continuous economic growth in the long-term only through 'South-South' trade and a streamlining of their national economies". As examples of such cooperation, the authors cited the activities of several regional organisations for economic cooperation in Africa, Asia, Latin America and the Middle East. Noting the important role played by international conferences on cooperation between the developing countries, they singled out the conference held in New Delhi in February 1982 and the symposium on "South-South" cooperation held in Peking in April 1983, which "signalled a new stage in the development of interstate cooperation between third world countries".²⁸

The Chinese press gives much publicity to the developing countries' cooperation on the basis of "collective self-reliance". It is significant that Chinese publications have of late been carrying the thesis that "self-reliance does not mean being shut off from the rest of the world". "The developing countries cannot sever their ties with the developed countries, as it is not only unreal, but harmful... on the contrary, the developing countries should receive foreign aid".

The establishment of a new international economic order and "South-North" dialogue are always a focus in the Chinese mass media. Chinese political scientists blame "the impasse which the South-North negotiations reached in the early 1980s" on the "group of developed countries, led by the United States, which are striving to preserve their monopoly position in the world economy and which take a hard-line, uncompromising stand on the existing international economic order".²⁹

It should be noted that the views of Soviet and Chinese scholars coincide in a number of cases on some problems of the developing countries. These include the approach to the establishment of a new international economic order, the developing countries' foreign debt, and the negative role of US policy. The views of Soviet and Chinese scholars on the activities of transnational corporations in the developing countries, the establishment of a new information order, etc., also coincide.

At the same time it must be pointed out that Chinese political scientists groundlessly equate the Soviet Union's policy and the United States' activities with regard to the developing countries. Neither can one consider flawless the view, often to be found in the Chinese press, that the developing countries should solve economic problems first and put off tackling social matters. Little attention is paid to political problems, specifically analysis of the developing countries' role and potential in the campaign for peace throughout the world, an end to the arms race, and for detente. An in-depth analysis of political problems would undoubtedly strengthen their positions in the struggle against the imperialists' political and economic oppression.

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28. SHIJIE JINGJI, No 10, p 4.

29. GUOJI WENTI YANJIU, 1984, No 2, p 16.

USSR-DPRK FRIENDSHIP, COOPERATION TREATY, 25-YEAR TIES NOTED

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 170-176

[Article by V. I. Andreyev and V. I. Osipov: "The Friendship and Cooperation of the People of the USSR and DPRK"]

In the history of Soviet-Korean relations there are quite a few landmarks attesting to the friendliness that exists between the two nations. A special place among these is assigned to the Treaty of Friendship, Cooperation and Mutual Assistance signed on July 6, 1961 during a visit to the USSR of a DPRK Party and government delegation headed by comrade Kim Il Sung.

This Treaty embodies the desire of the two countries' parties and peoples to strengthen political, economic and cultural ties, as well as ties in the military sphere on the principles of socialist internationalism. Also, it has become an important means of promoting peace and security in Asia and in the Far East. The Treaty declares that stronger friendship, good-neighbourliness and cooperation between the USSR and the DPRK meets the vital interests of the two sides and furthers their economic and cultural development. Article I of the Treaty stresses that the signatories "will participate in all international actions aimed at ensuring peace and security in the Far East and worldwide, and will contribute to the accomplishment of these lofty goals". The USSR and the DPRK have undertaken "to consult each other on all issues of international import with a bearing on the interests of the two states, as they are guided by a desire to further peace and universal security."¹

On the basis of the Treaty, the Soviet Union and socialist Korea are steadily developing bilateral relations. A fresh impetus to this process was given by the talks between Soviet and Korean leadership during the May 1984 visit to the USSR of a DPRK party and government delegation headed by General Secretary of the Workers' Party of Korea (WPK) Central Committee, President of the DPRK, Kim Il Sung. The agreements reached by the two countries in the course of the visit made it possible to radically expand cooperation in political, economic, cultural and other fields.

Celebrations to mark the 40th anniversary of Korea's liberation by the Soviet Army from the Japanese colonial yoke, held in Korea in August 1985, were a vivid demonstration of Soviet-Korean friendship. On this occasion, a party and government delegation led by Geidar Aliyev, Member of the CC CPSU Politburo, First Deputy Chairman of the USSR Council of Ministers, a military delegation led by Marshal of the Soviet Union, First Deputy Minister of Defence Petrov and envoys from ministries, departments and other organisations that have contacts with Korean colleagues, took part in the celebrations.

¹ *Soviet Union's Relations With the People's Korea*, Moscow, 1981, pp. 196-197.

It is worth mentioning that cooperation between the two countries in foreign policy has noticeably increased in recent years. A series of visits has taken place between heads of diplomatic agencies of the USSR and the DPRK: in April 1985, Kim Yong Nam, Member of the CC WPK Politburo, Deputy Premier of the Administrative Council and Foreign Minister of the DPRK paid an official visit to Moscow. In January 1986, on the invitation of the CC WPK and the DPRK government, Eduard Shevardnadze, Member of the CC CPSU Politburo and Minister of Foreign Affairs of the USSR, went to Pyongyang. During the talks there was an exchange of views on a wide range of problems concerning Soviet-Korean relations and international affairs which showed an absolute consensus on all matters under discussion.

Given the current complicated international situation the Soviet Union and the DPRK expressed their mutual desire for a comprehensive political dialogue. The sides voiced their concern over US attempts to attain military superiority over the socialist countries, and to disrupt the existing military parity. They denounced the arms race instigated by the US on Earth and the latter's intention to extend it to outer space.

Democratic Korea enthusiastically supported the stand adopted by the USSR at the Soviet-American summit in Geneva in November 1985. The Statement of the DPRK political parties and public organisations issued in connection with the Geneva talks expresses full support for "tireless efforts the Soviet Union makes to halt the arms race, ease international tensions and strengthen peace and security the world over".²

Socialist Korea demonstrated its solidarity with the Soviet initiative concerning a unilateral moratorium on nuclear tests with its subsequent prolongation. The WPK showed a profound understanding of Soviet peace proposals set forth in the January 15, 1986 Statement by General Secretary of the CC CPSU, Mikhail Gorbachev. "In the Statement issued on January 15 this year," stressed comrade Kim Il Sung, "the General Secretary of the CC CPSU, Comrade Mikhail Gorbachev, came out with a new peace initiative aimed at achieving the complete elimination of nuclear armaments. At the 27th Congress of the CPSU he also clearly set forth the peaceloving foreign policy of the Soviet Union based on a thorough analysis of the present international situation. The numerous proposals and initiatives lately advanced by Soviet Communist Party are of paramount significance for averting the threat of a nuclear war and preserving peace and security in the world."³

The Soviet Union and the DPRK focus their attention on developments in the Asia-Pacific region. The documents signed during the talks between Soviet and Korean Foreign Ministers emphasise that tension is continuing to grow in Asia and the Pacific, as a result of Washington's hegemonistic policy aimed at making this region yet another scene of military and political confrontation with the USSR, the DPRK, and other socialist states. A new militarist structure, Washington-Tokyo-Seoul, is being built in Southeast Asia. On the basis of the "Security Treaty", the United States is persistently pushing Japan towards increasing military might.

The US gives allround support to the Seoul regime, which is regarded as a "regional" force and a major link in the trilateral military-political alliance US-Japan-South Korea. The Seoul armed forces are provided with modern weapons and materiel, aircraft, tanks, and electronic equipment. Every year the Pentagon allocates huge sums to Seoul to modernise the South Korean armed forces. In 1985, South Korea received \$220 million, while the figure planned for 1986 is \$220.2 million and for

² *Nodon Sinmun*, Dec. 9, 1985.

³ *Ibid.*, March 12, 1986.

1987—\$236 million.⁴ In 1986, Seoul began to receive the F-16 fighter-bombers; all in all, 38 such aircraft will be shipped to South Korea.⁵

At the negotiations on "security" matters held in Seoul in April 1986, the US Defense Secretary Caspar Weinberger reaffirmed Washington's commitments as regards South Korea and the further buildup of American military assistance to the Seoul regime.⁶

The joint US-South Korean military exercises codenamed Team Spirit and regularly carried out since 1976 have become a key component in the trilateral alliance. In recent time more than 200,000 US and South Korean servicemen participated in these exercises, which are meant to rehearse offensive operations on the Korean Peninsula.⁷ In fact, they are testing warfare operations against the USSR and the DPRK. The Statement issued by the TASS news agency on February 9, 1986, resolutely denounced "provocative war games staged by the US and South Korean military in the south of the Korean Peninsula that undermine the foundations of security in Asia and the Pacific and pose a threat to the DPRK, other peaceable states, and to universal peace."⁸

The United States is using all available means to develop active military and political intercourse between Tokyo and Seoul. Nakasone's trip to South Korea in January 1983, and the return visit by head of the South Korean regime, Chun Doo Hwan, in September 1984, resulted in still firmer links between Tokyo and Seoul within the trilateral militarist structure US-Japan-South Korea.

Political contacts between the USSR and the DPRK have been used to make a careful study of ways to lessen tensions in Asia and in Korea. Korean colleagues spoke in favour of the Soviet initiative advocating a comprehensive approach towards the problem of peace and security in Asia. "The Korean side," states the joint communique on the results of the visit by Eduard Shevardnadze to Pyongyang, "deems important the idea, proposed by the Soviet Union, to find a common comprehensive approach towards solving the problem of security in Asia, and supports it."⁹ The DPRK favours the idea of creating nuclear-free zones both in Europe and in other regions of the world. The DPRK, together with the Soviet Union and other socialist states, supports proposals directed at turning South-east Asia into a zone of peace and equitable cooperation.¹⁰

The Statement by the Soviet government made public on April 23, 1986 in connection with US and Japanese attempts to create a so-called Pacific Community brought a broad response from the Korean public. The DPRK gives its full support to the ideas of furthering peace, security and stability in Asia and the Pacific put forward in the Statement.¹¹

The Soviet Union, for its part, has repeatedly stressed that the DPRK's proposal on the withdrawal of US troops and nuclear weapons from South Korea and the conversion of the Korean Peninsula into a nuclear-free zone of peace is an urgent issue of the day.

It is common knowledge that back in 1980, at its 6th Congress, the Workers' Party of Korea suggested that Korean Peninsula be turned into a nuclear-free zone. This desire was reemphasised in a joint declaration signed in Pyongyang in March 1981 by the Workers' Party of Korea and the Socialist Party of Japan in a joint declaration made by the delegations of two parties which proposed that a nuclear-free zone be established en-

⁴ *Korea Herald*, Oct. 13, 1984; *Nodon Sinmun*, April 6, 1986.

⁵ *Nodon Sinmun*, April 6, 1986.

⁶ *Korea Herald*, April 4, 1986.

⁷ *Nodon Sinmun*, April 7, 1986.

⁸ *Pravda*, Feb. 9, 1986.

⁹ *Pravda*, Jan. 24, 1986; *Nodon Sinmun*, Jan. 24, 1986.

¹⁰ *Nodon Sinmun*, Jan. 24, 1986.

¹¹ *Ibid.*, April 25, 1986.

compassing the Korean Peninsula and Japanese islands. To achieve this, the sides suggested the withdrawal of all nuclear weapons from South Korea and Japan, and also a ban on their development, testing, manufacture, possession, import, transfer, storage and application. The WPK and the SPJ advocated the liquidation of military bases in this region, the withdrawal of foreign troops, and the dissolution of the existing aggressive blocs.¹² During the talks between the WPK and the SPJ held in Pyongyang in September 1984, both delegations once again spoke on the importance which a nuclear-free zone in Korea and Japan, once established, could have. "We believe," said Comrade Kim Il Sung at a meeting with the SPJ delegates, "it is necessary to work intensively for the creation of a nuclear-free peace zone in Asia by uniting the efforts of political parties and public organisations from various countries in this region of the world."¹³

The USSR and the DPRK are unanimous on the issue of settling conflicts in the planet's "hotbeds". The two countries give their full support to the people and government of Afghanistan who are defending the gains of the April revolution. Both the Soviet Union and socialist Korea demand that a just and all-embracing settlement be reached in the Middle East by a withdrawal of Israeli troops from all occupied Arab territories and the exercise of the Palestinians' legitimate right to a sovereign state. The two countries support the struggles waged by the South African people against apartheid for independence for Namibia and the cessation of Pretoria's armed raids against frontline states.

Moscow and Pyongyang strongly condemn imperialist interference in the internal affairs of the Caribbean Sea countries and express solidarity with Cubans and Nicaraguans fighting in defence of sovereignty and for a peaceful settlement in Central America.¹⁴

Like the Soviet Union, the Koreans felt anger and indignation on hearing the news of the barbaric bombing launched by the US aircraft against Libya. It was underlined in the DPRK government statement that "the Korean people firmly support the Libyans and will, in the future, as now, render all possible help to their just cause."¹⁵

Faithful to its Treaty obligations, the Soviet Union gives consistent support to the DPRK in its struggle for a peaceful, democratic normalisation of the situation in Korea.

For more than 40 years now, the Korean people have been courageously campaigning for the peaceful unification of their homeland. The DPRK government has made many constructive proposals directed at securing the withdrawal of US troops from South Korea and the creation of a Confederation of North and South through peaceable dialogue, replacing the armistice agreement with a peace treaty, and working out a declaration of non-aggression between North and South. To alleviate the tension on the peninsula, the DPRK government decided against carrying out major military exercises in the North from February 1, 1986 and suggested that the US and South Korea stop any military exercises throughout the period of negotiations between North and South.¹⁶ Washington and Seoul, however, turned down these peaceful gestures from Pyongyang. The DPRK agreed to conduct summit talks between North and South on the condition of progress in contacts between Red Cross societies, between the Parliaments of the two countries and in economic cooperation. Nonetheless, Seoul and its Washington patrons are torpedoing the peaceful proposals made

¹² *Ibid.*, March 17, 1981.

¹³ Kim Il Sung, *A Talk With the Delegation of the Socialist Party of Japan*, Pyongyang, 1984, p. 2 (in Korean).

¹⁴ *Pravda*, Jan. 1, 1986.

¹⁵ *Nodum Sinmun*, April 17, 1986.

¹⁶ *Ibid.*, Jan. 12, 1986.

by the DPRK and are demanding a "cross recognition" of North and South Korea (i. e., the USSR and PRC must establish diplomatic relations with Seoul, while the US and Japan--with the DPRK). They either want North and South Korea to join the UN simultaneously or this privilege to be granted exclusively to South Korea. The USSR is decisively against any attempts to create "a situation of two Koreas" and is wholly on the side of the DPRK on this score.

The Democratic People's Republic of Korea proposed to stage the 24th Olympic Games in 1988 in Seoul and Pyongyang simultaneously, in order to prevent an eternal split of Korea, and to create a political and international climate, favourable for a peaceful unification of the country.

The Treaty provides for the people's Korea to take part in the collective efforts made by the socialist states to prevent nuclear war and secure a lasting peace. The consultative meeting of parliamentarians from Asian socialist countries held on March 1986 in Ulan Bator discussed the question of the role parliaments play in strengthening peace and security in Asia and the Pacific.

The meeting stressed the urgent need to expand contacts between Asian parliaments in the struggle against the threat of war, and in support of peace, and to convene a Pan-Asia forum, following the necessary preparations, which could seek solutions to security issues. Also, parliamentarians pointed out the growing importance of more active cooperation between parliaments in carrying through the foreign policy initiatives launched by the socialist and other countries with the aim of strengthening peace and security in Asia and the Pacific, including the proposal on a comprehensive approach towards security in Asia, on the use of confidence-building measures in the Far East, on the signing by Asian and Pacific states of a convention on mutual non-aggression and non-use of force, on the withdrawal of all types of nuclear weapons from South Korea, on a general improvement of situation on the Korean peninsula and on its transformation into a nuclear-free zone of peace.¹⁷ The results achieved at the Ulan Bator meeting show that it will be an effective factor of support for the DPRK in its efforts towards achieving a peace settlement in Korea.

In recent years the legal foundations of relations between the USSR and the DPRK have been strengthened considerably. Suffice it to mention the documents signed in the 1980s: the treaty on the Soviet-Korean frontier, the Consular convention, the treaty on the demarcation of the economic zone and continental shelf, the inter-government agreement on reciprocal trips by citizens, etc.

Economic, commercial and scientific-technological contacts between the two countries have been developing increasingly. With Soviet technical assistance, the DPRK has built, reconstructed or restored over 70 economic projects. Enterprises built with Soviet help constitute the backbone of the republic's economy, give practical expression to the policy of industrialisation pursued by the WPK and involve nearly all major branches of the economy.

In December 1985 Kan Sung Sang, Member of the CC WPK Politburo and Premier of the DPRK Administrative Council paid an official friendly visit to Moscow. After the talks, a series of intergovernment agreements were signed, namely those on economic and technical cooperation, on economic and technical cooperation in the development of the Korean power industry, and the protocol on the results of talks between the two countries' planning bodies concerning the development of trade and economic cooperation between the USSR and the DPRK for the 1986-1990 period.¹⁸

¹⁷ *Izvestia*, March 29, 1986.

¹⁸ *Pravda*, Dec. 27, 1985.

In compliance with the agreements, the Soviet Union will assist the people's Korea in building and enlarging a dozen major economic projects, particularly in the electric power industry. In Pyongyang, for example, a thermal power station will be built with a capacity of 200,000 kW. An agreement was practically reached that a 1.2 million kW-capacity thermoelectric power station working on low-calorie coal will be built in the vicinity of Anju.¹⁹

Soviet-Korean cooperation in the electric power industry has a record dating back many years. The USSR helped the DPRK put into operation the Supkhung hydro-electric power plant, the Puckchang thermal plant, and thermoelectric heating systems in Pyongyang, Sonbon, and Chongjin, with an aggregate capacity running to almost 3 million kW. These stations now generate more than 60 per cent of the country's electricity.²⁰

Today the USSR is helping the republic to build and modernise five industrial projects, including the second stage of the Kim Chak iron-and-steel works in Chongjin designed to boost steel smelting output from 1.0 to 2.4 million tons and subsequent conversion of steel into hot-rolled sheets.²¹ Soon construction will begin, on a payback basis, of a refractory materials plant with an annual output of 150,000 tons of magnesite bricks, and a 100,000-spindle textile factory. Oil exploration will be conducted on the DPRK continental shelf.²² Quite recently, in spring of this year, a ceremony was held, attended by representatives of the Soviet and Korean public, during which two big enterprises built with Soviet assistance were commissioned—a microelectric engine plant with an annual output of one million engines, and a roll-and ball-bearing plant producing 10 million general-purpose bearings a year.

Cooperation is developing successfully in the procurement of timber and technological chip run by Korean workers in the Khabarovsk territory and Amur region, where several Korean timber procurement farms have been set up to meet the needs of the DPRK economy. This sort of cooperation is beneficial both for the Soviet Union and for the DPRK, as it combines Korea's manpower resources with the USSR's natural wealth. Timber shipments from the Soviet Union now satisfy almost half of Korea's requirements in industrial timber.

Cooperation in ship-building has similarly good prospects. According to Soviet technological specifications, seiners, trawlers, dry-cargo "river-sea" ships, barges, and timber-carriers are being built in Korean shipyards to be delivered to the USSR.

Trade relations between the two countries are based on the principles of mutual benefit and full equality. The Soviet Union sells machines and equipment, oil and oil products, coke and coking coal, cotton, and consumer goods to Korea. Socialist Korea exports magnesite powder for the iron-and-steel industry, car batteries, ferrous and non-ferrous metals, consumer goods, and agricultural products to the USSR. In 1985, trade turnover between the two partners increased by almost 50 per cent as compared with the previous year, reaching 1,051.2 million rubles. In the overall volume, Soviet export accounted for 648.4 million rubles and import—for 402.8 million rubles.²³ Between 1986 and 1990 the volume of trade between the USSR and the DPRK will more than double as against the previous five-year-plan period, reaching as much as 8 billion rubles.²⁴

¹⁹ *Ekonomicheskaya gazeta*, No. 8, 1986, p. 21.

²⁰ *The Democratic People's Republic of Korea*, Moscow, 1985, p. 179 (in Russian).

²¹ *Ibidem*.

²² *Ekonomicheskaya gazeta*, No. 8, 1986, p. 21.

²³ *Vneshnaya torgovlya SSSR*, No. 4, 1986.

²⁴ *Pravda*, March 23, 1986.

One type of scientific and technological cooperation that is particularly promising—joint research on the basis of work plans previously agreed upon—is now being developed. This kind of research is relevant, for instance, in agriculture and health care. Soviet and Korean specialists are combining their efforts in the study of plant protection against pests, the use of mineral fertilizer in rice cultivation, new methods of diagnosing contagious and non-contagious diseases in rice, the problems pertaining to oncological and reflex therapy. Scientific contacts between the Academy of the People's Economy under the USSR Council of Ministers and the Institute of the People's Economy under the CC WPK were established in 1985.

Cooperation in the fishing industry is being developed within the framework of inter-government agreement between the USSR and the DPRK. This cooperation facilitates faster development in the Soviet Union and in Korea of marine biological resources and maricultures. Cooperation is underway in scientific and technological information, standardisation, metrology; exchange of experience takes place in the extracting industries, metallurgy, power engineering and electronics.

Cultural ties are also developing fruitfully. Tours by art collectives, circus ensembles and actors have become major events in the mutual enrichment of Soviet and Korean cultures.

In April 1986, an agreement was concluded on cooperation between the USSR Academy of Sciences and the DPRK Academy of Social Sciences for 1986-1990. The exchange plan provides for a radical broadening of ties between scientists, and closer relations between leading academic establishments of the two countries, joint research, and joint publication of monographs.

The Soviet-Korean and Korean-Soviet Friendship Societies play an important role in consolidating friendship between the USSR and the DPRK. The joint celebration of historical holidays marking relations between the two countries, significant events in the Soviet Union and in socialist Korea, visits, acquaintance with life in both countries and other activities, far too numerous to mention, come within the activities of Soviet and Korean Friendship Societies.

A quarter of a century has passed since the signing of the Soviet-Korean Treaty, which the governments of the USSR and the DPRK agreed to extend in 1981. Many noteworthy events have gone down in the record of Soviet-Korean relations during this period. The Treaty has demonstrated its powerful vitality and high prestige, for it meets the interests of the USSR and the DPRK and serves as a solid foundation for further strengthening friendship and cooperation between our nations. The growing interaction among the socialist countries, as Mikhail Gorbachev noted at the 27th CPSU Congress, "is a stimulus that will accelerate our common advance".²⁵ It is precisely in this direction that the Soviet Union wishes to build its relations with socialist Korea.

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25. M. S. Gorbachev, "Political Report of the CPSU Central Committee to the 27th Congress," Moscow, 1986.

RESULTS OF 4TH SESSION OF PRC PEOPLE'S CONGRESS SUMMED UP

Moscow PROBLEMY DALNEGO VOSTOKA in Russian No 3, Jul-Sep 86 (signed to press 14 Aug 86) pp 190-197

[Article by K. A. Yegorov, candidate of juridical sciences: "The Results of the NPC Session"]

[Text] The Fourth Session of the Sixth All-China National People's Congress was held from 25 March to 12 April 1986. Matters assigned specifically to the supreme organ of government authority by the Constitution of the PRC were discussed at the session. Matters of economic construction were the focus of attention and were discussed by deputies in connection with the summarization of the results of the 6th (1981-1985) and ratification of the 7th (1986-1990) five-year plans and with the ratification of the plan for economic and social development and the state budget for 1986. As the highest legislative body in the PRC, the session passed three important laws: the Basic Provisions of Civil Law, the Law on Compulsory Education and the Law on Foreign Capital Enterprises. Exercising supreme oversight of the activities of other government bodies, the NPC session discussed reports on the work of the NPC Standing Committee, the PRC State Council, the Supreme People's Court and the Supreme People's Procuratorate. Several new government officials were also appointed.

The main session document was the report by Premier Zhao Ziyang of the State Council on the 7th five-year plan.¹ He said that "various inherited problems impeding the economic development" of the country had been solved by the 6th five-year plan. He focused attention on the high rates of economic growth. The average annual increase in the gross industrial and agricultural products was 11 percent, and the rate for the gross national product was 10 percent. In Zhao Ziyang's words, the rates of China's economic growth exceeded the rates of the world's leading countries during that same period.

In his report, the State Council premier cited the main indicators of gross industrial product growth, as a result of which the PRC has moved from third to first place in the world in coal production, from fifth to fourth place in steel production and from sixth to fifth place in electrical energy production. In 1985 the country produced 850 million tons of coal, 125 million tons of oil, 46.66 million tons of steel and 407.3 billion kilowatt-hours of electricity. The average annual grain output of the 6th five-year plan was 370.62 million tons, exceeding the figure for the 5th five-year plan (1976-1980) by 65.32 million tons, making the country self-sufficient in grain.

During the years of the 6th five-year plan, Zhao Ziyang said, the policy of "opening up to the outside world" was vigorously pursued. As a result of the intense development of foreign trade, the volume of exports and imports reached 230 billion American dollars, or double the figure for the 5th five-year plan. In the last 5 years the country has used foreign investments totaling 10.3 billion American dollars, and this has aided in the technical restructuring of machine building and the electronic industry and has doubled the percentage of products meeting international standards.

Several social achievements were also cited. The annual income of peasants increased by an average of 13.7 percent per person, adjusted to compensate for inflation, and the annual income of each family member of urban workers and employees increased by 6.9 percent. More than 35 million people were placed in jobs in cities and rural communities in the 5 years.²

With a view to these achievements, it was concluded at the session that the situation in the country now is "the best since the time of the PRC's founding."³ It was also pointed out, however, that the perceptible economic growth was secured by a low initial level and the existence of substantial unutilized reserves, "many difficulties and problems" connected primarily with low production efficiency and labor productivity, low overall technical standards, low product quality standards, high unemployment and the absence of the necessary resources for the modernization of the country.

Some "unhealthy developments" resulting from the policy of "opening up to the outside world" were revealed at the NPC session. In particular, there were many comments about the inadequate protection of Chinese national industry, which led to imports of large quantities of foreign goods that could be produced in the PRC.⁴ There were cases of the careless treatment of costly imported equipment. For example, in 1984 China acquired 300 million American dollars' worth of foreign instruments and equipment for scientific purposes. This was equivalent to total government expenditures on instrument building between 1958 and 1985. More than half of the imported instruments and scientific equipment, however, is not being used.⁵

There have been several shortcomings in agriculture and forestry. Deputies criticized the investment policy of reduced government expenditures on water management and other types of capital construction in rural areas and on the development of forestry. They expressed serious worries about the reduction of soil fertility, the state of disrepair of agricultural machinery, the deterioration of water management facilities and the reduced output of grain (despite its relative growth). As the deputies pointed out, the contract system of farming has made the cultivation of industrial crops more profitable than grain for peasants; peasants are not fertilizing the fields because the subsidiary plots are allotted to a specific farmyard for only 3 years, after which the plots are turned over to other individuals.⁶

Existing "difficulties and problems" were taken into account when the 7th five-year plan for the economic and social development of the PRC in 1986-1990 was being drawn up. The main objective stipulated in this plan is the establishment of the foundation for a better economic system with reasonable rates of

stable economic growth, the broader use of foreign capital and the adoption of advanced foreign technical achievements for the purpose of creating the necessary material and technical conditions for further development in the 1990's.

The plan stipulates that enhanced economic efficiency should increase the gross industrial and agricultural product by 38 percent and the gross national product by 44 percent in the next 5 years. The scales of projected economic growth in the 1980's are attested to by the fact that the gross industrial and agricultural product in 1990 is to be 2.3 times as great as in 1980, and the gross national product is to be 2.6 times as great. Furthermore, this presupposes a significant qualitative advance: Around 40 percent of the main manufactured products are to meet the standards of the world's developed countries of the late 1970's and early 1980's.

The NPC session objected to the excessive acceleration of growth rates and advocated the smoother development of the Chinese economic structure with emphasis on the construction and enlargement of the main facilities and the remodeling of some of the most important existing enterprises. According to the indicators of the 7th five-year plan, the average annual increase in the gross industrial and agricultural product is to be 6.7 percent, and the rate for the gross national product is to be 7.5 percent (in contrast to the respective figures of 11 percent and 10 percent in the 6th five-year plan).⁷

The 7th five-year plan stipulates the need to determine reasonable quantities of capital investments and reasonable changes in their structure, assigning priority to higher expenditures on retooling and remodeling--an increase of 87 percent over the 6th five-year-plan figure.

The development of production and the enhancement of its efficiency are to be accompanied by a rise in the material and cultural standard of living. The average annual net income of peasants is to increase by 7 percent, and the real wages of workers and employees are to increase by 4 percent. There is also emphasis on the "firm restriction of the excessively rapid growth of consumption funds" and the establishment of more efficient consumption patterns with the aid of economic levers and administrative measures. Excessive egalitarianism is to be surmounted, along with excessive differences in the income of enterprises, individual members of society and individual regions in the country.

According to official Chinese statistics, for example, the standard of living of approximately 70 million people, most of them living in the national outskirts of China in Qinghai, Guizhou, Gansu and Hebei provinces, is below the official poverty line. This is why the 1986 state budget envisages 800 million yuan in aid to the poor.⁸

The economic reform was a prominent item on the NPC session agenda. Calling the reform the "heart of the 7th five-year plan," Chairman Deng Xiaoping of the CCP Central Advisory Commission said that the next 5 years would "decide the success of the reform."⁹ On the other hand, consistent economic development in the PRC is directly related to the accomplishment of the economic reform.¹⁰

As Zhao Ziyang said in his report at the NPC session, further work on the thorough and consistent reform of the economic system will be of decisive importance in the "correct implementation of economic construction guidelines." During the years of the 7th five-year plan the reform is to aid in the creation of a "backbone" for a new economic system and in "putting the economy in orbit."¹¹ The following measures are envisaged: the complete transfer of government enterprises to self-management and self-funding; the reduction of "directive planning" and an increase in "guided planning"; a transition from direct government supervision of the activities of economic organizations to "indirect supervision" with the aid of fiscal and credit policy, price controls, etc.; the development of competition within the "open type" of economy; the development of interorganizational and interregional "horizontal" ties and the unification of subsidiary peasant plots in farming complexes; the incorporation of progressive technology; the improvement of product quality.

In connection with these measures, methods of adapting government functions to the conditions established by the reform were discussed at the session. In particular, this will require a transition from the direct administrative control of economic organizations by government bodies to "primarily indirect control," from the determination of production assignments and the distribution of material and financial resources to the coordination of unified planning and the use of economic incentives in production. This presupposes the more complete and precise legislative regulation of the interrelations between specialized government administrative bodies and production associations and the development of various types of economic ties.

When this matter was discussed at the NPC session, some deputies said it would be best to relieve economic organizations of all types of control by government administrative bodies,¹² while others advocated stronger government control of the economy in the interests of "the healthy development of the reform" and measures to stop the actions of economic managers who try to abuse their position after the rights of enterprises have been augmented by spending government funds as they see fit.¹³

Judging by session proceedings, the economic reform is connected with a more intense government struggle against the negative developments in the society, which have been engendered, in Zhao Ziyang's words, by the "pernicious effects of the decadent bourgeois ideology and bourgeois way of life" and which are of a "serious nature."¹⁴

In particular, attention was directed to the widespread economic and job-related crimes, which are inflicting severe economic injuries on the state.¹⁵ In connection with this, the report of Chief Procurator Yang Yichen at the NPC session said that the struggle against economic crime has become the main function of the procuratorate, because there is a crime "wave" at the present time, and the number of economic and job-related offenses has doubled in the last year and a half. Fraudulent economic contracts alone have already cost the state around 10 billion yuan.¹⁶

Chairman Zheng Tianxiang of the Supreme People's Court stressed in his report at the NPC session that economic offenses in China inflict severe economic

injuries and are also jeopardizing the economic reform and even the cause of socialist construction in the PRC.¹⁷ Furthermore, he cited many cases in which the officials of economic organizations and of party, government and military organs were implicated in crimes.

According to his statistics, the most common crimes are the misuse of professional standing for selfish purposes, fraud, bribery, speculation, smuggling and violations of the rules of currency operations. Analyzing the roots of crime in present-day China, the chairman of the Supreme People's Court expressed the opinion that these crimes are committed not because of poor living conditions, but primarily under the influence of the "decadent bourgeois ideology," leading to the desire for excessive gain.

In connection with the widespread negative developments in society, NPC deputies discussed the prospects for stronger law enforcement, which is still, according to PRC officials, "a difficult historic problem," because the country is witnessing "the non-observance of laws almost everywhere."¹⁸

This is why deputies underscored the "guaranteeing and stimulating role" of legal standards, spoke of the legislative reinforcement of a broader range of economic relationships and pointed out the need for a relatively integral system of economic legal acts, so that "all economic activity can gradually be put on a legal basis."¹⁹ Deputies made an entire series of specific recommendations at the session with regard to stricter legislation, especially in the economic sphere and the sphere of environmental protection. The measures they proposed included the drafting of a customs code, laws on urban planning, laws prohibiting air pollution in cities and statutes governing the mechanization of agriculture, the development of transportation and highways, and others.²⁰ The deputies regard the establishment of comprehensive legislation and a strong legal structure as guarantees of the success of the economic reform and the modernization of the country, securing the political continuity and stability of society.²¹

In connection with this, legislative work was the main area of activity of the NPC Standing Committee. In the year between the last two NPC sessions alone, six laws were passed (on the plains, on fishing, on bookkeeping, on minerals, on the control of the entry and exit of foreigners and on the control of the entry and exit of Chinese citizens), as well as the statute on the passport system. In addition, the Basic Provisions of Civil Law, the Law on Compulsory Education and the Law on Foreign Capital Enterprises were reviewed and were ratified at the latest NPC session.

Vice Chairman Chen Pixian of the NPC Standing Committee noted in his report on the work of the Standing Committee at the NPC session that the main guide in the drafting of legislative acts is the directive of the Third Plenum of the 12th CCP Central Committee (1985) that the economic reform will require the legal formulation of economic relations and economic activity in the country. In connection with this, the preparation of an entire series of new legislative acts was announced at the session, including laws on the firm, on labor safety, on the use of electricity, on state highways and others.²²

In addition, acts on government officials, copyrights, scientific and technical contracts, education, science, culture and public health are being drafted. In addition, on the basis of authority granted to it by the NPC, the PRC State Council is drafting provisional legal acts on the economic reform and the policy of "opening up to the outside world." Local laws are being drawn up in provinces, autonomous regions and cities of central jurisdiction.²³

Of the three important laws ratified at the NPC session, the most important is the Basic Provisions of Civil Law.²⁴ This act is similar in format to the "Basic Provisions" section of the civil code now being drawn up in the PRC, but it transcends the conventional framework of this type of section and represents a separate law which could be included in the civil code in the future.

The drafting of this code, regulating a broad range of social relations, is a fairly complex matter in present-day China. We know that the provisions of civil law were being drafted in the 1950's and then again in the early 1960's. After a long interval the work was resumed in 1979, when the Legal Commission of the NPC Standing Committee formed a special group to draft a civil code.

In 5 years the group was able to draft only the Basic Provisions of Civil Law. Prior to its submission to the NPC session, the document was discussed at two meetings of the Standing Committee and at a large conference attended by academics and practical workers.

The Basic Provisions is not the first or only act of civil law adopted in the PRC. In the last few years an entire series of normative civil acts have been adopted, including laws on the economic contract, on the foreign economic contract, on marriage, on inheritance, on trademarks and on patents. Several general problems have remained outside the bounds of legal regulation, however, including the determination of the legal status of citizens and legal entities, the qualification of civil-legal applications, civil legal capacity and transactional capacity, civil liability and relations with overseas legal entities.

During the work on the civil code, the practical need for legislative regulation in civil proceedings, usually settled on the basis of prevailing customs or legal precedents, increased dramatically. Courts in different parts of the country issued different rulings on the same type of case. Furthermore, most of the civil cases were settled not by people's courts, but by independent public organizations--urban and rural population committees acting on their own discretion instead of on the basis of laws, with the use of the methods of criticism and self-criticism customarily used in ideological work, and not in the work of judicial bodies.²⁵

The ratification of the Basic Provisions of Civil Law by the NPC session reflected the desire to put civil relations in order with a view to the distinctive features of China's economy today--its planned-commodity nature, the development of interregional and intersectorial economic ties, the greater independence of state enterprises, the personal or collective farming on the basis of contracts and the development of private farms.

The specific features of contemporary civil law in the PRC were reflected in the definition of the status of citizens and legal entities, the regulation

of property rights, the law of obligations, economic contracts, etc. For example, according to Article 41 of the Basic Provisions, the status of Chinese legal persons is granted to the joint enterprises of Chinese and foreign capital in the PRC, cooperative enterprises using Chinese and foreign capital and foreign capital enterprises. Bankruptcy is listed among the reasons for the termination of the legal entity.

With a view to the specific economic relations in society, the personal property of citizens protected by law includes not only property intended for the satisfaction of physical and cultural needs, but also the means of production (Art 75).

A distinctive feature of the Basic Provisions is the inclusion of a chapter on personal rights (Arts 98-105), which are also regulated by other legal acts of the PRC, including the constitution and the law on marriage. A large portion of this act deals with civil liability and the means of its execution in cases of indebtedness, damages and the violation of contracts and various civil rights.

The Basic Provisions regulate civil relations with overseas legal entities on the following basis: 1) PRC laws when the civil relations originate in China; 2) the laws of foreign states when they do not contradict the "social interests" of the PRC; 3) international customs in the absence of relevant directives in the laws of the PRC or international relations; 4) laws chosen by the parties by mutual agreement.

Within the framework of the policy of "opening up to the outside world," the law provides for the flexible settlement of such matters of civil relations as the civil legal capacity of PRC citizens living abroad permanently (Art 143), real estate law (Art 144) and the collection of damages in an international tort (Art 146).

With a view to the distinctive features of this act, the deputies at the NPC session stressed that the Basic Provisions of Civil Law primarily meets the needs of the economic reform, the key element of which consists in the increased self-sufficiency of economic organizations and stronger ties with the outside world.²⁶

The further development of the policy of "opening up to the outside world" demanded the legislative regulation of the status of enterprises established in the PRC and based wholly on foreign capital.

Foreign investors began opening private enterprises in China in 1980, and by the end of 1985 the number of such enterprises, located primarily in the "special economic zones" and the "open" coastal cities, had increased from 5 to 120, and the total amount of capital invested in them by foreign investors exceeded 570 million American dollars.²⁷ There was a tendency toward the growth of foreign investments in these enterprises: In 1985 they had increased by 127.7 percent over the 1984 figure, and there were still substantial unutilized reserves.²⁸

The PRC Law on Foreign Capital Enterprises²⁹ is intended to offer legal guarantees for the further attraction of foreign capital and advanced foreign

technology to the PRC. It also secures multifaceted government control of the activities of these enterprises.

In accordance with the law, the government defends the legal rights and interests of foreign investors (Art 1), protects their capital investments and profits (Art 4), grants them the right to hire Chinese workers and employees (Art 12) and to acquire raw materials, fuel and other necessary resources either in the PRC or in international markets (Art 15), the right to transfer overseas the profits earned legally from enterprise operations and other income and funds remaining after the liquidation of the enterprise (Art 19) and the right to transfer overseas the wages and other legal income earned by foreign workers and employees at the enterprises of foreign capital (Art 19).

At the same time, the PRC retains important levers for the control of the operations of these enterprises, which, by the terms of the law, are obligated to aid in the development of the Chinese national economy (Art 3), not engage in activities prohibited by the state (Art 3), observe the laws of the PRC and not harm its interests (Art 4), inform official PRC bodies of plans for the development of production and marketing (Art 11), submit documents to financial and tax agencies of the PRC for verification (Art 14), give preference to the Chinese market in purchases of crude resources, fuel and materials (Art 15) and open accounts only in the Bank of China or another bank stipulated by the PRC (Art 18).

The law also permits the nationalization or expropriation of foreign enterprises in extraordinary cases, with mandatory compensation within reasonable limits (Art 5). The law stipulates the right to establish trade unions at enterprises of foreign capital to defend the legal rights and interests of workers and employees, and the foreign enterprise is obligated to "secure the necessary conditions" for their activity (Art 13). The law does not say, however, how the trade unions are to prevent the infringement of labor rights by the management of foreign enterprises, although deputies at the NPC session advocated the inclusion of the relevant instructions in the law. By the same token, the law contains no reply to the deputies' question of whether or not the foreign enterprises can issue stock in China.³⁰

The law also contains no specific instructions regarding the sphere of activity of such enterprises, leaving this matter to the discretion of the State Council, which is drafting a statute on the procedure of its enforcement. It stipulates only that foreign enterprises cannot become involved in activity connected with state secrets and the manufacture of traditional Chinese goods and works of art.³¹

When specific aspects of economic and social development were discussed at the NPC session, special attention was directed to the urgent need for a significant rise in the general educational level of the population. We know that the objective of nationwide public elementary education was set back in 1951, but it still has not been attained in its entirety. According to official Chinese statistics, only 20 percent of school-age children could attend school prior to the founding of the PRC, and the figure is now over 90 percent³² but less than 100 percent. It is no coincidence that deputies at the session

stated that the present situation in education is inconsistent with the increasing need to modernize the country.

According to statistics cited in the report by Vice Premier of the State Council and Chairman of the State Committee for Educational Affairs Li Peng, public elementary education still does not exist in some rural regions, many children do not graduate from elementary school, some young people are illiterate, the professional training and general cultural background of many schoolteachers are inadequate, teachers' wages are low, school buildings are in a state of disrepair and there is a shortage of school equipment and visual aids.³³

As NPC deputies pointed out, the funds allocated for education to date have obviously been inadequate. The basic expenditure norms for education were established in the 1950's, and although total expenditures on education have increased in recent years, per capita expenditures have actually decreased. The situation in remote regions, where ethnic minorities live, is particularly unsatisfactory. The district of Maduo in Qinghai Province, where 4.6 percent of the children attend school, was cited as an example at the session.³⁴

The correction of this situation also dictated legislative measures. In May 1985 the CCP Central Committee published the decree on the educational reform in the PRC, pointing out the need to draft a law on compulsory education in the country.

The ratification of the Law on Compulsory Education³⁵ at the session after the draft had been discussed twice at meetings of the NPC Standing Committee was connected with the restructuring of life in the Chinese society. First of all, the law establishes the principle of compulsory 9-year education in the country (Art 2). It provides for administrative penalties for parents who force their children to leave school because of outdated biases or the desire to use the labor of children in production for the sake of financial gain. The use of child labor is not only prohibited in various types of economic organizations, but penalties are also established for the violation of the provisions of the law, including the termination of production and even the loss of the right to conduct business (Art 15).

Secondly, the law stipulates the principle of public education in the country on the basis of a differentiated approach during the gradual introduction of the 9-year educational system in regions with different levels of development, divided into three groups: a) the essentially complete introduction of 9-year education by 1990 in economically and culturally developed regions; b) the introduction of compulsory elementary education by 1990 and the "creation of conditions" for 9-year education by 1995 in regions with an average level of development; c) the introduction of compulsory elementary education by the end of this century in underdeveloped regions.

Economic and cultural development has actually been uneven not only in the country as a whole, but even within the confines of a single province, autonomous region or district. For this reason, the law establishes different deadlines and stipulates different undertakings even within the boundaries of small regions.

Thirdly, the law envisages the distribution of expenditures between the state and the society in such a way that the state will bear most of the financial burden, but will also expect enterprises, establishments and public organizations to establish schools and will encourage contributions from workers and employees for the development of education in the country (Art 9). In connection with this, local people's governments acting under the general supervision of the State Council will be in charge of measures connected with the introduction of compulsory education (Art 8). The state will provide regions experiencing economic difficulties and the places inhabited by ethnic minorities with additional material assistance.

In connection with this law, expenditures on education will be 72 percent greater than in the 6th five-year plan, including higher expenditures on the training of qualified instructors, the improvement of their financial status and the encouragement of outstanding personnel.³⁶ The civil obligation of all members of society "to treat teachers with respect" is legally secured for the first time in this law (Art 14), and one day has been set aside as "Teachers' Day."

The Law on Compulsory Education ratified by the NPC session is intended primarily to secure the successful completion of plans for the socioeconomic development of the country, because the possibility of carrying out the program for the modernization of China will be in question unless the problems in this sphere are corrected.³⁷ Deputies also expressed the opinion, however, that the Law on Compulsory Education is still not enough to solve all urgent problems in education. They suggested the revision of the Basic Law on Education or the supplementation of the new law with other normative acts, including acts on educational personnel, their official duties, certification and financial security, and proposed that a regular increase in expenditures on education, including the wages of schoolteachers, be envisaged by law.³⁸

The ratification of these three acts by the NPC session was an indisputable contribution to the formation of a modern legal system in the PRC and the efficient organization of procedures for carrying out the economic reform and the modernization of the country.

Judging by NPC session proceedings, great importance was also attached to the improvement of the activities of government, which was discussed in connection with reports on the work of the highest government bodies. Vice Chairman Chen Pixian of the NPC Standing Committee discussed the stricter daily supervision of the implementation of constitutional and legal provisions and revealed the most common cases of their violation in the activities of government bodies. They are connected primarily with the procedure of electing and appointing government officials, especially on the lowest level--in small rural districts and settlements--where they are appointed by superior agencies instead of being elected by local people's congresses or appointed and replaced by the appropriate standing committees. In the words of Chen Pixian, the measures taken to eliminate violations on the local level are still "not effective enough," and "many shortcomings and problems" still exist in the work of government agencies.³⁹

At the same time, there has been some success in its improvement, particularly in the more efficient organization of local deputy inquiries. These undertakings, which are intended to strengthen ties between deputies and voters, were stimulated by the publication of an NPC Standing Committee office memo "On Methods of Improving Inquiries by NPC Deputies." More active contacts have been established between the NPC Standing Committee and local people's congress through the NPC standing commissions operating under the supervision of the NPC Standing Committee during the intervals between sessions. The membership of the six NPC standing commissions will be increased by 60 percent to heighten the activity of NPC deputies.⁴⁰

Reports on the work of the courts and procuratorate focused attention on the fight against crime, in connection with which it was reported that Chinese courts had convicted more than 1.5 million people of various crimes in the last two and a half years.⁴¹ It was also noted, however, that the level of the exposure of crimes is still low.⁴² The NPC deputies also pointed out shortcomings in criminal proceedings, especially with regard to penalties for economic offenses. A person who has embezzled state property worth 10,000 yuan is usually called a criminal, whereas the official responsible for a loss of 10 million yuan is not considered to be a criminal.⁴³

It was noted at the session that there has been something like a "boom" in the investigation of civil cases in the courts. In 1985 the number of such cases was five times as great as in 1983, although most civil cases are still settled by administrative agencies.⁴⁴

After the end of the session, the Chinese press noted that many questions connected with the economic and political life of society cannot be answered at this time, and it therefore appealed for "the elimination of harmful reversions to feudalism," which it called "a serious obstacle in the way of the reform, economic recovery and the creation of a socialist material and spiritual culture."⁴⁵

The work of the session also indicated, however, that vigorous efforts are being made in the PRC to solve various problems inherited from the past.

The NPC session also assessed the contemporary international situation, described in the report by Premier Zhao Ziyang of the State Council as "unstable" and "disturbing"; a belief in the possibility of keeping the peace, however, was also expressed. When foreign policy objectives were set, however, the slogan of "independence and autonomy" actually signified the line of dissociation from the foreign policy of other socialist countries, especially the USSR, which is still called a "superpower," allegedly striving, just as the United States, to impose its will on others. "Three obstacles" impeding the real improvement of relations with the USSR were again cited.⁴⁶

Some positive changes in PRC foreign policy were also reflected, particularly the objection to the extension of the arms race to space and the approval of the prohibition and elimination of chemical weapons, which is completely consistent with the USSR's principled approach to these issues.

FOOTNOTES

1. RENMIN RIBAO, 14 April 1986.
2. Ibid.
3. Ibid., 19 April 1986.
4. Ibid., 11 April 1986.
5. Ibid., 1 April 1986.
6. Ibid., 2 April 1986.
7. Ibid., 15 April 1986.
8. CHINA DAILY, 10 April 1986.
9. RENMIN RIBAO, 24 April 1986.
10. Ibid., 21 April 1986.
11. Ibid., 14 April 1986.
12. Ibid., 2 April 1986.
13. Ibid., 4 April 1986.
14. Ibid., 14 April 1986.
15. Ibid., 10 April 1986.
16. Ibid., 20 April 1986.
17. Ibid.
18. Ibid., 14 and 20 April 1986.
19. Ibid., 14 April 1986.
20. Ibid., 1 April 1986.
21. Ibid., 9 April 1986.
22. Ibid., 19 April 1986.
23. Ibid.
24. Ibid., 17 April 1986.
25. Ibid., 9 April 1986.

26. Ibid.
27. Ibid., 3 April 1986; BEIJING REVIEW, 1986, No 18, p 16.
28. RENMIN RIBAO, 18 April 1986.
29. Ibid.
30. Ibid., 17 April 1986.
31. BEIJING REVIEW, 1986, No 18, p 14.
32. RENMIN RIBAO, 18 April 1986.
33. Ibid.
34. Ibid., 9 April 1986.
35. Ibid., 18 April 1986.
36. Ibid.
37. Ibid.
38. Ibid., 4 and 9 April 1986.
39. Ibid., 19 April 1986.
40. Ibid.
41. Ibid., 9 April 1986.
42. Ibid., 20 April 1986.
43. Ibid., 2 April 1986.
44. Ibid., 20 April 1986.
45. Ibid., 18 April 1986.
46. Ibid., 14 April 1986.

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1985 ISSUE OF DIPLOMATIC HANDBOOK PUBLISHED

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[Review by I. S. Galichev of book "Diplomaticheskiy vestnik, god 1985" [Diplomatic Yearbook, 1985], Moscow, Mezhdunarodnyye otnosheniya, 1986, 320 pages]

[Text] Another interesting and necessary publication has been added to the bookshelf of the expert on international affairs. The fourth anthology in the "Diplomatic Yearbook" series, a publication of the Diplomatic Academy of the Ministry of Foreign Affairs, has been published.

The authors of these articles are prominent Soviet scholars of international affairs, instructors at the Diplomatic Academy, personnel of the Ministry of Foreign Affairs and veterans of the diplomatic service.

The well-planned and balanced structure of the anthology reflects continuity in the analysis of international issues and the comprehensive investigation of problems and provides a precise description of the policy of the CPSU and Soviet Government in the international arena. Each separate anthology is something like a monumental photograph of today's rapidly changing world, and all of them together present an excellent opportunity to trace deep-seated tendencies toward change in the international situation and the policies of its most important protagonists. The reader of this book will sense that he will be referring to it countless times in the future.

It is a pleasure to see how the publication improves from issue to issue. It now includes not only articles on cardinal issues, but also a section of reviews, a chronicle of Soviet foreign policy, the most important foreign policy documents of the Soviet Union and a statistical appendix.

The first section, dealing with aspects of USSR foreign policy, is preceded by two introductory articles: "The Line of Peace and Progress: Soviet Foreign Policy in 1985" and "Under the Banner of the Great Victory." The first provides a broad overview of the Soviet state's intense foreign policy activity, in the chronicle of which the year of 1985 is listed as an extraordinary period of activity and persistence in the struggle for peace, international cooperation and progress.

The Soviet Union regards the prevention of the repetition of the tragedy of war, "not to mention nuclear catastrophe," as the main purpose of its activity in the world arena.¹ These were the precise considerations dictating the Soviet Union's unilateral moratorium on nuclear tests on the 40th anniversary of the Hiroshima tragedy and the Soviet side's position at the summit meeting in Geneva.

The all-round cooperation of our country with the states of the socialist community acquired perceptible momentum. Their interaction has risen to a new and higher level, and this is attested to by the results of the economic summit conference of the CEMA countries and the meetings of the leaders of communist and workers parties and of socialist countries, and the regular annual meetings of the secretaries of central committees of fraternal parties in charge of economic affairs.

There were perceptible changes for the better in the past year in relations with the People's Republic of China. As a result of the visit of First Deputy Chairman of the USSR Council of Ministers I. V. Arkhipov to Beijing and the Moscow visit of Vice Premier of the PRC State Council Yao Yilin, important documents were signed to broaden the trade and economic cooperation of the two countries and put it on a planned, long-term basis.

In 1985 the Soviet Union proposed the unification of the efforts of Asian states to seek comprehensive solutions to the Asian continent's acute and difficult problems, to the point of convening an all-Asia forum in the near future.

The struggle to maintain world peace and to strengthen international security has been advanced by recent events to the status of the central issue in the life of all contemporary humanity and a cardinal problem of planetary scales. These matters naturally also occupy a prominent place in the anthology on Soviet foreign policy.

The USSR's struggle to curb the arms race and to promote disarmament and peace in the United Nations is the subject of an article by renowned Soviet diplomat V. F. Petrovskiy, vice president of the Soviet Political Science Association. As a result of the tireless efforts of the USSR, the socialist countries and the developing states, these matters of fundamental importance to the improvement of the international climate are the focus of UN attention. During its 40th anniversary session, the UN General Assembly approved 61 resolutions requesting states, especially the nuclear powers, to take concrete action to reduce the arms burden, especially space and nuclear arms. The United States voted against most of them (33 times), including 7 times in complete isolation (p 34). Some resolutions contain the demand for immediate action to stop the testing of nuclear weapons, which our country has persistently advocated for a long time.

The Soviet Union raised the question of "The Use of Outer Space Exclusively for Peaceful Purposes and for the Good of Mankind" as an important and urgent matter. The resolution on this question, drafted jointly by the socialist and nonaligned countries, was supported by virtually all UN members (the U.S. delegation was the only one to abstain from the vote). The United Nations

demanding that states renounce the use of force in their activity in space and called for the immediate conclusion of effective agreements to prevent an arms race in outer space.

The General Assembly approved a draft resolution submitted by the Soviet Union on "The Impermissibility of the Policy of State Terrorism and Any Actions by States To Undermine the Sociopolitical Order in Other Sovereign States." The resolution, supported by 117 states, is the first UN document to declare the principle of the impermissibility of the policy of state terrorism. The refusal of the United States and its closest allies to support the resolution provided a clear answer to the question of the origins of this policy and the parties striving for a free hand in subversive activity, threats and outright aggression under the pretext of "the fight against terrorism" (p 31).

During discussions of questions connected with the elimination of the seats of conflicts and the danger of war, progressive countries also condemned such signs of state terrorism as the American occupation of Grenada, the undeclared war against Nicaragua, and the saber-rattling and threats against several independent states. Israel and South Africa were named among the champions of the policy and practice of state terrorism. It was reaffirmed that Israel's actions "testify quite clearly that it is not a peaceful UN member and that it is not fulfilling its charter obligations" (p 35).

The assembly approved constructive decisions (around a third of all resolutions) on economic matters. They reflected many of the ideas expressed at the CEMA economic summit conference in Moscow.

Representative of the USSR at the Geneva Disarmament Conference V. L. Israelyan, doctor of historical sciences, contributed an article on our country's position in the talks in Geneva to the yearbook.

The group of specific disarmament proposals, including nuclear disarmament, advanced by socialist countries at the Geneva conference include: the assumption of commitments by all nuclear powers, following the lead of the USSR and the PRC, on no first use of nuclear weapons; the exclusion of military force from the sphere of intergovernmental relations by concluding a world non-aggression treaty and a treaty on the mutual non-use of military force and the maintenance of peaceful relations between the Warsaw Pact and NATO states; the non-use of nuclear weapons against non-nuclear states which have no such weapons within their territory; respect for the status of existing nuclear-free zones and the creation of new ones (p 41).

The vigorous efforts of Soviet diplomacy are continuing in Geneva for advances in the prohibition of chemical weapons and the ban on the development and production of new weapons of mass destruction.

The 10th anniversary of the signing of the Final Act of the Conference on Security and Cooperation in Europe is the subject of an article by Yu. N. Rakhmaninov. The Helsinki accords became an integral part of the structure of European life as a code of peaceful communication by states with different social structures. The Soviet Union took a historic step by including all 10

of the principles of the Final Act in its new constitution as the foundation on which the USSR will build its relations with states of the other social system.

The anniversary meeting of the states participating in the conference was held in Helsinki from 30 July through 1 August 1985. In his speech, Soviet Foreign Minister E. A. Shevardnadze commented on the historic significance of the Final Act and its effect on international relations in Europe. It is still a vital source, nurturing the tendency toward mutual understanding and cooperation in Europe, and not only in Europe. It must be protected and must not be "sullied," the Soviet foreign minister said.

The 30th anniversary of the Warsaw Pact, a new type of alliance, expressing the vital interests of the laboring public in the fraternal countries, is the subject of the article by K. I. Savinov. As an alliance of socialist countries, it, according to M. S. Gorbachev's definition, "is a popular alliance in the real sense of the term."² Meetings of the Committee of Foreign Ministers and the Committee of Defense Ministers and the daily activities of other Warsaw Pact organs have contributed much to the reinforcement of the unity and solidarity of members. Through their actions, members reaffirm their determination to continue strengthening the unity of socialist countries, developing and intensifying political, economic and cultural cooperation and uniting efforts in the struggle for the cause of peace and progress (p 58). The history of Warsaw Pact activity is the history of the active struggle of the socialist countries for peace and detente and in defense of the legitimate rights of peoples.

On 26 April 1985 a protocol to renew the pact for 20 years and to subsequently prolong it for another 10 years was signed at a meeting of the top party and governmental officials of the Warsaw Pact countries in Warsaw.

The expansion and intensification of economic, scientific and technical cooperation in CEMA are discussed in the article by L. B. Baldin.

The development of relations of fraternity and cooperation between the Soviet Union and the GDR is discussed in an article by Doctor of Historical Sciences R. F. Alekseyev. The close interaction of the two parties, countries and peoples are resulting in the close intermingling of the USSR and GDR economies. Whereas commodity turnover between the USSR and the GDR was around 300 million rubles in 1950, the figure had risen to almost 15 billion rubles in 1984. This is the greatest volume of trade the USSR and GDR have ever had with any other country (p 74).

The section on "USSR Foreign Policy and the Developing States" includes articles by V. N. Georgiyev on Soviet-Indian relations and by G. I. Martirosov and V. V. Popov on the problems of Middle East settlement.

In the section on USSR relations with capitalist states, the article by M. P. Sergeyev is of special interest. The author correctly points out the fact that it took decades of persistent struggle against the efforts of the imperialists to put an end to the socialist order and to smother the Soviet state

before people in the West learned to speak of peaceful coexistence in articulate terms. The disagreement between socialism and capitalism regarding the possibility or impossibility of the peaceful coexistence of states, irrespective of their social order, a disagreement which began on the fronts of the civil war and the struggle against foreign intervention and was continued in the battle with Hitler's Germany and its allies, has been settled by history. It has been settled in favor of the acknowledgement of socialism and its foreign policy, inscribed by Lenin (p 102).

Readers will be greatly interested in the collection of articles in the second part of the yearbook on contemporary international relations.

I. D. Ivanov points out new features of economic diplomacy in the 1980's. He stresses that international trade, as an important element of the fabric of detente, has experienced the negative effects of the West's line of confrontation during this period.

The problem of the indebtedness of developing countries, which is now acquiring an explosive nature, is the subject of the article by O. S. Bogdanov. He describes how the imperialist states use the "debtor's noose"³ to attain political and strategic goals. The IMF has taken truly draconian measures against debtors by restructuring their economies in line with the "free competition" of capitalism.

The developing states are incapable of breaking out of the "vicious circle" of indebtedness. Many of them are using up to 90 percent (or even 100 percent in some cases) of new loans from the West to pay the interest on old credits (p 151). Furthermore, in 1983 the new credits of these countries were smaller than the amounts they paid on previous loans for the first time, resulting in a net outflow of around 11 billion dollars. This gives new meaning to V. I. Lenin's words: "Hundreds of millions of people are now condemned to pay for decades and then force their grandsons and great-grandsons to pay on loans to enrich the French, English and other imperialists,"⁴ but now the American imperialists head the list.

A long article on imperialism's military preparations in East Asia and the Asian Pacific and on the policy of the USSR was written for the yearbook by Professor M. S. Kapitsa, USSR deputy minister of foreign affairs. He thoroughly analyzes the U.S. measures to build up military potential in the Pacific Ocean and to form the Washington-Tokyo-Seoul axis, and concludes that in the global military system of imperialism, created by the United States, the western Pacific and East Asia have become one of the three regions of forward-based systems of first-strike weapons along with Western Europe and Southwest Asia and the Indian Ocean (p 131).

Striving to unite their allies and to integrate their economic and military potential for more intense confrontations with the Soviet Union and the socialist countries of Asia, the United States and Japan are eagerly promoting the plans for the creation of a so-called "Pacific community" under their aegis.

The interesting topic of the behavioral standards of nuclear powers is discussed in the article by E. I. Skakunov. These standards are dictated by the special responsibility of the nuclear powers in the UN Security Council for the maintenance of international peace and by the fact that they now possess colossal destructive potential capable of annihilating the human race.

The memoirs of Soviet diplomats G. S. Barulin, A. L. Voronin and L. N. Kutakov are included in the anthology.

The reader will also find reviews of several interesting books and reports on the scientific activity of the Diplomatic Academy.

We can be certain that the new issue of the diplomatic yearbook will be of great interest to the Soviet reading public and will represent an important contribution to the chronicle of USSR foreign policy.

FOOTNOTES

1. PRAVDA, 24 May 1985.
2. Ibid., 27 April 1985.
3. Their total debts increased from 75 billion dollars in 1970 to almost a trillion in 1984. Average annual payments now total 96 billion dollars (p 150).
4. V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 41, p 354.

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BOOK ON ROLE OF SOVIET ORIENTALISTS DURING WWII REVIEWED

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 177-178

[Review by V. V. Arunov of book "Oruzhiyem slova. Stati i vospominaniya sovetskikh vostokovedov. 1941-1945" [The Word as Weapon. Articles and Memoirs of Soviet Orientalists. 1941-1945], Moscow, Nauka, 1985, 294 pages]

Over forty years have passed since the end of the Second World War, but time has failed to erase the memory of those dark days, the Soviet people's selfless heroism and unique staunchness displayed in the struggle against nazism. All the Soviet people worked for the great victory. The book under review describes the contribution of Orientalists to it.

This account of Soviet Oriental studies and Orientalists during the Second World War was written by those who took part in it. All of them—generals, officers, privates and civilians—open a new and little-known page in the history of the Soviet people's struggle against German nazism and Japanese militarism. The book's main advantage is a great deal of documents used, as documents are more convincing than anything else.

The collection opens with the article by the retired Major-General B. Sapozhnikov, Doctor of History, entitled "Soviet Orientalists Were Prepared for the Defence of the Motherland". The article describes the enormous and intensive work aimed at training ideological cadres back in the 1930s, when the nazi dictatorship in Germany and the Japanese militarists nurtured plans of aggression.

According to Sapozhnikov, that was the period when the party and the government emphasised the training of military experts in Orientology. The social structure of students was changed by increasing the quota of workers, collective farmers and representatives of the working intelligentsia admitted to higher educational establishments. In spite of enormous difficulties the students rapidly mastered these new specialties, overcoming "language barriers". The author emphasises that the successful accelerated training of Orientalists for the Red Army was largely due to the help rendered

by the Communist International, the Trade Union International and the Communist International of Youth, who sent as consultants and professors active members of the workers' and communist movements of Japan, China, Korea and Inner Mongolia.

In those years great importance was attached to effective specialised propaganda during possible military actions in the East. Future propagandists were thoroughly trained in exposing the unjust, aggressive character of imperialist wars, in weakening the morale of the future enemy's army. "On the whole," concludes B. Sapozhnikov, "it should be recognised that by the beginning of the Second World War the members of departments, sections and instructors of political sections in military units, as well as the editorial staff of educational newspapers in foreign, mostly Oriental, languages had reached the necessary level of preparedness for action in the conditions of a war in the Far and the Middle East" (p. 27).

In the harsh years of the war Soviet Orientalists comprised two contingents: some carried out complex and dangerous assignments at the front, while others prepared the victory in the difficult conditions of the rear. The book contains numerous examples of participation in military action by Soviet Orientalists who served in the army, its home guard and guerrilla detachments.

A separate section is devoted to Orientalists in besieged Leningrad. The authors D. Tikhonov, M. Bankovskaya and B. Valskaya draw on their own experience, documents and materials to depict the heroic deeds of Orientalists during the siege of Leningrad. Researchers at the Institute of Oriental Studies of the USSR Academy of Sciences, the Oriental department of Leningrad University and the staff of the Hermitage displayed unparalleled courage rescuing cultural treasures and carrying on scientific and operative work in the most difficult conditions. They proved to be worthy of their heroic city. "It was only logical, states the book, that Hermitage Director, Academician I. Orbeli should become a witness for the prosecution at the Nuremberg Trial at which the world condemned the nazi criminals" (p. 7).

It is no secret that Iran was given a special place in the aggressive plans of imperialism in the 1930s-1940s. The desire of fascists to turn that neighbouring country into a base of espionage and sabotage against the Soviet Union made it imperative to neutralise fascist propaganda in Iran. The task became particularly urgent with the stationing of Soviet and British troops in Iran in August 1941, under Soviet-Iranian

agreements and an agreement with Great Britain, an ally in the anti-Hitler coalition.

The specific features, forms and methods of work used by Soviet Orientalists in Iran are described by a prominent political worker, retired Major-General M. Burtsev in his article. The section also includes the reminiscences of D. Komissarov, Doctor of Philology, and M. Pikulin, Doctor of History. The book emphasises that the Red Army's stay in Iran and the spread of Soviet peaceful and friendly propaganda among the Iranians promoted the development of the democratic movement in the country, its political awakening and active social life, the strengthening of peaceful sentiments and relations between the peoples of the USSR and Iran.

The section on the Far East is of great interest.

With the beginning of the Second World War our troops in the Far East were put on red alert. Japan, whose army and navy were fighting in the Far East against China, maintained the numerically strong and well-armed Kwantung army in Manchuria and Korea's northern regions for an assault on the Soviet Union.

In their ideological struggle with the enemy, Soviet political departments widely drew on their experience of specialised propaganda used in the war against Nazi Germany. By the beginning of the war with Japan political departments were fully staffed with officers well versed in Oriental studies and possessed the necessary technical equipment. The political department of Headquarters of the Commander-in-Chief had a section for propaganda among the troops and population of the enemy, that was responsible for coordinating the activities of the three fronts. On the first day of the war against imperialist Japan, printed propaganda in Japanese, Chinese, Korean and Mongolian explained in easy terms the essence of the Statement of the Soviet Government on the Declaration of War against Japan, leaflets and slogans explained the just nature of the war waged by the Soviet Union and its liberating mission for the peoples enslaved by Japanese imperialism.

The articles and reminiscences by B. Sapozhnikov, G. Mekler, I. Myshalov and V. Sidikhmenov contain graphic and convin-

cing facts about the massive political work among the population of the liberated regions of the Far East.

The political departments also had to resolve another task, that of deprogramming Japanese prisoners of war educated in the spirit of ultranationalism and enmity to the Soviet Union. It should be noted that the assiduous work carried out by the Soviet political departments bore fruit. The authors observe that "as a result of the work of Soviet Orientalists in the camps for interned Japanese, the majority of those POWs actively joined the struggle for the democratisation of Japan upon their return to the country and continue to wage their difficult struggle against militarisation, for the development of friendship and cooperation with the USSR" (p. 157).

It has already been mentioned that Orientalists-propagandists launched their activities in the liberated areas in the first days of the offensive. Taking into account the low level of literacy of the population, the political departments paid much attention to oral and visual propaganda, rallies and meetings. Officer Orientalists were always in the first ranks. Mass propaganda events were held to mark important political dates and events. Local democratic organisations were always active at such meetings and demonstrations.

The propaganda activities of the Soviet political departments bore fruit: monuments to Soviet soldiers were erected in some towns in accordance with decisions taken at mass meetings; a number of streets and squares were renamed in honour of the Soviet army and the USSR; inhabitants of different towns founded societies of friendship with the Soviet Union. Thus, the activities of Soviet Orientalists contributed not only to the liberation of neighbourly countries, but also to the establishment and development of friendly relations with the USSR.

Soviet Orientalists have made a worthy contribution to the defeat of German nazism and Japanese militarism. The book *The Word as a Weapon* is yet another example of the triumph of the ideas of internationalism and peace over the forces of war and reaction.

BOOK ON CURRENT REVOLUTIONARY PROCESS IN INDOCHINA REVIEWED

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 179-181

[Review by P. Yu. Maslov of book "Sovremennyy revolyutsionnyy protsess v stranakh Indokitaya (Problema pererastaniya natsionalno-osvoboditelnykh revolyutsiy v sotsialisticheskiye)" [The Contemporary Revolutionary Process in the Countries of Indochina (The Development of National Liberation Revolutions into Socialist Revolutions)] by M. P. Isayev, Moscow, Nauka, 1985, 240 pages]

This monograph analyses the basic tendencies in the development of the contemporary revolutionary process in the countries of Indochina, which is part and parcel of the world revolutionary process. The author set himself the task of revealing the essence and specifics of the national people's democratic revolutions in South Vietnam and Laos in 1975, and of the 1979 national-democratic revolution in Kampuchea. He has devoted particular attention to studying the character, motive forces, ideological foundation, forms and methods of the national liberation movements in Vietnam, Laos and Kampuchea in 1945-1975. He has also examined the development of national people's democratic revolutions in South Vietnam and Laos into socialist revolutions, the specifics of the initial stages of transition by Vietnam and Laos to socialism, and also the path travelled by Kampuchea in building a new society after the 1979 national-democratic revolution.

The book by M. Isayev is particularly important and topical because the author has sought to analyse, using the example of the Indochinese countries, the transition of economically backward countries to socialism, bypassing capitalism. Moreover, M. Isayev bases himself on Lenin's idea of the leading role in the revolution of the proletarian party of a new type, on the alliance between working class and peasantry, provided the hegemony of the proletariat is preserved, on the interconnection of the struggle for democracy with the struggle for socialism, on Lenin's provisions concerning the role of the national liberation struggle of the peoples as an important component of the world revolutionary process, the specifics of the transition to socialism today of economically backward countries, countries which have not yet gone through the stage of capitalist development or in which capitalism has not become the dominating system.

In his book the author rightly proceeds from the thesis that studying the problems of the revolutionary process in Vietnam, Laos and Kampuchea may help in the analysis of general theoretical and practical questions concerning the contemporary revolutionary process. He demonstrates that the entire development of the revolutionary process in the countries of Indochina confirms the conclusion drawn by the international communist movement on the deepening of the social aspect in national liberation revolutions. In our day and age, these revolutions (and this was demonstrated particularly graphically by the experience of the revolutionary movement in Indochina) are capable of carrying out in countries with undeveloped economies (that was precisely the case with Vietnam, Laos and Kampuchea) a profound qualitative change aimed at eliminating outdated (pre-capitalist or immature capitalist) relations of production and implementing a stage-by-stage transition to a new social system—socialism—bypassing the capitalist stage of development.

The struggle waged by the peoples of Indochina has demonstrated clearly the role of the international factor under the present-day conditions, and of the powerful support rendered by the socialist community to the forces of national emancipation. The national liberation movement in the countries of Indochina developed, relying on allround support of world socialism. Of basic importance here is the author's conclusion that the military-political alliance of the working class and peasantry, which took shape in the course of the anti-imperialist struggle of the people of Vietnam, has manifested itself not only nationally, but also internationally because, in their struggle, the forces of liberation could rely on Soviet assistance, on support from the countries of socialism. This assistance included military, economic, moral, political, diplomatic and other support (p. 7).

The author pays special attention to an examination of the political line, multifaceted activities, forms and methods of the struggle of the Marxist-Leninist vanguards of the national liberation and revolutionary forces in the countries of Indochina, which were formed on the basis of the Communist Party of Indochina (set up in 1930), of the Communist Party of Vietnam (from 1951 to 1976 it was called the Vietnam Workers' Party), of the People's Revolutionary Party of Laos (from 1955 to 1972—the People's Party of Laos) and of the People's Revo-

lutionary Party of Kampuchea. The parties of the Vietnamese and Lao communists headed the revolutionary process in their respective countries, consolidated their leading role in the national liberation, anti-imperialist struggle and brought the revolution to victory. The Communist Parties of Indochina showed that, in economically backward, agrarian countries with a predominantly peasant population, it is not so much the numerical strength of the workers, which for the time being is relatively small in the parties of the Indochinese countries, but the loyalty of the parties to the class goals and interests of the proletariat, the extent of mastering the ideas of Marxism-Leninism and their fidelity to the ideals of proletarian internationalism that serve as the decisive factor in the activity of the party and the choice of its political line.

M. Isayev's analysis of the tragic developments in Kampuchea in 1975-1978, linked with the rule of the Pol Pot grouping, is highly relevant both theoretically and politically. The departure from Marxism-Leninism, the loss of ties with the masses and the attempt to stand "over them", neglecting the alliance of working class and peasantry, ignoring basic laws governing the development of revolution and replacing them with voluntaristic experiments and, finally, the breaking of ties with the international communist movement are fraught with gravest errors of a strategic and tactical character in the activities of a party. The activities of the Pol Pot "Communist Party of Kampuchea" testify to the real danger of the adoption and particularly the implementation of different petty-bourgeois, extremist and voluntaristic views by the revolutionary forces, above all in economically backward countries (pp. 184-191).

The experience and practice of the revolutionary and liberation struggle waged by the peoples of Indochina have demonstrated once again that a Marxist-Leninist party should have a perfect command of all forms of struggle—armed and peaceful—and apply them with due account of the changing situation. Having embarked on the road of the armed struggle against imperialism and local reactionaries, the national liberation movement in South Vietnam and Laos combined it flexibly and skillfully with political and diplomatic struggle, and this enabled it to accelerate the achievement of the victory.

M. Isayev has paid much attention to the importance of the existence of a revolution-

ary base for the success of the national liberation struggle in South Vietnam and Laos. During the liberation struggle in South Vietnam, the role of this base was played by the Democratic Republic of Vietnam, the first workers' and peasants' state in Southeast Asia. In Laos the role of a revolutionary base was played by the liberated areas set up in the Northeast regions of the country. During the anti-imperialist struggle the DRV became a reliable rear of the revolution in South Vietnam, a dependable ally of the revolutionary-democratic forces of Laos and Kampuchea. The achievements of the DRV in socialist construction exerted considerable influence on the development of the national liberation movement in the South.

Revolutionary bases and liberated areas have not only military or political importance. A whole set of political, economic, social and ideological transformations were carried out in the liberated areas of South Vietnam and Laos.

As to their motive forces, political leadership, ideological foundation and tasks, the national liberation revolutions in South Vietnam and Laos acquired a popular-democratic character, thus opening up a peaceful route towards a stage-by-stage transition to socialism.

In April, 1975, the anti-imperialist struggle in Kampuchea triumphed, but the Pol Pot group usurped power in the country, as a result of which the fundamental national and democratic tasks of the revolution were not fulfilled. Moreover, the Pol Pot "experiments" in the socio-economic sphere brought the people of Kampuchea to the brink of a national catastrophe. The overthrow of the Pol Pot regime in January 1979 was a unique phenomenon in the history of the present-day national liberation revolutions. After the triumph of the national democratic revolution in Kampuchea and the advent to power of the People's Revolutionary Party of Kampuchea, a revolutionary democratic system was installed, and this made it possible to overcome the Pol Pot legacy with the help of world socialism, and created the prerequisites for socio-economic transformation and Kampuchea's movement towards a new society.

The development of a national popular-democratic revolution into a socialist revolution as the experience of Vietnam and Laos demonstrates, comprises a stage of acute class struggle when the revolutionary forces, under the guidance of Marxist-Leninist Par-

ties translate into reality a number of political, social, economic, ideological and other measures. Of paramount significance is the establishment of the revolutionary-democratic dictatorship of workers and peasants. Moreover, the prerequisites for the development of the national popular-democratic revolution into a socialist revolution emerge and make themselves felt as early as the process of the anti-imperialist and national liberation struggle. As for the process of development, it gathers momentum after the victory of the national people's democratic revolution. The establishment of the dictatorship of the proletariat crowns this process.

Both domestic and external conditions are necessary for the development of the national liberation revolutions into socialist revolutions. Internationally, this is, first and foremost, an alliance with the world system of socialism.

Among the internal factors, the strengthening of the guiding role of a Marxist-Leninist party and the strengthening of the alliance between the working class and peasantry are of particular importance. It is precisely due to their efforts that the political and economic domination of the exploiting classes is completely eliminated, the revolutionary-democratic dictatorship of workers and peasants develops into the dictatorship of the proletariat based on an alliance between the working class and the peasants, with the proletariat assuming the guiding role. Of significance to the economically undeveloped countries, which are building a new society by-passing capitalism, is the identification of the initial stage within the framework of their transition to socialism, the stage at

which the state of the dictatorship of proletariat is established, measures are taken to ensure an upsurge of the productive forces, the socialist transformation of the multi-structural economy occurs, and the first steps towards the building of the material and technical bases of socialism are taken with international assistance.

M. Isayev stresses that the practice of the countries of Indochina demonstrates that, in the course of implementing the general laws of the socialist transformation of society, each country contributes a large number of specifically-national features (p. 233). In this connection Lenin's provision that "all nations will arrive at socialism--this is inevitable, but all will do so in not exactly the same way, each will contribute something of its own to some form of democracy, to some variety of the dictatorship of the proletariat, to the varying rates of socialist transformations in the different aspects of socialist life"¹ remains invariably relevant.

The author's research into the development of national liberation revolutions into socialist revolutions in the countries of Indochina warrants a conclusion that it is of essential theoretical significance for all countries that have opted for socialist orientation.

M. Isayev's monograph, when examining the theoretically complicated and politically urgent problem of the development of national liberation revolution into socialist revolutions, makes a valuable contribution to its study and understanding.

P. MASLOV

V. I. Lenin, *Collected Works*, Vol. 23, pp. 69-70.

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REFERENCE BOOK ON KAMPUCHEA REVIEWED

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 181-185

[Review by P. Yu. Tsvetov, candidate of philological sciences, of book "Kampuchiya. Spravochnik" [Kampuchea. A Reference Book], Glavnaya redaktsiya vostochnoy literatury izdatelstva Nauka, Moscow, 1985, 184 pages]

The Soviet Union and the countries of Indochina are bound by ties of fraternal friendship and combat solidarity. Hence the great interest the Soviet public displays

in the Socialist Republic of Vietnam, the Lao People's Democratic Republic, the People's Republic of Kampuchea; hence the importance of research into the problems facing these countries as a group and separately.

In this context the appearance of the reference book *Kampuchea*, in the series published by the Institute of Oriental Studies under the USSR Academy of Sciences, is of special importance, because a book of this kind has been published for the first time ever. Reference books on Laos have been put out twice in the USSR (in 1966

and 1980)¹, one academic reference book on Vietnam was published in 1969² and another is being prepared at the moment, by a large team of authors.

This volume, like the rest of the reference books in the series, begins with basic geographic, demographic and ethnographic facts set out in detail. The religious situation in the country is also described at length.

The historical essay following these sections is based, to a large extent, on facts and conclusions taken from the collective monograph *History of Kampuchea* published in 1981³. The concept of Soviet historians given in the reference book is, in a nutshell, as follows.

The first evidence of human settlement on the territory of Kampuchea dates back to the Stone Age. The first state on Kampuchean territory known to present-day historians is Bapnom (1st—6th centuries AD), more widely known by its Chinese name of Funan. Irrigated rice-growing was the main occupation of the people living in this state and the state of Chenla that succeeded it. Historical sources make it possible to speak of fairly well developed internal and foreign trade. The state of Bapnom, for example, had trade relations not only with India and China, but also with more distant countries.

The period of the Kambujadesha, or the Angkor Empire (the late 8th—mid-14th centuries) was the most famous in the history of Kampuchea. Military expeditions by the Kings Suriawarman II (1113—1150) and Djayawarman VII (1181—1220) and the architectural ensembles of the later period, primarily the still extant Angkorwat, made this period of considerable importance for the East of the Middle Ages. Under the reign of the Kings Suriawarman II and Djayawarman VII the territory of the empire included part of modern Burma, Laos, Thailand, Vietnam and Malaysia, besides present-day Kampuchea; the empire's population was multi-national. According to Soviet scholars, Kambujadesha was a feudal state headed by a deified monarch. The secular and religious feudal lords (who were big landowners)

acted at the same time as state officials. Landowners who had emerged from the former community of peasants and slaves (*knyoms*) occupied the lowest rung of the social ladder; though dependent on the feudal lords, they managed their farms independently. During the Angkor period, a major event took place in the ideological life of the country, namely the transition from Hinduism to Buddhism (in the form of *therawada*) as the dominant religious creed.

The Kambujadesha Empire (14th—16th centuries) lost many of its outlying regions and became a mono-ethnic state over the period of its decay.

Beginning in the 16th century onwards, till its colonisation, Kampuchea was politically unstable and frequently at war; it was compelled to defend itself against its two strong neighbours, Siam and Vietnam, which had been expanding their conquests towards the South of Indochina. Ultimately Kampuchea found itself dependent on both of these states, and in 1845 the King of Kampuchea, Ang Duong, acknowledged his vassalship to Siam and Vietnam.

This event coincided with the beginning of colonisation of Indochina by the French. The authors of the book explain the ease with which France managed to impose, in August 1863, a treaty on the King of Khmers and turn Kampuchea into its protectorate. The "Khmer kings had gradually come to view the Western states as a kind of a 'third force' in the complex knot of relations among the countries of the Indochinese Peninsula" (p. 45). Though the issues of Kampuchea's colonisation have been studied in considerable detail by Soviet authors⁴, a more complete picture of this phenomenon would not be out of place here. One should know that six months after the signing of the secret Franco-Kampuchean treaty on protectorate, the King of Kampuchea tried to recover his independence. However, the French officer Doudare de Lagré with a detachment of armed seamen occupied the royal palace and hoisted the French flag; in other words, the protectorate was introduced by force.

Analysing the effect of colonisation on the country, the authors justly note that the

¹ See *Contemporary Laos. Reference Book*, Moscow, 1966; *Laos, Reference Book*, Moscow, 1980.

² See *Vietnam. Reference Book*, Moscow, 1969.

³ See *History of Kampuchea. An Outline*, Moscow, 1981.

⁴ See, for example, Yu. Dementyev, *The Policy of France in Indochina and the Formation of the Indochinese Union (1858-1907)*, Moscow, 1975.

"Imposition of colonial domination on Kampuchea ultimately led to capitalist relations penetrating the country and, later on, to the formation of the bourgeoisie and the proletariat, the main forces of a capitalist society. In Kampuchea, owing to the domination of French monopoly capital and the slow rate of the decline of feudal relations, these processes were extremely retarded (p. 45). In our opinion it is necessary to add here that the new classes, the bourgeoisie and the proletariat, had not been recruited from the basic ethnic group of the Khmers; the first was formed by the Chinese, and the second by the Vietnamese.

Considering the history of colonial Kampuchea, Soviet authors focus their attention on the liberation movement. A feature of their concept is the correct emphasis on the unity of the three Indochinese countries in the anti-colonial struggle.

Discussing the early period of contemporary history (up to the World War II), the authors concentrate their attention on the activity of the Communist Party of Indochina (CPI) which, from its inception in 1930, carried out revolutionary work in Kampuchea, and also in Vietnam and Laos.

During the Second World War Kampuchea became a victim of aggression by Thailand, almost a third of its territory being seized by this western neighbour. Besides, the Kampuchean people, like the other peoples of French Indochina, had been oppressed by the French colonialists and Japanese militarists, who actually invaded the country in 1941. During the same period, other forces became active in Kampuchea, alongside the CPI, some of them uniting around the royal house, others siding with Japan. It was the Khmer Patriotic Front (Khmer Issarak), founded in 1942 by a decision of the CPI, that became the mouthpiece of national liberation ideas for the Kampuchean people.

The end of the Second World War saw a new stage in the development of Kampuchea's national liberation movement, which was crowned by the restoration of its sovereignty. The Kampuchean theatre of operations was not prominent in the years of resistance to the French colonialists, offered by the Indochinese peoples. However, patriots united around Khmer Issarak managed to establish several strong points on the liberated territory, strengthen their ranks and proclaim Kampuchea's independence on June 19, 1951. On June 28, 1951, the People's

Revolutionary Party of Kampuchea (PRPK) was established in conformity with the decision of the Second Congress of the CPI, with veterans of the liberation struggle, Son Ngok Min and Tu Samut elected as leaders.

The military and political successes of the Kampuchean revolutionary forces, aided by the Vietnamese Communists, who sent their soldiers to Kampuchea in 1951, caused the feudal and monarchist circles of the country to reject the policy of cooperation with colonialists and begin a diplomatic struggle to restore state sovereignty. The situation, generally unfavourable for the colonialists, compelled France to hand over supreme power to Norodom Sihanouk. The ceremony marking French withdrawal took place in Phnompenh on November 9, 1953. The 1954 Geneva Conference put an end to the dirty war waged by France against the peoples of Indochina and recognised the sovereignty, independence, unity and integrity of Vietnam, Kampuchea and Laos.

Kampuchea's history following the restoration of its sovereignty is presented in the reference book as a history of socio-class struggle within Khmer society. The true interests of the Khmer people were expressed by the People's Revolutionary Party of Kampuchea, which operated from 1954 onwards through the legal political group of Pracheachun (The People). Striving to control the entire nation, Norodom Sihanouk put forward the concept of "royal Buddhist socialism" and set up in 1955 a national political organisation Sangkum Reastr Niyum (People's Socialist Community). He was trying to keep his balance in domestic and foreign policy, now striving for rapprochement with the US, now trying to establish and develop relations with the socialist countries, at the same time fighting the right- and left-wing opposition. However, events in the Indochinese Peninsula and the social development within Khmer society itself resulted in the turning of Kampuchea, in the 1960s, from a "basis of peace" into an arena of fierce military fighting, triggered by the US aggressive policy in Indochina. Beginning in 1965, the US aircraft started regular bombings of the regions of Kampuchea bordering on Vietnam.

In the latter half of the 1960s, domestic political life in Kampuchea was characterised by a strengthening of the right-wing forces, namely the conservative part of the army command close to General Lon Nol. Right-wing elements were able to gain strength

because by that time the extremist left-wing circles headed by Pol Pot had seized power in the PRPK.

The polarisation of forces within the country went even further when on March 18, 1970, the right-wing leaders carried through a coup d'état, removed Sihanouk and set up the Lon Nol government. A pro-imperialist regime was instituted, which evoked opposition from broad patriotic strata. They created the National United Front of Cambodia (FUNC), the Army of National Liberation, and the Royal Government of Cambodia's National Union. Sihanouk was elected Chairman of the FUNC.

Over the five years of Lon Nol's rule political, economic, and cultural life in the country was completely disorganised, and led to isolation of that regime. The struggle led by the patriots was vigorously supported by signal victories won by Vietnamese patriots and the changed alignment of forces in the region. On April 17, 1975, the Lon Nol pro-imperialist regime was toppled and the liberation forces entered Phnompenh. The country was given the name of Democratic Kampuchea.

In April 1975 Pol Pot and his accomplices came to power. They proclaimed the policy of a "100 per cent, complete, socialist revolution", a "revolution of a great leap forward, of great progress and brilliant perfection" as their goal. Then began one of the darkest periods in the history of Khmers, a people doomed to extinction by its own government. The period has been described at length both in the Soviet and Western literature. The authors of the collection note that, on the whole, the Pol Pot clique "strove to find a form of social organisation with the help of 'recipes' that did not take into account either the specifics of Kampuchea's development or its traditions and possibilities" (p. 69).

The Pol Pot policy of genocide practiced against their own people, their adventurist experiments, evoked the universal indignation of their countrymen. The book cites instances of the Kampuchean struggle against the hated regime, started as far back as 1975. In early December 1978, the patriots organised the United Front of Kampuchea's National Salvation (UFKNS) which called on the entire nation to rise in a decisive struggle to overthrow the "reactionary and nepotist clique of Pol Pot—Ieng Sary".

On January 7, 1979, the armed forces of the UFKNS, jointly with units of the Vietnamese volunteers, liberated Phnompenh. On January 10 the country was declared the People's Republic of Kampuchea.

The concluding pages of the historical essay, and much of the chapters which follow discuss the problems the country inherited from the Pol Pot regime, and the massive work undertaken by the Kampucheans to solve them, under the guidance of the PRPK. The following chapters deal with "The State System and Administrative Division", "The Armed Forces", "The Party and Mass Organisations", "International Situation and Foreign Policy". The last chapter focusses on Soviet-Kampuchean relations.

The chapters on economy and culture, dealing mainly with the period following the attainment of national independence by Kampuchea, show what disasters were inflicted on its people by the regimes of Lon Nol and Pol Pot. Before Lon Nol came to power, for example, 93,000 children went to secondary school, 7,000 to vocational and secondary specialised schools (1967); 10,000 attended the Universities (1969) (pp. 141-142). Under Pol Pot all the educational establishments were closed, over 80 per cent of the teachers were killed. Pol Pot allowed only primary schools to function, with the instruction limited to learning the Khmer alphabet and performing pseudo-revolutionary songs and dances.

That is why the successes scored by the People's Revolutionary Party of Kampuchea and the government of the People's Republic of Kampuchea in education after the victory of the people's democratic revolution on January 7, 1979, are especially spectacular. In the 1983/84 academic year about 1,660,000 children went to general-education schools (p. 145); over 231,000 adults attended evening classes in 1983, over 1,000 students attended secondary specialised schools in 1982 (p. 148); over 2,000 attended the five country's higher educational establishments (p. 149).

Other figures cited in the book also attest to the successes scored by the PRK. The gross harvest of rice tripled over the 1979-1983 period and reached slightly over 2.3 mln tons (p. 122), the total head of livestock increased by more than 70 per cent (p. 127); the production of electric power rose from 60 mln kWh to 110 mln kWh (p. 130).

The socialist countries are doing a great deal to help restore Kampuchea. The reference book contains the following figures on this score: in 1979 alone the USSR rendered aid to the tune of \$134 mln, Vietnam \$56 mln (p. 110). In 1983-1984 2,138 young Kampuchians attended secondary specialised schools and higher educational establishments in the USSR, the Socialist Republic of Vietnam, Czechoslovakia, Bulgaria, Cuba, the German Democratic Republic and Hungary (p. 149).

The book ends with chapters containing the latest information on health care, li-

terature, architecture, theatre, cinema, mass media and sports in the country.

The appearance of a reference book on Kampuchea is a momentous event in Soviet science. It is evidence that Soviet Orientalists are developing yet another branch of study, i. e., comprehensive research into Kampuchea, its past and present. At the same time, the reference book is to be viewed as not a final result, but rather as a point of departure for new research into the problems of this fraternal country.

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INTERNATIONAL CONFERENCE OF SPECIALISTS IN JAPANESE STUDIES

Moscow FAR EASTERN AFFAIRS in English No 4, Oct-Dec 86 pp 187-190

[Article by Yu. Ye. Bugayev]

A Conference of Specialists on Japan from Socialist Countries was held in Moscow in May 1986. Convened at the initiative of the Institute of Oriental Studies of the USSR Academy of Sciences, the conference was attended by over 300 specialists in Japanese studies from the Soviet Union, Bulgaria, Hungary, the GDR, Mongolia, Poland and Czechoslovakia.

The holding of the first international conference of this kind was indicative of the growing interest in the urgent problems facing Japan among the scholarly communities of the USSR and the socialist countries. This interest stems primarily from the fact that Japan has become a major centre of world imperialism, increasingly affecting the state of international relations in the Asian-Pacific region and all over the world.

Opening the conference, I. Latyshev, Dr. Sc (Hist.), Head of the Japanese Section at the Institute of Oriental Studies of the USSR Academy of Sciences, formulated its main objectives as follows: 1) To discuss the present-day situation in Japan—its foreign and domestic policies, economy, culture, the arts, etc. 2) To provide, on the basis of reports and comments in discussions, a clear picture of the state of affairs in Soviet Japanese studies and of the way similar issues are tackled in other countries, notably, the socialist countries of Europe and Asia. 3) To chart the directions of further progress in Soviet Japanese studies and to identify the key issues that call for a joint effort by scholars from countries-participants in the conference.

The conference took the form of plenary sessions and sessions held in the five committees on economics, history and politics, culture, sociology and ideology, literary criticism, and linguistics.

For lack of space we cannot here list the titles of reports (there were close to 100 reports and 60 speeches in discussions). We intend to edit and publish some of them in this journal. Here we would like to dwell on some plenary reports characterising the general trend of the conference and the problems that specialists from various countries are concerned about.

All the plenary reports fell into two main groups—those about Japan proper and those dealing with the Japanese studies in the USSR and other countries, that is, the problems and objectives of Japanese studies.

Japan's place and role in the present-day world, its foreign and home policies, economy and culture were dealt with in the reports "The Role of Japan in the Present-Day World and Soviet Japanese Studies" [I. Kovalenko, Dr. Sc. (Hist.), Editor-in-Chief of the yearbook *Japan*], "The State-and-Monopoly Capitalism in Japan" [Y. Pevzner, Dr. Sc. (Econ.), Head of the Japanese Sector, Pacific Studies Section of the Institute of World Economy and International Relations under the USSR Academy of Sciences], "Japan's Role and Place in Present-Day International Relations" [D. Petrov, Dr. Sc. (Hist.), Head of the Japanese Sector of the Institute of the Far Eastern Studies under the USSR Academy of Sciences], "Progressive Forces of Japan in the Struggle for

Peace" [A. Senatorov, Cand. Sc. (Hist.), Deputy Chairman of the Board of the USSR-Japan Society], "Some Trends of Development in Japanese Literature" [V. Goreglyad, Dr. Sc. (Philol.), Head of the Japanese Section of the Department of Literature at the Institute of Oriental Studies under the USSR Academy of Sciences], "Urgent Present-Day Issues in the Works of Japanese Writers [V. Grivnin, Dr. Sc. (Philol.), Institute of the Countries of Asia and Africa, Moscow State University].

How do the reports by leading Soviet Orientalists describe Japan of the 1980s?

Over the last 25 years, Japan has increased its industrial output by 550 per cent (USA—140 per cent, the EEC—100 per cent). Its share of world capitalist production has grown from 6.8 per cent to 16.2 per cent. Twenty-one Japanese companies figure among the 100 leading world companies. Twenty Japanese bank corporations rank among the world's 50 topmost banks. The country has become much more powerful and affluent, this prompting its rulers to bring its political standing into line with its economic might.

Although, according to some speakers, there is still a long time to go before Japan attains this objective, there is no denying that its international significance has grown. This has been helped by a number of factors, such as Japan outdoing its US and West European rivals; growing Soviet economic might causing the West to draw increasingly on Japan's potential as it implements the US "new globalism" concept (aid to the counterrevolutionary bands in Afghanistan, Thailand, etc.). And, last but not least, international tensions provoked by the Reagan Administration enhances the role of Japan as the United States' military partner as does the increased significance of Asia and the Asian-Pacific region in world politics.

Burgeoning Japanese economic might poses the question before the country and the world community as a whole of how it will be used.

The foreign policy pursued by the Nakasone Cabinet is aimed at asserting Japan as the leader in the Asian-Pacific region and turning the latter into a kind of Japanese backyard. The reports warned against illusions nurtured by some Western Orientalists concerning the "economic" nature of the "Pacific Community", a concept that emerged in the late 1970s. A military and political bloc intended as a stronghold of opposition to socialist countries and national liberation movements in the region is a case in point, I. Kovalenko said.

Tokyo's foreign policy moves over the last few years are indicative of its desire to play a more prominent role in the confrontation between the two systems. Since November 1975, Tokyo has participated in the annual meetings of the Seven. Moreover, following the advent to power of the Nakasone Cabinet, it has been seeking to make them more political (Yasuhiro Nakasone is one of the authors of the Political Declaration adopted by the participants in the Williamsburg meeting in May 1985).

The rapid growth of Japan's military expenditure (6.5 per cent a year) makes the danger of a revival of its military-industrial complex very probable. Japanese military might is gradually becoming an international factor, as is evident from Japan's new military commitments (joint US-Japanese anti-submarine and anti-aircraft operations, the projected Japanese participation in the mining of three international straits, and the Japanese involvement, so far at the private level, in the SDI).

The revival of militarism is accompanied by an anti-Soviet hysteria emphasising the "Soviet military threat" myth and imaginary territorial claims on the Soviet Union. This, the participants in the conference said, does not serve to promote Japan's security, as the architects of the "tough course" seek to assert. Cooperation and neighbourliness, not con-

frontation, are the only methods which can help promote stability and security in the Far East.

"Now," General Secretary of the CPSU Central Committee Mikhail Gorbachev told the 27th CPSU Congress, "as never before, it is important to find ways of closer and more productive cooperation with governments, parties, and mass organisations and movements that are genuinely concerned about the destinies of peace on earth, with all peoples, in order to build an all-embracing system of international security."¹ The Soviet Japanese studies, speakers at the conference said, ought to play an important role in pursuit of this aim. It is necessary to profoundly study Tokyo's policies in the region, and the alignment of political forces inside the country. It is necessary to expose in time the dangerous plans of the Japanese strategists in order to oppose attempts to wreck the incipient improvement in Soviet-Japanese relations. Through their studies, publications, radio and television broadcasts, and reports at international gatherings and conferences, Soviet scholars ought to bring home to the Japanese people and the Japanese public the truth about the Soviet peace initiatives, and the policy of expanding contacts with all nations, including Japan, mapped out by the 27th CPSU Congress. This work, said A. Senatorov, will provide solid support for efforts by the numerous peace supporters in Japan, who include members of the Communist Party of Japan and a number of its organisations, Socialists, major trade union associations, such as Sohyo and Turitsu Roren, participants in civic movements (for creating nuclear-free zones, etc.), the middle-of-the-road parties, such as the DSP, SDU, and NLK (though their programmes are rather inconsistent), religious organisations, primarily Soka gakkai, as well as realistically-minded politicians and businessmen who understand that a confrontation with the USSR is dangerous and does not pay.

The tasks facing Soviet Japanese studies and formulated by the participants in the conference are serious ones. Reports on the state of affairs in Japanese studies in the USSR and other socialist countries estimated the chances of success. These reports included: "The Present-Day State and Development Problems of Soviet Japanese Studies" [I. Latyshev, Dr. Sc. (Hist.)]; "Studies on Japanese History" (A. Iskanderov, Corresponding Member of the USSR Academy of Sciences, Director of the Institute of History under the USSR Academy of Sciences), "Translations of Japanese Fiction" (B. Raskin, Head of the section of Far Eastern Languages, Progress Publishers), "How the Editorial Board of the *Japan Yearbook Works*" [S. Verbitski, Cand. Sc. (Hist.), Secretary of the Board].

Scholars from Bulgaria [Tsvetana Kristeva, Cand. Sc. (Philol.)], Hungary (Kohl Peter, Dr. Sc., Institute of International Relations), the GDR (Yurgen Berndt, Professor, Humboldt University), Mongolia (Delai Chulun, Institute of Oriental Studies, Mongolian Academy of Sciences), Poland (M. Melinovic, Professor, Warsaw University) and Czechoslovakia [Z. Vasilyevova, Cand. Sc. (Hist.), Carelow University] reported on Japanese studies in their countries.

Soviet Japanese studies emerged in the early 1920s. Over the last 60-odd years there has been considerable progress in studying Japan and training Soviet research personnel. Apart from Moscow and Leningrad, wide-ranging research is conducted at research centres and the universities of Vladivostok, Novosibirsk and Khabarovsk. The USSR translates and publishes more books by Japanese authors than any other country in the world (every year from 15 to 20 titles of fiction alone in no less than 1 million copies).

¹ *Materials of the 27th CPSU Congress*, Moscow, 1986, p. 92.

At the same time, as I. Kovalenko, I. Latyshev, A. Senatorov, A. Iskanderov, B. Raskin and others admitted frankly, there is no reason for complacency as regards the state of affairs in Soviet Japanese studies.

The research effort is poorly coordinated, research is frequently divorced from the tasks of practical politics, many young researchers prefer to engage in historical studies, rather than tackle urgent present-day issues. These and other circumstances tend to detract from the effectiveness and quality of research.

Several existing centres of Japanese studies sometimes conduct identical research, or work in too many directions at once, or have inadequate information about what is going on in other centres. There is no scientifically-based training of translators of fiction to speak of (most translators are publishing house editors who combine translating with their direct duties). This circumstance is now becoming a problem because the older generation of translators are going, while younger translators lack the skills and rarely go to print. The participants, including scholars from other socialist countries, held a lively debate over how to teach Japanese. Representatives of Bulgaria, Mongolia, Poland and Czechoslovakia, where there are numerous centres and courses giving a good knowledge of Japanese, clashed with colleagues from the German Democratic Republic who claimed that the language should be taught in secondary school, because to begin to learn it only in college was too late and inefficient. In the Soviet Union, too, university linguistic training gives quite satisfactory results, although, apart from translators, there is a growing need for specialists in various fields with a profound knowledge of Japanese who have ability and are encouraged to master the vast body of material penned by Japanese economists, politologists, etc.

"Time sets the question of social sciences broadly tackling the concrete requirements of practice and demands that social scientists should be sensitive to the ongoing changes in life, keep new phenomena in sight, and draw conclusions that should correctly orient practice", stated the CPSU Central Committee's Political Report to the 27th CPSU Congress.²

These requirements directly concern the Soviet students of Japan, who must conduct relevant, efficient and high-quality research. The Moscow Conference of Specialists on Japan of Socialist Countries, which offered a critical assessment to what has been done, and mapped out directions for further advance in Japanese studies in the USSR and socialist countries of Europe and Asia, will help tackle this task.

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2. Ibid., p 105.