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17 August 1993



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# ***JPRS Report***

# **China**

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# China

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## GENERAL

### Post-Cold War Asian Security Developments

93CM0345A Beijing XIANDAI GUOJI GUANXI  
[CONTEMPORARY INTERNATIONAL RELATIONS]  
in Chinese No 43, 20 May 93 pp 1-5

[Article by Yan Xiangjun and Huang Tingwei: "The Security Situation in the Asia-Pacific Region and the Relevant Parties' Ideas on a Security Mechanism"]

[Text]

#### I

After the Cold War ended, the security situation in the Asia-Pacific region has undergone profound changes. The main features of the changes have been:

(1) A new situation regarding the balance of power is taking shape in the Asia-Pacific region, and there is a pluralistic trend. As the Soviet Union has dissolved, as the bipolar system has died, and as the role of Japan is rapidly growing, a new, pluralistic situation in which many forces coexist and constrain each other and in which the United States, Japan, Russia, and China are the major actors, is taking shape in the Asia-Pacific region. At the same time, the ASEAN, India, Vietnam, Australia and others are also becoming important forces in the region that arouse attention. In short, because of the pluralistic developments, the various forces in this region have formed, in a preliminary way, a relatively stable strategic balance based on mutual constraint. From a security perspective, this situation is much better than the situation in the Cold War era.

(2) To adapt to the changes in the situation, countries have all been trying to expeditiously adjust their security strategies, so as to put themselves in more advantageous positions. The United States is obviously contracting militarily. It is reducing its military forces stationed abroad, giving more emphasis to rapid response capabilities, and asking Japan to take on greater responsibilities. Strategically, it is expanding the U.S.-Japan cooperation, changing such cooperation from being concerned only with Northeast Asia to being concerned with the entire world, and trying to turn the bilateral "alliance" into a "global partnership." The relations between the United States and the ASEAN have expanded from mainly involving economic and political affairs to involving security dialogues and multilateral consultations.

With regard to security affairs, Japan is actively seeking to develop political dialogue with countries in the region, and has taken the initiative to help the United States in its effort to promote democratization in the Asia-Pacific region. The two main components of the "Miyazawa Doctrine" proposed early this year are to promote security dialogue and democratization.

After the middle of last year, Russia has modified its excessively pro-Western approaches, and has adopted a "double-headed eagle" policy which gives emphasis to both Europe and the Asia-Pacific region. At the same

time, it has also made further efforts to change the practice of being either overly friendly or overly hostile, and has tried to improve its relations with the countries of the Asia-Pacific region in an overall manner.

The ASEAN has begun to adopt an active attitude toward regional security issues. Not only have there been several rounds of internal consultations within the ASEAN, but serious dialogues with non-ASEAN countries have also been carried out.

(3) A comparison between Asia and Europe will show that Asia is relatively stable. But destabilizing factors still exist and pose potential threats to this region. After the end of the Cold War, Europe and Asia have undergone very different changes. Europe which had long been stable has seen great turbulence, while the Asia-Pacific region has been characterized by a new situation of relative political stability and economic prosperity. However, the relative stability in this region is to some extent fragile. In the new situation, the disputes left over by history and the territorial, territorial sea, ethnic, and religious conflicts which had long been covered up during the Cold War have now increasingly come into the open. The conflicts at the previous hotspots such as Afghanistan and Cambodia have become domestic conflicts. There have been both progress and reversals in the process of producing political settlement. Recently, the situation on the Korean Peninsula is getting tense again. There are conflicts between India and Pakistan on such issues as that of Kashmir. There are territorial disputes between Japan and Russia. Tajikistan was for a time in turmoil. All those conflicts pose threats of varying degrees to the security of different countries or subregions, and have become security problems causing attention from all.

(4) In the Asia-Pacific region, while the United States and Russia are carrying out disarmament, there is also a widespread tendency to increase military expenditures and armaments. The United States and Russia have reduced, to some extent, their respective military forces stationed in the Asia-Pacific region, but are each still maintaining a strong military presence. At the same time, a majority of the countries of the Asia-Pacific region have been, in the recent years, quietly increasing military expenditures and purchasing large amounts of arms. This region has now become the largest arms importer among the regions in the world, accounting for approximately one-third of all the arms imports in the world. Surely, the situation regarding arms expansion is complicated, and there are differences between the various cases. Most of the countries involved are importing arms to satisfy their own defense needs or the needs relating to the updating of weapons and equipment, and thus such purchases are part of normal national defense work. But it is necessary to be vigilant against and prevent military buildup in excess of defense needs. Otherwise, the security and balance of power in this region could be affected.

(5) Countries are giving increasing emphasis to economic security, promoting such security on the basis of regarding it as a most important matter. All the countries are taking advantage of the current favorable conditions to try as hard as possible to make the Asia-Pacific region continue to be the region with the greatest economic vitality and highest growth rates in the world on the basis of focusing on developing economy and increasing overall national capabilities. According to forecasts, in 1993, the economic growth rate of the Asia-Pacific region will reach 5.2 percent; the "four little dragons" will see a growth rate of 6-9.5 percent; and the 10 economic entities of East Asia will have a growth rate of 6 percent. To maintain high growth rates, all the countries are giving strong emphasis to enhancing economic cooperation, and refusing to let differences in ideology and social system hamper cooperation. They emphasize complementing each other and benefiting from each other's strengths in such areas as technology, capital, resources, and manpower, so as to gradually form a system of economic cooperation characterized by the integration of the local, regional, and world markets.

## II

With the aforementioned changes in the security situation in the Asia-Pacific region, the issue of establishing an Asia-Pacific collective security mechanism is now on the agenda. All the relevant parties are stepping up their planning work, and many plans and ideas have been put forward.

(1) The United States is conducting a new round of adjustment of its ideas on an Asia-Pacific security mechanism, and is now inclined to advocate developing multilateral coordination and consultation on the basis of maintaining the bilateral alliance structures, proposing that the enlarged ASEAN foreign ministers' meeting should be the main forum to carry out security coordination in the Asia-Pacific region.

The consistently held view of the Bush administration on the Asia-Pacific security framework was that Asia-Pacific security could only be based on the bilateral alliances centered on the United States. After coming to power, Clinton, while continuing to maintain the security policy of the Bush administration on the Asia-Pacific region, has put forward new ideas to deal with new developments in the international situation. On 31 March Winston Lord, the new assistant secretary of state for Asian and Pacific affairs, outlined the four security challenges that the United States faced in the Asia-Pacific region at a hearing of the Senate Foreign Relations Committee: trade deficits in the economic sphere; new security problems caused by the fragility of some bilateral relations; global arms proliferation and such issues as the refugee and environmental issues; and the existence of four of the world's five communist regimes in the Asia-Pacific region. Thus, he argued that the Asia-Pacific region still had "serious security problems," and that it was necessary to develop a "new mechanism" so as to control or prevent security problems. Such a new

security mechanism would not be modelled after the CSCE, but built on the solid foundation of bilateral alliances, while entailing "multilateral consultations" on security issues; the United States would "fully participate" in the enlarged ASEAN foreign ministers' meeting to enhance consultation on Asia-Pacific security issues.

(2) Japan argues that currently it is necessary to discuss Asia-Pacific security issues mainly in the framework of the enlarged ASEAN foreign ministers' meeting, and that in the future it is proper to establish a CSCE-like security guarantee institution in the Asia-Pacific region.

Last year, Prime Minister Miyazawa's private consulting body, the Symposium on the Asia-Pacific Region and Japan in the 21st century, and the Liberal Democratic Party's think tank, the Comprehensive Policy Institute, each put forward a whole set of specific proposals concerning the establishment of a security guarantee mechanism in the Asia-Pacific region. Among the proposals are those concerning the establishment of a CSCE-like Conference on Security and Cooperation in the Asia-Pacific Region and the establishment of an additional UN subsidiary organ so as to strengthen "Asia-Pacific security guarantees." At a news conference held in December last year, Prime Minister Miyazawa clearly said that "the establishment in the future of a CSCE-like common security umbrella will be important to the security and prosperity of all the countries." In January this year, while visiting four ASEAN countries, Miyazawa delivered, in Bangkok, a foreign policy speech expressing the views which have later come to be called the "Miyazawa Doctrine." In the speech, he emphasized that for the time being it was necessary to discuss security issues facing the Asia-Pacific region as a whole mainly at the enlarged ASEAN foreign ministers' meeting.

(3) Russia has proposed the establishment of a "Northeast Asian regional mechanism of multilateral negotiations" as the first step in the effort to carry out multilateral security talks involving the Asia-Pacific region as a whole or the subregions.

The Soviet Union had long been proposing the establishment of an Asian Security System. After the dissolution of the Soviet Union, Russia, as the Soviet Union's "successor state," has readjusted policies on the Asia-Pacific region. Russia is seeking to create a favorable international environment for developing the Far East region and for economic cooperation in Northeast Asia, on the basis of seeking to establish a "partnership" between the United States and Russia, strengthening the friendly and neighborly relations between Russia and China, and improving relations between Russia and Japan and between Russia and the ROK. It is now mainly concerned with the security of the Northeast Asian region, and has proposed that as a first step multilateral consultations be carried out on the security of Northeast Asia. In November 1992, during a visit to the ROK, Yeltsin put forward three proposals in relation

to the matter: 1) Immediately begin the work of establishing multilateral negotiation mechanisms for the Asia-Pacific region as a whole and for the subregion. As a first step, experts can conduct multilateral consultations on the issue of strengthening the security of the Northeast Asian region. First of all, it is proper to conduct multilateral consultations on the issue of nuclear nonproliferation. 2) Establish a "Regional Center for Mediation in Conflict Situations." It is proper to start the relevant process by carrying out activities concerning the Northeast Asian subregion and Korea. 3) Establish a regional strategic research center to carry out analyses of military budgets, military theories, and the deployment of armed forces.

(4) The ASEAN is trying hard to make the enlarged ASEAN foreign ministers' meeting the "framework" of an Asia-Pacific regional security mechanism.

In July 1992, the ASEAN foreign ministers' meeting in Manila for the first time made the issue of regional security an important agenda item. The meeting issued the ASEAN Declaration on the South China Sea. In February 1993, in Tokyo the ASEAN and Japan discussed the issue of an Asia-Pacific security mechanism for the first time, and decided to hold a consultation conference on Asia-Pacific security to be attended by the ASEAN and its dialogue partners at the level of deputy ministers in May this year in Singapore, so as to make preparations for the July ASEAN foreign ministers' meeting which will discuss the issue of establishing an Asia-Pacific security mechanism. To that end, the ASEAN is surely to increase the number of its dialogue partners. It is reported that China, Russia, Laos, and Cambodia are all likely to become "official participants" at the talks on Asia-Pacific security.

(5) Kazakhstan has proposed the holding of a "Conference on Cooperation and Confidence-Building Measures in Asia" and the establishment of a unified "global collective security and cooperation system," a project of several phases.

At the 47th Session of the UN General Assembly, President Nazarbaev of Kazakhstan proposed the holding of a Conference on Cooperation and Confidence-Building Measures in Asia, and put forward a whole set of ideas on the establishment of a "global collective security and cooperation system," a project of four phases to be completed by the year 2005: In the first phase (1992-1995), as a first step, hold a Conference on Cooperation and Confidence-Building Measures in Asia; in the second phase (1994-1998), establish a CSCE-like "all-Asia framework"; in the third phase (1998-2000), establish a "permanent body" coordinating the work of the Conference on Security in Asia and the CSCE, and establish a "transcontinental institution"; and in the fourth phase (2000-2005), form a "global collective security and cooperation system."

(6) The ROK has proposed the holding of a four-plus-two "Consultation Conference on Peace in Northeast Asia," so as to establish a "New Order of Peace in Northeast Asia."

At last year's session of the UN General Assembly, Roh Tae Woo, then president of the ROK, proposed the holding of a "Consultation Conference on Peace in Northeast Asia" to be participated by China, the United States, Japan, Russia, the DPRK, and the ROK, for the purpose of establishing a "framework of peace in Northeast Asia" that could resolve the problem of the Korean Peninsula. Russia expressed its support for the ROK's proposal. In November of the same year, during Yeltsin's visit to the ROK, the two parties issued the Joint Statement of Russia and the ROK which expressed agreement to the view that "it is necessary for the relevant parties in Northeast Asia to conduct a dialogue." But Roh Tae Woo was opposed to Miyazawa's proposal concerning the establishment of a collective security system in the Asia-Pacific region, arguing that as there were differences in "historical, cultural, political, and economic backgrounds" as well as in "security interests" among the parties of the Asia-Pacific region, conditions "are not ripe" for achieving multilateral security cooperation.

(7) Australia has proposed the holding of an Asian-Pacific regional summit conference, so as to promote economic cooperation and security dialogue in the region.

In September last year, during a visit to Tokyo, Prime Minister Keating issued a news bulletin after holding talks with Prime Minister Miyazawa of Japan, proposing the holding of an Asian-Pacific regional summit conference. The idea was to develop the Ministerial Conference on Asia-Pacific Economic Cooperation into a regular conference of heads of government, so that it could acquire the authority similar to that enjoyed by the summit conference of the Group of Seven Western countries. Australia informed the leaders of such countries as the United States, Japan, and Indonesia of the proposal on separate occasions. The United States and Japan expressed their support, but Indonesia was cautious in its response.

In addition, Taiwan also advocates the establishment of an "Asian collective security system." On 26 March 1993, during a special interview by CNN of the United States, Li Denghui said that the relevant countries of the Asia-Pacific region could consider establishing a collective security system without an imaginary enemy, resolving any dispute through dialogue, and could also consider trying to eliminate potential conflicts through carrying out joint development of resources. The Taiwan authorities made such proposals for the purpose of trying to turn Taiwan into an internationally recognized political entity by becoming part of an Asia-Pacific collective security system, so as to create the situation of "one China, one Taiwan" and obstruct the reunification of the motherland.

## III

The issue of establishing an Asia-Pacific security cooperation mechanism involves many things, and many issues call for serious study. The following is a frank discussion.

(1) On Asia-Pacific security cooperation and on China's status and role.

Since the Cold War ended, the Asia-Pacific region has been more stable than Europe, and the economy of the region has been growing faster than the economy of Europe. This has not been an accident, but has been inseparably related to China's active contributions. China has always devoted itself to the maintenance of peace and stability in the world in general, and in the Asia-Pacific region in particular, has been striving to promote the relaxation of tension at the existing hotspots in China's surrounding areas—Cambodia, the Korean Peninsula, and Afghanistan, and has been making vigorous efforts to strengthen friendly, cooperative relations with the neighboring countries. In recent years, China has not only restored diplomatic relations with Indonesia and established diplomatic relations with Singapore, Brunei, the ROK, and the republics of the former Soviet Union, but also normalized relations with Vietnam and Laos, while improving and developing relations with Mongolia. Some people in the West have intentionally spread the ideas that there is a "China threat" and that "China is filling a vacuum," in an attempt to use such theories as an excuse to step up the efforts to establish an Asia-Pacific security mechanism. Such theories are totally groundless, and only serve to sow dissension, and damage the relations, between China and other Asian-Pacific countries. China is trying to modernize its national defense entirely for the purpose of safeguarding China's independence and sovereignty and maintaining peace and stability in this region, and such activities are thus totally defensive in nature. China's military construction is subordinate to the central task of economic construction. In the recent years, the defense budget has increased on a yearly basis, but the amount involved is still limited. The annual defense budget totals only a little over \$6 billion, representing a per capita amount of a little over \$5. This sum is very small as compared with the annual defense budget of the United States totalling approximately \$300 billion and the Japanese one totalling approximately \$30 billion. China has always followed an independent, peaceful foreign policy, and will never be a hegemon or seek external expansion. This has been determined by the socialist nature of China's state, and is a long-lasting national policy that will not change. Because of historical factors, China has territorial disputes with some neighboring countries. China is willing to resolve those issues through peaceful, friendly means, and to create the atmosphere and conditions conducive to the reasonable and just resolution of the border disputes, by seeking a solution in each case which is acceptable to both parties. On such issues as that of the Nansha Qundao [Spratly Islands] over which China has sovereignty, China favors

"shelving the disputes and carrying out joint development," and is willing to work for the long-term stability and mutually beneficial cooperation in the South China Sea region. Ensuring a peaceful and tranquil surrounding environment is the focus of China's diplomatic work. As the Cold War has ended, it becomes all the more necessary for China and other Asian countries to enhance mutual trust and cooperation and oppose the bad tendencies to create turmoil and to destroy peace and stability by exploiting territorial, border, religious, and ethnic problems.

(2) On the issues of principles and rules on an Asia-Pacific security cooperation mechanism.

To manage well Asia-Pacific security cooperation, it is first of all necessary to clarify the principles and rules to be followed by all the parties. China, as one of the countries which formulated the five principles of peaceful coexistence and the 10 principles of the Bandung Conference, has persistently adhered to and advocated those principles, which include: 1) **Keep friendly relations between neighboring countries, and build relations on the basis of equality.** Respect the choice made by different countries concerning their different social systems, development models, and ideologies; accept diversity; promote mutual understanding; and achieve peaceful coexistence. Whether large or small and whether rich or poor, all countries are entitled to participate, on an equal footing, in the management of Asian-Pacific affairs and in the dialogue on security cooperation. No big power should be allowed to seek special status or spheres of influence. 2) **Respect each other's sovereignty and territorial integrity, and oppose interference in the internal affairs of other countries.** No country should be allowed to violate other countries' sovereignty and territorial integrity, or to carry out interference of any form in the internal affairs of other countries under any pretext. All the countries should be recognized as countries with complete independence and sovereignty. 3) **Settle disputes peacefully, and no force should be used.** With regard to the international disputes in the Asia-Pacific region, it is necessary to strive to achieve peaceful settlement through negotiation and dialogue, under the guidance of the spirit of mutual restraint and of mutual understanding and compromise. Oppose armed intervention. 4) **Equality and mutual benefit; and the enhancement of cooperation.** Adhere to the principles of equality, mutual benefit, and common prosperity in the course of economic cooperation; oppose trade protectionism and all discriminatory economic and trade policies; adhere to the practice of developing bilateral and multilateral cooperation on the basis of keeping one's independence; and oppose the formation of exclusive economic blocs.

(3) On the issues of functions and form of an Asia-Pacific security cooperation mechanism.

There will be mainly four functions: In the political sphere, actively enhance political dialogue of various forms in the region. Bilateral negotiations will be the main form, with multilateral negotiations playing a

supplementary role; the objective will be to promote mutual trust and understanding between the countries. In the economic sphere, further expand bilateral and multilateral economic and technological cooperation as well as bilateral and multilateral trade contacts in the region. In the military sphere, further develop the practice of mutual visits between military leaders, exchange military information, and inform each other of military exercises, so as to gradually increase military transparency. In the security sphere, the parties concerned should conduct full consultation and the coordination on the conflicts or disputes between themselves, in an effort to settle conflicts and disputes peacefully and to reduce the gravity of conflict situations.

Activities can be carried out in many forms and at many levels. There will be mainly four categories: First, non-governmental, informal, and nonregular bilateral or multilateral dialogues; second, dialogues conducted at semi-official, regular or nonregular, and multilateral or regional forums; third, regularized subregional official formal dialogues; and, fourth, an institutionalized collective security system for the region as a whole.

(4) On the issues of the formation and prospects of an Asia-Pacific security cooperation mechanism.

The formation of an Asia-Pacific security cooperation mechanism has to go through a process of developing from low-level activities to high-level activities. It is also proper to carry out activities of different forms and levels at the same time. Presently, in the Asia-Pacific region, there have already emerged modes of multilateral dialogue on particular issues, including the mode used in the dialogue among many countries in which the ASEAN countries are the main participants. Those modes will not only continue to be used for some time to come, but also be further developed and enriched. But the process of their development will be gradual. Currently, conditions are not ripe for the establishment of an institutionalized Asia-Pacific collective security system for the region as whole. There are power centers in the Asia-Pacific region which have very different interests, and the political situation is complex. Countries have different views on the security issues facing the subregions

and the region as a whole, and are focusing their attention on different issues. Therefore, a long time will be needed for full study and consultation. The proposal concerning the establishment of a CSCE-like all-Asia collective security system is obviously unrealistic, because the situations in Europe and Asia are very different. By the way, the issue of establishing an Asia-Pacific collective security system is a matter between sovereign states. Taiwan is part of China, and thus is not qualified to be a participant in regard to an Asia-Pacific collective security system.

### **Economic Factors Increasingly Shape New World Order**

93P30068A

[Editorial Report] According to an article in the April issue of Beijing GUOJI WENTI YANJIU [INTERNATIONAL STUDIES] in Chinese, published by the China Institute of International Studies, an important influence on the world order is the emergence of a global economy characterized by the globalization of productive forces, economic regionalization and the formation of trade blocs, pluralization of the world economy, marketization, and politicization of economic policies. A related article in the March issue of the now monthly Beijing XIANDAI GUOJI GUANXI [CONTEMPORARY INTERNATIONAL RELATIONS] in Chinese, published by the China Institute of International Relations, describes this latter trend toward politicization of economic relations and economic policy as "an important factor impairing the transition of the world economy." In this piece author Hou Ruoshi mentions trade protectionism as an economic policy that "some countries" use to disrupt the world economy by preventing the free trade of new technology. The article maintains that developed countries are "especially" susceptible to the influence of political interests when formulating national trade policy. U.S. trade policy, for instance, is "restricted by certain groups in Congress," causing trade problems with other countries to "drag on." Finally, the article predicts that economic tension between countries will increasingly manifest itself in national economic policy and maintains that there is no "authoritative economic policy coordinating organization" through which to resolve international economic policy disputes.

## NATIONAL AFFAIRS, POLICY

### Market Price Department Analyzes Price Trends

93CE0667A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese No 5, May 93 pp 3-7

[Article by Gao Tiesheng (7559 6993 3932), Liu Wen (0491 2429), and Li Jie (2621 3381): "An Analysis of Today's Market Price Situation"]

[Text] To better analyze and predict this year's market price situation, we recently gathered together leading comrades and experts from the State Administration of Commodity Prices, State Bureau of Materials and Equipment, State Information Center, Beijing Municipal Administration of Commodity Prices, and other departments to look at today's market price situation from different standpoints. Everybody agreed that the overall situation was good and that Comrade Xiaoping's instruction to seize the opportunity to accelerate the development was indeed farsighted and inspiring. But meanwhile we should realize that as economic development accelerated, there would be new problems tangled up with some deep-rooted problems that had accumulated over the years, gradually increasing latent inflationary pressure. There was no consensus as to whether there would be serious inflation this year, but on the question of how the state should further improve and strengthen macroeconomic regulation and control during the transition to the socialist market economy and as more and more prices are decontrolled, there were many positive ideas and practical policy suggestions.

#### I. Characteristics of Today's Market Price Fluctuations

The accelerated rate of economic growth since the latter part of last year, the fairly large increase in money input, and the structural adjustment and decontrol of some product prices have resulted in soaring prices since early this year. The main characteristics are:

1. The overall retail price level was fairly high to begin with. In January and February, the nation's overall retail price level rose 8.55 percent (8.4 percent in January and 8.7 percent in February) while the cost-of-living index rose 10.3 percent and 10.8 percent respectively compared to the same period last year.
2. The magnitude of price increases continued to grow in rural areas, and the retail price of agricultural means of production kept rising. In January and February, the rural retail price index rose 7.9 percent; the price of agricultural means of production rose 6.6 percent and 6.8 percent in January and February respectively compared to last year. In contrast, the rural price indexes for 1991 and 1992 rose only 2 percent and 3.9 percent respectively.
3. Retail prices in large and medium-sized cities continued to rise. Retail prices in 35 large and medium-sized cities rose 12.5 percent and 12.6 percent in January and February respectively compared to the same months last

year while the worker's cost-of-living index rose 14.7 percent and 15.3 percent, the highest level since 1989.

4. Service fees have also been rising rapidly. The nation's service price index was 22.9 percent higher this January than last January. Specifically, fees rose 27.6 percent in cities and towns and 19.4 percent in rural areas. Compared to December of last year, the nation's service fee index has risen 7.9 percent. Specifically, it has risen 6.9 percent in the cities and towns and 8.6 percent in rural areas. The steep increase in service fees caused the nation's consumer price index to rise more than 10 percent, 1.9 percentage points more than the increase in the retail price level. The main reason for the soaring service fees is that since December of last year, some hotel and repair shop prices have been decontrolled, and the on-going health-care, education, and housing rental reforms also have an impact on prices.

5. Market regulation prices have been rising at an increasing rate. In 1990 and 1991, market regulation prices had helped pull down the price index, but things changed in 1992. Market regulation prices pushed the overall price level up by 1.5 percentage points. This trend has continued this year. In January, market regulation prices pushed the overall price level up about 3 percentage points. For example, country fair prices in January were 6.7 percent higher than last January's and significantly higher than last year's average increase of 2.4 percent.

#### II. Inflation Forecast

The new year has just begun, but the price index still has not come down, and naturally many people are concerned. The most worrisome question is, will there be a new round of inflation this year?

Thoughts on this issue can be summed up into three schools:

The first viewpoint is that inflation has already started, and the crucial question is when will it turn into vicious inflation. Comrades who hold this view maintain that in the West, when the price index rises above 2 percent, it is treated as inflation. Of course, in the Chinese economy, not only is the price index high but public finance, credit, currency input, and other economic factors have also exceeded the normal range. (1) Looking at the government revenue and expenditure situation, in 1992, the state's total revenue was 418.897 billion yuan and total expenditure was 442.646 billion yuan. The resulting deficit came to 23.749 billion yuan, 2.963 billion yuan more than budgeted. This year, it is expected that after offsetting the state's budgeted construction-type revenues and expenditures, there will be a 84.4 billion yuan shortfall, and even factoring in the 37 billion yuan in domestic debt income and 26.9 billion yuan in foreign debt income, the financial deficit is still expected to reach 20.5 billion yuan. (2) While state finance is running a large deficit, currency input as well as bank loans have been increasing fairly rapidly. The total 1992 currency input came to 115.8 billion yuan;

currency in circulation in the market increased 36.4 percent, which greatly exceeded the sum of the rate of price increase and economic growth. Too much money was chasing after relatively few goods, which naturally caused inflation. This is still going on this year. Between New Year's Day and the Spring Festival, more than 100 billion yuan was put into circulation. This will cause inflation to continue. In 1992, bank loans increased by 357.2 billion yuan, 67.7 billion yuan, or 19.8 percent, more than in the previous year. Moreover, 35.1 percent of the loan increase occurred in the first six months of 1992. Such early input of loan funds in fact increased the actual loan volume substantially. This January, loans of all types increased by 13.86 billion yuan, 4.41 billion yuan more than last January. (3) The price index has been rising much faster than the interest rate paid by banks. In January, the retail price index rose 8.4 percent, exceeding the bank's 2.1 percent interest on one-year term deposits. In 35 large and medium-sized cities, the cost-of-living index more than doubled the one-year deposit rate. The sharp rise in the RMB to the dollar regulation rate also signaled the drastic depreciation of the RMB. All these indicate that although the high economic growth rate and the increase in income have offset some of the effects of price increases, the fact that inflation has occurred can no longer be denied. The state must promptly gather the experts to find ways to deal with the situation.

The second viewpoint is that the high rate of economic growth and the gradual continuing of price reform will inevitably cause prices to rise, and therefore the price index is still within the normal range. But because of the increase in society's total demand, potential inflation is exerting tremendous pressure, and if we are not careful, this pressure will be released, which will bring real inflation. Comrades who hold this viewpoint maintain that the inflationary pressure is present mainly in the following areas: (1) More currency is being issued than justified by the rate of economic growth. This is the most dangerous underlying factor that generates inflationary pressure. Even though for various reasons, not all the issued currency is in circulation, and so the excess currency will not immediately trigger higher prices, once the excess currency is released into the economy, it will produce multiple effects on the economy. (2) Rising deficits year after year reflect the state's growing financial problems, and this somehow diminishes the state's real ability to exercise macroeconomic regulation and control. If something should happen and the state is unable to regulate or control the economy, it can be very dangerous. (3) Soaring prices of capital goods eventually will move downstream and affect the final products, resulting in a general price increase for all consumer goods. In 1992, factory-exit price of capital goods rose 9.3 percent, and prices were rising faster and faster each month in the latter part of the year. In January of this year, prices rose 3 percent compared to the end of last year and 31 percent compared to the same period last year. If this goes unchecked, the price of capital goods

and consumer products will take turns rising, and inflation will be inevitable. (4) It is likely that over-investment in fixed assets will happen again. In 1992, we completed 758.2 billion yuan of investment in fixed assets. This is an increase of 37.6 percent, 15 percentage points higher than previous year's rate (18.6 percent.) In particular, investments have been increasing faster by the quarter, and even by the month, and the over-expanded fixed asset investment is one of the dangerous elements that can cause inflation anytime. However, no matter how strong the inflationary pressure, there are many positive factors working to curb inflation, and if we are careful, we can avoid serious inflation.

The third viewpoint is that given the conditions of a market economy, generally speaking, inflation means prices are rising faster than the rate of economic growth and the increase in income. Today, China is in a period of rapid growth, and it is normal for the price level to be higher. This is mainly because, (1) despite the large currency input in 1992, much of that was justified. First, the accelerated rate of economic growth and the fairly large increase in fixed asset investments caused an increase in currency input. Generally, for every 100 yuan increase in investment, it would require cash input of around 40 yuan. Data gathered since reform began showed that in years of fairly large increase in fixed asset investments (such as in 1984 and 1988), currency input tended to increase faster too. In 1992, society's fixed asset investment grew 37.6 percent and currency input increased 36.4 percent; the two numbers were very close. Second, as reform and opening up picked up speed, enterprises and institutions of all kinds have emerged and old enterprises have been divided internally into smaller accounting units, resulting in an increase in the cash base fund, which also takes up some cash. Third, the expanded capital goods market and the increased percentage of industrial and commercial enterprises handling their own purchases and sales and so on have widened the scope of cash settlement, increasing the amount of sunken currency in the circulation sector. Lastly, the increase in individual industrial and commercial households in cities and towns requires a certain amount of current funds for production and management. Each individual household normally holds 10,000 yuan in cash. For statistical purpose, this money is considered an increase in the citizens' cash holding. Thus, there is an intimate relationship between currency input and price increase, but an increase in the money supply is not the same as inflation. Besides the amount absorbed by economic growth and price increases, whatever is left of the newly-added money supply is sunk in the circulation sector, or in other words, it represents a slowing down in the velocity of money. (2) As the use of credit increases in the Chinese economy and more and more transactions are in monetary form, the nature of the people's cash holding (accounting for about 80 percent of the currency in circulation) has changed dramatically. People are not only consumers but are also investors (savings and the purchase of different types of financial assets are also investments). Therefore we can

no longer hold on to the traditional concept that all cash on hand are consumption funds. So long as there is ample supply of goods in the market, the RMB is in good standing, the social-economic order is stable, and the actual living standard is rising, people can hold their financial assets in many different forms, such as bank deposits, stocks and bonds, and cash. The direction of their cash holding can be guided with the correct interest policies and fiscal and monetary policies, and inflation can be avoided. (3) Price increases last year and early this year were due mainly to price reform. As more and more products are decontrolled, the impact of further price reform will gradually ease. In addition, as the people's demand for durable goods is being satisfied and their income gap gradually widens, the consumption gap will also widen and demand will become more diversified and individualized, and then the run on some high-priced consumer goods will only facilitate the retrieval of currency from circulation and will not affect the everyday consumer goods. Moreover, there is ample supply of consumer goods in the market, and it is not likely that we will find too much money chasing after too little goods.

It is our opinion that today's market price situation is very precarious. Mild inflation is a fact, and if we are not careful and do not take effective and forceful measures, vicious inflation may be unavoidable. But there are many positive factors that can help curb inflation. (1) The high rate of economic growth can offset some of the negative effects brought by higher prices and can increase society's effective supply and lay the foundation for relatively stable market prices. (2) Structural growth in society's total demand will also curb the price increase in consumer goods. If we look at the demand for consumer goods, in 1992, the real increase in per capita cost-of-living income was 8.8 percent in cities while the real increase in per capita net income was 5.9 percent in rural areas; both are below the 12.8 percent rate of growth in the GNP during the same period. Constrained by 1992's income level, the increase in consumer demand will be relatively flat in 1993. If we look at investment demand, although the investment scope expanded rapidly in 1992, and it will continue to be brisk in 1993, the current slump in the international markets has resulted in historical low prices for steel material, copper, aluminum, and other capital goods, which in turn has lowered import cost to stabilize prices in the investments goods market. (3) Despite the fairly steep price increase in capital goods, from the structural point of view, there is still room for maneuvering. Looking at specific product categories, shortages in lumber, cement, copper, aluminum, and automobile at home can be remedied by taking advantage of the international markets. As for chemical and industrial goods, a year's production restriction to reduce the stockpile and the domestic market rebound hopefully will balance supply and demand. Coal supply and demand are in equilibrium but are still tight down south along the coast compared to the north. Machinery and electrical products, lumber, and cement and other product markets are mixed. As more

and more prices are decontrolled, many of these problems will be solved by the market's regulatory effects. (4) We have had bumper crops year after year, which lay a good foundation for stable prices. 1992 marked another year of bumper harvest, the second best in history, with total grain output of 442.50 million tons, 1.7 percent more than in the previous year; pork, beef, and mutton production increased 7.7 percent; aquatic products increased 14.5 percent. Agricultural production is not expected to fluctuate much in 1993.

Summing up and comparing various factors, it is obvious that, judging by the true extent of inflation, we are not in imminent danger of serious inflation, and if we make use of all the positive factors and adopt practical and beneficial measures, we can limit the magnitude of price increase. But if we let down our guard and do not control the factors that can cause higher prices, vicious inflation may be unavoidable.

### III. Forecast of 1993 Price Trends

Judging by today's situation, barring the unexpected, it is almost certain that prices will be higher this year than last, but there are many uncertainties in the economy in the next three quarters, and among them, currency issuance will have the greatest impact on the price trend. (1) Looking at today's situation, if we ignore the fact that inflationary pressure is growing, if we do not adopt the necessary macroeconomic regulation and control measures but keep the rate of increase in the money supply basically at the 1992 level, that is, at more than 30 percent, by the end of the year, the overall price level may be more than 15 percent higher. (2) If the rate of increase in the money supply can be kept under control this year—at slightly higher than the average level since 1978, or about 25 percent, prices may increase by around 11 percent. (3) If we face today's inflationary pressure squarely and step up our macroeconomic regulation and control and put a tight rein on the increase in the money supply, we can avoid a serious round of inflation completely. It is estimated that the retail price level can be kept at around 7-8 percent. This will be the most ideal situation. Of course, controlling the money supply alone is far from adequate. Adjusting the state's financial, investment, and industrial structure; changing enterprises' management mechanism; and introducing new price reform programs and other general and specific economic development policies will impact the price index either directly or indirectly. Thus, the forecast of an ideal price trend must be based on effective macroeconomic regulation and control.

### IV. Continue Reform and Step Up Regulation and Control To Prevent Another Round of Inflation

Overall, this year's market price trend looks good. Many of the problems we encounter today are caused by reform. They are inevitable because we are in the process of changing to a new mechanism. The only solution is to thoroughly restructure the economic system and pay close attention to the workings of the national economy.

On the one hand, we must make sure that economic growth maintains its momentum, and on the other hand, we must keep the overall supply and demand in equilibrium. Meanwhile, we must step up macroeconomic regulation and control, create the conditions, and keep the magnitude of price increase to a reasonable range.

1. We should tightly control the total money supply, optimize the mix of currency input, support the all-out development of the state's key construction and the rural economy. This year, we must continue to support the transportation, communication, energy, raw materials and other basic industries as well as the more science- and technology-intensive processing industries whose products are in short supply in the domestic market and are competitive in the international markets. We must guarantee the production and procurement of grain, cotton, oil and other staple agricultural and sideline products, so as to increase effective supply. While maintaining supply-demand equilibrium, we should step up control over the credit scope, further readjust the credit structure, and improve fund transfer and circulation. First, we must strengthen the management of the other financial institutions' credit plans and funds and prevent people from using bank funds and funds from other financial institutions to broaden the scope of fixed asset investment. Second, we should actively explore other indirect control and regulation methods and let the central bank engage in open market operations on a trial basis. We should sell short-term bonds in selected short-term, daily-rate loan markets and limit the central bank's re-lending scale. Third, we should raise the interest rate on bank deposits by a reasonable amount, vigorously attract savings deposits, expand the source of credit funds, reduce currency input, and gather funds via different channels using different methods.

2. We should continue reform of the investment system and improve and strengthen macroeconomic regulation and control over fixed asset investments. First, we must gauge our own national strength and limit the scope of society's total investment, readjust the investment structure, and increase investment return. Second, when planning our investments, we should concentrate on transportations, communications, raw material and other infrastructure and basic industries. We should build some efficient, high-quality mainstay projects to ease the "bottleneck" that restricts economic growth and increase our development momentum. Third, we should provide reasonable guidance for extra-plan investments to prevent unnecessary and redundant construction.

3. The state should have more macroeconomic regulation and control power over market prices. As price reform becomes more thorough, a majority of the prices are no longer administered by the state; most are regulated by the market. Under the circumstances, the state must increase its macroeconomic control over market prices to safeguard market order and keep the market alive without being disorderly. To this end, besides standing guard over the money supply, the state must build a healthy price regulation fund system and a

critical commodity (such as steel, petroleum products, and grain) reserve system at the central as well as the local levels. Only in this way will the state have the real strength to impose regulation and control whenever there is a price problem.

4. We must introduce various reform projects at the proper time and in the right order, so that price reform not only promotes economic development but also guarantees that there will be no inflation. Today's price reform concentrates on raising or decontrolling the price of some protects, and so there is a direct and close relationship between price reform and the price index. In particular, this year, the State Council has decided that the business tax rate in the commercial retail link—excluding parity price grain and edible oil—will be raised from the current 3 percent to 5 percent when the proper time comes. In addition, it will set aside 4 billion yuan to address the problem faced by workers in government-run enterprises and institutions who earn low income. All these will have an effect on the overall price level which should not be overlooked. The high price index in the first quarter of this year to a large extent was due to the retroactive price reform programs introduced last year, especially in the second half of last year. The price adjustment programs planned for this year are in full swing, but some departments and localities are clamoring for more new programs. To guarantee that the original key programs can be introduced as scheduled and to ensure that the anticipated results can be achieved, we must be careful about adding new programs. Programs that propose to change prices that should not be changed or should not be changed at this time must be rejected. We must plug the loopholes caused by improper price adjustment and decontrol that can lead to inflation. Meanwhile, we should not cut back on the original programs, so that we can be sure that reform will proceed smoothly.

#### Further on Tightened Real Estate Market

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[Text] Beijing, August 15 (XINHUA)—China is restructuring the development scope and management of the real estate business.

The scale of construction of various kinds of economic development zones, villas, luxury hotels and holiday villages has been narrowed, and resources will be focussed on real estate projects that are complementary to key state construction projects and the construction of apartments in urban areas.

In recent years China has seen a rapid expansion of the real estate industry. In 1992 investment in real estate totaled 73.2 billion yuan. The real estate projects involved 23,300 ha of land area.

During the period January-May this year sales in the real estate sector increased by 21.6 percent over the same

period of last year. In the period the floor area of newly started projects more than doubled the figure for the same period of 1992.

Though this rapid growth has improved housing conditions and promoted services and overseas investment, economists view excessive investment in real estate as evidence of an imbalanced distribution of investment in the macro-economy of the country. Over-sized real estate projects and unauthorized fund pooling beyond government plans for such purposes have led to surges in the prices of raw and building materials.

Recently, concerned government departments have embarked on solving the problems through strengthening macro-economic regulatory control. Chinese authorities in charge of real estate development have set a policy of strengthening the guidance of the orientation of investment, put strict limits on the construction of villas, holiday villages and luxury apartments that have limited market potential, and stopped providing land for such projects as horse racing tracks and golf courses.

At the same time the country will concentrate funds on developing key state construction projects and municipal public works, especially apartments. It has set a target of increasing the per capita housing area to eight sq m [square miles] in urban areas by the end of this century.

The Ministry of Construction has published new rules requiring real estate companies to build a certain quota of reasonably-priced apartments.

In the process of restructuring the real estate business, localities, in a bid to wipe out misconduct in business operations, have embarked on a comprehensive review of all real estate agencies and promulgated a series of rules to regulate market activities and stop speculation.

## PROVINCIAL

### Henan Promotes Land Management, Economic Growth

93CE0732A Zhengzhou HENAN RIBAO in Chinese  
24 Jun 93 pp 1, 2

[Article by Ma Zhongchen: "Strengthen Land Management, Promote Economic Development"]

[Text] Under the new situation of people throughout the province seizing opportunities, continuing reforms, expanding opening up to the outside world, and accelerating economic development, we welcome the coming of the third National Land Day. On this memorial day, I represent the provincial party committee and the provincial government to convey my sincere solicitude to the many cadres and staff who fight laboriously in the battlefield of provincial land management!

The theme of the 25 June National Land Day this year is "land and economy." This propaganda theme succinctly

expounds the close relationship between land and economic development. We must make use of this opportunity to seriously conduct the propaganda activities of the third National Land Day well to make all of us understand the important role and function land plays in the national economy so that we can energetically do well in protecting land resources and breeding real estate markets, and vigorously develop Henan's economy.

As everyone knows, land is the most precious natural resource. It is an important material foundation on which man depends to survive and develop. Land plays an outstanding role and function in relation to several aspects such as population, production construction, economic development, and environmental protection. Henan is a big agricultural province where we have more people than land; the land problem, especially the cultivated land problem, historically has been the major problem restricting our economic development. Henan uses 1.74 percent of the land in the nation to rear 7.5 percent of the population, plus the utilization rate of land is almost saturated, and reserve resources are relatively inadequate. Every year more cultivated land is taken over, which makes the contradiction of more people than land all the more prominent. It is considerably difficult to guarantee keeping a basic balance of aggregate land supply and aggregate demand. As a result, all places should proceed from the actual situation, and from the consideration of consolidating the status of agricultural foundation to properly manage the near-sight and long-term benefits, as well as the relationship between microeconomic and macroeconomic benefits. They should adopt effective measures, value and pay attention to land protection, and do a good job in the optimal disposition of land resources, and guarantee the reasonable use of limited land resources to maintain steady economic growth.

Land is not only a valuable resource, but also one of the biggest assets. Along with the perfection of socialistic market economy mechanisms and continued reform of the land use system, the asset nature of land is more and more known by many people. Along with continued reform and opening up to the outside world, to develop the economy, accelerate the pace of all construction items, further improve the investment environment, and stipulate favorable policies, all places in the province depend on various channels to bring in projects and funds, such as selling land use rights, and making use of the land to attract businesses and wealth. They have achieved favorable success in speeding up the pace of urban and rural construction and promoting economic development. However, in terms of land management, management of land resources was not serious, and cultivated land was rashly used. The government was incompetent in the job of managing the land, and land asset management lags from time to time. Therefore, government at all levels must pay close attention, and understand thoroughly the important role and function land plays in development of the national economy. First, the party committee and government at all levels

must heighten their awareness, change their concepts, get rid of the restrictions of old system, overcome the influence of old ideas, plan and think, make appropriate arrangements, and realistically strengthen their leadership over land management, and protect land resources well and manage the land markets well. Second, land use order must be organized, chaotic possession and cultivated land abuses are strictly prohibited, and land is realistically protected and used reasonably. The relationship of economic development and cultivated land protection must be handled correctly, and the construction of the scale of land occupation is strictly controlled, especially the occupation of highly productive grain farms and the source of "vegetable baskets." The occupation of cultivated land for nonagricultural construction must be kept under control as planned, and the principle of a combination of "broaden sources of income and reduce expenditure" to vigorously develop recovered and reclaimed land is observed, medium and low yield farms must be reformed, and agricultural infrastructure must be strengthened. At the same time, land must be arranged properly for all kinds of construction, key engineering projects must be guaranteed, especially the land for capital construction, and ensure that all engineering projects are carried out smoothly. Third, continue the land use system reform. The systems of selling and transferring land uses must be established and perfected, land markets are further developed and standardized, and the market mechanism is used to promote the reasonable use and preferential disposition of land resources. The boundary for selling of the state-owned land can be expanded. In regard to managing land, selling and transferring systems can be implemented on principle, mainly in the form of public bidding and auctions. The management of administrative transference of land use right must be strengthened, clearing and reorganization of the invisible land markets are accelerated, through which the self-generated transactions such as sales, rent, and mortgage of the land use rights acquired from transference can be put in the course of operation according to law; and the benefits of the lost land capital can be reclaimed. Fourth, reform of the land management system must be continued to consolidate and perfect the unification of the urban and rural land management system, land management structures must be stabilized and promoted to ensure the continuity and stability of policy, laws and management functions. Fifth, government macroeconomic regulation and control of land must be strengthened. They must rely on the guidance of the overall land use and city plans to coordinate with the layout of city construction and direct land development and use. The land for construction purposes must be unified in terms of planning, taking over, developing, selling, managing by the governments on county level or above. The land price and related policies must be made use of to make the former remain on a reasonable level. Taxation and financial levers must be used to reasonably distribute land benefits among governments, enterprises and individuals. The collection of land tax and fare not only has to consider the land users' ability to withstand strains, but also the initiative

that benefits the mobilization of the land users' land reduction and improvement of their operation management. Sixth, cooperation with reforms in other areas must be strengthened. The land use system reform involves the whole economic mechanism, and interacts with reforms in other areas. It must cooperate and link with investment system, banks and loans, finance, taxation, price systems, and housing system reforms to jointly complete the task of establishing a new system of market economy.

Protecting land resources and continuing land use system reform are a great undertaking that contributes to the merits and achievements before us and the benefits that will be enjoyed by our offsprings and generations to come. They are also a very difficult basic engineering project. The 14th party congress has clearly given the direction to improve land resources protection and perfect the real estate market. If party committees at all levels and the governments can pay more attention, the related departments can enthusiastically cooperate, and people from all walks of life in society can actively participate, I believe that protection of land resources and the cultivation of real estate market in Henan can make greater achievements, and that land will be brought into a more and more bigger play in the great undertaking of vigorously developing Henan's economy.

**Jiangsu Bank President Addresses Funds Shortage**  
*93CE0711A Nanjing XINHUA RIBAO in Chinese*  
14 Jun 93 p 2

[Article by Lin Zhenxiong, president of the provincial People's Bank: "Current Status of the Bank's Funds and Countermeasures"]

[Text] For the past several years Jiangsu has maintained a high level of expansion, but our financial situation does not allow for optimism. The bank's money flow is becoming strained, and a new situation and new problems are appearing which must be dealt with all seriousness.

**Basic Status of Bank Funds Use**

During January and February of this year, credit receipts and outlays were basically still normal in comparison with last year. However, beginning in March, big changes began occurring in the financial situation. Bank funds became tighter with each passing day, and we had the following problems.

The sources of the bank's funds were reduced; the growing momentum of increase for all types of deposits visibly slackened, with an especially great decrease in savings deposits. From January to April, all types of deposits in the entire provincial banking system increased by 8.636 billion yuan, an increase of 3.06 billion yuan over the same period last year; of this amount, the increase in urban savings deposits saw an increase of only 726 million yuan, down 7.068 billion

from the same period last year. During March and April, savings deposits showed a net drop rarely seen before, dropping 1.93 billion and 132 million respectively.

The banks capacity for supporting economic development has been weakened, total loans have increased only slightly, and we have a new situation of "having the scale but not the funds." Because funds were tight, the provincial financial system's loans for all purposes increased 2.414 billion yuan, down 1.658 billion from the same period last year. The banks had a considerable portions of funds which were not adequately used to scale. While money was tight, the finance departments amassed funds to support agricultural credit investment; in the first quarter, provincial agricultural loans increased 821 million yuan, up 338 million yuan over the same period a year ago, an increase of 70 percent. Since April, they have issued grain contract down payments and cotton discounted loans of 900 million yuan, for the most part guaranteeing the funding needed for the spring planting and production. However, investments for industrial working capital loans and technical innovation loans came under restrictions. From January to April the provincial financial system's industrial working capital funds only increased 597 million yuan, down 1.1 billion yuan from the same period last year, making it very difficult to guarantee funds needed by some major industries.

The bank's deposit reserves rate fell, and some low level financial institutions had deposit balance of payments problems. Since March the provincial specialized banks gross deposits reserves rate was steady at around 4 percent, down one percentage point from early last year. Among these, the specialized banks in six cities in northern Jiangsu consistently had a deposits reserve rate below 2 percent, far below the 5-7 percent rate level needed to guarantee normal outlay requirements.

Market interest rates have risen, in fact, there have been "interest wars" in some localities, not only increasing the cost of industrial funding, but also affecting the stability of the financial order. Because the contradictions between supply and demand were so prominent, market interest rates have climbed precipitously this year. The bank to bank discount loan rate on three month notes hit a monthly rate of 1.5 percent. While the social funding interest rates were as high as 19-30 percent. Some local savings interest rates were raised temporarily or were covertly raised to over 11 percent, greatly exceeding the state fixed interest rate levels.

In response to the above situations, the center and province initiated macroeconomic financial regulatory measures and effected normalizing controls over internal stock system enterprises, strictly stopping the rash fund raising and strengthening controls over the issuance of bonds. On 15 May the statutory deposit and loan interest rates was raised. As the policies and measures gradually came into place, bank deposits and loans for May showed an increase: for that month all types of deposits for the provincial finance system increased 3.427 billion

yuan, of which savings deposits rose 1.628 billion, respectively up 365 million and 707 million yuan from the same period of last year. Industrial working capital loans for that month increased by 614 million yuan, up 87 million over last year this time. However, looking at the overall situation, the tight money situation in the banks has not yet radically changed and may possibly remain with us for some time to come.

#### Main Reasons for Tight Bank Funds

Financial problems are a symptomatic reflection of economic problems. Tight money in the banks is rooted in accelerated industrial investments and real estate development which exceed our provincial capital supply capabilities and handling capacity of the financial departments. In 1992 Jiangsu completed national fixed capital investments totaling 28.406 billion yuan, 65.1 percent more than the previous year. These completed investments require the input of a huge amount of complementary working capital this year to begin production. So far this year, industrial investment has continued at a high rate: from January to April the province had completed national fixed capital investments of 6.107 billion yuan, up 90.8 percent over the same period last year: the demand for funds has increased, not decreased. At the same time, the relatively fast increase in fixed capital investment prompted a swift rise in production materials costs. According to statistics from 500 industries covering 190 types of purchased production materials, the price index for April was 23.76 percent higher than for the same period last year, which means that to maintain or expand a certain scale of production would require the investment of much more money. This type of daily rising money demand is the basic cause of the present tight bank money situation.

For a direct analysis, the concrete causes of the fall in bank deposits and the tight money during the early part of this year were: 1. The amounts of money used for urban people's purchases of bonds and participation in fund raising greatly exceeded savings deposits and cut off banks sources of funds. 2. The statutory deposit interest rates tended to be low, which did not help the banks in seeking deposits. The interest rate levels compared to the price index, had already become a negative rate of interest, and compared with the interest rates on money funds, the difference was one to two fold, and the abnormal phenomenon of "deposits lose money" occurred. Currently, the statutory interest rates have already been adjusted upward, but are still relatively low when compared with the rate of price inflation and the level of market interest rates. 3. The industrial three funds are high and not declining, locking up a great deal of bank money. From January to April of this year, money tagged for the three funds exceeded that for early last year by more than 10 billion yuan, reflecting the fact that there is a huge amount of money (including a sizable amount of bank loans) which has sunk into production and circulation realms and is not bringing in the benefits it should. 4. The bank refunded discount loan funds also

aggravated the tight money situation. In 1992 the finance system, through various channels, brought in from other provinces net discounted loans amounting to more than 5 billion yuan. As of the end of May, Jiangsu had repaid more than 3 billion yuan of the discounted funds from other provinces. 5. The banks themselves split up their funds, adding to the money problems. Some of the financial departments used some of their money for investments and bonds, for the purchase of valuable securities and service industries they themselves had established. It was difficult to immediately recover these funds, and thus increased the banks' problems with money flows.

#### Measures for Relieving the Banks' Tight Money Situation

Tight money in the banks is rooted in the accelerated industrial investments and real estate development which exceed our provincial capital supply capabilities and handling capacity of the financial departments. For this reason, the fundamental way to solve the current tight money situation is for all district and all departments to conscientiously implement and carry through the series of macroscopic regulatory measures of the party center and the State Council, to unify thinking and understanding, to strengthen overall balance, to appropriately control fixed capital investments, to modulate the speed of industrial productive expansion according to facts and reality, to accumulate funds to guarantee major projects, and endeavor to increase economic benefits. As far as financial work is concerned, we have to get a firm grasp on the following work:

Do everything possible to organize funding. The first is to bring together deposits, to take advantage of the opportunity presented by the state raising the deposits interest rates, increase publicity and motivation, and make the main thrust of work actively gathering and bringing in savings deposits. The second, under the prerequisite of considering standard internal funds discount loan activities and taking full consideration of the handling capacity of the financial system itself, is to positively expand market moneys, organize discount loans and bring in funds, invigorate crisscrossing accommodations for fundings. The third is to organize enterprises to clear backlogs and exploit their potentials, reduce the funds tied up in the three funds, speed up the turnover of funds, increase the utilization benefits of funds. The fourth is to exploit the latent strengths of the banks themselves, recall funds which are not being appropriately used so as to guarantee the requirements of important credit funding.

Coordinate the concerned departments in strengthening their management of the stock market and of pooled funds. The issuance of stocks and the pooling of funds should have comprehensive bank credit arrangements and keep an overall balance, tighten aggregate control, as well as strict limits on examination and approval authority and strict control of interest rates. Bond and pooled funds interest rates can float 20 percent above the

interest rate for comparable grade savings but should not rise more than 40 percent above. No locality or enterprise may authorize the issuance of bonds or stocks until this year's state treasury bond issue is completed.

Energetically complete the work of supplying funds for the purchase of the summer season subsidiary agricultural products. Banks should make arrangements so that ample funds are where needed at the appropriate time.

Reasonably control the extension of credit, guarantee that major projects have the required funds. In accordance with central directives, first guarantee reserves on deposits, second guarantee meeting agricultural needs, and on this basis then positively support enterprises in the normal production of high quality, salable products having a high rate of return. In addition, support the emergency funding needs of the state and the province for major construction projects. As far as fixed capital investment items which have already been approved, they should be ranked according to the funding available, so that some are guaranteed, some are dropped, and some are delayed, and funds are concentrated to guarantee smoothly carrying on major state and provincial construction projects.

Keep strict financial discipline, standardize the activities of financial departments. Financial departments at every level should enhance discipline, standardize activities, govern themselves well. Deposit and loan interest rates and the categories of savings should be standardized, strictly forbidding the drawing in of deposits by raising or covertly raising interest rates. Eliminate the noncredit use of funds; do not permit credit funds to be used for investments or playing the market or speculating in real estate or stocks. Clear out discounted funds which violate regulations, and do not permit using discounted funds to issue loans on fixed assets. Strictly control the scale of credit, and do not permit the "external circulation" of credit funds. No financial department may hold back and use for its own benefit funds under policy stipulations nor may they hold and use inter-bank remittances and account settlements; if reserve funds dip below five percent they should be made up as quickly as possible.

At the same time that the central bank is strengthening macroscopic financial controls. The peoples' banks at all levels should enhance their supervision and control of currency and the total amount of credit and use the two great valves of currency and credit effectively. We must strengthen our supervision of the banks and nonbanking financial organs.

## INDUSTRY

### Light Industrial Output Value by Area in June

HK2207104293 Beijing CEI Database in English  
22 Jul 93

[Text] Beijing (CEIS)—Following is a list of the light industrial output value by area in China in June 1993, released by the State Statistical Bureau:

Area	6/93	6/92	(unit: 100 million yuan) change over 6/92 (pc)
Total	1514.48	1167.46	29.7
Beijing	35.48	30.01	18.2
Tianjin	32.04	27.65	15.9
Hebei	48.01	40.17	19.5
Shanxi	12.64	12.07	4.7
Inner Mongolia	11.69	10.67	9.6
Liaoning	50.04	43.44	15.2
Jilin	23.18	20.74	11.8
Heilongjiang	26.89	24.61	9.3
Shanghai	101.82	85.96	18.5
Jiangsu	237.44	165.42	43.5
Zhejiang	143.07	100.26	42.7
Anhui	44.62	34.57	29.1
Fujian	49.32	33.77	46.0
Jiangxi	26.78	22.02	21.6
Shandong	152.31	106.00	43.7
Henan	48.79	38.86	25.6
Hubei	57.80	47.88	20.7
Hunan	35.23	31.93	10.3
Guangdong	215.37	152.67	41.1
Guangxi	23.10	19.25	20.0
Hainan	4.32	3.11	38.9
Sichuan	66.36	56.98	16.5
Guizhou	7.62	7.92	-3.8
Yunnan	19.32	14.51	33.1
Tibet	0.12		20.0
Shaanxi	19.69	16.68	18.0
Gansu	8.10	7.93	2.1
Qinghai	1.66	1.47	12.9
Ningxia	2.10	1.65	27.3
Xinjiang	9.57	9.16	4.5

**June Statistics on Transportation, Telecommunications**  
*HK2007115793 Beijing CEI Database in English*  
20 Jul 93

[Text] Beijing (CEIS)—Following is a list of volume of transportation and post and telecommunication service in June 1993, released by the State Statistical Bureau:

	Unit	6/93	6/92
Cargo	100 m t	2.38	2.20
Railways	100 m t	1.33	1.28
Auto	100 m t	0.49	0.57
Ships	100 m t	0.55	0.53

CAAC	10,000 t	4.5	4.3
Circulating cargo	(100 million tons/km)	2076.09	2041.35
Railways		1013.89	949.17
Auto		27.34	35.94
Ships		1033.51	1055.13
CAAC		1.35	1.11
Passengers	(100 million persons)	4.06	4.59
Railways		0.79	0.76
Auto		3.10	3.67
Ships		0.14	0.14
CAAC	(10,000 person)	264	226
Circulating passengers	(100 million persons/km)	425.15	451.15
Railways		254.96	227.55
Auto		157.58	180.31
Ships		12.61	12.27
CAAC		37.09	30.47
Cargo handling of main coastal ports	(100 million tons)	0.54	0.47
Circulating volume of civil aviation	(100 million tons/km)	4.06	3.34
Volume of post and telecommunication	(100 million yuan)	40.00	24.25

**Output of Main Chemical Products in Jan-June**  
*HK1607104193 Beijing CEI Database in English*  
16 Jul 93

[Text] Beijing (CEIS)—Following is a list of the output of mainchemical products in Jan-June 1993, released by the State Statistical Bureau:

Item	Unit	1-6/93	1-6/92
Chemical fiber	10,000t	108.49	103.14
Sulphuric acid	10,000t	648.53	712.67
Dense nitric acid	10,000t	24.23	21.03
Soda ash	10,000t	254.13	217.57
Caustic soda	10,000t	193.77	186.58
Ethylene	10,000t	107.73	96.76
Calcium chloride	10,000t	122.71	116.89
Pure benzene	10,000t	42.41	39.94
Synthetic ammonia	10,000t	1138.12	1157.02
Chemical fertilizer	10,000t	1046.79	1075.02
(nitrogen)	10,000t	799.02	814.35
(phosphorous)	10,000t	225.53	253.76
(potash)	10,000t	7.59	4.39
Chemical pesticide	10,000t	15.22	16.93
Paint	10,000t	54.61	53.17

Item	Unit	1-6/93	1-6/92
Dyestuff	10,000t	9.32	7.93
Pharmaceuticals	10,000t	11.62	11.20
Chinese patent medicines	10,000t		-
Tyre	10,000pc	3213.50	2680.94
Synthetic rubber	10,000t	21.54	19.37
Film	10,000m	4354	8415
(color film)	10,000m	4108	8006
Plastics	10,000t	173.36	153.98

Notes: t - ton, pc - piece, m - meter

### Output of Mechano-Electronic Products in Jan-June

HK1607103993 Beijing CEI Database in English  
16 Jul 93

[Text] Beijing (CEIS)—Following is a list of the output of China's major mechano-electronic products in Jan-June 1993, released by the State Statistical Bureau:

Item	Unit	1-6/93	1-6/92
Power equipment	10,000kw	730.99	513.90
AC motor	10,000kw	3035.18	2378.91
Industrial boiler	ton	41189	35224
Machine tool	10,000set	14.36	9.75
including:			
nc machine tool	set	5529	2786
precision machine tool	set	674	669
large machine tool	set	2304	1688
Automobile	10,000	70.98	49.21
including: truck	10,000	31.80	24.10
Tractor(20hp/above)	10,000	2.63	3.65
Small tractor	10,000	50.04	86.36
Locomotive	set	446	362
including: diesel	set	319	274
steam	set	15	18
electric	set	112	70
Passenger coach	set	884	756
Freight wagon	set	15958	12312
Internal combustion engine	10,000kw	5846.7	4394.3
Fishing ship	-		49
Civil steel ship	10,000ton	108.03	68.51
Computer	set	129	93
Micro computer	set	40887	33349
Pocket calculator	10,000set	-	-
Color crt	10,000	390.64	-
Program-controlled switchboard	10,000set	322.54	69.89
Film projector	10,000set	-	0.58

### Textile Machinery Group Production Profiled

93CE0725A Beijing ZHONGGUO FANGZHI BAO  
in Chinese 27 Jun 93 p 1

[Article by Ma Weidong (7456 5898 2639) and Zhou Yonggang (0719 0516 0474): "From Managing Products To Managing Capital and Turning Enterprise Management Into Managing Enterprises"]

[Text] Editor's remarks: How state-owned enterprises, large state-owned enterprise groups in particular, can develop stably and continually maintain and increase value in the intense market competition is a question of common concern. China Textile Machinery Group proceeded from the reality of enterprises themselves, made every effort to explore the development model of "shifting from managing products to managing capital, and turning enterprise management into managing enterprises," promoted the economic development of enterprises, consolidated its actual strength, and at the same time provided other enterprises with successful experience. [end editor's remark]

The China Textile Machinery Group, which has made great contributions to the development of China's textile industry, took as its own task raising the equipment level of the textile industry, brought the advantage of the group as a whole into full play, and continually prepared and developed new technology products. In the process of trying to accomplish key national scientific research projects such as complete sets of equipment for polyester fibre and complete sets of equipment for acrylic fibers, this enterprise group, which is of the biggest scale among all the textile machinery manufacturers of the country, has at present become one of the eight enterprise group pilot programs of China that are authorized to manage state-owned assets, thus accomplishing the leap from "enterprise management to managing enterprise." The General Corporation of the China Textile Machinery Industry is the core enterprise of the China Textile Machinery Group. It is a national enterprise group whose services are trans-regional, trans-occupational, and multi-functional, primarily producing complete sets of textile, dyeing, and chemical fibre equipment and new type textile machinery. Since its founding in 1988, this enterprise group altogether introduced into China 102 technological innovation projects. Its investment totalled 1 billion yuan and \$50 million in foreign exchange. One after another it developed 154 new products and items of new technology. Of which 15 were listed as key national scientific research programs, and achievements were commended by the country's departments concerned. To suit the development of a socialist market economy, this group established a whole set of scientific system covering investment policy, management mechanism, and product development. It centrally embodied a sense of the great socialist market and created favorable conditions for enterprises to realize "self-management, being able to assume sole responsibility for their own profits or losses, taking charge of their self-development, and self-restraint."

In view of the status quo that China's textile equipment level was backward and the production equipment of most factories had to be urgently renewed and transformed, the China Textile Machinery Group placed the focus of investment on the renewal and replacement of the complete sets of equipment and on the grades of products. It made plans as a whole and integrated the state technological innovation funds, enterprise-owned funds, and bank loans and credit. It used the best steel to make the knife's edge. Consequently, a relatively big role was played with limited funds. Within a relatively short period of time, the group fulfilled the task of renewing and replacing the complete sets of equipment for FA cotton spinning series, and pushed them on the market. At the same time, the group raised the grades of complete sets of cleansing, steel, merging, thickening, and thinning equipment. Its spinning quality reached advanced world level. The equipment has become the leading equipment to equip textile mills and great volumes of export took place. To change the backward state of dyeing technology, the 90-type dyeing equipment they produced has been developed. The four new type units of rolling, cleansing, drying, and steaming formed a new generation of rolling and dyeing machines. It has already developed wide-screen dyeing machines, soapers, and a new type of heat setting knitting machines, and high-temperature and high-pressure dyeing machines. Especially in printing technology, round-net and flat-net printing machines have reached advanced international levels. Based on this the group gradually renewed and replaced the complete sets of the 74-type dyeing equipment. Meanwhile, it took the initiative to broaden its fields of business, organized the group's member enterprises to jointly participate in the development of Pudong by investing 44 million yuan, purchasing 500 mu of land, and setting up a textile machinery technological industrial garden.

The realization of correct investment policy depends upon scientific management style. In accordance with the modes of socialized mass production, the group not only conducted professional coordination within the group, promoted the optimization of key elements of production and the rational disposition of resources, formed a production system of leading machines to parts, but also in the preparation of key equipment, by integrating advanced technology imported from abroad with bringing into play the domestic machinery and electronic technological strength, organized cooperative production. In the preparation of the complete sets of dry-spun acrylic fibers equipment, which has great significance to China's chemical fibre industry, the group brought together 20 enterprises from five departments such as machinery, electronics, aeronautics and space to tackle the problem. It has embodied two "four combinations" in a relatively good manner, namely, the combination of scientific research, designing, preparation, and storming a strategic pass; the combination of scientific research and design departments, manufacturing factories, users' factories, and foreign businessmen. Thus, it

effectively fulfilled the task of preparing this key problem-solving program. Products of this program have been installed or put into production in five acrylic fibers mills in Fushun, Zibo, Qinhuangdao, Maoming, and Ningbo. This will form an annual production capacity of 145,000 tons of acrylic fibers. The Key Equipment Office under the State Council approved this kind of group-organized endeavor to tackle key scientific problems.

The China Textile Machinery Group has certain vitality and competitiveness. One important contributing factor is that it introduces and develops new high-tech products. In recent years the group's member enterprises were able to quickly turn imported scientific achievements into productive forces, and most of its new products have been pushed to the market. The annual output of the Shenyang Textile Machinery Plant exceeded 800 after it imported Japanese technology and cooperatively produced water-spurting textile machines in the GD761 series. The Huangshi Textile Machinery Plant imported Dutch technology and cooperatively produced round-net printing machines. The Changde Textile Machinery Plant imported German technology and cooperatively produced high-speed warp-knitting machines in the KS series. The Jingwei Textile Machinery Plant imported Czech technology and produced cup-turning spinning machines. The domestic production rate of their products exceeds 80 percent. During the Eighth Five-Year Plan period, enterprises of this group assumed key equipment programs such as air-jet looms, automatic winding machines, cleansing carding machines, warping machines, sizing machines and some accompanying parts. At the same time, they also assumed eight key national scientific tasks such as hydro-acrylic fibers and electric spindling spinning frames. Now they have entered the manufacturing stage on a large scale. Development of these products has decisive significance in basically changing China's backward situation in textile equipment.

The successful development of China Textile Machinery Group has effectively strengthened the group's vitality and promoted the economic performance of the enterprises. For five years the group's industrial value totalled 13.417 billion yuan, an annual increase of 8.9 percent; its income from product sales was 12.42 billion yuan, an annual increase of 18.9 percent; its profit were 1624.78 million yuan, an annual increase of 8.2 percent; profits tax turned in was 707.78 million yuan, an annual increase of 27 percent, and it created \$196.22 million in foreign exchange for the country. From managing products to managing capital and turning enterprise management into managing enterprises, the group increased its state-owned assets (net value) from 1 billion yuan in 1987 to 1.33 billion yuan today; its fixed assets increased from the original value of 954.75 million yuan in 1987 to 1577.78 million yuan now.

### Anhui Township Enterprise Development Strategy

93CE0746A Hefei ANHUI RIBAO in Chinese  
11 Jun 93 p 3

[Article by Fang Shu (2455 2562): "Township Enterprises Urgently Need To Operate on an Appropriate Scale"]

[Text] To advance further on the present basis, township enterprises in Anhui should take it as a significant strategy to appropriately expand the scale of their operations.

In essence, the appropriate operational scale of enterprises, especially production-type enterprises, means the appropriate degree of use of productive elements and forces. Compared with their urban peers, state-owned firms in particular, township enterprises generally operate on a much smaller scale. This is because township enterprises are established with only small amounts of capital provided by collectives and individual laborers (villagers). The present problem is that most township enterprises in Anhui operate on too small a scale. According to statistics compiled by departments concerned, the average production scale of a rural collective enterprise in the nation is 510,000 yuan, and the amount of its fixed assets 151,000 yuan. In Anhui these are 350,000 yuan and 97,000 yuan respectively, way below the national level. This is indicative of an urgent need to put Anhui's township enterprises on the track of appropriate-scale economic operations.

It is not only necessary but also possible to change the small-scale operations of township enterprises in Anhui. In particular, some old township and town enterprises already have a sound foundation and possess the conditions for making such a change. This can be seen from the following: Workers and managers of these enterprises have a certain level of education and knowledge of science. They have necessary production skills and managerial ability and experience. These enterprises have sufficient production facilities and equipment and well-defined lines of business and products. They have reliable sources for supply of raw materials and regular markets for their products. They have relatively perfect regulations and rules for their operations.

When deciding on its operational scale, a township enterprise should take into consideration demand for its products as well as other actual conditions. Generally speaking, enterprises engaged in less varieties of productive undertakings, turning out few kinds of products, or making products of uniform specifications to meet large demands in society may expand the scale of operations. As for those making a wide variety of consumer goods for daily use with a small but volatile market, their operational scale should be small rather than big.

How should we correct the problem of too small scale operations of township enterprises in Anhui? First of all, we should change the old traditional concept and enhance the awareness of the need for appropriate-scale

operations. Over a relatively long time, many people have formed the thinking that "a small boat can make an easy turnabout." According to this thinking, the smaller an enterprise is, the more flexibly it can manage its production and other operations. This thinking, of course, has its rationality, but is not absolutely correct. The market economy is like a vast sea. As a small boat cannot sail into the sea or ocean, there is no "easy turnabout" to speak of! Confronted with new opportunities for development, we should enhance these people's awareness of the need for appropriate scale operations and stress the importance of changing the too small-scale operations of our township enterprises. Second, while ensuring a reasonable layout and relative concentration of enterprises, we should merge small enterprises that belong to the same township or town and are doing the same productive undertakings or making the same products. While keeping to the principle of voluntariness, equality, and mutual benefit, we may merge two or three such small enterprises into one big joint stock cooperative enterprise. We may also let the superior take over the inferior. There are two concrete methods to do this: 1) A superior enterprise may take over an inferior enterprise's ownership, or 2) the former may take over the latter's management power but leave its ownership intact. Third, township enterprises may form economic associations. These associations may break the confines of districts, city-country barriers, and boundaries between different ownership systems (that is, economic associations may involve different economic sectors) and may take a variety of forms, such as cooperative operations, satellite processing plants, and integration of agriculture, industry, and trade. Fourth, a shareholding cooperative system may be instituted to raise funds and recruit workers. The concrete method is as follows: Enterprises now run by townships, towns, and villages may establish a stock system consisting of collective and individual shares. Collective shares cover the assets possessed by the enterprise. Individual shares are those purchased by the enterprise's staff members and workers and by outside laborers (villagers). Based on the rule of "issuing shares to recruit laborers," anyone holding a certain amount of shares may be employed by the enterprise as a staff member or a worker.

### FOREIGN TRADE, INVESTMENT

#### Impact of GATT Agreement on Service Sector Discussed

93CE0646A Beijing GUOJI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 125, 30 May 93 pp 45-47

[Article by Yi Cheng (2496 6134): "On GATT's Impact on China's Service Industry"]

[Text] If all goes well, China will soon resume its place as a signatory to the General Agreement on Tariffs and Trade. Overall, the resumption of our GATT status will mark the formal link-up of the Chinese economy and the

world economy, the Chinese market and the world market. It will have a profound effect on promoting the establishment and improvement of the Chinese socialist market economy and on accelerating the permanent, steady development of Chinese economic relations and trade and will turn the Chinese economy into an energetic part of the world economy. But the magnitude and scope of its impact will not be the same on different sectors and on specific trades. Looking at the actual development of China's service industry in particular, what are the positive and negative effects of the resumption of our GATT status on this sector in the near- and intermediate-terms? We urgently need the answer to this question.

### **I. Development of the Service Industry and GATS [General Agreement on Trade in Services]**

Before we begin our analysis, it is necessary that we understand the development of the world's service industry as well as the GATS Agreement which is closely tied to the service industry.

GATS is a multilateral principal and regulatory framework for handling trade in services being hammered out at the eighth "Uruguay Round" of multilateral trade negotiations. Its purpose is to expand the service trade under transparent and increasingly liberalized conditions. It will also be a means to promote economic growth among the trading partners and development among the developing nations.

The extension of GATT's scope to cover the service trade is the result of changes in the world economic and trade structures. The service industry is playing an increasingly important role in the world economy and world trade. Statistics show that world trade in goods is worth \$4 trillion today, and service trade is worth \$900 billion. Service trade has been growing much faster than the product trade in recent years, indicating that the development of the world economy is skewed toward the service industry.

The widespread use of modern science and technologies today has greatly reduced labor cost as a percentage of the per unit output value; the relative cost of raw materials has also dropped, but the share of science and technology and services has greatly increased. Without advanced science and technology and a healthy service industry, one will always be handicapped by higher production costs. Obviously, there is an intimate relationship between the service industry and the other sectors of the national economy. It can affect the entire process of economic development. Transportation and communications are the artery of the national economy; legal services, advertisement, and accounting services also play an important role in enterprises' vertical development. Information transmission is essential to the expansion of the financial and insurance businesses. Banking service is an important component of the nation's financial and monetary systems. Some services are an important input in the production of goods; they

directly affect production cost. The technological revolution, especially the rapid development of information transmission and the internationalization of services are changing the world economy and world politics. The GATS Agreement, soon to be reached at the Uruguay round of GATT negotiations, will have an enormous effect on changing the service trade worldwide.

The United States is a leading advocate of the service trade negotiations. After five years of negotiations, all parties have reached a preliminary agreement on the General Agreement on Trade in Services. It consists of 6 parts, 35 articles, and 5 appendixes. The articles cover most-favored-nation treatment, degree of transparency, increased participation by developing nations, permission to enter the markets, national treatment, dispute settlement and so on. Because of the uneven development of the service industry among different nations, it is impossible for all of them to open up the industry to the same extent. In addition, different service trades cannot adopt the same business format, and so today they have only adopted the method of making an initial commitment on a list of services while allowing for future bartering and concessions. It is also stipulated that nations may apply for exclusion from the most-favored-nation treatment provision based on their separately signed agreements. In other words, it does not mean that a nation must open up its entire service industry as soon as it signs the GATS agreement. It took more than 40 years of negotiations to open up the product trade to today's extent, and the service trade negotiations naturally will be a gradual, drawn-out process.

### **II. China's Comparative Advantage in the World Service Trade**

China's biggest advantage in the world service trade is its cheap labor force. Compared to the well-developed nations as well as most developing nations, China's labor force is considered very cheap. Statistics show that in 1991, China's average wage per worker was 2,340 yuan<sup>1</sup>, which was equivalent to \$439 based on the exchange rate at that time. This means that a Chinese worker working six days a week only earned \$9, and if we divide that by the number of working hours, each Chinese worker's average hourly rate was only 18.7 cents in dollars. This factor alone explains why China's service industry is so competitive in the world.

The service industry's competitive edge is not based entirely on labor cost but also on the quality of the labor force and its educational and technological standards. China's labor force fares fairly well in these areas too. In 1991, out of every 10,000 people, there were 20 college-educated workers. China had a total of 2.044 million<sup>2</sup> full-time college students, trailing only the United States, the former Soviet Union, and Japan. China has 391,000 college professors<sup>3</sup>, the highest number in the Third World and second only to the United States and the former Soviet Union worldwide. China also has a large

number of professionals in absolute terms, including 10.8086 million scientists and engineers<sup>4</sup>, second only to the former Soviet Union.

The cheap and well-trained labor force helps China open up the overseas labor and services market, and to a certain extent, it also pushes China into opening up its domestic market to the world. An obvious reason is that foreign companies in the service industry are reluctant to send their own staff to work in China unless they have no other choice; they would rather hire local workers, because they are much cheaper. To China, this means even more employment opportunities. In 1991, China's cities and towns had an unemployment rate of 2.3 percent; 3.522 million people<sup>5</sup> were looking for work, but many state-run units and enterprises which used to be the biggest employers were not hiring. Thus, opening up the domestic labor market effectively helped China solve its unemployment problems.

China also benefits from the technology transfer brought about by direct foreign investments in its service industry. Once foreign investors invest directly in China's service trade, their technologies are transferred to China through on-the-job staff training and through the documents and information shared by the Chinese and foreign parties, application of quality standards, and through contacts via the communications system and other channels. They help improve efficiency in China's service trade.

But we cannot conclude from the above analysis that opening up the service trade unconditionally will benefit the entire service industry. Take certain capital-intensive or technology-intensive sectors such as banking, insurance, and telecommunications for example. Complete opening up of the Chinese market will put tremendous pressure on China's own industries in those sectors. For example, China's banking industry is to a fairly large extent inferior in terms of administration, management mechanisms, technologies and facilities and so on, and these factors cannot be improved overnight. If China should allow free competition today, foreign competition would take substantial amount of business away from Chinese banks. Other capital-intensive sectors are in a similar situation. Furthermore, banking, insurance, and telecommunications are not only advanced economic sectors but are industries that sustain China's economic lifeline. No matter how efficient and how cheap the services foreign companies can provide, China must retain firm control over these industries. There should be no doubt about this.

### III. The Impact of GATS on China

Because GATS is relatively flexible and because the development of different trades in China's service industry is uneven, participation in GATS will affect different sectors to different extents and in different ways.

As far as the labor-intensive trades, which China has a comparative advantage in, are concerned, participation

in GATS may not provide China with more labor export opportunities, because (i) with or without GATS, nations that need China's labor services will keep up their relationship with China; (ii) nations that want to protect their domestic labor markets can take advantage of GATS's flexibility and reserve the right to "apply for exclusion" with regard to certain sectors when drawing up the performance schedule, or they can make an initial commitment and barter and make concessions later to open up the market only to limited extent and scope.

As far as banking, insurance, telecommunications, and other capital-intensive or technology-intensive trades are concerned, signing the GATS agreement may not imply that China must open up its entire domestic markets for those trades. The Chinese government has followed existing laws and regulations and has made an initial commitment for six services—namely, shipping, special services, banking, advertisement, tourism, and off-shore oil exploration—at the Uruguay round of negotiations. Initial commitment means that the market is not completely open, and it also means that it is only a beginning, implying that there can be discussions on further opening up based on need, feasibility, and mutual benefits—this is what is meant by bartering and concession. Take the banking industry for example. According to Chinese regulations, foreign banks are permitted to do business in the Shenzhen SEZ and Shanghai Pudong's open and development zones to handle foreign currency business in accordance with Chinese laws and regulations, but they are not permitted to handle RMB business. Some nations have asked whether they could do business in RMB in the future and whether they would be allowed to do business elsewhere in the mainland. These issues can be negotiated in future bartering and concessions. This not only allows China to bring in more foreign banks which will benefit China's economy but will limit the extent and scope of strong foreign competition, giving China's banking industry the time to reach maturity.

The above analysis seems to indicate that China's participation in GATS will neither benefit nor hurt China much in the near future, but participation is not entirely without impact on China's service industry. One thing we are certain of is that if China does not participate, it will incur some losses immediately or in the future. This is because, first, if China refuses to participate now, it will be difficult to join later, because a new member would require approval from more than two-thirds of the signatories. Even more important is that will GATS play an important part in the formulation of international trade policies for the service industry. If China does not participate, it cannot play a role in deciding those policies and in turn improve the international economic environment via some beneficial trade policies and laws and regulations. Second, refusal to sign the GATS Agreement may cause the other nations to doubt China's sincerity in putting its trade system under GATT, and in turn it may delay China's resumption of its role as a GATT signatory. Third, if China does not participate, its

trade status may be jeopardized, because the other nations can cite Article 31 of the draft agreement to refuse to grant China's service exports the preferences stipulated in the agreement. Moreover, if China is not a party to GATS, if ever it becomes a victim of another nation's trade protectionism, it will have no recourse. Furthermore, signing the GATS will also help accelerate the restructuring of China's economic system and improve the overall quality of its service industry.

#### Footnotes

Note: The scope of GATT's regulation over the service industry cited here extends to the construction, tourism, shipping, ocean shipping, banking, insurance, telecommunications industries.

1. China Statistical Yearbook, 1992.
2. Ibid.
3. Ibid.
4. Ibid.
5. Ibid.

#### Customs Supports New Enterprise Trading Rights

93CE0705A Beijing GUOJI SHANGBAO in Chinese  
10 Jun 93 p 1

[Text] Since the State Council issued the "Notice on Enhancing Enterprise Trading Rights," the General Administration of Customs has taken effective measures to implement the "Notice." It now gives preferential treatment to enterprises entitled to manage their own foreign trade in the two procedures of customs declaration and cargo supervision to support their foreign trade activities. Customs has adopted the following six policies in regard to customs declaration and supervision of imports and exports:

1. Preferential treatment for processing the registration of customs declaration. There are 8,000 foreign trade enterprises or import-export industries, and over 100,000 foreign funded enterprises nationwide. Those with the status of foreign trade rights approved by the Ministry of Foreign Trade and Economic Cooperation must register with offices of industry and business administration to qualify for the status of legal person. They may then be eligible for the preferential treatment of customs declaration and registration for their imports and exports with local customs within its range of responsibility.
2. Preferential treatment of training customs declaration representatives. In accordance with the "Customs Law," after foreign trade enterprises with approved status register with the customs for declaration, their declaration representatives will be trained by the customs.
3. Preferential treatment for registration of imports and exports at other ports of entry. After customs declaration registration with the local customs and the training of customs declaration representatives, large and medium enterprises with the approval of the Ministry of Foreign

Trade and Economic Cooperation of trading rights may handle customs declaration for their imports and exports with the local customs. They may also do it at other ports of entry and register with the customs there if needed.

4. The customs will actively provide consultation services and information dissemination on customs laws and regulations to relevant enterprises. They will provide such services to enterprises with trading rights. Such enterprises are located in different regions in the country. They may consult with local customs on laws and regulations, and if they request, local customs office may send representatives to the enterprises for the services.

5. Support and promote the transportation business involving the transfer of customs declaration. Applications for the transfer of customs declaration for imports may be made with customs at the port of entry, if customs declaration and duty are not conducted there. The port of entry customs then appoints the transfer destination (local customs) for customs declaration and supervises the cargo transportation. Customs declaration for exports can be made with the local customs. These exports will be transferred to the port of entry by the local customs and exported directly.

6. Customs declaration for imports and exports may be entrusted to customs declaration agencies.

Enterprises with approved trading rights may, for one reason or other, entrust international transportation agencies or customs declaration agencies for the service of customs declaration.

## AGRICULTURE

#### State Council Research Unit Analyzes Grain Situation

93CE0630A Beijing ZHONGGUO NONGCUN JINGJI  
[CHINA'S RURAL ECONOMY] in Chinese No 5,  
20 May 93 pp 21-25

[Article by State Council Office Grain Problems Study Group: "Basic Estimate of the Nation's Grain Situation"]

[Text] Cries about the difficulty selling grain have risen endlessly during the past several year, and they can still be heard today. However, a look at the grain production situation shows no rise in the per capita amount of grain production. Since 1984, when it reached 393 kilograms per capita, grain production has fluctuated up and down reviving to this same level only in 1990. Natural disasters in 1991 reduced output, grain production falling to 378 kilograms per capita, or about the same level as in 1983. Nevertheless, the difficulty selling grain occurred under these circumstances and went on for several years, showing that a change has occurred in the demand for

grain in China. Just what estimate should be made about the nation's grain situation? Some understanding of this problem is provided below.

Comprehensive analysis of pertinent data about the nation's grain production, consumption, and storage permits the following three basic estimates: (1) The nation's grain shortage situation has fundamentally changed; (2) the relative grain glut results from the low income level; and (3) the nation's grain safety level has risen markedly.

### **I. Enormous Increase in Amount of Grain in Storage Shows a Fundamental Change in the Nation's Overall Grain Shortage Situation**

According to the internationally recognized grain supply safety line, the amount of grain in storage at the end of the production year should be between 16 and 18 percent of society's grain consumption for the whole year. Since the end of March marks the end of the grain production year, the amount of grain in storage at the end of the year should be equal to about five months consumption. This is the safety line for grain supply. If a less than five months supply is available, the grain supply is tight. The higher above this line, the more ample the grain supply. Between 1984 and 1991, the number of months that the amount of grain in storage in China could supply current year consumption was above the safety line. A substantial amount of grain was in storage. Grain supply was ample. In both 1991 and 1983, grain output for the nation as a whole was 378 kilograms per capita, without an increase why did the amount of grain in storage increase substantially? Imports aside, the main reasons were two: One was all-around development of agricultural production, the amount of edible farm products other than grain increasing. The second was a trend toward leveling off and decline in direct consumption accompanying solution to the "subsistence" problem. Scientific and technical progress also resulted in an attendant cutback in grain consumption.

(A) Production: Thanks to the all-around development of the farming, forestry, animal husbandry, and fishing industries, output of agricultural products other than grain increased tremendously for a widening of the food supply. Some of these foods required the conversion of grain; some of them required relatively little conversion of grain; and some required no conversion of grain at all. This produced a corresponding increase in the grain supply.

1 Products that require no grain conversion are of three main kinds as follows:

(a) Oil-bearing crops, sugar-bearing crops, melons, fruits, and vegetables produced by the farming industry. Comparison of 1991 with 1983 shows a 2.59 million ton increase in output of edible vegetable oil, a 2.63 million ton increase in sugar, and a 12.27 million ton increase in fruit. In terms of calorific value content, this is equivalent to more than 10 billion kilograms of grain.

(b) In the livestock industry, except for intensive feeding, the raising of herbivorous cattle, sheep and goats, geese, and rabbits, requires virtually no grain conversion. Comparison of 1991 with 1983 shows a 1.22 million ton increase in beef, and a 630,000 ton increase in mutton and goat output. Converted to protein content, this is equivalent to a 3 billion kilogram increase in grain production.

(c) Fish and crustaceans. Comparison of 1991 with 1983 shows a 3.53 million ton increase in the amount of fish and crustaceans caught in China (the quantity increasing from 3.49 million tons in 1983 to 7.02 million tons in 1991). Converted to protein content, this amounts to an approximately 5 billion kilogram increase in grain output.

2. Output of poultry (including eggs), for which relatively little grain is required, also increased greatly.

The ratio of meat-feed ratio for poultry is 1:2.5 (i.e., 2.5 jin of grain per jin of meat). For pork, the ratio is 1:4.5 to 5 (i.e., 4-5 jin of grain per jin of pork). In 1983, China's poultry meat output was 1.23 million tons, or about 8 percent of total meat output. In 1991, poultry meat output stood at 3.95 million tons, up 2.72 million tons from 1983 and accounting for 12.5 percent of total meat output. Calculated in terms of the standard meat to feed ratio, this 2.72 million ton increase in the meat supply required more than 12 billion kilograms of grain to raise hogs, and 7 billion tons of grain to raise poultry. Thus, the increase in poultry meat output conserved more grain than the raising of hogs.

3. Although a substantial amount of grain is required to raise hogs, since more than 95 percent of hog raising in China is done by hundreds of millions of scattered peasant households that feed the hogs leftover food, grass, vegetables, and stalks and stems, a corresponding amount of grain is saved.

In addition, because of the improvement of hog breeds, feeding techniques, and the use of mixed feeds, the hog removal-from-inventory rate rose from 69 percent in 1983 to 91 percent in 1991. The shortened feeding period saved an estimated one-fourth of their fodder supply. Hog output in China increased from 13.16 million tons in 1983 to 24.52 million tons in 1991. Figured at the standard meat to fodder ratio, this meant a saving of more than 20 billion kilograms of grain.

(B) Consumption: Solution to the "subsistence" problem produced a turning point in the amount of direct consumption of grain; furthermore, increased grain savings resulting from scientific and technical advances correspondingly reduced grain consumption.

1. In 1983, the city and country residents' "subsistence problem" was solved. United Nations Food and Agriculture Organization and International Health Organization estimates show that the human body requires approximately 2,400 kilocalories of heat energy per day. This standard may be regarded as the "subsistence"

level. In 1983, the heat energy that the nation's peasants obtained from food each day exceeded 2,400 kilocalories per capita for the first time. City and town residents had already reached this level. Therefore, for the country as a whole, the "subsistence" problem of city and country residents alike was solved in 1983.

2. In 1985, urban area residents direct grain consumption peaked, declining thereafter. This was a turning point that was bound to occur once the "subsistence" problem was solved. Direct grain consumption nationwide declined by 17.2 kilograms per capita between 1985 and 1991. This extrapolates to a saving of 20 billion kilograms in the amount of consumption nationwide.

However, comparison of 1983 with 1991 shows a 2.3 kilogram per capita increase in direct grain consumption nationwide. This includes a decline in cities and towns and a rise in rural villages. This extrapolates to an increase in consumption nationwide of between 2 and 3 billion kilograms of grain.

**City and Countryside Direct Per Capita Grain Consumption (trade grain, kilograms)**

1978	195.5	205.3	193.3
1983	232.2	221.7	234.7
1985	251.7	239.4	257.9
1991	234.5	204.9	242.4
Difference Between 1985 and 1991	-17.2	-34.5	-15.5
Difference Between 1982 and 1991	2.3	-16.8	7.5

3. Since 1985: Simultaneous with the decline in city and country residents direct grain consumption was a gradual rise in their consumption of nonstaples such as meat, fish, eggs, dairy products, vegetables, oils, fruit, and sugar, diet and nutrition steadily improving. Comparison of the ratio between nonstaple food and other food consumption in 1991 versus 1985 shows a 4 percentage rise from 83 to 87 percent for city and town residents. For rural residents, the rise was 7.7 percentage points from 54.6 to 62.3 percent. Per capita consumption of animal products such as meat, poultry, eggs, fish, and crustaceans increased 22 percent for rural residents, going from 19.7 to 24.1 kilograms. For city and town residents, such consumption increased 17.5 percent from 36.5 to 42.9 kilograms.

4. Increase in grain conservation factors through scientific and technical advances and the application and promotion of science and technology to agriculture.

(a) In the farming sector, thanks to the successful development and spread of new breeds and varieties that make farming scientific, the amount of seeds required decreased. Comparison shows an average 2.5 kilograms less seeds used per mu of grain during the Seventh

Five-Year Plan than during the Sixth Five-Year Plan. This translates into an annual saving of nearly 5 billion kilograms of grain.

(b) In the livestock raising industry, the shortening of growing periods, the rapid removal of livestock from inventory, the raising of fine breeds of poultry, and the use of scientific feeding formulas and nutrient-rich feeds has produced a rapid rise in the rate at which livestock and poultry are removed from inventory. Thus, the amount of feed grain consumed per unit of livestock and poultry product has correspondingly decreased.

(c) In other regards, multiple uses of materials such as "return to the fields of stalks and stems after they pass through the stomach of livestock," and the use of by-products of the food processing industry also save grain. In addition, the production of quite a few other foods such as vegetables and fresh melons, and herbivores such as geese and rabbits also saves grain. The amount cannot be extrapolated for lack of statistical data from throughout the country.

Extrapolation of results obtained from the analysis of usable data about the foregoing shows a saving from the increase in food and the saving of grain equivalent to a 40 billion kilogram increase in the grain supply. If the other data that cannot be analyzed were added in, the amount might be even greater. This explains, more or less, why 378 kilograms per capita of grain nationwide in 1983 met only subsistence needs, but that the same 378 kilograms per capita of grain output in 1991 is the main reason for difficulty selling grain.

There are also other reasons for the difficulty selling grain of recent years, principal of which are as follows: First, the varieties offered do not meet market demand. The difficulty selling early crop long-grain paddy is particularly severe even while premium quality rice and wheat are in short supply. Second, department and local government interests adversely affect normal grain procurement, marketing, allocation, and storage. Third import-export regulation lags. In bumper harvest years when grain is plentiful, imports continue. This includes net imports of 7.89 billion kilograms in 1990, and net imports of 2.59 billion kilograms in 1991. Conversely, in lean years when grain is scarce, it is exported. Third is circulation and transportation tie-ups.

## **II. China's Per Capita Grain Production Is by No Means Large. The Difficulty Selling That Occurs Nevertheless Is a Relative Glut Stemming From a Low Income Level**

A huge population is a fundamental condition of China. Solution to the subsistence problems of a population of more than 1.1 billion is one of the nation's magnificent historical achievements. One must realize at the same time, however, that even though the problem of overall balance between supply and demand for grain has been solved, the granaries being a little fuller, the nation's grain production, consumption, and storage remain at a very low level per capita.

A. Per capita grain production remains fairly low. In 1991, the country produced 435 million tons of grain, which was 48 million tons more than the 387 million tons of 1983. However, during this same period, population increased by 128 million, so per capita grain production did not increase.

B. The basis for the balance between output and sales is not consistent. During the nine year period 1983-1991, per capita grain production was greater than sales in five years; in four years more was sold than was produced. Moreover, the per capita amount by which output exceeded sales was not great. In 1990, the year when output exceeded sales most, it was only by 29 kilograms per capita.

In 1984, when output exceeded sales by only 12 kilograms per capita, the peasants experienced difficulty selling grain, the reason being the two consecutive year increase in output during 1982 and 1983, which caused an increase in the amount in storage. In addition, imports were also fairly heavy. The difficulty selling grain in 1989 resulted mostly from imports. The difficulty selling grain in 1990 and 1991 was attributable not only to imports, but also to bumper harvests for several years in a row, which increased the amount in storage. In addition, grain production was unable to adjust at once to the new situation following solution to the subsistence problem by accelerating the development of premium products. Thus, the kinds of grain produced were not the ones in demand, and grain shipping areas did not ship the kinds of grain that sales areas wanted. This was another reason causing peasant difficulties selling grain.

C. In consumption terms, the nation's per capita grain resources (including imports) are by no means high, so why is the grain that is produced not consumed, and difficulties selling experienced? The fundamental reason is that the people's income level is still fairly low; they cannot afford to consume too much grain.

After the subsistence problem was solved, the increase in the amount of grain consumption occurred mostly through indirect consumption, i.e., the transformation of grain into products such as meat, eggs, and dairy products. Indirect grain consumption increased steadily as a percentage of total grain consumption. In developed countries, only between 10 and 20 percent of total grain consumption is eaten by humans. Between 70 and 80 percent of it is used for livestock feed, and between 3 and 6 percent of it is used for processed foods. The ratio between direct and indirect consumption is 1:4 or more. In Japan and South Korea, between 40 and 60 percent of grain is eaten by humans, and between 30 and 40 percent is used for livestock feed. The ratio between direct and indirect consumption is about 1:1. In China, between 70 and 80 percent of grain is eaten, and about 15 percent is used for livestock feed. The ratio between direct and indirect consumption is only about 1:0.2. Therefore, the amount of food of animal origin in the Chinese diet is fairly low by world standards. For the 80 percent of the country's population living in rural villages, the protein

and fat derived from animal foods is overly low. They do not consume enough.

**Comparison of Daily Per Capita Nutrition of Animal Origin**

	World Level (1986-1988)	Cities and Towns in China (1990)	China's Rural Villages (1990)	Developed Countries (1986-1988)
Quantity of Heat (Kilocalories)	472	459	178	1,087
Protein (Grams)	18.9	16	4.8	77.2
Fat (Grams)	33.8	41	18.5	59.2

If every one of China's 900 million peasants were to eat 0.5 kilograms more meat each month, thereby increasing their daily protein intake by 1.6 grams and their fat intake by 10 grams, they would still be much below the world average. However, extrapolated in terms of the 1:3-4 meat to feed ratio, the country's total grain consumption would increase by 20 billion kilograms, not only completely solving the current difficulty selling problem, but possibly causing a grain shortage as well.

However, the broad masses of peasants are still unable to afford to consume that much meat. At 0.5 kilograms per month, or 6 kilograms a year, and at between 7 and 8 yuan per kilogram, they would have to spend an additional more than 40 yuan. During the period of great development of the rural economy during the 1980s, peasant per capita net income increased by an average 40-odd yuan per year.

This shows that China's solution to the balance between grain supply and demand, as well as the increase in the amount of grain in storage and peasant difficulties selling grain are based on the people's fairly low income level and consumption level. The "surfeit" today is only a relative glut that stems from the low income level.

**III. Marked Rise in China's Grain Safety Level**

"The people regard food as heaven" runs an old saying. Food production and supply has always been a major concern of the party and government. Today, we can say that China's grain safety level has improved markedly. This is demonstrated in the following regards:

A. A steady rise in overall grain production capacity, food production becoming completely diversified. Overall grain production capacity has stabilized at above the 425 million ton mark. More importantly, grain self-sufficiency has greatly increased in the country's poverty stricken areas. Per capita grain output in 331 needy counties requiring major state support and in 219 needy counties requiring state loan support reached 342 kilograms per capita in 1991. Even though a substantial number of people in these areas still lack grain, the situation has improved very greatly. Furthermore, thanks to the all-around development of agricultural

production that has diversified food sources, the consumption pressures on grain have been relatively weakened somewhat.

B. Unfavorable factors that limit grain production are diminishing or disappearing. In 1990, J.R. Debao [phonetic], director of the Agriculture Office of the World Bank's China Bureau published a paper titled, "Outlook for Grain Production in China From 1990-2000." On the basis of his and his colleague's practical experience and analysis during the past more than 10 years in managing Chinese agricultural projects in the World Bank, this paper came to the conclusion that China would be unable to produce 500 million tons of grain by 2000. His arguments were three:

- (1) Limitations on grain production that material conditions impose such as water conservancy, agricultural research and the spread of research results, and the degree of availability of means of production like chemical fertilizer.
- (2) Grain prices and market policies that hold down grain production and the effective use of grain.
- (3) Excessive government grain subsidies that hurt the ability of the state to increase investment in grain production.

This point of view has some merit, but points (2) and (3) have been solved or are on their way to being solved today. Grain is bought and sold at the same price, and grain circulation has loosened up greatly. However, limitations on material investment remain substantial. Experts in the Chinese Academy of Agricultural Sciences maintain that if the agricultural technology that exists in China today can be applied, attainment of a 500 million ton grain production goal by 2000 will be no problem. However, money will have to be spent to spread the technology. The State Council's recent "Decisions on the Development of High Yield, Premium Quality, High Efficiency Agriculture" also calls for the further movement into the market system of grain and other farm products. Practice everywhere demonstrates that by developing high yield, premium quality, high efficiency agriculture, returns from agricultural production can be markedly improved, and investment in agriculture markedly increased. Implement of the "Decisions" will gradually straighten out grain production and demand relationships. It will fashion an environment for the development of production and the organization of commodity circulation that helps the production of grain and other farm products respond to changes in market demand.

C. Establishment of the state grain reserve system provides the material conditions for equalizing bumper harvest years and lean harvest years, and for balancing supply and demand. Thus, ability to feed the population is better assured. In view of the nation's new grain supply and demand situation, in 1990 the State Council decided to establish a national grain reserve system. Currently, tens of billion kilograms of grain are in this reserve. In the equalizing of bumper harvest years and lean years,

during the 1980s grain production was less than during the previous year in four years. These were an 11.6 billion kilogram drop in 1980, a 28.2 billion kilogram drop in 1985, an 8.9 billion kilogram drop in 1988, and an 11 billion kilogram drop in 1991. This shows that the state grain reserve can make up the shortfalls caused by a lean grain harvest.

Since money must be spent to maintain the reserve, and since grain cannot be stored too long, the bigger the better does not apply to the grain reserve. The standard that international organizations recommend is that such a reserve should contain between 5 and 6 percent of the amount of annual grain consumption. At the present time, China's grain reserve already exceeds this standard. Since China is a vast land in which transportation and communications are not readily available, a somewhat higher amount is justified.

#### IV. Outlook for China's Grain Production and Food Supply During the 1990s

During the 1990s, three circumstances in China's grain production and food supply will not change:

- A. No change in the annual increase in China's population by upwards of 15 million.
- B. No change in the trend toward decrease in the cultivated land area.
- C. No change in the trend toward approximately 400 kilograms per capita amount of grain consumption even if total grain production reaches more than 500 million tons by 2000.

It is because no change in these "three trends" is foreseen that the following two points of view are being accepted by an increasingly large number of people:

1. Establishment of the point of view that production can escape from the confines of the existing amount of cultivated land to make use of all of the country's soil for full development of agricultural resources. This will require not only the transformation of medium and low yield fields, but the opening for use of other agricultural resources such as barren land, uncultivated slopes, unproductive water surfaces, and flats along streams and the sea, the development of grasslands, the exploitation of mountain regions and forestry, and the development of diversified agriculture and the family courtyard economy for full use of food production resources to expand sources of food and nutrition.

2. Establishment in consumption of a change from a grain diet alone to a modern diet. Not only should people eat grain, but meat, eggs, melons, fruits, vegetables, and aquatic products as well. Any food that has nutritional value can be used to satisfy the human body's needs.

In this connection, I have the following suggestions to make about grain production and food supply and demand in China during the 1990s.

- a. Change from grain production plans to food production plans, using food production plans to power the development of agricultural resources and the opening up of food resources.
- b. Protection of agricultural (particularly grain) productivity.

### Wen Jiabao Underscores Need for Rural Investigations

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in Chinese 0645 GMT 13 Aug 93

[By XINHUA reporter Lu Youngjian (7773 3057 1696) and Central People's Broadcasting Station reporter Yang Guiming (2799 6311 2494)]

[Text] Beijing, 13 Aug (XINHUA)— Wen Jiabao, alternate member of the CPC Central Committee Political Bureau and member of the CPC Central Committee Secretariat, said: In formulating and carrying out correct policies and measures to resolve problems in the agricultural sector and rural areas, it is necessary to pay greater attention to rural investigation and forge closer ties between the party and 900 million peasants.

On 11 August, which marks the 10th anniversary of the founding of the China Rural, Social, and Economic Survey Team, Wen Jiabao visited all members of the team and held a discussion meeting with them. After hearing reports by Director Zhang Sai of the State Statistical Bureau and Director He Huanyan of the team, Wen Jiabao said: The team, which came into being and grew during the rural reforms, has played an important role in providing a large number of statistics, information, and consultative suggestions for the party and the government to make correct decisions and push forward the reforms and development in rural areas.

Wen Jiabao said: In the agricultural sector and rural areas, many problems need to be studied and many things need to be done. Leading cadres at all levels must go deep into the realities of life to collect information firsthand and then provide concrete measures aimed at resolving the problems. Only through conducting thorough-going investigations and resolving problems conscientiously will it be possible to stimulate stable growth in the agricultural sector and rural areas. He continued: At present, and for some time into the future, the rural work and rural investigation should focus on the following points: First, we must protect and arouse peasants' initiative in production in accordance with the central authorities' policies and measures for strengthening the foundation of agriculture and improving rural work. Second, we should take comprehensive measures to expand the capacity for future agricultural development and stabilize the fundamental role of agriculture in the national economy. Third, we must continue rural reforms and develop a modern agriculture that is compatible with a socialist market economy.

Wen Jiabao pointed out: To bring closer ties between the party and peasants, we must listen to peasants' opinions, know what they want, do practical things for them, and solve the outstanding problems they resent. First, we should ensure the availability of money for purchasing agricultural farm and sideline products, do a good job in arranging the purchase of summer grain, and resolutely stop the wrong practice of "buying from individual households but paying the village" [hu jiao cun jie 2073 0074 2625 4814]. Instead, we should let peasants get the cash for what they sell. Second, we should take all possible measures to relieve peasants' financial burdens and protect their benefits. Third, we should provide them with good services in terms of information, technical service, and distribution; and help peasants avoid losses by conscientiously resolving the problems existing in the purchase, storage, transportation, and distribution of agricultural and sideline products. Fourth, we should intensify comprehensive control over public offenses in rural areas and safeguard social stability in rural areas so that peasants can live and work in contentment.

Wen Jiabao said: The rural investigation team is a special contingent for collecting agricultural information and serves as an important channel for the party and the government to understand the rural situation. The team should firmly establish the thinking of serving peasants and agriculture, persist in seeking truth from facts, and improve proficiency through studying and using modern methods of collecting, analyzing, and compiling statistics. In this way, the team will be able to do an even better job in serving macroeconomic decisions and contribute even more to rural reforms and development.

### Pollution Poses Threat to Agriculture in Chongqing

93CE0627A Beijing NONGYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY]  
in Chinese No 5, 23 May 93 pp 46-49

[Article by Zhu Shufeng (2612 3219 5364) and Lai Jingsheng (6351 2529 3932): "Developing High-Yield Agriculture and Controlling Pollution"]

[Text] The decision by the State Council in September 1992 to develop high-yield, good-quality, and high-profit agriculture signals the entry of Chinese agriculture into a new historic stage. This is a strategic choice compatible with a socialist market economy. This choice has tremendous significance for the development of agriculture in Chongqing with its 14 million people.

#### 1. Good Quality Is the Key

Since the PRC was founded, particularly since 1978, Chongqing agriculture has made enormous strides. The gross value of agricultural output (calculated using comparable prices) rose from 969.81 million yuan in 1949 to 4.266 billion yuan in 1990. There has been a massive increase in the output of major agricultural byproducts, which goes a long way toward meeting the needs of urban and rural residents in Chongqing as their living standard

improves steadily. Now that their basic need for food and clothing has been satisfied as they move toward a fairly comfortable standard of living, the demand for agricultural byproducts is bound to shift from a quantitative pursuit to a quest for quality.

The consumption behavior of urban and rural residents has become significantly more selective and intelligent in recent years, with a continuous improvement in the quality of consumption. Most of the increase in consumer spending goes to pay for better food and more upscale clothing and articles of daily use. Gone is the era when "the hungry person cannot afford to choose what he eats." Among urban and rural residents the consumption of agricultural products in 1988 was radically different from that in 1979. While per capita grain consumption among urban residents has largely remained the same at 115 kilograms or so between 1979 and 1988, consumption of cooking oil rose 125.6 percent; fresh vegetables, 20.4 percent; pork, 35.3 percent; poultry, 402.7 percent; eggs, 55.1 percent; fish, 95 percent; sugar, 113.3 percent; and fruits and melons, 168.1 percent. It can thus be seen that Chongqing residents' demand for agricultural products has changed in the following ways. They now pursue better nutrition and more variety. They demand a balanced nutritional mix and optimal product quality. They expect agricultural products to provide the nutritional content that the human body needs. But what is more, they want food that appeals to the senses while not exceeding food sanitation standards, preferably uncontaminated and safe green food. In the future they will demand first-rate good-quality farm products. Only if agricultural producers face up to the changes in demand will there be new progress in agricultural production.

A few years ago Chongqing experienced a shortage of some agricultural products. More recently, it finds it hard to sell or buy certain items. In this Chongqing is like the rest of the nation. The reason for this change is questionable quality. Consumers have difficulty getting hold of good-quality agricultural products, and producers have difficulty unloading their stuff of a poorer quality. A case in point was the collapse of the tangerine market in Chongqing in 1992. Because of the drought, the red tangerine, not a high-grade fruit to begin with, became even smaller. Peasants hawked them noisily on the street. Still there were no takers, not even at prices between 0.30 and 0.40 yuan per kilogram. The situation was even more desperate in places where the red tangerine was a major crop. In contrast, the better varieties were able to command prices as high as 1.50 yuan or so per kilogram. Prices at the upper end of the market exceeded those at the bottom more than several times. Facts prove that these days agricultural products not of a good quality have no market and generate no profit.

Right now agricultural production in Chongqing is basically in a "small market and limited circulation" mode. As the socialist market economy takes shape and China is readmitted to GATT, "small market" and "limited circulation" will inevitably be replaced by large market,

large circulation, and fierce competition. When that comes to pass, the only way for Chongqing agriculture to compete successfully and turn in a handsome profit on the domestic and foreign markets is to produce good-quality agricultural products that are sought-after on the market.

In view of the history and current status of Chongqing agriculture, the city must orient itself to the market and make the quest for high profitability its guiding principle. That is the only way to promote the healthy and successful development of an agriculture that is high-yield, good-quality, and high-profit.

## 2. Farmland Pollution Directly Threatens the Development of High-Yield, Good-Quality, and High-Profit Agriculture

The development of a high-yield, good-quality, and high-profit agriculture requires not only first-rate varieties, first-rate technology, and first-rate services, but also first-rate farmland. Chongqing is confronted with three major dilemmas in land use, namely the dilemma between the strategic goals of agricultural development by the year 2000 and the limited supply of land, the dilemma between a rapidly growing population and land, and restrictions imposed by technology on land productivity. As a result, Chongqing is facing a serious crisis in farmland use, as manifested in the following two ways. First, farmland is shrinking externally (in acreage). Right now farmland is disappearing at the annual rate of 3,500 hectares while population is rising by 164,700 each year. On a per capita basis, farmland has decreased from 0.1 hectare in the early liberation days to 0.048 hectare today. This presents a severe challenge to us. Second, the quality of farmland has deteriorated. Yields per unit area have barely been inching up and the quality of output has suffered. The result is an internal decrease.

1) The grim reality of farmland pollution. Many things have jeopardized the quality of farmland in a variety of ways. Here we confine ourselves to just the principal aspect of the deterioration of the farmland ecology—farmland pollution—and the danger it poses to farm products.

a) The three industrial wastes polluting the farmland ecology. As rural economic reform continues, township and town enterprises in Chongqing have developed by leaps and bounds. According to statistics, industrial enterprises at the township and village levels and below numbered 87,796 by late 1990, or 62 percent of all industrial enterprises in the municipality. The development of township and town enterprises has played a crucial role in economic development in Chongqing. However, as in the rest of the nation, the growth of township and town enterprises in Chongqing has been marked by proliferation, disorderly distribution, irrational product mix, lack of scientific and technical personnel, poor management, backward processing technology, simple and crude equipment, high consumption of energy and raw materials, and the almost universal

absence of anti-pollution measures. Consequently the discharge of the three wastes by township and town enterprises in the production process is proportionately higher than urban industry. Moreover, most township and town enterprises abut farmland, which makes their pollutants more hazardous and harder to control. Its widening reach—from a few areas to the entire area, from cities to the countryside—is an environmental problem unique to China's agriculture. The fact that Chongqing is located in a basin has made this kind of pollution even worse.

i) Acid rain as a pollutant of the farmland ecology. In 1984 the average daily SO<sub>2</sub> concentration was already 0.44-0.66 mm per cubic foot, three times the national standard. As SO<sub>2</sub> concentration rises, the PH value of rainwater declines. When the PH value drops below 5.6, it is known as acid rain. Back in 1984, the average PH value was 4.12 in the area. Clearly, rainwater in the Chongqing area has been severely acidified, making Chongqing one of the cities with the worst acid rain problem in the nation. The current trend indicates that the problem is worsening. Acid rain necessarily acidifies the soil and has a particularly strong effect on those parts of this area with purple soil, which is slightly acidic to begin with. In Jiangbei County, for instance, 46 percent of the farmland consists of soil with a PH value under 6.5 percent, and 17.8 percent is made up of soil with a PH value under 6.0. In Jiangjin County, 72 percent of the farmland comprises soil with a PH value under 6.5. Soil acidification is a more severe problem in the inner suburbs than the outer suburbs.

ii) Irrigated water pollution. Of the 3,825,000 tons of water discharged in the Chongqing area everyday, 1,871,000 tons are waste water discharged by industry, 1,693,000 tons are cooled waste water discharged by industry, and 261,000 tons are domestic sewage. Most of the waste water is discharged into the Chang Jiang and Jialing Jiang which between them can absorb 1,317,000 tons of waste water a day, or 81.5 percent of all waste water discharged. In addition, 328,000 tons are discharged into their tributaries a day and 380,000 tons find their way into the city's sewers. There are 64 secondary rivers in Chongqing each with a drainage area of over 100 square kilometers. According to a study on 36 of the secondary rivers which are relatively large, eight have become sewers, 13 are moderately polluted, and 15 are slightly polluted. When water from polluted primary rivers is used for irrigation, it has a harmful effect on the soil ecology.

iii) Solid waste encroaching upon farmland, polluting the soil. As the economy in Chongqing becomes more and more developed and township population keeps expanding, solid waste of all types also mounts by the day. According to statistics compiled by the Office of Environmental Protection, there were already 76,473,300 tons of unprocessed industrial solid waste through 1984. By late 1984 industrial waste amounted to 125 million tons, joined by an additional 61.76 million tons in 1985, taking up an estimated 666.67 hectares, the

bulk of them being farmland. The trend is for solid waste discharge to increase steadily year after year at a quickening pace. Solid waste takes up a vast amount of farmland. At the end of a rainfall, it is spread far and wide, polluting the soil.

Solid waste pollutes the soil in yet another way. Soil is improved using waste and refuse that has not undergone detoxification. Yet the waste and refuse contains heavy metals and other toxic materials. After they are deposited on the soil as fertilizers, some of the heavy metals and toxic materials are washed away by rainwater while some are absorbed into the soil. The continuous build-up of such substances in the soil leads to pollution. According to studies, soil treated with residual fertilizers contains such heavy metals as copper, lead, zinc, and cadmium in quantities 0.4 to 20.6 times higher than the land background value for the region. Of the 8,000 industrial and mining enterprises in Chongqing, a majority are located along the shores of Chang Jiang, Jialing Jiang, and other main tributaries. The banks of these waterways often end up as the dumping ground and processing centers of refuse and garbage. Over 90 percent of the garbage, at least 10 million tons a year, are directly discharged into the rivers and reservoirs.

b) Pollution of the farmland ecology caused by chemical fertilizers and pesticides. To a certain extent chemical fertilizers can increase yield per unit area substantially. But they can also cause pollution of the soil ecology. The long-term application of inorganic fertilizers has led to soil acidification and hardening, not good for farming. As more and more chemical fertilizers are used, output growth is minimal. According to some long-term fixed-point experiments in recent years, the average utilization rate of chemical fertilizers is between 27 percent and 30 percent. Over 70 percent of chemical fertilizers seep into and accumulate in the soil, becoming one of the causes of heavy metallic pollution in soil. Farmland ecology pollution caused by chemical fertilizers has become a serious problem. Pesticides are essential to preventing plant diseases and insect pests and ensuring high and stable crop yields. The use of pesticides in Chongqing has stayed at a consistently high level. According to statistics, in the four years between 1979 and 1982, a total of 48,387 tons of organic pesticides (DDT) were used in four locations in the city's close-in suburbs, or 62.0 percent of all pesticides used in the area. Pesticides application averages 45.6 kilograms per hectare, or 11.43 kilograms per hectare per year, higher than the national or provincial averages. In addition, 258.4 tons of organic sulfuric pesticides and 36 tons of copper are used. The extensive application of pesticides has negative side effects. Monitoring in recent years by the units involved shows that water, soil, grains, vegetables, fruits, and livestock in some locations in the inner suburbs have all been polluted by pesticides to varying degrees.

c) Farmland ecology pollution caused by atmospheric deposits. Air pollution in Chongqing is primarily caused by pollutants discharged into the air when fuels are burned or during the industrial production process, with

fuel-burning contributing 80 percent of all air pollutants. The major air pollutants are carbon dioxide, dust particles, nitrogen oxide, carbon monoxide, smog, fluoride, and chlorine. Studies show that area coal consumption in 1984 alone amounted to 4,582,000 tons. Because of Chongqing's peculiar terrain and meteorological conditions, soot, ash, and acid rain pollution is particularly serious near factories and residential areas, along roads, and in villages. According to measurements taken at the five particulate matter points set up by the municipal Environmental Science Institute, there is an average of 23.126 tons of particulate matter per square kilometer, for an average of 277.5 tons per square kilometer annually. Each year a hectare is covered with 2,800.5 kilograms of particulate matter on average.

The facts above show that farmland in Chongqing is in bad shape ecologically speaking. Not only is the amount of farmland in decline but its quality is also deteriorating.

## 2) Dire Consequences of Farmland Pollution

More than anything else, soil is what crops need for their survival. When farmland is polluted, the quality of farm products will be directly jeopardized. The dire consequences of farmland pollution primarily manifest themselves in the following ways:

a) Heavy metal pollution in crops and livestock products. In a 1985 study, three crops (rice, corn, and wheat) from the Chongqing area were tested for 11 elements, as were the same crops from Beijing, Shaanxi, and other places for comparison purposes. Local wheat contained more iron and fluorine than wheat from elsewhere, more or less the same amount of copper, lead, zinc, cadmium, mercury and manganese as wheat from other places, and less calcium and magnesium. Local corn contained more iron and fluorine than corn from other places, less calcium, and just about the same amount of the other elements. Local rice had more iron, fluorine, and magnesium than rice from elsewhere, more or less the same amounts of lead and cadmium, and less copper, mercury, and calcium. The situation in some counties in Chongqing has gotten very serious. Wheat from the Jiulongbo area, for instance, has 1.3 to 3.1 times more copper, lead, cadmium, and manganese than the averages in the city.

The Environmental Science Institute in the city has conducted an analysis of the mercury level in milk from 14 dairies including Jingkou farm. The results show that 78.6 percent of the milk samples had detectable traces of mercury, 57.2 percent of them at levels higher than the standard, the average being 0.028 millimeter per kilogram, which is 1.3 times higher than the national standard. The highest concentration was 0.156 millimeter per kilogram, 14.6 times the national standard.

b) Residues of organic chlorine pesticides in vegetables, grains, fruits, and livestock products. Testing has been done on random samples of rice, vegetables, and fruits from some localities including Shapingba, Jiangbei, and Jialingbo. The detection rate for DDT was 100 percent

in vegetables and rice and 50 percent in fruits, more than the health standard of 25 percent. The detection rate for DDT in the area's major crops (rice, wheat, corn) was 100 percent, 12.7 percent of the wheat was found to exceed the health standard, as was 3.5 percent of the corn. The detection rate for DDT was 8.5 percent in brown rice, 39.7 percent in wheat, and 16.2 percent in corn. Random studies on pork and milk conducted by the municipal Environmental Science Institute and the municipal Food and Meat Institute show that residues of organic chlorine pesticides in pork and milk are higher than residues in the leading grains. (These DDT residues were all detected in agricultural and livestock products before the use of DDT was banned.)

## 3. Controlling Farmland Pollution Is Inevitable

To sum up, it is clear that farmland pollution constitutes a grave threat to the drive by Chongqing to develop high-yield, good-quality, and high-profit agriculture. To enable the city's high-yield, good-quality, and high-profit agriculture to continue to develop healthily and smoothly, we must tackle the treatment and control of farmland pollution as a top priority. If we fail to check farmland pollution, a high-yield agriculture, not to mention a good-quality or high-profit one, would be out of the question. At a time when competition in the market economy is heating up, area agricultural products will lose their market. Below are some views on how we can successfully control farmland pollution, improve the quality of land, and spur the development of a high-yield, good-quality, and high-profit agriculture in Chongqing.

1) Overhaul our thinking put equal emphasis on the quantitative management and qualitative management of land. Soil is a crucial natural resource for which there is no substitute. The suitability of soil has a major impact on the quality of farm products. All native products, special local products, famous products, and good-quality products are intimately related to soil. In the past land management emphasized the quantitative management of so many hectares of land. From the above analysis of the pollution now affecting farmland in Chongqing, we know that pollution has caused an absolute decline in the acreage of land under cultivation, and even more important, a deterioration in the quality of land. Most serious, however, is the fact that the public remains unaware of this state of affairs. Land is the most basic requirement for agricultural production, so the pollution of the agricultural ecology represents the deterioration of the most basic requirement of agricultural production. This will inevitably hinder the strategic shift toward a high-yield, good-quality, and high-profit agriculture. Accordingly, land management must move one step beyond the traditional preoccupation with quantitative management and put equal stress on quantitative management and qualitative management. Land use planning in Chongqing should incorporate both quantitative use and quality control. Only then can we come up with a comprehensive land use plan.

2) Instil the idea of thinking long-term and comprehensive and do a good job in controlling the pollution of the agricultural ecology in accordance with the law. Agriculture is the foundation of the national economy. The problem with agriculture is not a problem for the agricultural sector per se, but a general problem affecting the national economy. We must think in these terms in order to control agricultural pollution successfully. By the end of this century, economic development must achieve a fairly high level if Chongqing residents are to enjoy a fairly comfortable standard of living. This is one issue that must not be overlooked. But how do we go about tackling the issue? There is so much to be done. There is a conflict between economic development and environmental pollution, but it is not an irreconcilable conflict. The key lies in how we try to reconcile one with the other. If we pursue economic development exclusively and overlook environmental pollution, ultimately the deterioration of the economic climate will hamper economic development. To deal with environmental pollution successfully in essence means reconciling short-term economic interests with long-term ones. In Chongqing, the agricultural population accounts for 76 percent of the city's total population and agricultural districts and counties make up 99.9 percent of the area of the city. What happens to the countryside will make or break the city's quest for a comfortable standard of living for its residents. This is a fact of life about the city. If we do not do a good job in rural areas, all the talk about achieving a comfortable standard of living will be just empty talk. Right now the key issue in economic development in Chongqing is whether agriculture can successfully effect the strategic shift to a high-yield, good-quality, and high-profit agriculture. The successful control of agricultural pollution, it can be seen from the above analysis, is an important prerequisite for this strategic shift. We must therefore instil the idea of thinking long-term and comprehensively. The agricultural, land, and environmental protection departments should cooperate fully with one another and do a good job in controlling pollution of the agricultural ecology in accordance with the law. If the targets cannot be reached immediately, a plan should be drawn up with a date for compliance. New projects must come with a pollution treatment and control plan besides an economic development plan. No project should be allowed to go forward without either one. Only thus can we effectively control the external sources of agricultural ecological pollution. In addition, we may consider imposing an agricultural environmental protection tax on enterprises. Revenue from this tax should be earmarked for a specific purpose.

3) Think in terms of science and technology, improve land quality, and enhance land productivity. We know from the above analysis that there are two main sources of agricultural ecological pollution; one is external to the agricultural system and the other within the system. According to data presented above, the utilization rate of chemical fertilizers in Chongqing is only 27 percent or so, and far more pesticides such as chlorine pesticides are used in Chongqing than in Sichuan or the rest of the

nation on average. The application of pesticides and inorganic fertilizers in Chongqing is unscientific. When farmland is subject to the predatory type of management, land quality declines, slowing gains in land productivity and hindering the effort to improve product quality. Therefore we must put an end to these unscientific situations in agricultural production, start thinking in scientific and technical terms, and prevent agriculture from polluting the agricultural ecology effectively. Apply pesticides and chemical fertilizers scientifically. Furthermore, perfect the peasant land contracting system by incorporating in it the evaluation of land quality.

### Jilin Corn Prices Remain High

93CE0763A Harbin HEILONGJIANG RIBAO  
in Chinese 3 Jul 93 p 8

[Article by Sheng Xin (4164 0207): "Corn Supply Is Tight; Price Tends To Stay High"]

[Text] Last year, the appearance of autumn grain on the market did not bring about a seasonal drop in grain prices in Jilin Province. On the contrary, the price of corn was about 9-10 percent higher than the same period of 1991. This year the price in corn-producing areas is expected to rise by 0.06-0.08 yuan per kilogram, compared with last year. Though the price on the corn market as a whole will not go up too much, it will, in all probability, stay unabated at a certain high level for the following main reasons:

1. Jilin, though a major corn-producing province, has witnessed a drop in output, resulting in a short supply of corn for sale at the negotiated price. In 1992 the total acreage of corn fields in Jilin shrank by 700,000 mu. In addition, the unfavorable weather caused a decline in the yield per unit area, hence a lower total output. The market supply was thus affected. This is a significant reason for the corn price hike in Jilin.

2. The increased need of corn for export has aggravated the imbalance of supply and demand. Since last year, the United States has decreased corn exports, and as a result, Japan and South East Asian countries have increased their imports from China. After establishing diplomatic relations with China, Korean has also bought large quantities of Chinese corn. This year China's corn export will soar to 3.8 million tons. Being a major corn-producing base, Jilin has to shoulder an even heavier task this year to supply corn for export. Moreover, because of the development of border trade, an increased amount of corn has been exported through local channels. All these have intensified the province's shortage of corn for sale at the negotiated price. Accordingly, the price has been pushed up.

3. There is an increasing domestic demand for corn as a means of production. In the first place, because of the development of the livestock industry, demand for corn as an animal feed has soared to more than 30 million tons a year. Second, with the advance of modern science and technology and the development of new products,

corn has become an indispensable material for chemical and other industries. The nation's pharmaceutical industry uses about 1.1 million tons of corn each year. The annual quantity of corn used by the light industry, including food processing, is estimated at 600,000 tons. Demands in this respect are increasing each year. Third, new advance has been made in the intensive processing of corn to make food preparations. Now, corn is no longer a coarse cereal as it was once thought to be. Because of its rich nutrition, corn has become a favorite food for consumers. Intensive processing of corn is now a fast-growing new industry. The increasing domestic demand has driven up the price.

4. Inadequate transportation facilities have added to the problem of supply falling short of demand. The main corn-buying areas, including Guangdong, Guangxi, Sichuan, Shanghai, Jiangsu, and Zhejiang, have long been beset with inadequate railway transportation. Serious shortage of transportation facilities has caused the corn price to stay high. It is a stimulant for the rising corn price.

Since the establishment of the grain reserve system, each year the state has purchased some corn as the nation's reserve to be used in regulating the price. If the corn price rises excessively this year, the state is expected to sell its reserved corn to push down the price. If so, the reserve corn will be a major instrument for stabilizing the grain market.

#### **Tianjin Summer Sowing Affected by Drought**

93CE0763B Tianjin TIANJIN RIBAO in Chinese  
26 Jun 93 p 1

[Report by Lu Dequan (4151 1795 0356): "Make a Success of Summer Sowing and Field Management by Focusing Efforts on Fighting Drought"]

[Text] The municipal government held an emergency teleconference yesterday calling on all districts and counties to immediately mobilize the departments concerned at all levels to launch a pitched battle of summer sowing and field management with efforts focused on fighting drought.

According to this year's plan, about 3 million mu of fields should have been sown in the spring. However, under the influence of a serious drought, which has been rare in the past 100 years, only close to 2 million mu were actually sown. This was about two-thirds of the plan. The other one-third was left for summer sowing. Besides the large acreage of unsown grain fields left over from last spring, there are 2 million mu of wheat fields that should be sown with other crops after the wheat

harvest. As a result, the summer sowing work has been increased this year. Latest statistics show that so far sowing has been completed in 1.75 million mu of fields in the municipality, while 1.138 million mu are waiting to be sown. As time is pressing, the most urgent rural task at present is to fulfill the sowing plan in good time so as not to waste the land. In addition, the seedlings that have grown out in some sown fields are not all in good condition because of the dry weather. This means that a very heavy task of field management has to be done this summer.

The teleconference called for prompt action to exploit water sources in all possible ways so as to ensure the fulfillment of the summer sowing task without leaving a single mu of land unsown. In those areas where sowing is rather difficult due to very poor water condition, it is imperative to display the spirit of never discarding the land and use every conceivable method to fulfill the task, such as conserving soil moisture for "dry" sowing or carrying water to the field to conduct dibble sowing. As for those fields that have already been sown, serious attention should be given to field management. The teleconference called on all departments concerned, including the departments of agriculture and forestry, farm machinery, water conservancy, electric power, petroleum, and agricultural materials, to meet the urgent requirements of fighting drought to do summer sowing. They were urged to act in good time and make prompt arrangements to supply the seeds, fertilizers, electric power, oil, and pesticides needed by the masses. Above all, the teleconference stressed the need to uphold the idea of winning a bumper harvest by fighting all natural disasters. The next few months will be a disaster-prone season. Drought, waterlogging, storm, hail, plant diseases, and insect pests may occur at any time. Particular attention should be given to plant diseases and insect pests, according to the teleconference.

Addressing the teleconference, Vice Mayor Zhu Liankang asked the first and second leaders of all districts and counties to personally attend to the current farm production work. He said: It is not enough to just rely on the functional departments and the leaders in charge of farm work to fight this pitched battle. Key leaders of all districts and counties should look into the real situation so as to get a clear picture of how things stand. Based on the real situation, they should seriously study the problems and make every effort to promote summer sowing and field management in a down-to-earth way. Immediately after this teleconference, all agricultural departments should form work teams and send them to the grassroots to give face-to-face guidance to the basic-level cadres and farmers and help solve actual problems arising in the anti-drought battle.

### Hu Jiwei's Views on Journalistic Freedom

93CM0387A Taipei LIEN-HO PAO in Chinese  
27, 28 Jun 93

[Article by Zhang Weiguo (1728 0251 0948): "All About Hu Jiwei (5170 4921 0251)—Affinity to the People and New Breakthroughs in Journalistic Freedom"]

[27 Jun 93 p 10]

[Text] China has again reached a critical moment in its history; will the ups and downs in the economy give rise to sensitive social problems, and these in turn bring about a political crisis. Persons concerned about developments in China have different views, and opinions of those on the mainland, who stand right in the center of the issues, should receive much more attention from the news media.

Hu Jiwei, former director and editor-in-chief of Communist China's RENMIN RIBAO, and the most outspoken and best qualified official in Communist China's top echelon, believes that China is indeed in a situation and in a trend both unprecedented in its history. He believes that by making economic construction the central concern, the ruling party and government adopting this as their continuous policy, and striving to increase individual prosperity and the entire society's wealth, China is becoming what the people had fervently hoped for, and that earnest action is being undertaken to that effect. This means that realization of economic prosperity has for the first time truly become the general value orientation of the entire society. Acceleration of economic construction and efforts to realize general economic prosperity are now engulfing the entire country like a huge wave. The recent amendment of the constitution and legalizing market economy have further contributed to make the above-mentioned beneficial trend irreversible.

Hu Jiwei also pointed out that although the present condition of China is not as good as the "foreign clique" will have it, China has resolved almost all of its problems, has become the best, and most developing country of the world, also that it is not, as the foreign media conjecture, in so serious a condition as if the last days of the world would soon be upon us; which are exaggerations to alarm and frighten people.

In recent times, China has engaged in the process of liberation of the mind, and in these years since the end of the Cultural Revolution, Hu Jiwei has done much work in this direction, under the leadership of Hu Yaobang [5170 5069 6721]. Especially at the height of the 1989 crisis, he got 50-odd members of the Standing Committee of the National People's Congress [NPC] to sign a petition calling for an emergency meeting of the NPC to recall Li Peng [2621 7720]! After the 4 June incident, Hu Jiwei was indeed for no apparent reason dismissed from his position as vice chairman of the Education, Science, Culture, and Public Health Committee of the NPC, and his status as member of the NPC Standing Committee

and as NPC delegate was annulled; he was also severely disciplined by being declared "retained within the party on probation." Nevertheless, this was the first attempt to resolve a political crisis according to proper legal procedure. Although the attempt failed, it was an exploration of the trend of the time and left the present generation with a valuable experience and lesson.

Throughout these years, the communist authorities incited all its leftist supportive princelings to launch an attack from all sides against Hu Jiwei's viewpoint that "affinity to the people ranks above party spirit." Hu indicated that he had written an article as a kind of counterattack. He does not care that he was not permitted to defend himself when living on the mainland. "It is really not worthwhile to write any kind of rebuttal." He emphasized in talking to this writer that "the people are indeed higher than the party, that is general knowledge. Moreover, the fact that the party set itself up high above the people is precisely the fundamental cause for the many errors in principle committed by us."

He spoke with much emotion when he said: "During the Tiananmen incident, was it the party or was it the people who appeared as great and glorious? The Tiananmen incident makes it clear that the people are great and glorious, are absolutely and completely great and glorious, while the party at that time showed itself as not at all great because it made use of scoundrels to suppress the masses! The critical point which decides whether our party is great is the way it treats the people. Facts have proven that the party has had its ignominious times when it divorced itself from the people, harmed the people, and even suppressed the people. If our party will in fact persist in its mistakes, if it will, fully realizing its mistakes, not mend its ways, if it will tarnish its greatness, its glory, and its correctly emblazoned banner, if it fails to fulfill its historical mission, the great and glorious people in this great society will in the end create another, a truly great and glorious political party. The people, who are the masters of the state, will be able, through a constitution formulated by themselves, and through democratic procedure, to entrust that political party with the important task of leadership of the people."

Hu Jiwei repeatedly emphasized that people occupy the primary position, are on top of everything else. There was no mistake on his part in believing that "affinity to the people ranks higher than party spirit," but rather the contrary is true, namely that there is nothing more certain, more distinct, more unshakable than his persistence in "ranking affinity to the people above party spirit." He believes himself to be a true Marxist, and thinks that those leftist little princelings, who display the Marxist banner, are only a motley rabble. "The way they criticize me for deifying the people actually reveals that they want to deify the party."

It is general knowledge that Hu Jiwei is presently the standard-bearer in mainland China for all those who advocate the new freedom. When he served as member of the NPC Standing Committee he organized the

drafting of the new press law, a law which was later aborted. After a separation of four years, we again met in the United States, and press reform and journalistic freedom were the main topics of our conversation. Hu indicated that generally speaking there is no journalistic freedom in China. This means, no freedom to publish important news, no freedom to discuss important political questions or publish relevant speeches, and no freedom to discuss important theoretical questions. Without these freedoms, freedom of the press in China is out of the question, because these freedoms are the major content of journalistic freedom. However, you cannot deny that in this respect press circles in mainland China have achieved some breakthroughs. They published in Shanghai's XINMIN WANBAO an article on the changes among Chinese high-level military personnel, and published the news of Wang Dan [3769 0030] being released from prison. Beijing's QINGNIAN BAO printed a report about the suicidal jump from a building by a professor with extreme leftist leanings. NANFANG ZHOUMO printed an article "On the Nature of Dogs," which appeared in RENMIN RIBAO, and criticized the characteristic "dog nature" of those leftist princelings and portrays them remarkably true to life.

As to his own political article, entitled "Anti-Leftist Memorandum," published in CHANGZHANG JINGLI BAO of Chengdu, he has had no trouble with it. He said, in fact some of us are too sensitive; we assume that if we want to publish something like this, it will be prohibited, but that is actually not happening. The reason is that those ignorant and incompetent bureaucrats don't read; they are uneducated, and would also possibly not understand it. Another reason is that there are now too many newspapers and magazines, they cannot possibly read and control them all, and will actually not be able to keep them all under surveillance.

The author of this article, Zhang Weiguo, was formerly reporter of Shanghai's SHIJIE JINGJI DAobao [WORLD ECONOMICS HERALD]. He is now in the United States, engaged in interviewing and research.

[28 June 93 p 10]

Another breakthrough in mainland China for freedom of the press is, in Hu Jiwei's opinion, the oral dissemination of news. When people now talk in mainland China, there is, one may say, extreme freedom. In buses, on trains, in all public places, on university campuses, and in restaurants, people talk freely about everything. There are at least two kinds of freedom involved here, the freedom to speak and the freedom to be silent, while there was none of these two freedoms during the Cultural Revolution. At party meetings in the past, you simply had to express an opinion. If you now attend this kind of meetings, nobody cares whether you do your knitting or read a novel. Here we have to analyze specifically, and must not make sweeping statements. We can say that in these respects the mainland is in a continuous process of vigorously advancing, and all quarters are out to achieve

breakthroughs by every possible means. However, overseas news media are now very deficient in their reports and information in this respect, and speaking more seriously, their assistance is counterproductive. As things are in China, some things can only be spoken, but must not be loudly publicized.

As to the decadence in journalism in the wake of the general decadence of the Chinese communist system, Hu acknowledged that it is really bad, but after a certain period of time it may in future play a "good" role. The press tried to educate the people by reverse examples, but it finally became decadent itself, could not remain upright and had to collapse.

In Hu Jiwei's opinion it will not be possible to get a press law under present conditions on the mainland; the entire society is still under a system of rule by personal authority. The intention of the mainland China authorities in drafting a press law was to control the press by means of the press law. When he, Hu Jiwei, drafted the press law, the main purpose was: The press law shall mainly be a law that protects freedom of the press. It was proposed that the press law would be applicable throughout the whole society, and include that leadership at all levels would have had to observe the provisions of the press law. They opposed the establishment of private newspapers, but Hu Jiwei emphasized that the people of a democratic country must have freedom of speech and freedom of publication. These two freedoms comprise freedom of operating news organizations. Due to these disagreements and confrontations, the authorities simply did not go on with it. The idea of not going on is to leave everything in a lawless state, which then allows them to control everything.

In view of the growing number of lawsuits arising among press circles, Hu Jiwei indicated that according to actual conditions, the situation is unmanageable without a press law, as adjudication becomes most difficult. However, if one were truly to go ahead with it, it will also be extremely difficult. It is like trying to formulate a law governing political parties, it would touch on some fundamental problems of the system, it would be an important law and could not be accomplished all at once. Even if that is so, there can still be some breakthroughs. For instance, RENMIN RIBAO was once simply "suzerain," but today it could be brought to court. SHENZHEN TEQU BAO published a full-page special article entitled: "RENMIN RIBAO on the Seat of the Defendant." This really is not an easy breakthrough.

Even though he is full of confidence as to the future of mainland China, he also acknowledges: The Chinese Communists could only gain political power because they relied in those days on making the greatest benefits for the largest sector of the population their point of departure and their objective. However, what they could do then, they cannot necessarily do today, or maybe it is not that they don't want to listen to the voice of the people and follow the will of the people, but times have changed. Starting out from traditional viewpoints will

not meet the common aspirations of the people, and it will even less be possible to achieve that by using traditional methods. This is precisely a fundamental problem in China's future political development.

On the basis of his analysis and research, Hu Jiwei concludes that the aspirations of the people are showing some new characteristics. Popular feelings are not uniform, and the will of the people changes; they do not reverse: single, traditional value orientation. We have to view this change in an attitude of equanimity and mutual equality, and with a common general understanding. This, then, is the result of social development and progress, the beginning of cultural renovation. The Chinese have begun to want to be free to choose, to acquire knowledge, to create, and to realize their own new value orientation. They want to establish a social environment and a social order in which each individual has rights, has the preconditions, and has the opportunity to realize the value orientation which he himself recognizes. Throughout the entire discussion, Hu Jiwei was particularly emphatic in pointing out the deep impact of the free economic development in mainland China. He believes that once the people's economic demands have blossomed forth, and once these are recognized, they can never again be repressed. First of all, the traditional forms of people ordering people about have lost every reason for their continued existence in the face of the economic demands of the people. This will have a major impact on the political system, legal system, and on the restructuring of the new culture and mentality. It will induce new transformations, and no power will be able to hold back the Chinese people from creating economic prosperity, and at the same time creating happy lives for themselves.

The difference in Hu Jiwei, who is now 76 years of age, from four years ago is his white hair. Walking up stairs, his knees are not too nimble, but he insists on a one hour walk every morning. When together with his friends, he still talks cheerfully and humorously, unaware of approaching old age.

### Ten Major Changes in Social Mentality

93CM0388A Hong Kong TA KUNG PAO in Chinese  
24 Jun 93 p 7

[Report: "The Idea of Getting Rich Is Widely Accepted and Given Foremost Importance—The Idea of 'Being an Official' Is Being Embraced Ever Less Intensely, There Is a Tide of Going Into Business"]

[Text] A survey indicates that there are 10 major changes in social mentality in China.

The first change is that the idea of getting rich is widely accepted by all in the nation. Not only individual households, but also party and government cadres, intellectuals, and students all have a strong desire to get rich.

The second change is that people have increased their psychological capacity to handle the strong outside pressures resulting from the development of market economy. Implementation of some reform measures, such as raising the prices of grain, edible oil, meat, and eggs, did not cause social disturbance.

The third change is that the low-income stratum's practice of criticizing and comparing themselves with high-income stratum people is being gradually replaced by competition between people of these two categories.

The fourth change is that the idea of being an official is being embraced with obviously less intensity. Over 80 percent of college graduates would like to find jobs in enterprises, companies, and economic entities.

The fifth change is that many party and government cadres and intellectuals would like to go into business.

Because people have found a certain new spiritual pillar in the bustling economic life, the sixth major change in social mentality is that the sense of being lost resulting from a crisis of belief has disappeared.

In addition, people have improved their understanding of the issue of resources; extension of the concept of resources has been enlarged. This can be said to be the seventh change. Trained personnel, science and technology, land, and information are all regarded as important resources. And all resources provide people with opportunities to get rich.

The eighth change in social mentality is that in terms of their mentality people have changed from fearing change to desiring change, and from favoring radical reforms to favoring rational reforms.

The ninth change is that people are becoming increasingly tense mentally, and that their sense of crisis regarding living has been enhanced.

The 10th change is that reform is now a process in which democracy and efficiency promote each other. Most people believe that it is necessary to choose efficiency first, and to promote the reform of the overall system by developing the economy. (Excerpted from ZHONGGUO GUANGBO BAO.)

### Anti-Corruption Efforts Intensified

93CM0388B Beijing FAZHI RIBAO in Chinese  
28 Jun 93 p 1

[Report by Han Yanrong and Peng Wenyaoyao: "Disciplinary Inspection Offices in the Localities Intensify Efforts To Promote Clean Government"]

[Text] The more reform and opening to the outside world advances, the more it is necessary to strictly enforce party discipline and to rectify party conduct. In recent years, under the new situation regarding reform and opening to the outside world, disciplinary inspection offices of the party organizations at all levels nationwide

have continuously enhanced their organizational and institutional development, fully played their functional role, investigated, and taken actions on many cases of party members violating discipline, thereby making positive contributions to maintaining the purity of party membership, rectifying party conduct, and promoting clean government.

According to incomplete statistics, in the five years of 1987-1992, disciplinary inspection offices at all levels nationwide investigated, and took action on over 874,000 cases of party members violating discipline, took disciplinary actions against over 733,000 party members, of which over 154,000 were expelled from the party, and of which over 42,000 received criminal penalties. Of those party members who received disciplinary action, over 16,000 were county- and regiment-level cadres; 1,430 were prefecture- and division-level cadres; and 110 were provincial- and army-level cadres.

It is reported that against the background of continuing and developing reform and opening to the outside world that the work of the party's disciplinary inspection offices at all levels has been improved and enhanced. Currently, the party has over 97,000 disciplinary inspection offices nationwide, with a total of over 200,000 full-time disciplinary inspection cadres. At the same time, important regulations, rules, and measures on enhancing the work on party conduct, party discipline, and promoting clean government have been put into effect over time. Since 1979, the CPC Central Committee, the State Council, and the relevant agencies have, in succession, formulated "Certain Regulations on the Material Benefits Enjoyed by High-Ranking Cadres," "Certain Rules and Principles Governing the Party's Internal Political Life," "Certain Regulations on the Party's Disciplinary Actions Against Party Members Who Violate Socialist Morality," etc. In addition, in view of the prominent problems in different periods, many pertinent regulations and rules have been formulated. For instance, the CPC Central Committee and the State Council formulated, in succession, over 30 documents to deal with the issue of some units and individuals using public funds for eating and drinking; issued 17 important documents in succession to deal with the issue of some party and government offices and cadres going into business and running enterprises; issued "Provisional Regulations on Imposing Administrative Penalties on Employees of the State's Administrative Agencies Who Have Embezzled or Received Bribes" to deal with the issue of a small number of party and government cadres who embezzle and receive bribes; formulated and promulgated the "Provisional Regulations on the Party's Disciplinary Actions Against Party Members and Other Responsible Persons Who Participate in Visiting Prostitutes and Prostitution Activities" to deal with the rampant phenomena of corruption in the party, etc. These regulations and rules ensure and monitor efforts to enhance the party's disciplinary inspection work, improve party conduct, and promote clean government.

### Causes of Ineffective Control Over Pornography

93CM0390A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 24, 14 Jun 93 pp 12-13

[Article by Li Qin and Ma Yuan: "Suppress the Surging Pornography Tide"]

[Excerpts] This is a dangerous sign.

In some provinces and municipalities, street book stands are again displaying disgusting pornographic publications; theaters and establishments showing pornographic videotapes in some bustling areas in cities have resumed their business; the amount of illicit publications in the hands of juveniles is increasing . . . [passage omitted]

Huge profits drive people to do things, this is the reason why some lawless elements defy the danger involved. But the reason why they can succeed is also that our system is not fully developed, so that the lawless elements can exploit the loopholes.

According to people from the news and publishing community, problems in the system are: First, our management system is not fully developed; not all necessary institutions are established; the division of labor is not clear; and there are multiple authorities on a relevant matter. For instance, there is no office specifically in charge of eradicating pornography in Guangdong, the province which is in the forefront of reform and opening to the outside world. The Provincial Comprehensive Improvement Commission is in charge of the work of eradicating pornographic publications, music and video recordings, with the Provincial Social Culture Regulatory Commission being responsible for providing support. It is very difficult for such an agency to coordinate the work of cultural, radio, television, news, publishing, industry and commerce, and public security organizations and agencies; as a result, the pornography-eradicating effort has failed to produce real results. In terms of the situation nationwide, the National Pornography Eradication Office was established in June 1989 with only a few people. They have to study trends regarding illicit publications, coordinate pornography-eradicating work at all levels, and appraise the publications of the central-level publishing houses; thus they have little time and energy to investigate, and take actions on cases. Currently nationwide, in most localities there are no media-supervising offices of a level lower than the prefecture-city-county level. Thus, it is difficult to conduct routine supervision with regard to activities of manufacturing illicit publications.

Second, problems of personnel and financial resources remain unsolved. The force of cultural law-enforcement workers is weak. Currently, in the three provinces of Guangdong, Fujian, and Zhejiang, only Shenzhen and Zhuhai have permanent cultural inspection personnel; the other prefectures and cities either have part-time inspection personnel or have a mixture of part-time and full-time personnel. The personnel quota problems besetting some prefectures and cities in regard to their

inspection personnel remain unsolved after the passing of so much time; thus it is difficult to stabilize the personnel situation. Many localities do not have the necessary financial resources. As there are no funds for handling cases, some cases are left in an inconclusive state.

Third, laws are not enforced strictly, and there is no effective crackdown, resulting in a failure to effectively deter the criminals engaged in manufacturing and peddling pornography or in activities of manufacturing illicit publications. In regard to the law, China does not yet have a publishing law. Thus, offenders engaged in manufacturing illicit publications can only be dealt with on the basis of referring to laws on profiteering. As the practice is to refer to the laws, there is much flexibility, resulting in a failure to take timely, severe actions against some offenders. In recent years, the National People's Congress, the Information and Publication Administration, the Ministry of Radio, Cinema, and Television, the Ministry of Public Security, the Supreme Court, and the Supreme Procuratorate have all formulated and promulgated some decrees, laws, or rules, but the decrees, laws, or rules are scattered. Especially, even the public security and procuratorial agencies as well as courts in some localities are not clear about the regulations issued by the news and publication agencies, resulting in the phenomenon of lacking a legal basis for handling cases of illicit publications.

Fourth, it takes too long to appraise obscene publications, and as a result opportunities are often missed. Currently, only provincial-level agencies in charge of regulating news and publications have the authority to appraise obscene publications. Prefectures and cities send the publications to be appraised; but when the appraisal results are issued, the relevant books on book stands are already sold out. Public security departments also say that after arresting suspects, it is necessary to release them if affirmative appraisal results are not issued within 24 hours. It happens from time to time that an appraisal report is received only after the suspect is released.

Fifth, there are too many printing enterprises that are poorly managed. In recent years, of township enterprises, printing houses are the ones that have developed the fastest in some localities. As the investment involved is small and there are quick returns, there are now over 100,000 printing enterprises nationwide. As printing capacity is larger than printing demand, some printing enterprises are so starved as to eat anything, and operate illegally. According to the state's regulations, printing enterprises can print books only if they hold book-printing permits. But there are only over 4,500 businesses which have printing permits. Businesses that do not have printing permits secretly print illicit books, thereby providing a convenient way to manufacture illicit publications.

All these problems in the regulatory system make it possible for a small number of lawless elements to

exploit opportunities. This should arouse the attention of the departments concerned. [passage omitted]

### Anti-Larceny Campaign Intensified

93CM0364A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 23, 7 Jun 93  
pp 13-14

[Article by Li Li: "China Intensifies the Fight Against Larceny"]

[Excerpt] Larceny now accounts for around 80 percent of all criminal activities in China, thereby having serious adverse effects on social order. The departments concerned in the central government and local governments at various levels have now adopted forceful measures in an intensified effort to combat larceny.

China set up the Central Committee for Comprehensive Management of Public Security as early as September 1991, and promptly held the national telephone anti-larceny conference, completely activating the all-round mechanisms of comprehensively improving the public security situation, and putting into effect the various measures to produce comprehensive improvement, thereby firing the first shot in the anti-larceny battle. According to relevant agencies, since its founding over a year ago, the committee has conducted large-scale anti-larceny operations that have deterred criminals, thereby stopping—in a preliminary manner—the rapid growth in crimes. As people in Jiangsu, Sichuan, and Heilongjiang have indicated in their answers to questionnaires, 80 percent of the people are satisfied or basically satisfied with the state of public security, and the index of the public's sense of security has grown to some extent.

After the Central Committee issued its instructions concerning the anti-larceny campaign on 3 September 1991, many provinces and municipalities have launched crime-fighting operations at different times respectively.

First, the public security agencies at the localities determined the major targets of their crime-fighting operations on the basis of considerations of actual situations in the localities. For instance, Beijing Municipality concentrated its crime-fighting effort on such criminal activities as stealing motor vehicles and bicycles, unlawful entry by breaking locks, and stealing farm-use transformers. Hebei Province concentrated its crime-fighting effort on such criminal activities as insider thefts, burglaries, picking pockets, and pilfering oil. Shandong Province concentrated its crime-fighting effort on organized crime, roving bandits, and insider-assisted crimes. Provinces and municipalities such as Tianjin, Fujian, and Shanxi also took immediate actions, and carried out the first concentrated operations in late September 1991, and produced prominent results.

During 18-30 September alone, Fujian Province's public security agencies captured 1,256 criminals; uncovered—and arrested members of—200 crime gangs, of which 106 were gangs of thieves; broke 2,331 criminal cases of

various kinds; seized 68 automobiles and motorbikes, 1,300 bicycles, and 1.84 million yuan in stolen money; and captured nearly 1,000 roving criminals, murderers, and robbers. Shanghai uncovered a crime gang of over 50 members, which had conducted over 100 criminal operations, stealing goods worth 1.32 million yuan; and also uncovered a crime gang called "Dongfang Moren General Company" which specialized in opening safes. The gang had over 100 members, roved across 14 cities, and conducted 256 criminal operations, stole 440,000 yuan, large amounts of foreign currencies, and other things.

The nationwide anti-larceny campaign resulted in the capturing of a large number of notorious criminals and habitual criminals, thereby getting rid of some criminals who harmed the people, effectively contributing to the maintenance of social stability, and promoting the development of production. Consequently, some habitual thieves became disconcerted and came to be in a constant state of anxiety. Within only one month after Shanghai's public security and procuratorial agencies and courts jointly issued the circular urging thieves and other criminals to turn themselves in to the authorities, 1,227 people turned themselves in to the public security agencies or the security departments of their own work units. There were countless numbers of instances in which people reported criminal activities or made citizen arrests, and the standard of social conduct obviously improved.

The anti-larceny campaign has produced initial results, but it is still necessary to promptly review the experiences and find out problems, and consolidate and continue the campaign. The Central Comprehensive Improvement Commission promptly held the national seminar on anti-larceny campaign in August 1992 in Dalian.

At the conference, Qiao Shi, former chairman of the Central Committee for Comprehensive Management of Public Security pointed out: "Continuing the anti-larceny campaign is an important part of the effort to enhance and reform legal work, and to do a good job of effecting comprehensive improvement in the public security situation, so as to provide protection and create

conditions for the acceleration of reform and opening to the outside world and for economic development." Because, since the early 1980s, larceny has become increasingly rampant. There have been light cases such as those of unlawful entry by breaking doors and stealing various goods, and also such serious cases as those of stealing large amounts of cash from banks and stealing state-owned materials and equipment as well as parts of irrigation, electrical power, and communications facilities. All this seriously adversely affected people's normal lives and work, had detrimental effects on the standard of social conduct, and hampered the development of social productive force. For instance, during January-November 1991 alone, the railway sector had over 270,000 meters of its communication wires stolen, resulting in the hampering of train operations and communications for 693 hours. Qiao Shi emphasized that the purpose of the anti-larceny campaign was to protect the development of production, and that mobilizing all social sectors to join the effort to put into effect the various measures to produce comprehensive improvement in the public security situation was even more a part of the effort to create a good social environment for the development of social productive force. All localities must give great emphasis to the anti-larceny campaign, and make substantial real progress in producing comprehensive improvement, so as to create a good foundation for future development.

Qiao Shi also specifically pointed out that in conducting the anti-larceny campaign, it is necessary not be mainly concerned with how much noise was made or how many arrests were made, but be mainly concerned with striking accurately and hard on the basis of conducting adequate investigation, analysis, and making adequate preparations.

Launching the anti-larceny campaign is totally in line with the effort to put into effect the main ideas of Deng Xiaoping's southern inspection remarks, and represents a necessary accompanying measure to provide support for reform and opening to the outside world, said Ren Jianxin, chairman of the Central Committee for Comprehensive Management of Public Security, at the conference. [passage omitted]

### KMT Works for Its Own Destruction

93CM0394A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 325, 5 Jun 93 p 11

[Article by Ssu-ma Wen-wu (0674 7456 2429 2976): "KMT Works for Its Own Destruction; DPP Waits To Take Over"]

[Text] The rise and fall of any undertaking have their omens. Now, the KMT has shown signs of downfall. Everywhere, from the central to local levels, from party organizations to the parliament, and from the government to the mass media, you can hear talks that the KMT will have to step down soon. Such talks play an educational role in society, making people mentally prepared for the Democratic Progressive Party [DPP] to take over the power.

Two bills proposed recently by KMT legislators have badly hurt the image of their party. These self-destructive acts prove that the KMT is dwindling.

The first bill proposes that each year a legislator can request a NT\$50 million subsidy for local construction projects. Most of these projects, however, are used as a means to reward the legislator's supporters. This legalizes privileges and embezzlement. To satisfy the demands of its own legislators, however, the KMT has connived at such a political-blackmail proposal, setting a bad precedent in the Legislative Yuan.

The second bill, presented jointly by KMT legislators, states that legislators may pick out those heads of ministries and commissions and key leaders at various levels who are inappropriate for their posts. According to this bill, inappropriate officials may be removed from office at the proposal of their respective party caucuses in the Legislative Yuan.

This bill seems to have a high-sounding justification, for it aims principally at those who "are slack in their work, have a bad reputation, act seriously against the people's will, and cause damage to the nation and society." Nonetheless, if this bill is adopted, our civil service system will collapse, and the legislators will do even more to use their influence for personal gain. Today the arch culprits acting seriously against the people's will and causing damage to the nation and society are no other than the legislators. Signed jointly by legislators of all factions in the KMT, the bill has induced great resentment from society and invited extensive reaction from public servants.

In fact, the motive to submit such a bill is to check and balance the DPP's growing influence on various administrative departments. KMT legislators have often felt that administrative departments are now more amicable to the DPP than the KMT. So they introduced this bill as a warning to the administrative departments. But using force to frighten others will obviously lead to the opposite.

During the last one or two years, the DPP has grown up steadily and won increasing trust from all social sectors. It has also contributed significantly to exposing the government's malpractice on the basis of the information provided by various administrative departments. Experience shows that if such information were obtained by KMT legislators, it would most likely be used as a chip to blackmail those who have committed the malpractice. In contrast with this, most DPP legislators are bold in exposing the malpractice. It is not without reason that the DPP's image has improved while the KMT's is declining.

Yet the KMT refuses to acknowledge this phenomenon. Still less does it want to make a self-examination. Now, it has gone thus far as to dish up such an unwise strategy, namely, to openly exert pressure on public servants with a bill initiated by its Legislative Yuan caucus. This is tantamount to digging its own grave and enabling the DPP to come to power sooner.

It appears that the DPP must take over the reins.

### Politics of Shouting Slogans Criticized

93CM0394B Taipei HSIN HSIN WEN [THE JOURNALISTS] in Chinese No 328, 26 Jun 93 p 50

[Article by Chi Yen-ling (4764 1693 7117): "The More Saliva, the Smaller the Brain; the More Slogans Are Shouted; the More Deceptive Is Politics"]

[Text] While the 14th KMT Congress has yet to be convened, the party's mainstream and nonmainstream factions have begun repeatedly accusing each other of shouting empty slogans with neither sincerity nor action. Li Teng-hui said: "Those with no intention to unite please don't shout slogans." Liang Su-jung criticized: "Those in authority are talking about unity day in and day out. But unity is not simply a slogan."

As a matter of fact, in this "slogan battle" the accusations hurled by both the mainstream and nonmainstream factions are reasonable. The unity stressed by the mainstream means: "Don't oppose us. Don't deliberately speak or act against us in every respect." Members of the nonmainstream faction are holding secret meetings everyday. They have even rigged up an anti-party organization, "New Tung Meng Hui," to contravene the party Central Committee. What kind of unity is this! The unity advocated by the nonmainstream faction means: "Don't plot to strike at us. Don't try to be amicable in speech but take petty and mean actions in secret." Li Teng-hui has said that he would like to have Hao Po-tsun assume the vice chairmanship, but secretly he is arranging to install three vice chairmen instead of one. Obviously, he wants to thus dilute the power of "Vice Chairman Hao." What kind of unity is this!

The KMT has harped on the theme of unity for decades, but the louder it shouts the slogan of unity, the more divided it is. As Li Teng-hui has said, "Sometimes those talking about democracy are the least democratic." With

a slight change, this remark can be reworded: "Sometimes those talking about unity are the most divisive." This applies to both the mainstream and nonmainstream factions.

"Stressing slogans but ignoring real action" is a unique culture of Chinese-type politics. Unity is a slogan, and so are the public-security cabinet and all-round cabinet. Rampant spreading of slogans has engendered "slogan politicians" and "slogan politics." These politicians use slogans to hoodwink the public, and such politics relies on slogans to whitewash itself. So no major meeting would be successful without slogans, spiritual tenants, and a magnificent declaration.

"The more saliva, the smaller the brain." This is a criticism against certain people. It will be more deplorable if a political party is bent on designing slogans day in and day out as the KMT is doing these days. Its members are haggling endlessly over the wording of the party constitution, political program, and declaration to be presented at the 14th congress as a way to contend for power but totally ignoring the policies and systems they should be devoted to.

No matter how beautiful the party constitution, program, and declaration, they are like phoenixes on a screen. Beautiful as they are, they are lifeless. The people have no time to read and study them word by word, page by page. It is even more unlikely that they will become more in favor of a particular party because its declaration is well worded. They want to see the results of the party's policies, not its writing skill. For instance, the KMT has changed the description "revolutionary democratic party" in its party constitution into "democratic party with a revolutionary spirit." Perhaps, in the eye of the KMT itself, the new description encompasses both the tradition and the reality and represents an essential change in the party's nature. To the people, however, the two descriptions make no much difference. What they want to see is a change in style, not a change in wording.

The more slogans are shouted, the more deceptive is politics. The more beautiful the slogan, the more ugly the political ploy. This is simple logic. A truly beautiful woman does not need a lot of cosmetics. If a politician or a political party depends on slogans as a cosmetic, it can be imagined that the politician or the party must have some shortcomings to hide from the public. As a woman with heavy makeup is criticized as vulgar, a politician or a political party resorting to heavy makeup perhaps can only be described with the same word—vulgar!

#### 'Underground Secretary General' Profiled

93CM0394C Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 326, 12 Jun 93 p 18

[Unattributed article: "Feng Hu-hsiang Acts as Secretary General of the 'Underground Party Headquarters'"]

[Text] National Central University Professor Feng Hu-hsiang has played an extremely significant role in recent

meetings of the nonmainstream faction. He is a go-between for all major meetings, serving as a liaison with party and government bigwigs, scholars, and mass media representatives. He has made overall arrangements for the themes of the meetings and subjects to be discussed. His function resembles that of the secretary general of an "underground party headquarters."

Feng Hu-hsiang has long been associated with the non-mainstream faction. At one time he was engaged by the Executive Yuan as an advisor, forming a close relationship with Hao Po-tsun. As he is a member of the Society for Strategic Studies, his relationship with Chiang Wei-kuo is undescribably close. One of Chiang Wei-kuo's students, Chi Mao-chi, who once studied at the Far East Institute of the National Chengchi University, was engaged as a faculty member of Central University when Feng Hu-hsiang was the dean of the university's Liberal Arts College. All these have forged a close relationship between Feng Hu-hsiang and the nonmainstream bigwigs.

Feng Hu-hsiang is a well-known personage. Of late, he has become active again mainly because he was forced to leave the post of director of CHENGCHIH PINGLUN last year. With a strong aversion to the mainstream faction, he began to carry out step by step a series of "anti-Li" activities. At first, he started a journal—KUOSHIH PINGLUN, which is almost totally devoted to criticizing the mainstream faction and Li Teng-hui. Then, he used this journal to amass public figures from academic circles and members of the parliament to form an "anti-Li" core group. This group has constantly held forums, performing the function of an "anti-Li" headquarters.

During February and March, around the time of Hao Po-tsun's resignation, Feng Hu-hsiang together with lawyer Lin Hsien-tung organized a "Great Alliance To Support the Constitution and Save the Nation" to carry out vigorous "supporting Hao" and "anti-Li" street demonstrations. Scenes of Feng scuffling with police and MPs could be seen frequently in front of the KMT Central Headquarters and Li Teng-hui's official residence. A cursory viewer might mistake him for a radical of the Democratic Progressive Party. Feng is a full reflection of the dramatic change in Taiwan's politics in recent years. In particular, the fact that Feng, a former secretary to Chiang Ching-kuo, is now an "anti-Li" figure at the core is indicative of the reality of the old regime being succeeded by a new one.

Because of his involvement in the "Taiwan University Philosophy Department Incident" and frequent disputes with non-KMT journals, public opinions on Feng Hu-hsiang are polarized. He is a rather controversial person in the academic community, but he has marvelous vigor and vitality. Especially under the present unfavorable circumstances where the nonmainstream faction is "speaking more than doing" and making "loud thunders but little rain," Feng Hu-hsiang's energy is a remedy. For this reason, Chiang Wei-kuo is highly appreciative of

Feng, who he says is much more considerate than Hsu Shui-te in conducting himself and dealing with people.

Feng Hu-hsiang is not only active within the island, but also splashy overseas. He has close contacts with mainland democratic activists staying overseas. He arranged for the visits to Taiwan by Chai Ling, Wu-erh Kai-hsi, and Li Lu. He opposes Taiwan's independence as well as communism and is working on an ambitious "cause." The power holders on both sides of the strait view him as a big headache but can do nothing about him. In the middle of last month (May), some "New Alliance" members visited Hong Kong. Feng joined them on the visit to make observations. He took the opportunity to discuss the "anti-Li" line and strategies with the "New

Alliance." But the "New Alliance" is vigilant against him. The main reason is that the "New Tung Meng Hui," which Feng is actively organizing, wants to draw the "New Alliance" into its sphere of influence, and therefore, may not be in the interest of the latter's development.

Persistence and firmness in his political stand is Feng Hu-hsiang's strong point. However, sometimes he is so persistent and firm that some nonmainstream moderates are hesitant to associate with him. This is his shortcoming. Anyway, being eloquent and agitating in speech, he is an appropriate person for leading mass movements. So some people predict that he will plunge into elections sooner or later.

**Key Issue in Sino-British Talks**

93CM0365A Hong Kong TANGTAI  
[CONTEMPORARY] in Chinese No 26, 15 May 93  
pp 13-15

[Article by Hung Ch'ing-t'ien (3163 3237 3944): "Operating the '97 Express: The Central Issue in the Sino-British Negotiations"]

[Excerpt] [passage omitted] How to operate the "express train" has always been at the center of the deadlock between China and Britain. Half a year ago, while the Chinese and British were arguing ceaselessly over seven diplomatic exchanges, in a "Political Infrastructure" column published in HSIN PAO on 10 November 1992, I said: "Since Christopher Patten came to Hong Kong, the whole problem of the political system has been that 'both sides made the mischief,' and now 'both sides must make amends.'" It was the Chinese, in the beginning, who wanted the British to check the tickets of Legislative Council members in 1995, and not to allow all the legislators who will be freely elected in 1995, to continue in office unconditionally. At this point, the British changed their policy toward Hong Kong. Since there was to be no uninterrupted continuity, they would then go their own way. In that column, I suggested that the solution is for both sides to come back to their joint program of the unconditional express train.

It is said that the concept of the express train was suggested by the British, and that the Chinese had serious reservations about it in the beginning, but later accepted it for the sake of stability, and also to stretch out the period of transition. The reason the Chinese and British reached agreement on the express train, was that each side had its own plans, needs, and something to gain. The British side, by means of the express train, can prolong, beyond 1997, the influence it derives from the fact that Hong Kong has a British-style organizational system. Naturally, there is something in this for the British. The Chinese also, by means of the express train, can painlessly negotiate a transfer of sovereignty, that otherwise, could have been a disaster, leading to shock and disintegration; this way, 1997 will no longer be 1997. As for the people of Hong Kong, that this once-in-a-century transition should pass by without their being aware of it, and that their familiar way of life should get a "reprieve" of 50 years, is like an answer to their prayers. This, we could say, is a plan where "all three sides win."

But in practice, the Chinese have made thorough use of the express train question to impede British governance prior to 1997. If the British take any action, large or small, of any kind, that the Chinese do not like, then the Chinese will say that the British are in violation of the bilateral agreement on the express train, and want to change Hong Kong into a substantially different place, create a "fait accompli," and then force the Chinese to accept it. The Chinese consented to 50 years without changes, and to the express train concept, but sometimes

they say that the standard is the situation in 1984, when the joint Sino-British statement was signed, and sometimes they say that the standard is the situation in 1990, when the Basic Law was promulgated. The Chinese continually keep Hong Kong stuck at those two dates, and do not permit the British to make any changes that they do not like. It could be said, that the express train concept allows the Chinese to restrict British governance, and make the British into a "lame duck." For the British, the benefits of the express train will only appear after 1997, but for the Chinese, the benefits are already fully in action before 1997. When David Wilson was governor of Hong Kong, he couldn't hold his ground at all. No one expected that valiant troops would arrive in Hong Kong, and the British would strike back at last.

In the first and second drafts of the Basic Law, there were already many restrictions on home rule for Hong Kong, and the final draft "piled on more." The mechanism of checking tickets on the express train was put in at that time.

The reaction of the people in Hong Kong to the 4 June incident of 1989, added to the results of the direct elections for the Legislative Council in 1991, made the Chinese side more uneasy. The Chinese will not be content until they get rid of Li Chu-ming [2621 2710 6900] and Szu T'u-hua [0674 1778 5478]. But if the "tickets are checked" only in 1997, then this will certainly lead to an upheaval, that could endanger stability during the transition. The Chinese then demanded that the British check the tickets for them before 1995. This truly put the British in a tough position. As far as the British were concerned, the Chinese side had strenuously exploited the express train concept. Their repeated concessions, have been matched by repeated encroachments by the Chinese. The Chinese demand that the British check political credentials at the time of the 1995 elections, could be described as an insult to the British. When they could not make any further concessions, the British saw no reason not to change their strategy in regard to Hong Kong. The ticket-checking system makes everybody nervous.

The seven diplomatic exchanges between the Chinese and British, show that the two sides already had an agreement in 1990. The British agreed that the Election Committee for the 1995 Legislative Council elections would be constituted in four divisions, as the Chinese proposed, on condition that the Chinese agree that all the councilors elected in 1995 remain in office until 1999. After the 1991 election, Chinese statements and actions were such as to convince the British, that the Chinese did not really intend to observe the agreement reached in the seven exchanges, and that they themselves had no further obligation. They then took advantage of a gray area in the Basic Law. Perhaps the British goal is to get back to the express train concept, and Patten's political posturing is nothing but a feint. If so, then Patten could abandon all his proposals on the elections, but cannot abandon the express train concept. If he can only get back to the uncompromised express train concept, then

that will be a great success for him. But the express train question is just where the difficulty lies for the Chinese. Because of the express train question, the two sides are having the fight that they have avoided for the past 10 years. The whole affair arose because of the express train. The Chinese cannot give in, and the British cannot give in either.

All of Hong Kong society, including political circles, strongly support the unconditional express train concept. An unbroken string of opinion polls proves this. For people in political circles, unconditional continuity is both a question of principle and expediency. So far as principle is concerned, the representatives elected by the people of Hong Kong, should not undergo another political inspection by the Chinese, or else their election will have no great meaning. As for expediency, China, at present, is still a society ruled by men. Concerns of politics, sovereignty, and principle can all be construed liberally or strictly, grow larger or smaller, or change in 10,000 ways, and every time there is a change, stupendous issues are at stake. Today, Li Chuming and Szu T'uhua are out of favor. Tomorrow, anyone could be out of favor, but nobody knows who. People who are involved in politics cannot help but be concerned for themselves. Among political people, it is not only the democratic faction that takes this kind of attitude, but also the centrists, and even the rightists.

In terms of the whole concept of one country two systems, home rule for Hong Kong, and a high degree of autonomy, Chinese sovereignty is already embodied in

the appointment right and right of consent by the Chinese of the chief executive and the Executive Council. The Legislative Council should be an appropriate place to embody self-rule for the people of Hong Kong. One of the great difficulties in the entirely new concept of one country two systems, is where to draw the line, that is, where to express the unity of the country, and where to express the duality of the two systems. In the political system of Hong Kong, drawing a line between the Legislative Council, and the Executive Council, is the least that is required. If even the Legislative Council must wait on Chinese approval, the same as the chief executive and the Executive Council, then the concept of one country two systems, and home rule for Hong Kong, will be seriously compromised.

Actually, the Chinese side's preoccupation with the express train question, has more to do with personalities than with affairs. Their hostility toward Li Chu-ming and Szu T'u-hua, for what they did during the democracy movement of 1989, is more important than reasoned deliberation on any other aspects of the situation. In fact, this is another area where the Chinese Communists are hung up by their emotional involvement with 4 June. (The Chinese Communists continually tell people not to be hung up about 4 June, but they, themselves, from the opposite angle, display just this kind of emotional involvement.) When the Chinese understand this point, then they will make an about face, turn their eyes to the future, and look to the concepts of one country with two systems, and home rule for Hong Kong, and the long range future prospects for China, Hong Kong, and Taiwan. It could turn out that the express train will then not be a problem. [passage omitted]

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