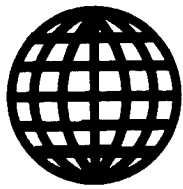


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PROVINCIAL

Editorial on Seizing Development Opportunities

93CE0586A Wuhan HUBEI RIBAO in Chinese
23 May 93 p 1

[Editorial: "On Seizing Opportunities"]

[Text] (1)

"Seizing opportunities to accelerate development" has become a hot topic of conversation nowadays from top to bottom.

What opportunities? Making a list of everyone from the international to the domestic, and from national ones to local ones, being widely informed, is always necessary. To seize an opportunity, you first have to recognize an opportunity. This first step has to be taken. The trouble is we cannot stop at discussing opportunities.

We have to take a more solid step, and that is to do something about seizing them. Ability to seize development opportunities depends entirely on how opportunities are seized and how they are used. "Seizing" is most crucial, and it is also the most significant step.

(2)

Opportunities exist at different levels. There are large nationwide opportunities and opportunities that all provinces have in common, and there are special opportunities in separate locales.

First you have to take careful aim at big opportunities, seize them, and not let go. Big opportunities affect the whole situation. By seizing them, you can bring about development of the entire economy. Furthermore, big opportunities are shared by all; whoever seizes them first and makes full use of them will be able to forge ahead with development, thereby placing himself or herself in a favorable competitive position. For example, the government's strategy for using development of Pudong as a turnkey for developing and opening up the area along the Chang Jiang provides a rare opportunity for the economic development of all provinces and cities along the river. But equal opportunity does not mean equal development. The time, actions, and intensity with which individual provinces and cities seize the opportunity differ. The degree to which they make use of their own strengths and favorable conditions vary. Some of them will move faster than others to develop their economy. Those who develop it rapidly will rapidly expand their markets, and those who develop it slowly will correspondingly lose markets, or even become more and more stymied. Therefore, when confronted with a common opportunity, we must establish an intense competitive awareness of the need to seize it early, seize it tightly, and do something about it.

Then there is seizing some special local opportunities. Some special environment, special conditions, or special

policies, etc may present some places with special development opportunities. For example, the special position of Hubei Province during the building of the Three Gorges projects, and the preferential opportunities to be accorded to Wuhan, Huangshi, and various key development zones that have been designated cities open to the outside world provide special development opportunities. There are certain special opportunities here in Hubei that no other place can take; they are our advantage. We must be adept at using these special opportunities, exploiting them in various places and in various ways to spur development of the total economy.

(3)

Generally speaking, opportunities depend on circumstances; they are bound to occur in the process of developing things, but some special opportunities people may create or seize through their subjective efforts. On a small scale, by creating a new need, an enterprise may create a new market to bring about new development. On a large scale, the main components and the location of a key national construction project, the location of various kinds of special markets having a national character (including stock markets) and the establishment of zones for reform and opening to the outside world that are given preferential policies, etc., are determined by the state under certain conditions. Whoever works hard to create better conditions than others can succeed first, thereby winning special development opportunities. The brilliance of a brilliant leader is manifested in adeptness in seizing and using opportunities that have occurred, and it is also manifested in a certain amount of scientific foresight about how situations will develop. Through such adeptness, he can create and seize opportunities.

(4)

Failure to seize an opportunity, allowing a golden opportunity to slip away may be a historical mistake. Failure to seize an opportunity properly or not tightly enough, thereby causing a major loss may also result in the slipping away of a golden opportunity, which may likewise be a historical mistake.

What does not seizing an opportunity properly or not seizing it tightly enough mean? It means failure to proceed from realities when confronted with a great development opportunity, not acting according to economic laws, preparing haphazardly, duplicating construction, and mindlessly seeking speed thereby throwing proportional economic relationships out of balance, and having no choice finally but to halt and readjust. In other words, it means not studying and working to solve new contradictions and new problems that occur in economic development. It means not striving to remove various factors and conditions unfavorable to economic development, but rather being intent on putting on a big show, acting superficially, gaining undeserved fame, performing mechanically, and not striving for real results. In short, it is mindless

foolhardiness and formalism. Historical experience demonstrates that these two things are great enemies of our correct handling of opportunities.

Opportunities are hard to come by; they must be treasured. Treasured means not just seizing them, but getting some real benefit from them. This means that we must act according to economic laws, proceed from realities in all matters, devote efforts to optimizing mechanisms, to progressing technically, to improving management, and to increasing returns, using this as a foundation for gaining faster development. It also requires that we not only take a firm grip on investment and other particulars, but that we also pay close attention to reform. We must be adept at using reform to solve various contradictions and problems in economic life to advance development of the economy, and gradually begin to build a new socialist market economy legal system in the process.

Editorial on Grasping Economic Opportunities

93CE0564C Hefei ANHUI RIBAO in Chinese
1 May 93 p 1

[Editorial: "Seize Opportunities Without Letup"]

[Text] The (Enlarged) Ninth Plenary Session of the Fifth Provincial CPC Committee, which lasted three and a half days, has come to a successful conclusion. Carrying forward the spirit of the 14th National Party Congress and the Second Plenum of the 14th CPC Central Committee, the session studied in depth a series of important questions on how to seize opportunities to speed up Anhui's development. It made us aware more clearly of our target, unified our thinking, reinforced our confidence, and intensified our sense of urgency about accelerating our development. Earnest implementation of the guidelines and the tasks set at this session will no doubt open up a new situation for our province's work and raise Anhui's economy to an unprecedented high level.

Opportunities are rare and favorable circumstances do not come often. Comrade Deng Xiaoping said long ago that there are not so many opportunities for China to make major progress, so we must never let them slip away. Since opportunities for Anhui's major progress are even fewer, we should treasure them all the more. With only seven years before the end of this century, when we must reach the target of a comfortable life for our people, we really have not much time to idle away. We must seize the current opportunities without letup and maintain the favorable trend of rapid development so that Anhui will make a major progress at an early date. This is a strong desire shared by all people in our province. Leading party and government comrades must intensify their sense of urgency to meet the needs of our time and sense of responsibility to history. They must understand accurately and have a good grip of the five major opportunities that the above-mentioned plenary session highlighted on the basis of Anhui's actual condition. They must make the best use of the situation and exploit

the opportunities in good time to build our economy as quickly as possible. As the saying goes, "when opportunities arise, we must exploit them; when a new situation comes up, we must be able to control it; and when the time is ripe, we must take action." As long as we can take advantage of the favorable situation, seize the opportunities, strike while the iron is hot, and act in good time, we will be able to grasp and make use of the circumstances and accomplish something that will live up to the earnest expectations of our people.

Practical experience shows that if we are to seize opportunities to speed up our development, we should have a practical, comprehensive, and inspiring goal. Such a goal will not only unify our will and stimulate our work morale, but also guide our economic and social development and put it on a scientific track. Since Anhui is a major agricultural province, the rural people's comfortable life is of utmost importance. If the farmers cannot lead a comfortable life, it will be impossible to reach the target of a comfortable life for all the people in the province. The comfortable-life standard for our rural areas established at the plenary session is based on research by the state's authoritative departments and has the same indexes as the national standard. At the same time, it incorporates the research results of certain prefectures and cities in our province and takes into account lateral comparisons between Anhui and other provinces. Because of this, it is a scientific, comprehensive, and inspiring standard. This standard is a significant norm for guiding economic and social development in our rural areas and even in the entire province. Of course, due to the different conditions in different localities, there is no uniform timetable for us to meet this standard. But it allows of no doubt that we must reach this standard by the end of this century. Based on their respective local conditions, leaders at all levels should analyze this standard and divide it into several small targets to be fulfilled. They should work out feasible measures and do their best to implement these measures. There should be no letup until the standard is reached!

To seize the opportunities to speed up our development, it is especially necessary to boldly cultivate a variety of socialist market elements and ceaselessly explore new ways to develop the economy. We should accelerate our development by speeding up our economic growth in more and new areas. After an in-depth study of the condition in our province and a serious review of our experience and lessons learned from the past, the plenary session pointed out seven areas in which we should accelerate our economic growth, and then adopted a resolution to accelerate our pace in developing markets. This fully displayed the spirit of liberalizing the mind, instituting flexible policies, and acting freely to speed up development. The general objective is to bring into full play the positive role of all economic sectors in the socialist market economy and to liberate and develop to the maximum extent the productive forces of our society. Without a developed and sound market system, there would be no socialist market economy, and it

would be out of the question to achieve the goals of developing production, guiding consumption, enlivening social activities, and boosting the economic strength. To form a number of highly capable markets serving large areas, the most important thing that party and government leaders should do is to rectify the guiding principle and solve the questions of policies and investment environment. With regard to the market system, the work is to build and develop market facilities, both tangible and intangible. Definitely, we should not depend solely on state investment to do this. Still less should we use the old planned management system. The successful method is to promote unrestrained development, give active guidance, solicit investment first and carry out construction later, and make gradual improvement. It is imperative to have a preferential policy to support and foster market development, persist in building markets by pooling the efforts of the state, collectives, individuals, private enterprises, and foreign investors, and adhere to the principle that whoever makes the investment owns the property and enjoys the profit. To support market construction, we should build appropriate urban and rural construction projects, make fund-raising arrangements, and offer land- and market-management services. With improved facilities and more relaxed policies and environment, Anhui's markets are expected to have great capacities and serve vast areas.

To realize the goal and carry out the task of accelerating development, it is imperative to gear up and improve the party and government leadership at all levels. We must earnestly solve the problems concerning the ideology, workstyle, and method of doing leadership work and ceaselessly improve the art of leadership. We must make a serious effort to do away with formalism and promote a conscientious and solid workstyle. Only by doing solid, daring, proficient, and fast work is it possible to fulfill the goal, plans, tasks, and calls in a down-to-earth way and achieve practical results in accelerating our development. In addition, strenuous efforts must be made to improve the party style, ensure a corruption-free government, and fight all kinds of decadent phenomena. Leaders at all levels must strive without the slightest letup to "grasp with two hands, both of which should be tough" and "grasp with both hands at the same time." They should not only build the economy but also improve the standard of conduct and see to it that our material and spiritual civilizations promote each other and achieve balanced development.

"No matter what circumstances, we must seize opportunities without letup." The time from now on to the end of this century is a critical period for Anhui to achieve the goal of a comfortable life for its people. Opportunities should not be missed, and time awaits for nobody. As long as all in our province from top down unite as one, make concerted efforts with one soul, seize the favorable situation without letup, adhere to economic construction as the central task, and work unremittently

toward the goal, we will be able to make outstanding achievements and enable everyone in our province to lead a comfortable life.

Henan's New Governor Promotes Foreign Trade

93CE0564B Beijing GUOJI SHANGBAO in Chinese
4 May 93 p 1

[Report by correspondent Ma Wenkuan (7456 2429 1401): "New Henan Governor Stresses Development of Foreign Economic Relations and Trade Upon Assumption of Office"]

[Text] Comrade Ma Zhongchen, new governor elected at the just-concluded First Session of the Eighth Henan Provincial People's Congress, aired the following opinion about opening the province to the outside world and developing its foreign economic relations and trade: We should take the 10 major basic projects planned by our province as the key tasks and go all out to promote the construction of energy, transportation, communications, and foreign-related service facilities in an effort to improve to a fairly great extent our province's concrete environment for investment within five years. Based on the needs of the market economy and in line with the international practice, efforts should be made to speed up the perfection of our policies, laws, and regulations and raise the quality of the foreign affairs personnel of our government's administrative departments so as to provide excellent service to foreign business people making investment in our province.

Governor Ma Zhongchen said: We should initiate actions and try to gain a large number of friends in a bid to further broaden the avenue of our exchange with the outside. It is imperative to launch multiform campaigns to solicit investment and negotiate economic cooperation and trade projects. We should seek partnership with internationally strong consortiums and multinational companies to develop cooperative relations. All-out support should be given to the three kinds of foreign-funded enterprises [Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises], and every effort should be made to bring about a new breakthrough in canvassing foreign investment. To this end, we should further expand the fields in which foreign business people are invited to make investment. We should boldly solicit foreign capital to develop such projects as new- and high-tech industries, real estate business, basic industries, infrastructure projects, intensive processing of agricultural and sideline products, and technological upgrading of old enterprises. Financial departments should go all out to develop international financial business and try to get foreign-funded financial institutions established in Henan. In addition, we should gear up our overseas Chinese affairs and the work toward Taiwan, and give full scope to the positive role played by our Hong Kong, Macao, and Taiwan compatriots and overseas Chinese in helping open Henan to the outside world. We should also persist in developing tourism to promote the opening of our province. In this regard, we

should continue to work on the development and construction of the 10 major relic and scenic spots centering in such cities and prefectures as Zhengzhou, Kaifeng, Luoyang, and Sanmenxia. Above all, attention should be paid to the practical results of our investment-soliciting efforts. There should be sufficient preparations before an investment project is negotiated. After we have successfully negotiated the project, we should make every effort to put it into execution and work cooperatively with the investor as we have promised.

We should continue reform of our foreign trade system and strive to expand exports so as to earn more foreign exchange. We should actively assist qualified enterprises and scientific research organizations in winning the right of doing import and export business themselves. We should give full play to the initiative of all sectors in promoting exports. As for those cities, prefectures, and enterprises without the right of doing import and export business, it is necessary to widely popularize the agent system by making full use of the branches and business offices that foreign trade companies have set up in their areas. This system will enable them to share the same open-to-outside window and enjoy the benefits from the same preferential policy. Enterprises authorized to do import and export business should be encouraged to form joint ventures or cooperative groups, to buy each other's shares, or to merge into larger enterprises. This way they will either become conglomerates or expand their business scope to include each other's products, thus beefing up Henan's export team and bringing in more foreign exchange. Meanwhile, we should reform the present administrative system based on quotas and licenses, allow competition on an equal basis, and grant import and export rights to those who have good performance so that more enterprises can go to the international market. Foreign trade enterprises should make positive efforts to modify their operational mechanisms. They should set up incentive mechanisms to encourage competition and boost their vitality. The export strategy of emphasizing commodity quality and diversifying markets should be continued. Great efforts should be devoted to raising the quality and grade of our export commodities, and energetic work should be done to develop the export of machinery and electric appliances, whole sets of equipment, and high-tech and high-value-added products. Moreover, we should strive to explore new markets, and in particular, expand our trade with Eastern Europe, the Commonwealth of Independent States, Southeast Asia, and Middle East. We should also further our efforts to acquire construction contracts in foreign countries, conduct labor cooperation overseas, and earn foreign exchange through the development of tourism. In addition, all departments concerned should actively prepare for China's "reentry into the GATT." It is imperative to gradually form a foreign trade system that conforms to the international practice. We should organize our production work according to the international standard, adjust our industrial structure and lines of products to meet the international market demand,

and see to it that high-grade and fine-quality products are mass-produced to boost our competitiveness.

Economic Experts Discuss Xinjiang's Dismal Economy

93CM0347A Urumqi XINJIANG RIBAO in Chinese
18 Apr 93 p 2

[Article: "Three Experts Comment on Economic Trends in Our Region"]

[Text] Editor's note: Now, is there any sign of overheated economic development in our region? Can we check the trend of declining economic efficiency in this autonomous region? These are two major questions related to our region's economic work as a whole. They are questions drawing the close attention of comrades in our economic departments and arousing no small concern of people in all walks of life. Here we publish two articles to provide our readers with some accurate information and views so that they may make a correct analysis of our economic trends and help spur the healthy development of economic construction throughout the region. [end editor's note]

Article by Wu Cheng (0124 2052), director of the Regional Office for Restructuring the Economy: "Now, Is There Any Sign of Overheated Economic Development in Our Region?"

Out of concern for Xinjiang's economy, some comrades ask: Now, is there any sign of overheated economic development in the region?

Before discussing this question, let us make a brief analysis of Xinjiang's economy over the past year.

First, since the beginning of last year, the party committee and the people's government of our autonomous region have done vigorous work to liberate people's minds and arouse the initiative of the masses of all nationalities by complying with the spirit of Comrade Deng Xiaoping's important southern-inspection-tour speeches and the guidelines set at the plenary session of the Political Bureau of the CPC Central Committee while taking into account Xinjiang's actual condition. A series of important policies and measures have been worked out to continue reform, open the region wider to the outside world, and invigorate its economy. Emphasis has been put not only on the speed but also on the effective results of development. This guiding principle is absolutely correct.

Second, progress of reform is relatively slow in Xinjiang, where the old economic system and operational mechanism are still playing a rather significant role. However, the more-than-a-decade reform has, after all, created an economic pattern marked by the diversification of main interest bodies and investors. Unfortunately, the investment desire of all levels of government is seriously hampered by financial difficulty, while the principal investors in the processing industry—the numerous

enterprises—are generally beset with poor economic efficiency for one reason or another. Enterprises are short of capital themselves and unable to endure the heavy burden of using credit loans to engage in construction. Therefore, they are not enthusiastic about investment as well. Besides, conditions are not yet ripe to attract any large sum of investment either from abroad or from other parts of the country. To maintain a moderate development under these circumstances is really no easy task.

Third, a question being discussed rather enthusiastically by people is whether Xinjiang has been affected by the investment, stock, and development-zone crazes that appeared last year in many parts of our country. I have mentioned above the questions on investment. Some comrades may contend that in 1992 Xinjiang's total investment in fixed assets did increase by a relatively big margin over the preceding year. That was a fact. But a concrete analysis will reveal the following: One, most investments were made by the state. The total amount of local investments was relatively meager. Two, the growth of our total fixed asset investment, including those made by the state and local departments, was 5.1 percentage points below the national average. Three, most investments were made in developing the energy industry and building transportation and infrastructural facilities. Some oilfields' prospecting and development projects took up a rather big share of the investments. Such an investment structure, which conformed to the national industrial policy, was different from the investment craze that people are talking about. With regard to the stock craze, we may say that there is not a trace of it in Xinjiang. Last year while many provinces and municipalities were making rapid progress in experimenting with the stockholding system, most enterprises in the region were either unwilling or not daring enough to go in this direction even though they were repeatedly urged to do so. So far, only 23 enterprises in the region have been officially approved as joint-stock enterprises, six of them being incorporated companies. The total amount of stocks of these enterprises is equivalent to only one percent of the figure in the province with the fastest development of the stockholding system. Speaking of the stocks held by employees, the total is even less than one-four hundredth of the amount registered in that province. No enterprise is openly selling stocks to the public. As for the craze for establishing development zones, no such thing has ever appeared in the region. Though work was started last year on development zones, some are now still in the planning stage, others are awaiting the formulation of policies to support their development, and still others have financial difficulties. In short, no substantial progress has been made in most cases.

Fourth, 1992 was the 15th bumper-harvest year in our region, the total agricultural output being 6.5 percent higher than the previous year. This growth rate surpassed the national average by 2.8 percentage points. On the other hand, the industrial output growth rate was 8.8

percent, less than the national average by 12 percentage points. In particular, what arouses our concern is this: The nation's average economy not only grew quickly but showed a rise in economic efficiency. The composite economic efficiency index reached 89 last year against the previous year's 84. But no improvement was noted in our region's economic efficiency. In our region, there was an increased amount of circulating money and other funds tied up by unsalable products, and both the numbers of losing enterprises and the amounts of their losses continued to soar, a sharp contrast with the situation nationwide.

Fifth, since Xinjiang did not have a high economic growth rate because of increased investment last year, there was no such things as "big ups and downs." Structural inappropriateness does exist, but this problem is an accumulated result over a rather long period of time. In these years, we failed to effectively adjust our economic structure and did not spend much effort in this respect. Last year our region's retail commodity price index was 2.7 percentage points higher than the national average. This was not due to "overheated" economic development. The main reason was that reform was rather slow in the region, and when control was loosened on the prices of many commodities, the market mechanism caused the prices to rise.

In view of the above, my opinion is that, on the whole, Xinjiang's economic development is not "overheated." This, of course, does not completely rule out the existence of inducing or motivating factors for overheating or signs of overheating in certain areas or on some specific issues. For example, there may be instances in which impractically high targets are set to "catch up with and surpass" others or to "narrow the gap," emphasis is put on speed only but not on economic efficiency, attention is paid to certain local resources but not other conditions, limited funds are used for low-standard overlapping projects, and efforts are made merely to launch new projects while ignoring the technological upgrading and input for existing enterprises. All these deserve our vigilance. We should do our best to guard against them.

Before concluding this article, I wish to offer a candid view for deliberation. That is, in many fields Xinjiang's economic development is not "hot" enough at present. In line with Comrade Xiaoping's southern-inspection-tour speeches and the demands contained in the guidelines of the 14th CPC National Congress, we should make further efforts to get "hot" at least in the following areas: One, we should always be hot in striving to promote reform, especially in modifying the operational mechanism in enterprises. We should depend more on continuing reform to develop productive forces. Two, we should always be hot in promoting agricultural and livestock production and developing a commodity economy in farming and pastoral areas. This is our foundation that absolutely should not be shaken. Three, we should be invariably hot about the technological upgrading and progress of existing enterprises. In no way

should we ignore the valuable assets we have accumulated over decades, and discard this very important "front." Four, we should always be hot in restructuring the economy so as to bring into full play our strong points, sidestep our shortcomings, give scope to our advantages, and raise our efficiency. Five, we should always be hot in developing the market system, vigorously exploring domestic and international markets, and invigorating the flow of production elements and commodities so as to create favorable conditions for our enterprises to enter the market. Six, we should always be hot in promoting infrastructural construction and improve tangible and intangible environments for investment so that we will beef up our attraction for investment from outside. All these are imperative for the establishment of a new socialist economic system. They are also indispensable to integrating speed and efficiency in developing Xinjiang's economy.

Article by Song Rugu (1345 3067 7711), director, and Qian Shoukun (6929 1108 1024), senior economist of the Regional Economic Commission: "Can the Declining Trend of Economic Efficiency Be Checked in Our Region?"

Economic efficiency is a fundamental issue in developing the economy. It is the starting point and the aim of our economic work. For a long time, some comrades have equated the economic efficiency of enterprises with their profits and tax payment. This is not quite scientific. Economic efficiency refers to the ratio between the output and input, while profits and tax payment are only the output—they do not reflect the input, which is provided by the state and varies between enterprises. As such, we should use the profit and tax yield from a fixed amount of capital—which reflects the ratio between the output and input—as a major criterion for judging the economic efficiency of enterprises.

Why did industrial economic efficiency decline last year in the region? Can we check the decline or reverse the trend this year? These are questions of common concern for all people from top down in our region, involving all social sectors. Following are some views offered by the writers.

In 1992 the region witnessed a drop in the economic efficiency of enterprises listed in the budget. According to figures published in a financial gazette, not only did the profit and tax yield decline from that of the previous year, the amount of profit dropped by 11.2 percent. Though there was a 15 percent rise in sales tax as published, the actual increase was only 7 percent after adjustment for inflation. The total amount of profit and tax was up by 6 percent, but actually it declined if inflation is taken into account. Three more enterprises reported losses. The total amount of losses suffered by enterprises increased 15 percent. The radical reason was that neither our economic system nor our enterprise operational mechanism nor the quality of our enterprises as a whole was suited to the market economy. The above phenomenon may be viewed as labor pains in building

the market economy as well as a naked exposure of our enterprises' incapacity for sustained development. Specifically, the problems were as follows: One, the government was slow in modifying its functions. In general, government departments still used the old planned-economy management methods in dealing with new issues arising in the market economy. For this reason, even though the regional party committee and people's government had promulgated a host of reform policies and measures, no earnest efforts were made to implement them. There was a sharp contrast between what had been promulgated and what was practiced. Two, our efforts devoted to technological transformation of existing enterprises were inadequate, and the funds spent for this purpose insufficient. Three, no prompt work was done to adjust the lines of products and the structure of enterprises. As a result, products were not competitive, and some were piled up. In addition, "debt chains" was a troublesome problem. As to the use of funds by enterprises, problems were large amounts of tied-up funds, the slow circulating rate, and inefficient use of money. Four, some profitable products could not be delivered due to the railway transportation "bottleneck." In some cases, production plans had to be subject to the transportation condition. Five, enterprise management was incompetent. In many enterprises, management was "lax, unorganized, and shoddy." No appreciable improvement was made in raising product quality and reducing energy and material consumption.

There were objective reasons for the declined economic efficiency suffered by industrial enterprises last year. Also, part of the enterprise profits were scattered and transferred to the future. For example, there was a pretty big rise in the prices of energy and raw materials, especially the prices of capital goods, which rose 10.1 percent. All additional receipts due to the rise in coal, electricity, and oil prices and freight charges went to central-level enterprises. In addition, enterprises tended to transfer their current benefits into long-term benefits. For instance, the industrial enterprises listed in the budget adopted a higher depreciation rate, which resulted in an increased depreciation expense. Last year the money set aside from sales proceeds for technological development was 1.11 million yuan more than the preceding year. The amount taken out of sales proceeds to replenish the circulating funds exceeded the preceding year by 1.456 million yuan. When these objective factors are taken into account, the actual drop in profits was much less than published.

Quite a number of favorable factors exist this year for boosting economic efficiency in the region. An example is the greater vitality to be exhibited by state-owned enterprises with the implementation of the "regulations." Also, opening wider to the outside world will promote our external trade and increase the enterprises' foreign exchange earnings through exports. Last year's exhibition-sale meeting featuring the "Spark Plan" and the Urumqi sales negotiations will yield results this year. A number of short, level, and speedy projects will be

completed and put into operation. This year will also see some capital-construction and technological-upgrading projects going into operation and producing economic results. Besides, due to the strained supply and rising prices of some kinds of capital goods, certain heavy industrial enterprises will achieve better economic results in their operations. On the other hand, there are also difficulties and negative factors: One, prices of some capital goods will continue to rise. A sizable number of enterprises will find it hard to endure the effect of these high prices. Two, with the decontrol of the grain price, it will be necessary to increase the grain price subsidy to enterprises. Three, sales of certain textiles will not improve appreciably due to such restrictive factors as market demand, purchasing power, and product mix. Four, the imbalance between the needs and capacity of Xinjiang's outbound railway transportation will be more serious. Using highways to supplement railways is bound to increase the freight, thus affecting the competitiveness of Xinjiang's products and hindering the economic efficiency improvement for its enterprises. To sum up, funds, market, and railway transportation are critical problems in raising the economic efficiency of industrial enterprises this year.

Based on the above analysis, there are four possibilities this year with respect to the economic efficiency of industrial enterprises in the region: one, a big upturn; two, remaining at the same level as last year or improving slightly; three, continuing to decline but to a lesser extent than last year; and four, continuing to decline drastically. The actual outcome will depend on the effectiveness of our work. Judging from the present reality, there is much difficulty in realizing the first possibility. However, we should strive to turn the first or at least the second possibility into reality, while making every effort to prevent and avert the third possibility, and particularly the fourth.

The (Enlarged) Fifth Plenary Session of the Fourth Regional Party Committee has made a comprehensive work plan for the region this year. A series of policies and measures have been formulated one after another for our region's reform, opening-up, and economic construction. The key to the success of our work is to make a real, solid effort to implement these policies and measures. We should turn our planned-economy mindset and work method into a mindset and work method compatible with the market economy and make substantial headway in boosting our product competitiveness and exploring new markets. In the past, we devoted lots of energy to formulating reform policies and measures—that were necessary. But we did not do enough to check how well these policies and measures were carried out. Now, the major task before us is not to promulgate new policies but to implement the promulgated policies. In the days to come, we should not only work out policies, but more importantly we should go all out to put the policies into practice. Last year we made a breakthrough in opening the region to the outside world. Compared with other localities, however, some of our areas and departments

did not devote enough attention and efforts to conducting reform. In particular, our work was insufficient in solving the profound problems related to the economic system and enterprise operational mechanism. If we do not change the original system and mechanism by means of reform, our work will be hindered, and it will be out of the question to raise economic efficiency.

FINANCE, BANKING

Uneven Revenue Allocation Between Center, Provinces

93CE0477A Hong Kong TANG TAI
[CONTEMPORARY] in Chinese
No 24, 15 Apr 93 pp 40-41

[Text] Mainland China's financial system is extremely unsuitable for a market economy, which has caused a vicious circle in the financial revenue and expenditure of the central government, and thus gradually forms a situation of rich provinces and a poor center.

Generally speaking, if a country's financial system is compatible with its economic system, its financial situation of revenue and expenditure generally reflects the whole economic situation of the state. In other words, it is closely related with the prosperity or decline of the whole economy. However, if a country's financial system is not adapted to its economic system, the unsuitable financial system itself can affect and hinder the balance of financial revenue and expenditure, and therefore further negatively affects the normal operation of the whole economy.

At present, mainland China's financial system is extremely unsuitable to the market economy, which seriously influences the balance of state budgetary revenue and expenditure, especially that of the central government, and is unfavorable to the coordinated operation of the whole economy. These factors further contribute to the situation of a rich provincial government and a poor central government: Rich kids and poor parents fighting for profit with each other.

The Dilemma That Mainland China's Finances Face

Recently, with further opening up and reform, as well as the gradual development of market economy, the whole economic situation in mainland China is getting better, however, the problem with financial or budgetary revenue and expenditure has not been solved at its roots. Mainland China's budget has been in deficit since 1979 (except in 1985, there was a little surplus due to special reasons). Except for 1979, the deficit has been "intuitively" set into the budget instead of "passively" shown in the final calculation, which is a fact showing deficit is already a common thing in China's finance. The past policy of "balancing revenue and expenditure with a little surplus" and "basic balancing" requirement emphasized during the 1980s have already deteriorated into a fact of "basic imbalance" by the constant deficit.

Calculated from 1979 to 1991, China's accumulated deficit figure is as high as 108 billion yuan. Although in general, 1992's financial situation was better than the previous year, its deficit was still as high as 20 billion. (In the 1992 budget, nearly 20.8 billion yuan was set as deficit.) The reason for the deficit includes the following:

1. The proportion between government revenue and domestic gross output value has been reduced from 30 percent in 1978 to 15 percent now, and of government revenue, less than half was for the central government. This low percentage is also rare in the world.

The Percentage of Central Government Revenue Is Getting Smaller

2. In addition, after executing the system of financial responsibility, the central's revenue cannot increase with the growth of government finance. The increase of revenue every year was all or mostly kept by the provinces. While the central government can get only a very small portion or even none.

Statistics shows that among the revenue increase of 1988 and 1989 in local government, only 3.3 percent and 4.8 percent went to the central government, while the local governments got 96.7 percent and 95.2 percent. The consequence of this change is that the proportion of the central government's financial expense among the total governmental expense is constantly decreasing, with 54 percent in 1981, 39.2 percent in 1988, 36.4 percent in 1989 and 39.8 percent in 1990.

3. Though the proportion of central revenue is constantly decreasing, the pressure of expenditure is not decreasing, with some projects even expanding. Take 1990 for example, only financing price allowances, enterprises loss allowance, and investments on enterprises' renovation and new product development, these three expenses were as high as 111.5 billion yuan, which is one-third of central revenue. Also loans and credits without tax, not only reduce central revenue, but uses financial revenue as another kind of "money in advance" for enterprises to invest. Especially when many loans generate only very low profit, the central is laden with this heavy burden.

The more critical problem is that this situation is continuing. State statistics show that one-third of state-owned business operate at a loss, another one-third is suffering from concealed loss. In 1991, the central spent 50 billion yuan to make up the loss in state-owned business, with little improvement in 1992. Besides subsidies, the government also has invested 10 billion yuan to help enterprises raise efficiency. Thus, what is left for the center is not much.

The Center Does Not Have Money, But Only Can Print More Bills

The current imbalance of revenue and expenditure in the central government has brought problems: The first is deficit. The central government has to overdraft from banks to meet expenses, while overdrafting from banks can cause more money printed, which finally leads to or accelerates inflation. Second, because the proportion of central revenue is decreasing, especially the part of revenue used to expand production is decreasing, government control over the economy is greatly weakened. Third, while the proportion of central revenue is decreasing, provincial finance is increasing, with the growth of provincial financial strength, which leads to the growth of departmental selfishness, inflaming blind provincial investment and separatism. This not only further weakened central control over economy, but also seriously hindered the reasonable adjustment over economic structure and fair competition. Finally, the center suffers from deficit, and most of its revenue is used to subsidize enterprise losses, the enterprise therefore do not have risks, and thus without the internal pressure to improve benefits, up to now, many enterprises running at loss still do not show signs of improving. All of these must lead to the vicious cycle in trying to balance revenue with expenditure in the central government.

FOREIGN TRADE, INVESTMENT

Balance of Payment Statistics for 1992 Outlined

93CE0563A Beijing JINRONG SHIBAO in Chinese
11 May 93 p 1

[Article by Si Hui (2448 1979): "China's International Payments Position Basically Unchanged Last Year; Current Accounts Still in Surplus; Deficit in Capital Accounts Widens"]

[Text] The National Foreign Exchange Control Bureau today issued the "Outline of China's International Payments, 1992." The figures in the outline show that, in 1992, China's international payments position was basically unchanged. In current accounts, there was a surplus of \$6.4 billion, a decrease of \$6.87 billion from the previous year; in capital accounts, there was a deficit of \$250 million, and reserve assets declined by \$2.267 billion.

China's international payments position for 1992, had the following features:

Imports and Exports Both Increased Greatly, But Imports Grew More Than Exports

Our trade surplus in 1992 was \$5.18 billion. Exports were \$69.57 billion, which was \$10.65 billion, or 18.1 percent, more than the previous year, and imports were \$64.39 billion, which was \$14.21 billion, or 28.3 percent, more than the previous year. Growth in imports exceeded growth in exports, by 10.2 percentage points. Reasons for relatively rapid growth in imports were: China's economy grew quickly in 1992, so demand for

imports increased. Early in 1992, tariffs on some goods were lowered, which stimulated imports.

Earnings From Tourism Once Again Increased Greatly

In 1992, China earned \$3.95 billion from tourism, which was \$1.11 billion, or 39.1 percent, more than the record set last year. The main reasons for the growth in earnings from tourism, was that China implemented a policy of opening up to the outside world, and that economic growth propelled growth in tourism, and increased earnings of foreign exchange.

Direct Investment in China by Foreign Businessmen Grew Rapidly, While Capital Outflow Accelerated

In 1992, foreign businessmen directly invested \$11.16 billion in China, which was \$6.79 billion, or 1.55 times, more than the previous year. At the same time, capital outflow was \$30.48 billion, or \$18.19 billion more than last year.

Reserve Assets Decline

Reserve assets declined \$2.267 billion by the end of 1992. This included \$19.432 billion in national foreign exchange reserves, which was \$2.267 billion less than the year before. Special drawing rights declined by \$780,000 from 1991, and cash reserves at the International Monetary Fund increased \$3.21 million.

New Coverage for Foreign Exchange Reserves Was Put Into Use

In the new coverage of foreign exchange reserves, the amounts of increases and decreases apply only to the balance of nationally-held foreign exchange assets. Increases and decreases in cash on hand, held by the Bank of China, are reflected in capital accounts. Therefore, the international balance of payments for 1992, shows relatively large changes in capital accounts.

Outline of China's Balance of International Payments (Unit: \$1 Million)

Accounts	1992
I. Current Accounts	6.402
A. Trade	5.182
Exports FOB	69.567
Imports FOB	64.385
B. Services	63
Earnings	14.844
Expenditures	14.781
C. Unrequited Transfers	1.156
Private (Net)	804
Official (Net)	352
II. Capital Accounts	-250
A. Long Term Capital	656
Inflows	27.642
Outflows	26.986
B. Short Term Capital	-906
Inflows	2.581
Outflows	3.487
III. Errors and Omissions	-8.419
IV. Changes in Reserve Assets	2.267
Including: Foreign Exchange Reserves	2.269

Use of Country of Origin in Trade Statistics

93CE0545A Beijing GUOJI SHANGBAO in Chinese
13 May 93 p 4

[Article by Li Yan (2621 1693): "Remarks About the Country of Origin Principle in Foreign Trade Statistics"]

[Text] In recent years, the discrepancy in bilateral trade statistics between China and its main trading partners,

the United States, the EC, and Japan, have been substantial, becoming a bone of contention in trade negotiations. This has also given rise to doubts and reproach on the part of persons concerned in China about the basic principle of country (or territory) of origin statistics. In light of the State Council 1982 decision that custom figures are to be taken as the standard in publishing China's import and export statistics, as a statistician in customs, I would like to make a few remarks on this issue below:

1. Keeping statistics on imports by country of origin is a UN recommendation, and a basic standard for international trade statistics that has been universally adopted by all the countries of the world. There are ample reasons for the widespread acceptance of this standard by all the countries in the world, and it makes a lot of sense:
 - A. The country of origin rule is a basic rule in international trade. Every country uses the country of origin rule in enforcing its country of origin trade policies. Examples include customs and noncustoms tariffs for most favored nation treatment, the generalized system of preferences, quotas, anti-dumping, and trade prohibitions, all of which are based on the country of origin of the goods concerned. The country of departure or the country of purchase is not used. China is no exception in using it to levy export and import tariffs and to implement applicable trade policies.
 - B. The current Uruguay round of GATT negotiations has drawn up a country of origin rule agreement for the purpose of prescribing an internationally unified point of origin rule. China is prepared to accept all Uruguay round accords, including the point of origin rule agreement.
 - C. Keeping statistics on imports in accordance with the country of origin is consistent with trading country identification policy standards. Foreign trade statistical data based on country of origin are an important basis for government effective control of imported goods, enforcement of national trade policies, and for checking and monitoring enforcement of policies. It is also an important basis for government-to-government trade negotiations and for GATT tariff reduction negotiations. A change in the usual international practice of keeping statistics on imports by country of origin, replacing it with country of departure or trading country, is both undesirable and unworkable.
2. Since their revival in 1980, customs has taken the lead in China's socioeconomic statistical field in fully adopting the international standard in preparing import and export statistics (including statistics by country of origin for imports). In 1981, China formally published customs statistics. Since 1984, China has regularly provided detailed statistics on commodities by country of production and country of sale to international organizations such as the UN, GATT, and the International Monetary Fund. Customs statistics have also become internationally recognized, complete, reliable, and internationally comparable statistics on China's foreign trade. They have become a mark of the Chinese Customs and the Chinese Government opening to the outside world, conformity to international practice, and improvement of the transparency of foreign trade.
3. Prior to 1988, the discrepancy in bilateral trade statistics between China and its principal trading partners—the United States, Europe, and Japan—was not very serious, but since 1988 the discrepancy in the figures has dramatically widened with each passing year. This is closely related to the rapid development in recent years of the processing trade, and its tremendous increase as a percentage of China's foreign trade. An overwhelming majority of China's exports of processed goods reaches the various countries of the United States and Europe via Hong Kong. Since China is unable to keep close tabs on and maintain statistics for the actual consumers of goods that pass through Hong Kong, and since the recipients carry China as the country from which the imports come in accordance with the country of origin rule, a very great disparity exists between the figures of the two parties. Currently, all customs points are increasing their checks and maintenance of statistics on the actual consuming countries (or territories) of goods from China that pass through Hong Kong. Thus, it is anticipated that the discrepancy between both parties in trade statistics will change in 1993.
4. Our determination of the country of origin for processing trade exports [passage omitted as published]

The "Country of Origin Rules," which the Customs Cooperation Council drew up in 1973 for the simplification of customs work in all countries, are generally used internationally today. These regulations provide that the basic criteria for determining country of origin for imports are as follows: 1) Goods produced entirely within a single country are to be regarded as products of that country. 2) Determination of the place of origin of goods in which two or more countries had a hand in producing is to follow the "material change" principle. However, the standards for determining "material change" of specific goods are not entirely the same in all countries. The customs in each country relies on the specific standards prescribed in the laws of its own country to determine the country of origin of imported goods, not being bound at all by the standards used by the exporting country. It is for this reason that China's national commodity inspection units must sign a "general preference point of origin certification" for exported goods concerned (including processing trade products) in accordance with favored nation point of origin standards.

Even though only a very small fee is obtained for China's export processing trade products (particularly from the processing of imported raw materials), they generally meet the processing standards for "material change" that principal importing countries prescribe, thus, they are deemed by the recipients to be of Chinese origin.

Only through thorough study of the country of origin rules of its principal trading partners is it possible to

figure out the specific status (such as processing standards and added value standards) of China's exports (particularly processing trade goods) for use in pointing out problems that may exist in the import statistics of recipient nations.

Trade Increases With South Korea

Trade Policy Changes

93CE0556A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese
No 2317, 3 May 93 p 27

[Text] To strengthen economic and trade exchanges with South Korea, China's Ministry of Foreign Economic Relations and Trade and Ministry of Foreign Affairs decided to change economic and trade policies toward the country. The main contents are:

1. Dandong is allowed to absorb direct investment from Korean enterprises; Yanbian is allowed to absorb investment from Korean enterprises in a selective and measured way, with certain priorities.
2. Korean enterprises are allowed to develop land for their own projects in Shanghai, Liaoning, and Shandong.
3. Banks that engage in settlement of foreign exchange for foreign trade are allowed to establish business relationship with Korea financial institutions.
4. Customs, commodity inspection, animal and plant quarantine, arbitration, and other departments are allowed to establish business relationships with the corresponding Korean institutions.

Korea Buys More Corn

93CE0556B Beijing NONGMIN RIBAO in Chinese
6 Apr 93 p 3

[Article by Xiao Yan: "South Korea Will Increase Imports of Chinese Corn"]

[Excerpt] [passage omitted] According to South Korean grain importers, American corn is poor in quality, and they will expand imports of corn from China.

They said: South Korea imports 320,000 tons of corn from the United States, and 80,000 tons from China a year. However, the No. 2 corn produced in the United States last year was poor in quality. On the other hand, Chinese corn is low in price; each ton costs \$110, which is \$10 cheaper than that of the No. 2 corn grown in the United States; and is not inferior to the latter in terms of quality.

These importers also said: They will start expanding imports of Chinese corn in April this year.

Shandong Promotes Trade

93CE0556C Beijing GUOJI SHANGBAO in Chinese
13 May 93 p 2

[Article by Geng Hongzeng, Kang Guangmin: "Shandong Strengthens Economic and Trade Cooperation With South Korea"]

[Text] Shandong Province adopted a series of new measures to strengthen its economic and trade cooperation with South Korea. The main contents are as follows:

1. Increase publicity and exchanges so as to enhance understanding and communication.
2. Improve product quality, and expand direct trade with South Korea.
3. Attract Korean investment for selected projects: First, the projects of "three forms of import processing and compensation trade" will be concentrated in coastal areas such as Weihai. The province will extensively carry out processing and assembling industries with Korean businessmen, with town and township enterprises as the main body. Second, Korean businessmen are encouraged to invest in primary industries, tertiary industry and agriculture; and we will give them a more preferential policy. Third, a certain area will be drawn from the coastal areas to establish a Korean-funded industrial park, where processing projects, support services, and recreation centers can be undertaken and developed.
4. Greatly expand contracted projects and the export of labor services to South Korea, and set up joint-venture labor service contracting companies with Korean businessmen to jointly develop the international labor service market.
5. Open up more new channels and actively develop tourist businesses with South Korea. Shandong will start sea tourist attraction hot routes and tourist resorts in coastal cities in the form of joint ventures or cooperation, and make things convenient for Korean tourists coming to Shandong. Meanwhile, to make entries and exists easier for Korean tourists, the Shandong Provincial Tourist Chartered Flight Company will even strive to open chartered flights to Seoul and Pusan.

TRANSPORTATION

Airlines Add 37 More Passenger Planes to Fleets

OW3006145693 Beijing XINHUA in English
0952 GMT 30 Jun 93

[Text] Beijing, June 30 (XINHUA)—China has added another 37 aircraft to its civil aviation fleet this year to meet its rapidly expanding civil aviation market, according to an official from China Aviation Supplies Corporation today.

Some aircraft have been bought outright and others leased or wet-leased with their crews from foreign airlines.

Most of the planes are large and mid-sized wide-bodied jets for medium and long distance flights. They have added more than 6,400 seats daily to Chinese airline services.

They are operated by 12 airlines. Ten jets are in service with Air China, China's national flag carrier, six with China Southern Airlines and another five are operating in Southwestern Airlines colors.

According to a spokesman from the Civil Aviation Administration, China's [CAAC] civil aviation turnover totalled 1.88 billion ton kilometers [as received] in the first five months of this year, a rise of 27.5 percent over the same period last year. CAAC has carried 11.42 million passengers, a jump of 24.4 percent.

Railway Electrification Project Begins

HK0507051193 Beijing XINHUA Domestic Service in Chinese 0136 GMT 1 Jul 93

[By reporter Yin Daofu (1438 6670 1133) and correspondent Yang Guozheng (2799 0948 2973): "Baoji-Zhongwei Railway Electrification Project Is Started"]

[Text] Xian, 1 Jul (XINHUA)—The Baoji-Zhongwei railway electrification project—one of the key construction projects in the Eighth Five-Year Plan—was started today across the board.

The Baoji-Zhongwei railway starts from the Guozhen station on the Gansu-Jiangsu railway in the south, and links to the Baotou-Lanzhou railway at the Yingshui station in the north, with a total length of 498 kilometers. The total investment in the project amounts to 410 million yuan. The railway will be a new passage to link the three provinces of Shaanxi, Gansu, Ningxia or even Northwest China as a whole to South China, East China, and Southwest China, and will also be an important component part of the new Eurasian continental bridge. The whole project is divided into civil engineering and electrifying parts. The state requires that the project be completed once and for all in one single phase. At present, over 90 percent of the roadbed has been built, and 155 kilometers of rails have been laid. The Ministry of Railways recently transferred the construction teams of the Electrification Bureau to the site and started the electrification project on the whole line. It is expected that the project can be completed in June 1995 according to the original schedule.

After the electrified railway between Baoji and Zhongwei is put into use, its annual transportation capacity may reach 12 million tonnes in the first few years, and may be increased to 18 million tonnes in the future. This is of great significance for enhancing the transportation capacity of the whole grid, mitigating the longstanding

strained condition of railway transportation in Northwest China, and promoting the development of resources along the railway line.

AGRICULTURE

Chen Junsheng Urges Promotion of Cotton Production

OW0607151193 Beijing XINHUA in English 1413 GMT 6 Jul 93

[Text] Beijing, July 6 (XINHUA)—Chinese State Councillor Chen Junsheng has urged cotton-producing provinces to make efforts to raise output this year.

At a cotton production forum sponsored by the State Council in Beijing on Monday [5 July], Chen said that cotton production has met with many difficulties this year.

He said that the central government and local government departments have attached importance to cotton production and have successfully organized farmers in controlling second-generation bollworms, the destructive insect.

He said that in central and western China, planting cotton is an effective way for farmers to get rich. He called on local government organs to protect the initiative of farmers in cotton planting.

The state councillor stressed that cotton-producing regions must guarantee the area of land designated for cotton growing and enhance management of cotton fields.

He urged local leaders in charge of cotton production to set specific targets for raising per capita cotton output.

Along the middle and lower reaches of the Yellow River, the Huaihe River and the Haihe River, he said, measures should be taken to eliminate third-generation bollworms.

He said that technological services, materials and pesticides should be speedily provided to farmers.

Liu Jiang, minister of agriculture, briefed the forum on the general situation of cotton production in the country.

More Effort Needed To Develop Agricultural Trade

93CE0553A Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 4, 23 Apr 93 pp 41-47

[Article by Huang Shouhong (7806 1343 1347): "Exchanging Agricultural Resources Between Domestic, Foreign Markets"]

[Text] Since 1978, reform and the open policy has ended China's longstanding isolation and enabled it to join the world gradually. Instead of moving outside the orbit of

the global economy, the Chinese economy has begun integrating with it, progressively becoming part of the global system, a process that will accelerate significantly in the foreseeable future after China rejoins GATT. In the past 10 years or so, foreign trade has grown tremendously and China has also made much headway in attracting foreign capital and technology. The foreign trade dependency rate (that is, exports as a share of GNP) jumped from 4.7 percent in 1978 to 19.4 percent in 1991. Changes in the world market and international economy have a bigger impact on the Chinese economy than at any other time in history. When we contemplate China's economic development strategy these days, we can no longer confine ourselves to the nation alone, as we did in the past. Instead we must think about it in the overall context of the world economy and global markets. This is the only way to ensure even greater achievements in economic development at home, to distribute resources even more optimally and efficiently, and to overcome to the greatest extent possible the limitations resulting from the shortage of material resources by sharing with other nations the abundant natural resources of the world, thus enhancing national welfare.

I. Reform and Open Policy as the Engine of Agricultural Development in China

Both the history and the practice of Chinese agricultural development shows that reform and the open policy is the engine of such development, a driving force for which there is no substitute. By opening China more and more to the outside world, diligently importing advanced agricultural S&T and funds from abroad, and developing international trade in agricultural products, we can raise the level of productive forces in agriculture and the overall efficiency of agriculture and expedite the development of high-yield high-quality agriculture.

- A) Importing advanced foreign S&T. In a certain sense, furthering the modernization of Chinese agriculture to a large extent is a function of the import of advanced foreign technology and equipment, and subsequently, their absorption, assimilation, and innovation. According to incomplete data, in the 20 years between 1971 and 1991, over 100,000 crop varieties and nursery stocks were imported from countries around the world through multiple channels and methods, not to mention many breeds of livestock, fish, and fungi. Of the 400 or so major crops being cultivated in China today, only 200 are native to this country, with the remaining 200 being introduced into China at various points in time (as reported in NONGMIN RIBAO 16 July 1992), including such leading crops as corn, sweet potato, tobacco, Chinese sorghum, peanuts, and potato. Improved breeds of pigs and poultry that produce leaner meat and aquatic products have also been introduced from abroad. The introduction of these improved breeds and varieties has amplified China's variety reserve, increased agricultural output, improved its quality, and accelerated agricultural development.
- B) Attracting and using foreign capital. According to statistics from the Ministry of Agriculture, \$8 billion in foreign capital was used by Chinese agriculture in the 10 years since 1982. Of this amount, \$2.65 billion was used during the Seventh Five-Year Plan, equivalent to 115 percent of state investment in agricultural capital construction. At the same time, a large quantity of advanced foreign technology and equipment was imported, improving agricultural education as well as the terms of production in agriculture in this country.
- C) Developing foreign trade in agricultural products. Agricultural trade occupies a pivotal place in the opening up of agriculture.
 - 1) Foreign trade in agricultural products has accelerated agricultural development. By developing agricultural foreign trade, we have given Chinese agriculture two markets, domestic and foreign, instead of the usual one, domestic; expanded the scale of the market for agricultural products; and increased the effective demand for agricultural products. Between 1978 and 1990, Chinese exports of agricultural byproducts grew 9.4 percent annually on average, exceeding the 6.75 percent annual growth rate of agricultural output value for the same period. In 1990, Chinese exported agricultural byproducts worth \$6,764,000,000, equivalent to 32.23 billion yuan, 8.71 percent of the gross value of agricultural byproduct procurements, and exported processed agricultural products worth \$15,185,000,000. In all the international market absorbed between 15 and 20 percent of China's agricultural products. At a time when the domestic market for major agricultural products remains sluggish, increasing agricultural exports will help accelerate agricultural development and protect the peasants' interests.
 - 2) Agricultural foreign trade has helped improve the quality of agricultural products and upgrade the agricultural industry. The practice of international trade proves that foreign trade in agricultural products, like that in other commodities, has moved from the quantity-driven era of the past to a new quality-driven era. Instead of competing mainly on price, as they did in the past, agricultural products on the international market nowadays compete primarily on nonprice factors like quality. Two similar products of dissimilar quality may differ in price several-fold or even a dozen fold. On the Hong Kong market, for instance, Japanese beef sells for HK\$75 per 100 grams and American beef, HK\$19 per 100 grams. In contrast, the price of Chinese beef is just HK\$5 per 100 grams, only 1/15 of what the Japanese beef fetches. (Chen Jiaqin [7115 1367 0530], *On Foreign-Exchange-Earning Agricultural Products*, p 45 Renmin Daxue Chubanshe.) The development of agricultural trade, therefore, must be

oriented toward the international market. Agricultural production must be organized and planned in accordance with international standards. That way the quality of agricultural products will be improved, leading to the upgrading of the agricultural industry.

- 3) Agricultural foreign trade helps enhance the overall profitability of the agricultural economy and increase peasants' earnings. First of all, foreign trade enables peasants and the agricultural sector to secure higher prices. In other words, their incomes go up even when output remains constant. Second, by increasing the capacity of the market for agricultural products, foreign trade works to expand the scale of agricultural production and promote its specialization, thus enabling agriculture to capture the benefits of economies of scale. Third, the import and export of agricultural products has made China part of the international division of labor in agriculture and brought about the exchange of resources between nations. This will help China put its edge in resources to use by allocating them effectively and raise the rate of return on agricultural resources, that is, the profitability of agriculture. Fourth, the growth of foreign trade in agricultural products is an efficient way to increase peasants' earnings. In 1990, China exported \$21,949,000,000 worth of agricultural byproducts and agricultural processed products, equivalent to 104.92 billion yuan, or 116 yuan per rural resident. The last figure represented about 18.4 percent, almost one-fifth, of per capita earnings among peasants in China, which amounted to 629.79 yuan. Needless to say, all the earnings derived from the export of agricultural products and their processed products do not end up in the peasants' pockets. Be that as it may, peasants have managed to benefit substantially from the development of agricultural trade.

The development of agricultural foreign trade has been a success and a boost to agricultural development. Compared to other sectors, however, agriculture falls short overall in its openness to the outside world in terms of both depth and breadth. Just 5.7 percent of all foreign capital used by the state goes to agriculture. Agriculture also accounts for a relatively minor share of S&T and economic cooperation and exchanges and trade. Not only is the scale of agricultural foreign trade small, but the structure is also irrational, lower than the national average. In 1990, the foreign trade dependency rate of agriculture (that is, agricultural exports as a share of the gross value of agricultural output) was 6.4 percent and Chinese agricultural exports amounted to \$6,671,000,000, less than 2 percent of the world's total agricultural exports. Exports on this minuscule a scale are not congruous with China's status as a major agricultural nation.

II. Go All Out To Develop International Trade in Agricultural Products, Accelerate the Opening of Agriculture.

There are many ways to accelerate the opening of agriculture, but the one with the most decisive effects is foreign trade. Only by speeding up the development of international trade in agricultural products, increasing foreign exchange earnings, and accumulating funds can we acquire the resources to expand international economic and technical exchanges and cooperation, import advanced materials, technology, and equipment, and further agricultural modernization. To speed up the opening of agriculture, therefore, we must first strive to develop agricultural foreign trade.

In the wake of the development of social productive forces, the continuous rise in living standards, and the endless growth of the world population, there has been a corresponding increase in the variety as well as quantity of consumer goods, which has caused the international trade in agricultural goods to expand steadily in scale. While both agricultural output and agricultural trade have lower growth rates than the nonagricultural sector, agricultural trade has been expanding faster compared to agricultural output than nonagricultural trade compared to nonagricultural output. Since 1953, there has been a 1.3 percent increase in world trade for every 1 percent gain in gross social output worldwide. During the same period, however, there has been a 1.8 percent increase in agricultural trade for every 1 percent gain in agricultural output. On a global scale, it can thus be said, agriculture is more markedly dependent on trade than the industrial sector. It is noteworthy that this phenomenon has occurred amid the barrage of trade barriers of every form and shape erected by countries around the world.

Developed nations are the leading players in international agricultural trade. In 1987, developed nations accounted for 68.0 percent of international agricultural trade; developing nations, 24.4 percent. As the world economy develops, its structure is in the midst of a transformation, with labor-intensive industries gradually being relocated from developed countries with high labor costs to developing nations. Agricultural products and their processed products are classic examples of labor-intensive products. The transformation of the global economic structure therefore bodes well for the drive by developing nations to increase their share of international agricultural trade. As a developing nation, China boasts labor resources that are unmatched in the world and is uniquely qualified to develop labor-intensive industries for export. In the spring of 1988, for instance, the ratio between the hourly wage of a Chinese textile worker and that of his Japanese counterpart was 1:55.30. The ratio between labor costs on the mainland and those in Taiwan was 1:10.89; between China and Korea, 1:8.48; between China and Hong Kong, 1:8.11. Thus we should grasp the opportunity created by the restructuring of the global economy to make a push for the development of international trade in agricultural products and their processed products.

An all-out push for agricultural trade must be based on an overall strategy for the development of such trade for many years to come. In the past, our guiding thought behind agricultural trade was "each supplying what the other needs" and regulating surpluses and shortages. This guiding thought was justified under the historical circumstances at the time. It went a long way toward ensuring supplies and stabilizing the domestic market and accumulated substantial funds for economic development. However, it is no longer suited for the current trend toward global integration. Nor does it meet the need of opening up China with its commodity economy to the world across the board. The purpose and significance of our call today for striving to develop agricultural foreign trade and speed up the opening of agriculture to the outside world is to use the exchange of international resources and obtain the benefits that are due us through ever-expanding international economic and technical cooperation and foreign trade in accordance with the principle of comparative advantage, and working on that basis, import advanced materials, technology, and equipment to improve agriculture, speed up the development of a high-yield, good quality, and high-efficiency agriculture, and modernize agriculture. In the years ahead, therefore, the overall strategy for the development of Chinese agricultural trade should revolve around resource exchange and the sharing of benefits, that is, use the two kinds of resources, domestic and foreign, put dynamic comparative advantage to work, bring about resource exchange, raise the overall profitability of agriculture, and enhance national well-being. Specifically, export high-priced agricultural products that have low production costs but high added value, and import those agricultural products which we cannot produce or which have high production costs at home but are available on the international market at lower prices. To do that, we must end the past practice of exporting whatever we can export and establish the commodity economic concept of "providing whatever the international market demands." This is the only way to expedite the development of agricultural trade.

As the overall strategy for agricultural trade, resource exchange is consistent with the fundamental tenet of international trade—the principle of comparative advantage. In this sense, the volume of its agricultural trade is a direct gauge of a nation's resource exchange capability. At present, Chinese agriculture has a limited resource exchange capability. Its resource exchange remains on a small scale—"import little and export little"—and no longer meets the needs of opening the country to the outside world. In light of international experience and given our natural resource endowments, we should work to enhance our resource exchange capability, expand the scale of resource exchange, and "export and import on a large scale." Only thus can Chinese agriculture transcend the limitations imposed by a natural economy, take bold steps toward the international market, and join the international division of labor.

With its huge population and scarce agricultural resources, some people think, China cannot become a leading player in international agricultural trade, importing and exporting on a large scale. This is a one-sided view. It is true that as part of a natural economy, social expanded reproduction in Chinese agriculture was sustained by domestic natural resources and traditional agricultural technology, perpetuating the self-circulatory kind of activities at home. In this isolated economy, agricultural exports were extremely modest in terms of both dollar value and volume, since the level of social productive forces remained low while domestic demand was high. At most agricultural trade was a way to supply what the other nations did not have because of differences in natural conditions and to regulate surpluses and shortages, not a way to turn China into a leading agricultural trading nation. In a commodity economy, however, the situation is entirely different. After more than a decade, rural reform is making it possible for the Chinese rural economy to overcome the constraints of a self-sufficient natural economy and rapidly become a commodity economy. The commercialization of agricultural products has raced ahead and the volume of agricultural commodities has also increased substantially. As China's foreign trade develops apace, expanded reproduction in agriculture has been able to take advantage of the two markets, domestic and foreign, and use the abundant natural resources in the world as well as its advanced agricultural technology, thus bringing about the great international circulation. That way China will be fully able to neutralize the limitations imposed by its lack of natural resources and become a leading agricultural trading nation. There is no lack of examples in the world of resource-poor countries which have become top agricultural trading nations. The Netherlands and Israel, for instance, both turned themselves into leading agricultural trading nations and net agricultural exporters through resource exchange despite an acute shortage of agricultural resources. Accordingly the notion that China has limited potential for agricultural trade and will not accomplish much in that area is unfounded and pernicious. The fact of the matter is that given what it has, namely a large population and insufficient cultivated land, China has no choice but to adopt the approach of importing and exporting on a large scale and conducting resource exchange, sharing with other nations the world's ample natural resources. This is the only way to end resource shortages in China fundamentally and get around the problem of effective supply of agricultural products in the nation. There is no other way out. We must overhaul our thinking in this area.

"Importing and exporting agricultural products on a large scale" is not merely a theoretical concept but something that can be transformed into reality through hard work. Because of China's vast population and scarce natural resources, including arable land, the domestic prices of some crops such as wheat, sugar, soybean, wool, and natural rubber are already higher than those on the world market. Now that the foreign

trade system has been reformed and enterprises have been given greater decision-making authority, they find the temptation to import a large quantity of agricultural products irresistible; price differences between domestic and foreign agricultural products are substantial, making importing a profitable proposition.

To implement the strategy of resource exchange and import and export on a large scale, agricultural exports and imports must increase at a significantly faster rate in the 1990s than in the 1980s. In the 1980s, Chinese agricultural exports (including processed products) grew 9.5 percent annually on the average, higher than the 6.4 percent at which agriculture expanded annually, while agricultural imports rose 3.5 percent each year. In view of the level of development of Chinese agriculture, the supply-and-demand characteristics of agricultural products, and the development of the processing industry in the 1990s, it is advisable that the growth rate of agricultural exports (including processed products exports) be maintained at between 10 and 12 percent. By the year 2000, the exports of agricultural products, including processed products, may reach between \$60 billion and \$70 billion. Taking into consideration the comparative advantage in the case of certain major agricultural products and their supply-and-demand situation on the market, agricultural imports may grow between 6 and 8 percent each year on average in the 1990s.

In the course of resource exchange by importing and exporting agricultural products on a large scale, we should work out an appropriate agricultural import strategy. As the economy develops and land appreciates in value, we will see the domestic prices of more and more agricultural products exceed their corresponding international market prices by ever-widening margins. After China rejoins GATT, in particular, it will come under mounting pressure to increase its agricultural imports. On the one hand, importing low-priced agricultural products can lower the costs of processing enterprises and reduce consumers' expenses. These days, for instance, processing enterprises can save between 600 and 800 yuan every time they use a ton of imported natural rubber. On the other hand, importing is a blow to domestic production and depresses peasants' earnings. Since import has both pros and cons, we must work out a correct agricultural importing strategy so that importing agricultural products will both help consumers trim spending and enable producers to use the resources substituted by imports in the production of high-value good-quality agricultural products. That way resources can be optimally allocated and producers' incomes will go up. Specifically we must pay attention to the following:

- A) Given the development stage the Chinese economy is in right now and the traditional scarcity of foreign exchange, the best we can do in agriculture as far as foreign exchange is concerned is to aim for a balance on our own. In other words, we must import no more than 80 percent of what we export in value to ensure that a considerable sum of income derived from

agricultural exports is available to be spent on importing industrial goods.

- B) Optimize the mix of agricultural imports in accordance with the principle of dynamic comparative advantage to get the most out of imports. Cotton and wheat, for instance, are competitive products in China. Both need to be imported. When the price ratio between cotton and wheat on the international market is higher than that in China, we should increase wheat imports and use some of the land thus withdrawn from wheat cultivation to grow cotton, thereby reducing cotton imports. That way we get the most out of imports while minimizing our costs.
- C) China should diversify the sources of its major agricultural imports. In line with the country's foreign policy, it should take advantage of the competition between exporting nations and position itself favorably to get a good price. Furthermore, it may sign a single- or multi-year contract with an exporting nation to ensure a stable supply at preferential prices.
- D) The prices of primary products frequently fluctuate sharply on the international market. As a major importer of agricultural products like grain and sugar, China must pass on the price risk to avoid losses and protect its own interests by hedging at the commodity futures trading exchange.

But it is the export of agricultural products that dominates the resource exchange process. To expedite the growth of agricultural exports and meet the growth targets we have set for the 1990s, we must adopt a host of measures: optimizing the mix of agricultural exports; establishing agricultural commodity bases; exploiting our strength of ample manpower by developing value-added operations like processing; stepping up scientific research on farming and processing, increasing S&T inputs, and paying attention to new products development, particularly the application of high-tech to such development; and prying open the international market across the board on all levels and through all channels.

Whether they be primary agricultural products or processed agricultural products, we must ensure their quality and improve it constantly. Work hard to resolve the problems of pesticide residue and stock degeneration to meet the importing nations' animal and plant quarantine standards. This is critical to expanding China's agricultural exports.

III. The Coastal Region Should Lead the Nation in Opening Up Agriculture to the Outside World

Using international experiences as a guide and after considering the conditions in every quarter, we should make the coastal region the center of the drive to develop agricultural trade. With its ample sunshine and warm temperatures, this region abounds with all sorts of fruit, vegetables, and other fresh produce, an ideal place to develop a subtropical culture. It is on numerous transportation routes and is accessible to information, with

numerous large- and mid-sized cities and towns scattered all over it. It boasts developed processing industries and abundant labor resources of a high caliber. Also the coast is where Chinese agriculture has attained the highest level of modernization and where the gap between Chinese agriculture and its counterparts in developed nations is at its narrowest. Besides, as home to many overseas Chinese, the coastal region can use a large amount of foreign capital and overseas Chinese capital to develop agricultural products for export. For all these reasons, the coastal region should become the center of China's drive to develop agricultural exports.

The fact of the matter is that the coastal region has always occupied a pivotal spot in the nation's agricultural trade. It exported \$4.9 billion worth of agricultural byproducts in 1989, 74.1 percent of China's total agricultural exports for that year. Agricultural exports by Guangdong Province alone amounted to \$1.7 billion. Of the 116 counties in the nation with agricultural export procurement exceeding 100 million yuan each, 93.0 percent are found in the coastal region.

As the center of the nation's drive to open up to the outside world in agriculture, the coast has its weaknesses as well as strengths, with the grain problem being the most striking. Clearly, to develop agricultural trade on a large scale along the coast where per capita arable land is a mere 0.0667 hectare and increase the production of crops and processed products to satisfy the needs of the international market will inevitably result in competition with grain production for land and funds. The key to further opening up agriculture along the coast to the outside world lies in solving this conflict, that is, ensuring the availability of grain in the proper way while hastening the opening of the coastal region to the outside world in agriculture. Two alternative approaches may be considered here. One is the grain self-sufficiency approach, which has been followed steadfastly through the years and is still in effect. In the second approach, the resource exchange mechanism is used to strive to develop and export agricultural products with a high added value in exchange for grains. Which approach is more sound? We can only make a judgement against a specific economic background.

Guided by the philosophy of "taking grain as the key link," we have traditionally followed a policy of encouraging regional grain self-sufficiency. At a time when grain output was relatively low and the people's food and clothing needs were not met, the regional grain self-sufficiency policy has played a useful role in mobilizing the enthusiasm of the coastal region for grain production and effectively ensuring grain availability. After 1978, as rural economic reform went under way, the market mechanism gradually replaced planning as the principal tool of resource allocation. Since an agriculture dominated by grain is low on capitalization and has poor productivity, grain cultivation became the most uneconomical option available to peasants in the coastal region. Driven by the profit motive, peasants began

shifting manpower, funds, and other elements of production to the nonagricultural sector with its relatively high marginal return rate. Because of insufficient inputs, agriculture dominated by grain entered a period of stagnation. To ensure regional grain self-sufficiency and check the trend toward declining grain production, the coastal region adopted a mix of intervention methods, both administrative and economic. Excessive administrative intervention, however, has caused many problems. First, it has sharpened the conflict between the government and peasants, taking up much of the latter's energies. By concentrating large amounts of agricultural resources such as cultivated land on grain production, which is relatively inefficient, the government has lowered the input-output rate and the efficiency of agriculture steadily. Its capacity for expanded reproduction diminished, agriculture became more and more devitalized, unable to be the force supporting economic development along the coast. Third, the regional grain self-sufficiency policy violates the demand of sound regional specialization, leading to the misallocation of agricultural resources on a nationwide basis and imbalances in the agricultural structure. Fourth, the need to aid agriculture means a heavier burden on township and town enterprises and slows down their development. Fifth, the development of agricultural trade has been hampered. Judging from practice, the basic facts of life along the coast—a large population but insufficient arable land—determine that it will never achieve self-sufficiency in grain however heavy a price it pays.

If international experience is a guide, agriculture is always the support system for economic development in any region before its economy attains a high degree of maturity, providing food and economic surplus relatively economically. In the early stage of economic development, agriculture mainly uses local resources to accomplish its basic mission by directly providing food. As the economy develops and the industrial structure changes, the economic value of land resources increases. In resource-poor areas, therefore, the direct provision of food has become the most uneconomical method by which agriculture can accomplish its basic function and use resources. The "surplus" it supplies shrinks by the day, perhaps even turning into a deficit, endangering its very own survival. It is then that agriculture has to adjust its own structure and develop high-added-value products so as to indirectly accomplish its basic function through the resource exchange mechanism, at the same time injecting some of the "agricultural surplus" into the economic process, expanding economic circulation, and supporting economic development. In a country with a shortage of arable land, whether or not this transition can be effected promptly and properly determines whether agriculture can turn the corner and embark on the road to prosperity and vitality. In accordance with the principle of dynamic comparative advantage, this process manifests itself as participation in and expansion of interregional trade. Using the exchange mechanism of the international market, some countries such as Britain,

Thailand, and Taiwan have made the transition successfully. They demonstrate to us that in the economic development process, it is entirely possible for agriculture to eliminate "marginal agriculture" by proceeding from the concept of comparative advantage and making use of the resource exchange mechanism, develop a high-yield, good-quality, and high-efficiency agriculture, overhaul the industrial structure promptly, and accomplish its mission as a support system for and accelerator of the economic development process.

Taking a leaf from the book of economic development of other nations and regions, China's coastal region should extricate itself from the trap of achieving regional grain self-sufficiency at an exorbitant price and make its agriculture structurally more upscale. Instead of treating agriculture traditionally as a mere direct producer of grains, we should regard it as the industry that truly supplies grains in the most economical way, provides a surplus for economic development, and supports such development. Revive agriculture's inherent vitality by adjusting its structure, and using the resource exchange mechanism, ensure a stable grain supply with the least cost. In the process of economic development, countries with a small territory and even scarcer cultivated land export high-priced agricultural products and use the foreign exchange derived therefrom to buy grain on the world market. This is how they apply the resource exchange mechanism. In the early stage of economic development, there is an acute shortage of foreign exchange, so when we import low-cost grains on the international market, the opportunity costs incurred in the use of foreign exchange are quite high. China's coastal region is entirely capable of taking advantage of the nation's strength as a great power to secure the maximum agricultural surplus through dual resource exchange and use it to support economic development. This process can be summarized as follows: Conforming with the trend of the steady decline of traditional agriculture dominated by grain, the coastal region uses the agricultural resources thus idled to develop new agricultural products of a higher added value, increasing their value by processing. It exports some of these products and uses the foreign exchange earned to purchase advanced technology and equipment for township enterprises and develop labor-intensive products for export. The remainder of the high-added-value new agricultural products is sold on the domestic market. The earnings will be used to purchase less expensive food on the domestic market. This exchange process will help develop the coastal region's agricultural foreign trade, turning it into an inherently dynamic support system for the development of the coastal economy, on the one hand, and provide a new impetus to agricultural development in western and central China, on the other.

China's coastal region abounds with success stories in which localities economically obtain food to promote economic development by using the resource exchange mechanism. Shantou is a typical example. It has a current population of 9.31 million and 210,000 hectares

of cultivated land, or 0.024 hectare per capita. In the past it tried each and every way to achieve grain self-sufficiency. Owing to the shortage of land, however, it never realized that goal and each year had to rely on large quantities of grain shipped from other parts of the nation and paid with government subsidies. After the Third Plenum of the 11th CPC Central Committee, everybody in Shantou realized that it was simply impossible to feed a large population by planting what limited cultivated land it had with grain, that the only fundamental solution was to play up its own strengths by participating in the domestic and international markets and conducting resource exchange. Taking advantage of its own superior natural conditions and its proximity to Hong Kong and Macao, Shantou adjusted its grain structure by orienting itself to the market and reduced the amount of farmland planted with grain. The ratio between grain and cash crops was 80:20 in 1978. By 1986 it had dropped to 70:30. The adjustment of the agricultural structure has revitalized the agricultural sector. Gross agricultural output value rose 17 percent each year on the average and the agricultural commercialization rate hit 63 percent. Citywide, foreign trade procurements of agricultural products and processed products were equivalent to 25.2 percent of the gross value of agricultural output. In 1986, agricultural exports netted \$117 million in foreign exchange earnings, up 94 percent over 1983. Per capita income in the countryside rose from 232 yuan in 1983 to 480 yuan in 1986. By adjusting the agricultural structure, cutting grain production, and developing high-quality and high-value agricultural products, Shantou has strengthened its economy while closing the deficit in its grain supply by procuring in places like Hunan, Hubei, and Anhui, paying 5 to 8 yuan more than the state-set price per 50 kilograms. On the one hand, a stable grain supply was ensured. On the other hand, in places where Shantou purchases grain, peasants now have a greater incentive to grow grain. Shantou uses the foreign exchange derived from agricultural exports to import advanced technology and equipment to support the development of an export-oriented economy. It has found a successful way to carry out dual exchange in resource use.

IV. Policy Proposals

To speed up the opening up of agriculture to the outside world and promote the development of a high-yield, good-quality, and high-efficiency agriculture, we must take effective and practical measures:

- A) In accordance with the principles of simplifying administration and delegating power and separating government administration from enterprise management, we should further reform the agricultural trade system and gradually set up a foreign trade system that conforms with established international practices. First, localities should be given more decision-making authority in the import and export of agricultural products so that they can take advantage of opportunities on the international market effectively and obtain a full lineup of varieties by import and

export, thus maximizing their economic benefits. Second, when their foreign exchange earnings derived from exports reach a certain specified level, agricultural enterprises, township and town enterprises, rural reclamation enterprises and their groups should be granted the authority to conduct foreign trade on their own. Third, improve the quota system for agricultural exports. Where quotas are still required, the quota distribution formula should be improved in the interest of fairness and reasonableness. To mobilize the enthusiasm of all quarters to open up the international market, we should abolish export quotas for those agricultural products of which China is not a leading exporter in the world.

- B) The share of foreign capital as well as the share of foreign exchange going to agriculture should be increased over time. Accelerate the import of advanced agricultural technology to further agricultural modernization. Where conditions exist, set up agricultural open and development zones, high-tech horticultural zones, and export products processing zones.
- C) Go all out to develop the three kinds of agricultural enterprises and agricultural products processing enterprises that are either wholly or partially foreign-owned. Encourage localities to build agricultural enterprises and processing enterprises overseas. Export labor and technology diligently.
- D) Set up an agricultural products export guaranty fund and development fund to eliminate or moderate the impact of fluctuations on the world agricultural market on Chinese agricultural production and to encourage exports. Japan, for instance, has its "Public Financial Bank" and "Development Bank" that specialize in providing funds or making loans on preferential terms to support the production of exports. Japan also has "selective aid" and "selective subsidy" programs to ensure the production and export of good-quality products. Brazil and countries in Southeast Asia all have financial institutions to assist the development of export agriculture.
- E) Import tariffs and import value added taxes on seeds, seedlings, breeding stock, fodder, plant and animal preservatives, farming and livestock-raising tools, processing machinery, and other equipment should be waived.
- F) Formulate a reasonable foreign exchange sharing system. Increase the share of foreign exchange that foreign exchange earning enterprises and localities can keep. Give them greater decision-making authority in export.
- G) Simplify all sorts of examination and approval procedures, making it easier for people and goods to leave the country.

- H) Establish an international market monitoring and feedback system to provide producers with information on changes in the international market.

Hunan Faces Serious Agricultural Problems

93CE0575B Beijing NONGYE JINGJI WENTI
[PROBLEMS OF AGRICULTURAL ECONOMY]
in Chinese No 4, 23 Apr 93 pp 54-55

[Article by the Office of Nanxian County Committee of Hunan Province: "New Crisis Faced by Major Rice and Cotton Producing Areas"]

[Text] Just as China's economic train is being rapidly started, what is the situation like with agriculture which serves as the basic industry of the national economy? Recently we conducted investigations in Hunan's Nanxian County, a major area well-known nationwide for producing grain, cotton, oils, and fish. Since reform of the rural economic system, rapid development has been achieved in this county's agricultural economy. The scale of increase was great for major agricultural products, and peasant income levels rapidly increased. However, the strong impact brought about by the commodity economy has presented a rigorous test to an unprepared agriculture. Peasants are extremely hesitant and puzzled, and a new crisis has occurred in agriculture.

One, large numbers of agricultural products are stockpiled, and the problem of "having difficulty selling them" is quite outstanding. In recent years, the commodity rate of Nanxian County's agricultural products reached about 70 percent, and the problem of "having difficulty selling grain" has not been solved all the time. In 1992 the county enjoyed a bumper harvest, but the state adopted a policy of restricted purchasing. Originally the whole county planned to turn in to the state 82.35 million kilograms of grain as fixed quotas. In the end only 60 percent of the quotas was allowed to be purchased. Proceeding from protecting peasants' enthusiasm for grain production and safeguarding their interests, the county government and grain departments set a precedent by purchasing more grain. However, it is an utterly inadequate to try to put out a burning cartload of faggots with a cup of water. This measure could not solve the problem of peasants' difficulty in selling grain. According to statistics, apart from keeping enough grain as peasants food, feed, the next year's seeds, and 71.64 million kilograms of grain under the state quota to be turned in, Nanxian County had a new stockpiling of 100 million kilograms of grain. Plus the 155 million kilograms of grain accumulated from the past in the county, the peasant households had about 55 million kilograms of stored grain, which is enough for two years consumption. The serious stockpiling of grain has created a lot of disadvantages. State storehouses are already extremely full. At present more than 50 million kilograms of grain are in the open air. Consequently the quality of grain was lowered; grain was depreciated, peasant income reduced, and the local finance suffered losses. At present though the free market price for 50 kilograms of grain is only 18

yuan, very few people make inquiries. Also, over the last few years the state purchased specially stored grain and towns and townships collected grains for water conservation and educational funds. The price was 35.15 yuan for each 50 kilograms. The guaranteed price which the state originally set was abolished in 1992. As a result, every 50 kilograms of stored grain depreciated to 19.15 yuan, bringing huge losses to peasants, towns, and townships. Not only the problem of difficulty in selling grains is serious, but other agricultural products cannot be sold. At present the whole county has stockpiled 67 tons of silkworm cocoons, 4,500 tons of ramie, and 8,000 tons of lint cotton.

Two, agricultural economic efficiency was low, and peasants have not enjoyed higher income with higher yields. In recent years, agriculture has had bumper harvests for years running, yield kept rising continuously, but the actual income of peasants did not increase. There are three reasons for this: First, prices of agricultural products fell. When prices of industrial products were raised on a large scale, prices of most agricultural products fell by 30 percent to 50 percent. For example, compared with the previous year the market price for rice in 1992 fell by 45 percent, and silkworm cocoon prices fell by 43.5 percent. Prices for a small quantity of agricultural products fell by even greater percentages. Second, prices went up for some means of production and costs of production were increased. In 1992, each kilowatt hour of farm electricity in Nanxian County went up by .033 yuan, and because of this fact alone, agricultural production costs increased 2 million yuan throughout the county. In addition, due to the state's practice of relaxing price controls and the double track price system, the cancellation of some planned materials in support of agricultural production has led to the increase of costs. Third, peasants are carrying excessive burdens. According to the investigation of the county's business management station, an increase of 20 yuan per capita occurred in the first half of 1992.

Three, peasant morale is unstable, there will be a relatively big downturn in agriculture, grain production in particular. The circumstances mentioned above have seriously dampened the peasants' enthusiasm for production and affected the relationship between the party and government and the masses of peasants. According to preliminary statistics, at present about 15 percent of the peasants in Nanxian County have requested to return 3,335 hectares of the land they contracted. No one wants the returned cultivated land. Thus, the consequences will be that there will appear large pieces of vacant land in the countryside, and there will be a serious downturn in agricultural production, and grain production in particular. If large numbers of peasants leave their land, but cannot find employment opportunities, unstable factors will be brought to society.

Hubei Will Not Issue IOUs for Grain Purchases

93CE0564A Wuhan HUBEI RIBAO in Chinese
15 May 93 pp 1, 2

[Article: "Decision by the Hubei Provincial CPC Committee and People's Government To Guarantee That No IOU Will Be Issued in Agricultural Produce Procurement"]

[Text] To provide funds for the procurement of agricultural produce this year, stop the issuance of IOUs, beginning this summer, and lay a good foundation for the whole year's work of agricultural produce procurement, the provincial party committee and government held a special study session on 13 May with leaders from the provincial departments concerned and adopted the following decision on several related questions:

1. Party committees and governments at all levels should attach great importance to the work of agricultural produce procurement. In no way should they allow the recurrence of instances in which IOUs are issued. The party Central Committee and the State Council have instructed time and again that every effort be made to ensure payment for the procurement of grain, cotton, cooking oil, and other staple agricultural products and that definitely no more IOUs be issued. Instances of issuing IOUs are not isolated cases. They are a comprehensive reflection of a profound economic problem and a manifestation of unhealthy economic operations. The key solution to this problem is to improve our work. We must view and solve this problem from the standpoint of ensuring our overall interests. Achieving success in this respect, carrying out in a down-to-earth way the guidelines contained in the instructions of the party Central Committee and the State Council, and winning the people's trust are significant measures to protect and motivate the productive initiative of farmers. This is a matter of vital importance in reinforcing the flesh-and-blood ties between the party and government on the one hand and the masses of people on the other. It concerns not only our agricultural production but also the healthy development of our national economy as a whole, and is a serious political issue as well as an economic question. Party committees and governments at all levels should make a real effort to strengthen their leadership in this matter. They should put the funding work for agricultural produce procurement high on their agenda and treat it as a major economic task at present. Principal party and government leaders at all levels should attend to this matter personally, while leaders in charge of financial and trade affairs should take up the concrete work. To provide funds for their agricultural produce procurement, all localities and departments concerned should form leading coordination groups and work teams so that the work may be conducted in a down-to-earth way. They should uphold the system of direct payment to the households selling the produce; in no way should they buy

the produce from the households but settle accounts with the village authorities. The purpose is to prevent money from being withheld by intermediate units and ensure that cash goes directly to the farmers.

2. We should keep to a system of holding each department and each level responsible for providing funds to meet the needs of agricultural produce procurement. The present work is to make funds available for this summer's agricultural produce procurement. A preliminary estimate shows that our province will need about 1.48 billion yuan for grain and cooking oil procurement this summer. Of this amount, 900 million yuan will be provided by the grain department, 200 million yuan by the Agricultural Bank, 30 million yuan by the Industrial and Commercial Bank, and 350 million yuan by the financial department. These departments should assign their respective funding tasks to the grassroots units concerned as soon as possible. Party committees and governments at all levels should undertake the responsibility for ensuring a balance between the total procurement need and the total fund supply and see to it that no IOU is issued. The leading groups for coordinating the funding work and the financial and trade departments at all levels should make sure that full amounts of procurement funds are made available as planned. All pertinent departments should see to it that their assigned funding tasks are fulfilled as far in advance as possible. In particular, it is necessary to ensure that sufficient funds are available to meet the needs during this summer's peak procurement period for grain and cooking oil. At least one-third of the total funds projected should be made available before the end of May, and the other two-thirds by the end of June. Before mid-July, all the funding work should be completed.

Apart from grain and cooking oil, a successful job should be done in the procurement of major cash crops, native products, and local specialties, such as silkworm cocoons. All localities should strive to achieve a financial balance and make funds available for the above-mentioned procurement by taking such measures as gearing up the collection of receivables from sales of goods. Provincial departments concerned should do their best to support the local governments in this regard.

As regards procurement funds for this fall, the General Office of the provincial government will issue instructions when the time comes. It will be the responsibility of the departments concerned at various levels to see that the instructions are fulfilled.

3. Efforts should be made to strengthen the management of procurement funds and see that these funds are allocated on time to the units requiring the funds. The provincial People's Bank and the pertinent specialized banks should set up special accounts for agricultural produce procurement funds. Procurement funds

from all sources should be transferred through the People's Bank and put into these special accounts. Recovered agricultural produce loans should also be put into the special accounts as soon as possible so that they may be recycled and used again for agricultural produce procurement in the future. The Agricultural Bank should make positive efforts to absorb deposits and recover credit during the peak procurement period so as to enlarge their financial sources. During the peak procurement period, the Agricultural Bank should use its funds mainly to meet procurement needs. The Industrial and Commercial Bank should ensure that needs for funds are met at all its procurement stations. In addition, it should provide funds required for supplying grain to urban areas and funds to meet the needs of grain and cooking oil trade fairs. Funds disbursed for such purposes should be clearly accounted for as soon as possible. The People's Bank should gear up the transfer of funds to regulate the supply and demand of money in a timely manner, and at the same time, support specialized banks in providing enough funds to meet the procurement needs. Specialized banks at all levels should promptly submit to the financial authorities their proceeds from sales of grain and cotton. In no way should they delay the submission of such proceeds or use the proceeds to offset inter-bank accounts. Nor should they use the funds designated as procurement loans to offset interest payments or settle other accounts.

Grain and cotton departments should do their best to promote sales so as to increase the amount of funds on hand. Sales proceeds should be handled properly, and every effort should be made to ensure that they are used for future procurement purposes. Meanwhile, all-out efforts should be devoted to collecting receivables. With regard to the money owed by marketing areas to grain- and cotton-producing areas, the prefectural or city government concerned should instruct the former to settle the accounts before October this year. If they fail to do so by that time, the provincial department concerned should pay for them and deduct an equal amount from their fund appropriations. Grain and cotton departments at all levels should strengthen their fund management. They are not allowed to transfer their grain and cotton sales proceeds to other localities for unauthorized use. If these funds have been transferred to other localities, they must be transferred back before the commencement of the peak procurement period so that the money may be used for procurement. In addition, grain departments at all levels should make every effort to improve their economic work efficiency, stop losses, and increase profits. There should be no more outstanding accounts from now on.

Financial departments should replenish grain departments' subsidy funds promptly and in full amounts according to the relevant state and provincial regulations. These include the funds to be used as the loss subsidy, the interest subsidy on special grain storage

expense, and the extra grain price subsidy. There should be no delay in replenishing these funds, and still less is it allowed to falsely replenish them and actually withdraw money from them or to make withdrawals without replenishing the funds. The provincial Department of Finance should, on the one hand, make fund appropriations to various localities as required. On the other hand, it should see that financial departments in various localities meet the province-set quota for submitting their surplus funds to the provincial treasury. In addition, if any local financial department fails to replenish the grain department's subsidy funds, the Provincial Department of Finance should take compulsory measures to have the replenishment made as required.

4. It is necessary not only to liberalize and invigorate operations, but also to strictly enforce discipline. All localities should seriously explore new ways to improve their agricultural produce procurement work under the condition of the market economy. On the one hand, they should enthusiastically carry out the procurement work. They should not reduce the amount of procurement, refuse to make the purchase, or purposely downgrade the produce to force the price down. In short, they should make the farmers satisfied. On the other hand, they should open more operational channels and invigorate the flow of goods so as to reduce the pressure caused by shortage of funds on the part of the state procurement department. Industrial and commercial administrative departments at all levels should actively support multi-channelled marketing of agricultural and sideline products either financially or by doing energetic work to accommodate it.

It is a very serious task to ensure that no IOU is issued during this year's agricultural produce procurement. This requires strict enforcement of discipline as well as orders and prohibitions. First and foremost, party and government leaders and related departments at all levels should clearly define their fields of work and keep to a personal responsibility system. If a problem occurs in a department or at a certain level, the principal leader of that department or level should be held responsible. If a department fails to fulfill in earnest the duty delegated to it by the party committee or the government, the leader of that department should be held responsible. Those with good work performance should be given commendation and encouragement. Second, certain economic sanctions should be imposed on those localities that failed to fulfill the procurement funding task and thus affected the procurement work and drew serious complaints from the masses. Examples of such economic sanctions are discontinuing the procurement under their control, suspending their fund appropriations for projects under construction, and stopping the extension of large bank loans to them. The sanctions should not be lifted until the problem is solved. Third, party committees and governments at all levels

should organize discipline-inspection committees and supervisory, auditing, and financial-examining departments to conduct follow-up checks. If any problem is discovered, it should be corrected promptly. Anyone who is found to have ignored instructions, turned a blind eye to the law and discipline, and wilfully withheld, misused, transferred, or taken away bit by bit the agricultural procurement funds should be severely punished.

The provincial CPC committee and government hereby ask the departments concerned at all levels to resolve and take real, serious, solid, and firm steps to eradicate the practice of issuing IOUs.

Status of Forest Industry

93CE0575A Beijing ZHONGGUO LINYE
[FORESTRY IN CHINA] in Chinese
No 4, 17 Apr 93 pp 20-21

[Article by Hu Peixing (5170 1014 5281): "The National Forest Industry Has Leapt to a New Stage"]

[Text] 1992 witnessed brisk producing and marketing for both timber and major products of the national forest industry. Stockpiling was reduced, and development was accelerated for the forest product industry, diversification, and the tertiary industry. Construction of forest industry timber bases has leapt to a new stage. Forest zones made breakthroughs in foreign trade. Efficiency was raised and losses were reduced in the forest industry.

1. Purchasing and marketing were brisk on the timber market, and stockpiling was reduced

According to the statistics of Forestry Ministry's dispatchers office, by the end of last year, 19 key timber producing provinces and regions had produced 45.9 million cubic meters of timber, fulfilling 84 percent of the annual plan. The state-owned forest zones in northeast China and Inner Mongolia produced a sum of 18.69 million cubic meters of timber, accounting for 100 percent of the annual plan, of which the national task was for 14.05 million cubic meters. Southern collective forest zones fulfilled 76 percent of the annual plan, of which forestry departments purchased 14.76 million cubic meters of commodity timber, accounting for 90 percent of the total sum of commodity timber, and continuing to play the role of main channel for timber business. In 1992, Hubei, Guangxi, Yunnan, Gansu, Jiangxi, and the four major forest industrial enterprises in northeast China did a good job in finishing their timber production tasks. The performance of other provinces and regions was not ideal. The major reasons are: First, since the beginning of winter 1991, Fujian, Jiangxi, and some key timber producing provinces and regions in the south were hit by disastrous floods, the logging, gathering, and transporting of timber were affected; second, some areas had inadequate resources of forest to be logged, and there was difficulty in determining logging zones; and third, the issuance of logging permits was

delayed in a few timber logging areas, thus affecting the progress of timber production.

In 1992 demand for timber rose, marketing volume increased, and prices steadily rose. The 19 key timber producing provinces and regions sold a sum of 39.26 million cubic meters, enjoying slight increase over the previous year. Of which 11.19 million cubic meters were related to unified allocation, a reduction of 12.3 percent against the previous year; 27.94 million cubic meters were of nonunified allocation nature, an increase of 5.2 percent. Selling was even more brisk on the timber markets in the southern collective forest zones. Last year's volume of sales was 15.41 million cubic meters, an increase of 8.4 percent over the previous year. Of which 6.63 million cubic meters were sold outside the provinces concerned, accounting for almost the same amount as the previous year, whereas Fujian, Jiangxi, and some provinces experienced slight reductions. As for China's key timbers, that is, mine timber, sleeper timber, and papermaking timber, a sum of 5.2 million cubic meters was fulfilled. Of which the southern timber zones with fully open timber markets finished 1.55 cubic meters, and effectively aided the economic construction of mines, light industry, railways, and military projects.

Since timber markets were opened in Fujian, Hubei, and Jilin, timber and forest products transacted have respectively amounted to 970,000 cubic meters, 300,000 cubic meters, and 270,000 cubic meters, and the business volume respectively reached 520 million yuan, 210 million yuan, and 140 million yuan. The operation of markets is good. The establishment of timber market mechanism promoted the development of gradually shifting the selling of timber and forest products from spot transaction to intermediate and long-term contracts and futures trading.

By the end of last year 8.36 million cubic meters of timber were being stored, a reduction of 7.2 percent from the beginning of this year. Timber warehouses in forest zones of northeast China and Inner Mongolia were storing 4.17 million cubic meters, a reduction of 5.7 percent from the beginning of this year, while timber storage in southern timber zones amounted to 2.55 million cubic meters, a reduction of 15.6 percent from the beginning of this year. Some achievements have been made in limiting production and alleviating stockpiles to promote marketing.

2. Both production and marketing were brisk for the products of forest industry, and the rate of standardization in introducing artificial plank production lines was apparently enhanced

According to incomplete statistics, in 1992 the industry of forest products finished 2.89 million cubic meters of artificial planks, 118 percent of the plan. Annual plans were all realized for the production of rosin, tannin extract, paper pulp, and paperboards.

In 1992 all provinces (regions) improved professional management of the industry of forest products, attached

great importance to product quality, readjusted product mix, expanded marketable products, and achieved increases in both production and marketing of artificial planks. In Shanghai, Zhejiang, Fujian, and Guangdong the production of plywood fell short of demand, and the production and marketing of fibre planks and shaving boards were all better than the previous year. Both the production and marketing of artificial planks were brisk. This was an extremely good opportunity for enterprises to raise economic efficiency. But development was uneven. Due to a lack of funds to purchase raw materials, artificial plank enterprises in Heilongjiang Province were in a state of stopping production and were bungling opportunities.

Last year, 20 production lines of artificial planks throughout the country produced a volume of 530,700 cubic meters, fulfilling 96 percent of the annual plan; five factories hit 100 percent of their annual plans while eight finished 60 percent. Fuzhou Artificial Plank Factory planned to produce 42,500 cubic meters in 1992, but actually finished 60,600 cubic meters, with 99.5 percent of its products meeting standards. The factory has met the planned target and standards all around with a profit of 19.35 million yuan, 3.5 times that of the plan. Longyan District Artificial Plank Factory of Fujian Province planned to produce 6,000 cubic meters, but actually finished 8,000 cubic meters, with 92 percent of the products meeting standards. On the basis of bearing a loss of 2.7 million yuan in 1991, the factory achieved a profit of 2.95 million yuan in 1992.

3. Forest zones quickened the pace of developing diversification and the tertiary industry, and promoted readjustment of industrial product structures of the forest enterprises

In 1992, more than 10 diversified businesses in the forest zones such as planting, aquatics breeding, collecting, processing, mining, building materials, maintenance, commerce, catering services, and transportation kept a good tendency to develop continuously and stably. Construction of the production bases for wild cabbages, ginseng, young pilose antlers, and some other forestry sideline products began to take shape. Raw material processing industries have been formed for processing a number of forest foods and a serial products of woody plants and medicinal materials. Products were gradually beginning to be pushed from domestic markets to international markets. In 1992, discount loans for the diversified businesses of forest industry primarily favored high-tech projects that required little investment but would bring high efficiency, and earn foreign exchange. Vigorous support was given to projects involved in the construction of wood chips production bases, bamboo, and markets for forest products, and to the technological innovation of forest chemical enterprises. In 1992, 300 million yuan was planned as discount loans for diversified businesses of the forest industry, and by the end of December 290 million yuan was carried out, fulfilling 96 percent of the planned target. To effectively use the targets of loans, in the middle of the year the Ministry of

Forestry, jointly with the industrial and commercial bank, withdrew in time 26 million yuan from Heilongjiang and Inner Mongolia where there was difficulty carrying out the loans, and used it in such provinces and regions as Jiangxi, Sichuan, and Xinjiang that had relatively good conditions for carrying out the loans, thus improving the rate of cashing loans for the year of 1992. It was estimated that in 1992 the product value and income of the diversified businesses of forest industry would amount to 4.17 billion yuan, an increase of 13 percent over the previous year; the product value and income of the tertiary industry of forest industry would reach 970 million yuan, an increase of 15 percent over the previous year; diversified businesses of the forest industry and the tertiary industry have become one of the four pillar industries of forest zones. By the end of last year, the number of independent accounting units in the diversified businesses of forest industry came to 7,100 with a staff of 700,000, having placed a staff of 140,000 nationwide. According to incomplete statistics, throughout the country in 1992 nearly 80,000 surplus staff members and unemployed youths were transferred from forest industry to production. Development of the diversified businesses and tertiary industry in forest zones created conditions for people to transfer from forest industry to production and for enterprises to free themselves from difficult situations.

4. The construction of forest industry timber bases has once again leapt onto a new stage

In 1992, under the new situation of state-owned forest zones conducting reform of the commercialization of forest production management and extension services for pilot programs of timber prices, various tasks of managing forest production were fulfilled all around. Forest industrial enterprises in northeast China and Inner Mongolia completed 3.71 million mu in artificial reforestation for the whole year. Of which 830,000 mu were trees that would grow rapidly and produce timber abundantly. The forest industry in southern forest zones continues to consolidate the existing tree farms that are being cut and cultivated, and has adopted many practices of renting mountains and purchasing mountains to develop the construction of timber forest bases for forest industry and to open new timber forest bases. By the end of 1992, forest industrial enterprises across the country possessed 58.89 million mu of man-made timber forests. Of which 3.08 million mu were trees that would grow rapidly and produce timber abundantly. This has formed a number of bases for papermaking, plywood industry, and raw material forests. At the same time, after years of hard work on the part of the broad masses of the enterprise staff, up to now, 11 forest bureaus among the country's forest enterprises have over 1 million mu of man-made forests. Preservation of the man-made reforestation exceeded 1 million mu in Heilongjiang Province's forest bureaus of Linkou, Langxiang, Nancha, Suiling, Chaihe, Dongjingcheng, and Taoshan, Jilin Province's forest bureaus of Linjiang and Sanchazi, and Dayangshu and Aershan forest bureaus under Daxinganling Forest Administration in Inner Mongolia. A good

foundation has been laid for trying to realize the hope of the more cutting, the more there will be, the more cutting, the better, and entering a stage of benign circle.

5. Five, certain breakthroughs have been made in foreign trade

Forest zones fully used the advantages of their geographic location and resources, and through many forms such as introducing funds, technology, compensation trade, jointly building factories, exporting products, and labor services, actively developed foreign economic and technological cooperation. Forest zones in Heilongjiang, Inner Mongolia, Jilin, Xinjiang, and Yunnan actively took advantage of the country's opening borders to establish trading and commercial windows to the forest industry and to unfold border trading activities. In 1992, forest zones in Inner Mongolia signed 11 trade contracts with Russia, with the monetary amount at 4.75 million Swiss francs, and 400 people were involved in labor service export. They conducted agricultural development and set up hotels, restaurants, and stores in the Commonwealth of Independent States. Forest zones in Heilongjiang Province took full advantage of the Black River, and Suifen River to open ports and conduct trading activities. The annual generation of foreign currency from export is estimated to be \$30 million. Forestry departments in the five provinces of Jilin, Zhejiang, Fujian, Liaoning, and Henan developed 35 export-oriented enterprises, with an export volume of 23.76 million yuan. After Daxinganling Forestry Import and Export Corporation in Inner Mongolia and Fujian Provincial Forestry General Company obtained the management power to export second class registered commercial logs and saw-timber, Hainan Provincial Forestry General Corporation obtained in 1992 approval of the Ministry of the Foreign Economic Relations and Trade to conduct export businesses for the second class registered logs and so forth, and has national authority of customs declaration. The three forestry enterprises, that is, China Forestry Machinery Corporation, Heilongjiang Provincial Nancha Timber Hydrolysis Plant, and Fujian Provincial Sanming Plywood Plant, managed product export by themselves and created an annual foreign currency of \$4 million, and were granted by the Economic and Trading Office under the State Council in 1992 the power of enterprise export management. Other forestry enterprises also started to employ various ways to cooperate with foreign trading enterprises and actively open international markets. In 1992, forestry sideline products brought about some increase in the generation of foreign currencies. It was estimated that the product export of diversified businesses of forest industrial enterprises would generate \$70 million, and mountainous specialties from the forest zones and products made of processed wood would be on sale on international markets. In 1992, forest zones in northeast China exported 540,000 tons of absolutely dry wood chips, generating \$5 million. Their products found their way to Korean, Japanese, and Taiwan markets. Wood chips from the forest zones in such provinces and regions as Hainan,

Guangdong, and Guangxi also entered the Japanese and southeast Asian markets, with 350,000 tons of absolutely dry wood chips exported and \$35 million generated.

At the same time when China's forest industry was trying to export products and generate foreign currencies, it also actively tried to introduce advanced foreign technologies and devices to improve forestry's productive forces. In 1992, \$18 million were approved by the Ministry of Forestry to be spent on importing machinery and electric equipment. Of which more than \$14 million were spent on importing machinery and electric equipment under technological innovation projects by using the state's balanced foreign currencies.

6. Forest industry across the country has smoothly accomplished the work of limiting production and alleviating stockpiles to promote marketing and of sorting out "triangular debts"

By the end of 1992, "three-item funds" of the forest industry throughout China accounted for 8.06 billion

yuan, a reduction of 410 million yuan from the 8.47 billion yuan at the end of 1991. The rate of reduction was five percent.

As the primary products of forest industry, timber, saw-wood, plywood, fibre planks are looking good on the market in 1992. The fact that selling was brisk and stock of goods reduced has brought about initiative for the work of limiting production and alleviating stockpiles to promote marketing. In 1992, the annual plan for retrenching "three-item funds" of the Ministry of Forestry was basically accomplished, and certain achievements were made.

In 1992, the Debts Clearing Office under the State Council asked forest industrial enterprises to collect loans worth of 700 million yuan. By 28 December 1992, altogether 225.38 million yuan as debts had been collected, fulfilling 32.2 percent of the target. Altogether 89 forest industrial enterprises from the forest zones in northeast China and Inner Mongolia became beneficiaries of this debts clearing effort.

Traditional Moral Values Degenerate, Money Talks

93CM0329A Hong Kong LIAOWANG [OUTLOOK]
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[Article by Yao Lishi (6008 0500 4258): "Anxious Reflections on Moral Values in Chinese Society"]

[Excerpts] [passage omitted] Moral values in Chinese society are under unprecedented challenge today. According to one public opinion poll, some 50.1 percent of those surveyed "disapproved" or "somewhat disapproved" of the moral climate in society today.

A few years ago, a newspaper story about an individual enterprise provoked a strong public reaction. Two young entrepreneurs reportedly said to a university professor who declined their invitation to dine at their table: "We are now so 'poor' that all we have left is money!"

One can say that this "famous saying" was heard even by those who were deaf not only at the time but even today. Recently, I and the director of a certain organization were talking about the lack of human feelings and attention to money, and estranged personal relations he sighed and said: "If the day comes when only money matters in all dealings, and we have no intimate friends among our associates, that will be a frightening day indeed!"

This is not a groundless fear. There are many ways to make money today, and just as many ways to spend it. Faced with the temptation of high grade consumer goods, the "hero" worshipped by some is being shifted from the "reliable cow that plows the field" to the "big-shot brother" who carries credit cards and spends thousands of yuan at every turn. The effect of such a model on the people is far greater than the appeal which drew people to emulate the model of Lei Feng. According to Mr. Zhang Youyu [1728 0645 3342], who founded the Council on Study of the National Conditions under the China Association for Historical Materialism, the social attitude in China today may broadly be described as follows: "There is general acceptance of the concept of getting rich, and party and government cadres, intellectuals, individual entrepreneurs and students all have a strong desire to get rich"; there is no one who does not want an affluent and comfortable lifestyle! The goal of reform and opening to the outside is to enable the country and the people to become prosperous; and it is precisely the policy of the PRC to encourage the people to work to get rich, and to make money by any legal means.

But is there anything in the world that has a higher value than money? A famous movie actor, after he became "affluent," said: Poverty certainly will make people act strangely, but money can enable one to be clever and quick witted.

At present, "getting into business" is a slogan heard everywhere, and "moonlight jobs" are quite fashionable. While many people only go through the motion in their regular jobs, they bring all their skills to bear in their "moonlight employment."

To earn money, a lot of people have no qualms about the tactics used, be they immoral or illegal. After a national campaign to stress the importance of "product quality," why was there another one to counter "the special tactics to defraud?" The reason is that the rampant marketing of fraudulent goods is difficult to control. According to published statistics, in the second half of last year, 728 types of fraudulent and shoddy goods were confiscated, consisting of 12,944 products or items with a total value 240 million yuan. [passage omitted]

The story of what happened to a soldier named Jin Zhenhong [6855 2973 3163] in a division garrisoned in Nanjing military district is of considerable human interest. Jin Zhenhong was named a "Lei Feng model soldier" seven times and honored as a "model youth" of his generation. A relative from Jin's village once tried to be a matchmaker for him. But when the father of the girl heard that Jin regularly used his own money to help others, he said bluntly: "My standard in choosing a son-in-law is that he be from a rich family, not a stupid idiot!"

A "model worker" has always been a title of honor, and represented the spiritual reward the masses bestowed on progressive personnel who had made notable contributions to production construction. But according to press reports, a city in north China in carrying out a "fund raising drive" plainly stated that any person who donated 50,000 yuan would qualify as a province-level model worker, 30,000 yuan as a municipal-level model worker, and 4,000 yuan as a district- or village-level model worker. When the title of model worker can actually be purchased with cash, what then is the value of model worker?

Mr. Lu Xun once berated his countrymen for watching comrades being slaughtered by foreigners and not feeling any grief, and he dubbed such people "bystanders." It was to revive the dead souls of the "bystanders" that he gave up medicine to become a writer.

But what Mr. Lu Xun could not possibly have imagined is that the rank of "bystanders" not only has not decreased, but has gradually increased in number. In daily life, we can often see the following "bystander" phenomena: when two men are fighting, only shouts of "sock 'im, hit 'im harder" can be heard from the surrounding crowd but not a word to help stop the fight; when a ruffian commits a criminal act or when some one is in trouble, a crowd is formed, again with bystanders in the majority. [passage omitted]

People see only money, but do not do anything for a justice—has become a social phenomenon. Probing further, one would have to say that there is a sickness in the

people's concept of morality, which may be seen in their misperception of what is "right" or "wrong." [passage omitted]

In the several thousand years of Chinese civilization, the Chinese people have created a brilliant culture and left behind many fine traditional moral values. Under the influence of leftist ideology, it was true that China did over-stress some of these fine virtues even to an inconceivable extent. But none of this has hurt the essence of the fine moral values; for example, the spirit of sacrifice, the qualities of conscientious labor, frugality and uprightness, these are products of human civilization. What is regrettable today, however, is that in the eyes of many people, the position given to these values is changing, and concepts of right and wrong are being turned upside down. According to a national survey conducted by the Sociology Institute of the Chinese Academy of Sciences, many urban youth consider individual happiness and satisfaction to be their life goals, with over one half of the sample agreeing with the statement that "people ought to enjoy themselves when they can." In the survey, when asked to rank 20 categories of moral characteristics in order of importance, the respondents listed "conscientiousness" and "frugality" at the bottom of the list. When asked to rank in order 12 categories of the least civilized behavior, "premarital sex" came in last on the list. No wonder people overseas point out that the mainland youth today most likely will not retain the frugal and conscientious tradition of the older generation, and that the youth are rapidly changing to search for whatever that is new, high class, famous and expensive, and to equate the quest for enjoyment and higher standards of life as their *raison d'être*. [passage omitted]

In China, education in morality still lags behind economic development. Economic growth and raising the living standard does not necessarily mean also raising the moral standards of society.

In daily life, the following scenes are common occurrences:

Flowers grown by the roadside, meant to beautify the city, disappear and show up on individual balconies; manhole covers on the street vanish without a trace, resulting in the tragedy of some one falling into the manhole bloodying his head; and regardless of the warning notices posted by the cultural relics department, one can see carved on the precious relics "Zhang San was here" or "Li Si had the fortune of visiting here"...

At intersections in Beijing, one often sees workers wearing red arm bands or waving a little red flag trying to maintain order. This is not because the traffic lights are malfunctioning, or not up to standard, nor because the pedestrians cannot see the red and green signals clearly, it is because when no one is there to watch the

pedestrians, some of them run red lights. Many people worry: when will people observe public morality and act accordingly?

Obedying traffic rules, observing public sanitation, maintaining a civil manner, these on the surface are small matters but they basically reflect the spirit and style of the citizens and represent the totality of knowledge, morality and character of the people. At this point, let me illustrate with a true story of how spitting "ruined" a cooperative business venture. The manager of a medical tubing factory successfully negotiated with an American businessman to manufacture "intravenous [IV] tubing" for export, and was about to sign the contract the following day. While visiting the workshop, the factory manager spit into a corner and rubbed it out with his shoe. That scene caused the American businessman a sleepless night, and he departed China without saying goodbye, leaving behind a letter for his interpreter to give to the manager. The letter said: "Let me apologize for speaking bluntly. The sanitation habits of a factory manager reflects the quality of management. Besides, what you will be producing for export is IV tubing for use with sick patients. As a proverb of your country puts it: any case involving human life should be treated with the utmost care!" [passage omitted]

I interviewed a sociologist who said: Economic development cannot necessarily be equated with moral progress; if the latter is handled badly, the advancement in morality in society will greatly lag behind the economic development of society.

The reality does not permit one to be optimistic. According to the first study made public which gives an overall evaluation of social development in various locations of the country, Guangdong Province in 1991 was given an index of 129 in overall development, or seventh place nationally, but on the social order and public security index, it ranked last among the 29 provincial cities surveyed. While Beijing in 1991 was one of the seven first ranked cities in terms of development, it placed 25th on the social order and public security index. Conditions of social order and public security reflect the standard of social morality. It becomes clear therefore that in places where economic development is rapid, the task of instilling social morality is all the more difficult to carry out.

We should therefore recognize that on the one hand, the standard of morality in society is on decline, and citizens have little or no sense of the public good, but on the other hand, it is equally serious that the trend is still to neglect moral education. In March 1992, a group of education workers, after spending six months conducting a questionnaire survey in 12 cities, made their findings public: on educating their children, the families emphasized knowledge over moral values. According to a "Study of the Current Conditions in Social Relationships in

China," conducted jointly by SAN YUE FENG magazine and China People University's Public Opinion Research Institute, 47.89 percent of the sample felt that it was necessary to strengthen awareness of morality among the citizens.

Chinese Academy of Social Sciences Sociology Institute scholar Huang Ping [7806 1627], who just returned from post-doctoral studies in England, discussed with me the other day that among the numerous societal issues in China, a rather significant one is the issue of the moral

values in society today. At the same time as the market economy develops, social and moral values inevitably undergo a period of transition. From a concrete standpoint, the value of selfish departmentalism and the concept of special privilege are under attack, while the concepts of fair competition and efficiency will gradually become a part of the moral concept. On the other hand, the moral standard and the system of morality as such will undergo a period of confusion. If we fail to manage it well, a moral crisis in society will appear. [passage omitted]

Discussion on Military Schools Renting Barracks

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in Chinese 5 Apr 93 p 3

[Text] At the high tide of commercialization, some military schools have taken advantage of being joined with cities to lease some vacant barracks to local businesses; this has become a new trend among military schools in the last two years. Responding to this trend, some are optimistic while some are critical. This issue is being hotly debated.

The Variety of Barrack Rentals

- 1) Fully use vacant barracks. After rectification, the number of some schools' vacant barracks has increased. In the past, these barracks were sealed, locked, and set aside. Recently these barracks have become money-making "trees." Since 1991, after one school's vacant barracks were leased, they became the school's main source of income.
- 2) Rearrange the barracks for rental. To obtain the highest return from barrack rentals, some schools have also rearranged some barracks that are not vacant but are in a good location so that they can be leased. One school took advantage of its location in the city center to arrange large-scale rental of its barracks. It started with leasing on the outskirts, and soon it was surrounded by rented barracks, becoming a lone "island" in the high tide of commercialization.
- 3) Transform the inside barracks to achieve high gains. Some schools have no barracks that border streets, and have no way to change this situation. They thus separated the vacant barracks inside the schools by walls, resulting in "schools within schools." They then leased these barracks for local use. One school has successively carved up eight "special economic zones" whose businesses are flourishing.

Barrack rentals have many benefits. A leader in an air force school listed some of the advantages: First, this method can fully use vacant barracks. In the past, vacant barracks were not used, and yet still required a huge budget for maintenance. After the barracks were leased, they changed from being wasteful to profitable, thus increasing the efficiency of barrack use. Second, it opens up more money-making channels, and remedies the shortage in educational funding for military schools. One school, by using the income from barrack rentals, has renovated its winter heating system, increased the living allowance for faculty and staff, and acquired new teaching equipment. Third, it propels local economic development. Localities can use rented barracks for shops, restaurants, food stores, and repair shops, promoting the local economy. Fourth, it expands employment channels. Using vacant barracks not only opens up more employment opportunities for military personnel family members, but also provides more job opportunities for the local people.

New Issues Emerged

Barrack rentals by military schools have also brought up many new issues facing the schools' political instruction, educational training, and administrative affairs as seen below:

- 1) Illegal business happens periodically on military bases. Stores have increased around military schools, which have enriched school life. Nevertheless, after a period of time, the two parties become "good friends," and business transactions become too casual: Some school personnel often buy things on credit at these stores. At one store, school personnel owed 35 bills, with the total amount reaching more than 650 yuan.
- 2) Business disputes are on the rise. One school leased three rooms to a local unit for shops, and the unit had a close relationship with the school. Because of the close relationship between the two parties, they did not enter into a formal contract. The leaders changed two years later, however, and when the military requested that the locality repay the cost of water and electricity, the locality refused on the basis that there was no legal contract. They eventually went to court, and the relationship between military and locality was hurt.
- 3) Administrative burdens increase. Students can easily slip into these stores during breaks. The phenomenon of leave of absence without approval happens from time to time. Some store "bosses" become military "VIPs," entering in and out of the schools easily as if the schools are their own homes.
- 4) Security work in the school is affected. Many different kinds of people rent these barracks: Some are entirely family owned—men and women, old and young; some include employed workers, coming from all corners of the land, some are jointly managed, with talents coming from many places. This situation represents a new security threat to military schools. Six rental barrack shops have been burglarized in one school in the last two years, and some stolen goods were worth 10,000 yuan.

Enforcing Administration Is Important

Barrack rentals have good points and bad points, as well as optimistic side and pessimistic side. The key is to improve management.

The first priority needs to be placed on unit construction. This is generally recognized as an evidence for good barrack rentals by military schools. They believe that barrack rentals should be long-term oriented—not just look at short-term economic returns. As long as barrack rentals are detrimental to the school's long-term interest and military administration, they should not be allowed no matter how lucrative they are. In particular, those vacant barracks located in the center of the schools are inappropriate for leasing.

Schools need to come up with appropriate administrative measures. First, schools need to appoint specific administrative personnel and assign specific responsibilities so that every duty has a specific person accountable. Second, schools should set up files for barrack rentals, and include barrack rentals into the scope of their administration that are subject to periodic examinations, and timely correction if needed.

Public Security Ministry Circular on Peasant Burdens

93CM0319B Beijing RENMIN GONGAN BAO
in Chinese 22 Apr 93 p 1

[Text] On 9 April, the Public Security Ministry issued a circular to regional public security bureaus calling for conscientious implementation of the urgent order from the CPC Central Committee and the State Council concerning reducing peasant burdens.

According to the announcement, after the Public Security Ministry issued the circular "On Careful Implementation of the Order From the CPC Central Committee and the State Council Concerning Protecting Peasant Interests and Maintaining Stable Rural Development" in January this year, some provinces, autonomous regions, and autonomous cities have adopted decisive measures. Some local public security bureaus, however, still have not fully realized the importance of this issue, actions are slow, measures are ineffective, and some even have "wait-and-see" attitudes. On 19 March, the General Office of the Central Committee and the General Office of the State Council issued the circular "Urgent Order Concerning Truly Reducing Peasant Burdens," explicitly calling for treating the issue of reducing

peasant burdens as a pressing political task that should be placed high on the agenda. Therefore, the Public Security Ministry ordered that the heads of regional security bureaus be in charge of this issue, seriously organize workshops for studying the principles of the order from the Central Committee and State Council, and fully understand the importance and urgency of the issue of reducing peasants' burdens. It also requested that the task of reducing peasant burdens and protecting peasant interests be treated as a real action of carrying out the principles of the 14th CPC National Congress by the public security bureaus and of serving rural construction and stable rural development. This issue should also be considered an important task in preserving and developing social stability, which demands complete attention and control.

The circular requires localities to follow the principle of "halt the implementation first, and handle later" in dealing with the previous documents and regulations related to the issue of levies on peasants, and should actively organize and launch the self-review and clearance work. With respect to the rural public security work, theft and fraud cases that harm peasant interests should be dealt with seriously, and those gangs who mug and rob peasants of their properties should be punished severely to maintain the security order of villages and farm products markets, safeguarding peasants' interest. Currently public security bureaus, especially the local public security substations, are facing some difficulties, including transportation, telecommunication, housing, and case investigation funding. These difficulties need to be reported to the local party committees and local governments, and solved through proper channels; the method of levying various taxes on peasants is definitely not allowed.

Provincialism Distorts Local Politics

93CM0337A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 321, 8 May 93 pp 20-21

[Article by Si-ma Wen-wu (0674 7456 2429 2976): "Relationship Between Li Teng-hui and the Democratic Progressive Party (DPP)"]

[Excerpt] [passage omitted] Li Teng-hui has often been criticized by comrades within his own party, but just as often finds enormous comfort from the opposition party. In reality, it is not so much Li Teng-hui winking at the DPP as the latter spoiling him. Political openness and tolerance today has given the DPP much room to maneuver. This is the natural outcome of the lifting of martial law, so we should not attribute it all to Li Teng-hui. The DPP, however, blames the KMT for things that go wrong, while giving all the credit to Li Teng-hui. Quite simply, the DPP is spoiling him.

The DPP's Li Teng-hui complex is the product of a peculiar set of circumstances. Moreover, it is not unique to the DPP, but is shared by a majority of people in Taiwan. But when an opposition party has such a complex, it not only obscures its role, but also blurs its direction, dampens its fighting spirit, and spells trouble for its development.

The "Li Teng-hui complex" began as a revulsion against the martial law imposed by the Chiang family for 40 years. The subsequent political struggle that broke out within the KMT left the DPP no choice but to side with Li Teng-hui, worried that if Li Teng-hui was forced out of power, he would be replaced by a member of the old guard or conservative faction.

The factor of provincial origins, of course, is heavily involved in all this. But there is more to the provincial factor than what is usually referred to as localism. In South Korea, politics is deeply tinged by localism, yet all political parties and politicians come from one single society. Between them are shared national identity and emotional ties. This was not true about Taiwan in the past, and is only partly true about it today.

In Taiwan, provincialism mainly derives from the fact that the emotional experience of the rulers was different in origin from that of the ruled. They did not share a common emotional core, let alone joint life memories and ultimate concerns that both would fight for. Nowhere else in the world could you find a gap between the minority and the majority as wide as the one in Taiwan.

After Li Teng-hui came to power, the experiential divide of the past between the rulers and the ruled disappeared. This is the principal source of the "Li Teng-hui complex." Provincialism faded away as the political struggle came to an end. After Hao Po-ts'un [6787 2672 2625] stepped down and Lien Chan [6647 2069] formed a cabinet, the face of politics has gradually returned to normal.

In reality the DPP has been strongly critical of the way Li Teng-hui conducts himself and handles matters. His shortcomings are obvious. In the past, however, there was a political struggle going on, and after weighing the pros and cons, the DPP held back from attacking him for fear of hurting its cause. Now that Li Teng-hui exercises paramount power and amasses responsibilities and power in his hands, the DPP has been looking for an opportunity to rid itself of the "complex." The Koo-Wang meeting was one such opportunity. The talk about Li Teng-hui "winking at" the DPP was nothing more than the spark that ignited a fire.

Politics is like a spectrum. Everybody to my left is left-wing, while everybody to my right is right-wing. We all have a right side and a left side, so we all define left-wing and right-wing differently. When Hao Po-ts'un was still prime minister, Li Teng-hui and the DPP seemed to see eye to eye. But with Hao Po-ts'un out of power, the distance between the president and DPP has become obvious. The reason is that by now the KMT and Li Teng-hui have become one and the same thing. The two major parties are sharply divided over what to do with the mainland, as epitomized by the Koo-Wang talks. Suppose the DPP were in power. Do you honestly think it would handle negotiations like the Koo-Wang talks any better than the KMT? That is open to question. In any case, the DPP has said little that was critical of the substance of the talks. But it did feel compelled to voice its opposition to the idea of unification for fear that the international community would mistakenly think that Taiwan wants to talk peaceful reunification with China.

Li Teng-hui advocates independent sovereignty for ROC, which has been referred to as independent Taiwan. Actually this was the very policy actively pursued by Chiang Ching-kuo in his waning years. While it overlaps in many ways with Taiwan independence, there are basic differences between the two as well. Taiwan independence and independent Taiwan will be among the political views the two parties will be working mighty hard to sell to the public in the days ahead.

Now that the political struggle is over, Taiwan's political sky has cleared up considerably. The end of the "Li Teng-hui complex" has also clarified the two parties' goals. There is a causal relationship between political struggle and the "complex." The "Li Teng-hui complex" and provincialism are the opposite sides of the same coin. Their simultaneous disappearance has restored the two parties' respective true colors.

In the Chiang era, the KMT and those outside it were diametrically opposed to each other. Everything was black and white. After Li Teng-hui came to power, the lines between the two parties became fuzzy. It was difficult to link power to responsibility. Now the complexes that used to distort political life are fading away. After the dust has settled on the battlefield, we will be free to work out a new set of rules for the political game. When that happens, democratic politics will have a chance to develop in China.

SEF Secretary General Interviewed on Koo-Wang Talks

93CM0289A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 317, 10 Apr 93 pp 14-18

[Interview with Chiu Chin-yi (6726 6651 4135), secretary general of Strait Exchange Foundation, by HSIN HSIN WEN reporter Hsieh Chung-liang (6200 1813 5328), date and place not given: "Now Is Time To Talk to Beijing"]

[Excerpt] [passage omitted]

[Hsieh Chung-liang] The Democratic Progressive Party [DPP] intends to form an observation group to take part in and supervise the Koo-Wang talks. What do you think the DPP is up to, both positively and negatively?

[Chiu Chin-yi] We should approve of and welcome the DPP participating in mainland affairs and supervising the government's mainland policy. As for what form such participation and supervision should take, that must be considered carefully. The DPP's observation group can be compared to what happened before the purchase of F-16 fighter planes. Is it really necessary for national defense purposes? That was the time when the opposition party should get involved, not in the purchasing stage when an official decision had already been made to buy the planes. Had the DPP come in at the purchasing stage by sending an observation group to supervise the act of purchasing, looking for problems or anything shady, it would have crossed the fine line into administrative power.

The DPP therefore should participate at the policy-making level, not the implementation level. Besides, few international negotiations or consultations have ever featured participation by a third party. Nor are there grounds for a political party to get involved. The government should not be held accountable to a single political party. Instead it is accountable to all political parties and the entire nation. Provided we straighten out our thinking on this point, things would be less complicated.

[Hsieh Chung-liang] Are you saying the DPP should not participate in mainland affairs as a political party on the implementation level?

[Chiu Chin-yi] Implementation is the realm of administrative units while supervision rests with the National Assembly. So government and the National Assembly are on a par with each other, not party with party. If the DPP wants to participate in mainland affairs, it should do so at the policy-making level, not implementation level.

[Hsieh Chung-liang] All along the government has emphasized that the Koo-Wang talks are technical, practical, and general exchanges. Be that as it may, this round of bi-coastal talks and contacts is inherently highly political. What do the government and the other side think of them?

[Chiu Chin-yi] I believe what we have been doing and what the mainland has been doing has created a "meeting point." By "meeting point," I mean there have been exchanges between the two sides for so long that many problems have arisen, including some that cannot be solved. So each side has set up a so-called private organization as a conduit to work out the problems. For instance, who should take care of document verification? The two governments cannot do it, so there was no alternative but to let the SEF and Strait Coordination Foundation take care of it, which they have been doing for over one year now. Frankly speaking, had there not been the atmosphere engendered by the Koo-Wang talks, it is entirely possible that this matter would not have been successfully worked out even today.

In other words, after exchanges began between the two sides of the strait, many problems have arisen. How to solve them? The upshot was the two organizations. If these two organizations do not come in contact and communicate with each other regularly, how can they work out the problems? Their presidents have never met and don't know each other. Now is the chance for the two men to meet and get acquainted, a chance when they can talk about how the organizations can operate. I think this is quite normal.

It so happens that one organization is headed by Koo Chen-fu [6581 2182 3940]; the other, Wang Daohan [2076 6670 3211], two heavyweights. If the organizations are led by some other men, say A and B, then the public would not be so sensitive. Actually if we just look at them as two presidents and not as individuals, we would not be so sensitive. But people think of the Koo-Wang talks in terms of the dealings between these two particular individuals, not two presidents. Hence their sensitivity.

[Hsieh Chung-liang] You came from the Office of the President and these are high-level contacts. So the public reads a good deal of political significance into the talks.

[Chiu Chin-yi] There is no political significance. All we can say is that there is a political effect. The reason is that this is the first contact between the two presidents; all other exchanges and dealings so far have been below the presidential level. When you have the presidents coming together, this gives people a different feeling. Of course, such a contact may help determine the direction of future interactions to some extent.

[Hsieh Chung-liang] Be that as it may, there are still some misgivings among members of the public. You yourself have indicated that the future direction of bilateral contacts would become clearer. Also you have not ruled out the possibility of ongoing contacts. How are you going to dispel such misgivings?

[Chiu Chin-yi] Contacts between the two organizations thus far have stayed at the general affairs level, not political. In the future, we may work together to crack

down on crime. That may be the focus next year. Another focus is investment guarantee. We don't intend to go beyond that.

[Hsieh Chung-liang] Already there is public speculation about a so-called "conspiracy theory" and "motive theory." In the days ahead there are bound to be more contacts and talks between the two organizations. How are you going to get rid of such public doubts?

[Chiu Chin-yi] As contacts increase, the public will get used to them. So if from now on the presidents meet at regular intervals, say every six months, such talks would become routine in the eyes of the public. The problem is that since this is the very first time, everybody wonders about the motive behind it and detects in it some sort of a conspiracy. The fact is that we should look at it for what it actually is, honestly and matter-of-factly. We have reached a point in bilateral relations when we have to deal with certain problems. It is better for the two presidents to meet than otherwise.

[Hsieh Chung-liang] If the Chinese Communists verbally put forward politically laden suggestions like "one China" at the Koo-Wang talks or before such talks, how are we going to respond?

[Chiu Chin-yi] If Beijing puts forward ideas like one-China, we would tell it that they have already been verbally expressed in various formulations and discussed in Hong Kong. We cannot toe their line just because they propose something. They have their own position, but we must stick to ours. At a minimum we represent the interests of 20 million people. Only after their interests are ensured can we move forward. This is the kind of thinking and understanding we should take with us to the conference table, if nothing else. Otherwise, there is no point talking.

[Hsieh Chung-liang] National Assemblyman Chen Shui-pien [7115 3055 2078], a DPP member, said that people in the Office of the President have hoped to put the brakes on the Koo-Wang talks.

[Chiu Chin-yi] No such thing. Ask him to name names. "Indicates" is not enough. You have to produce concrete evidence. We cannot talk in such a vein. Who in the Office of the President? Ask him to name names.

[Hsieh Chung-liang] Did the government consider or plan to suspend or postpone the Koo-Wang talks?

[Chiu Chin-yi] What for? Do the two sides need exchanges? Do we need to solve the problems arising therefrom? Will it help the people of Taiwan if the problems are worked out? This is where the crux of the matter lies, not whether the talks should be suspended. When the government goes about getting something done, it follows a set of established procedures. Frankly, if the DPP is to participate, it should do so at the

beginning, at the policy-making level, not at the administrative level. It is not altogether reasonable for it to demand that the administration adjust its administrative procedures.

[Hsieh Chung-liang] Objectively, are there any reasons today for Taiwan to accelerate its approach to the mainland?

[Chiu Chin-yi] It is not a question of accelerating one's approach. Rather, the question we should ask is: Have problems arisen in the exchanges? For instance, problems have been encountered by Taiwan investors in the mainland. What should the government do about them? Can we tell our businessmen not to invest in the mainland? The fact of the matter is that one after another Taiwan businessmen have been flocking to the mainland. As a result, some problems have arisen and we have already heard from industry about them. The DPP has come under pressure from small and mid-sized enterprises, which explains its lack of interest in this matter.

Taiwan investment on the mainland...there are problems out there. Do we need to sort them out? How are we going to do that? To work out those problems, we need cooperation from the other side. If the other side does not cooperate, how can we work things out? Now we have these two organizations. How can we expect their presidents to discuss and work out the problems if we don't let them meet face to face?

[Hsieh Chung-liang] The agreement between China Airlines and Cathay Pacific Airlines will expire in 1995. Will this topic come up in the future?

[Chiu Chin-yi] What do you think? The Hong Kong government now says any deal will go beyond 1997. But that is not something the Hong Kong government can decide on its own. We need the Chinese Communists to give the nod. Should the two airlines continue to fly into each other's territory after 1995? If so, do we need to negotiate with the Chinese Communists? It is 1993 now and soon it will be 1995. If the two organizations don't exist to work out general matters like this one by one, building up mutual trust over time, it is certain that we will run aground on similar issues in the future. We have no choice but to consider problems like these. Hong Kong will be returned to China in 1997. Just four years separate us from 30 June 1997. When Hong Kong is taken back, are we going to continue our trade, investment, shipping and aviation? If so, we must get in touch and negotiate with the Chinese Communists.

[Hsieh Chung-liang] Would that issue come up in the Koo-Wang talks?

[Chiu Chin-yi] How is that possible? No, it definitely will not come up in the Koo-Wang talks. How can one round of negotiations take care of so many things? The upcoming round of talks will only deal with establishing a channel of communication between the two sides, protecting Taiwan investors, and cultural exchanges. That is about it.

[Hsieh Chung-liang] Presently it seems that Beijing is in no big rush to negotiate with Taiwan. Is time on our side or theirs?

[Chiu Chin-yi] There is no objective standard for that. What matters most is to consider our own circumstances. That is to say, when 1995 or 1997 arrives, how should we respond? How should we plan for that eventuality? What adjustments do we have to make? That is what counts.

[Hsieh Chung-liang] Some people in the DPP worry that the government would behave in a way that would betray the interests of the people of Taiwan in its dealings with the CPC.

[Chiu Chin-yi] The DPP's mentality is that when the government deals with the Communists, it will betray the interests of the Taiwan people. Hence its extremely mistrustful attitude. Frankly speaking, if the existing KMT government fails to put the interests of its 20 million people before anything else when it makes policy, how can this government survive in the future? How can it run the country? There is absolutely no way it can do that. In this sense, the interests of the KMT are identical with those of the DPP. They share some common ground. So, give the government a little more support, give the people at the negotiating table a little more support. That would put us in a stronger position. On the other hand, if we go into the talks a divided force, we would be a laughing stock to the Chinese Communists. Beijing would know that our hands are tied while it has endless maneuvering room.

[Hsieh Chung-liang] You have said that it would be better for Taiwan to negotiate with the Communists in the last few remaining years of Deng Xiaoping's life? What is the basis for your judgement?

[Chiu Chin-yi] Who is the de facto policy-maker on the mainland today? It is still Deng Xiaoping. What will happen on the mainland after he passes away? Hard to say at this point. In case, just in case, the so-called radical faction or militant wing of the party comes into power, the mainland may have a new policy toward Taiwan. Given this scenario, we should take advantage of the time when Deng Xiaoping is still around and has the final say to hold talks on general matters. Given enough such contacts, both sides will become a little more confident, which will help point up a direction for the next five or six years. When there is a greater measure of predictability, that would give us more security and help our development.

If Deng Xiaoping dies, will Jiang Zemin be able to exercise full control? That is still a question mark. It is true that the Yang family has lost some power, but we don't know what sort of move they will make in the days ahead. Within the CPC there are now a hard-line faction and a militant faction. If those people get the upper hand and make some sort of a move, that would not bode well for Taiwan. This is why we should use this period of time to solve one practical matter after another. Like the

spider weaving a web, we would in due course create a network of interwoven interests. When that comes to pass, the Chinese Communists would think twice before making a move.

After all, the other side is stronger overall, we are weaker. In terms of power, too, they are stronger, we are weaker. How are the weak going to stand up to the strong and protect themselves? This is something we must consider.

If we ever manage to get the mainland to copy our experience and change its system accordingly, the whole picture will be much brighter.

[Hsieh Chung-liang] So the few years before Deng Xiaoping's death represent an opportune time for Taiwan to make plans for and help shape the future?

[Chiu Chin-yi] We should plant that idea in our heads. We are not saying the mainland policy of the government is rash, ill-thought-out, or radical. No. If we don't factor in the interests of the Taiwan people and consider them before everything else, many things simply cannot get done.

New SEF Secretary General Explains Mainland Policy

93CM0256A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 313, 13 Mar 93 pp 17-19

[Interview with Chiu Chin-yi (8002 6651 4135), deputy secretary-general to the president, by HSIN HSIN WEN reporters, Liao Fu-shun (1675 4395 7311) and Lin Ying-chiu (2651 3853 4428), date and place not given: "CPC Should Know President Li Teng-hui's Intentions"]

[Excerpt] [passage omitted] As deputy secretary-general in the Office of the President, presidential spokesman, and executive secretary of the National Unification Study Commission, Chiu Chin-yi is deeply involved in the formulation of the mainland policy presided over by President Li Teng-hui and is familiar with the latter's thinking on this matter. As President Li Teng-hui prepares to devote the remaining three years of his term to working out a mainland policy. Thus, selecting lieutenant, Chiu Chin-yi, as the point-man for his policy and ideals, which in effect turned Chiu Chin-yi into his "white glove." In a special interview with this magazine, Chiu Chin-yi talked about the philosophy behind the president's mainland policy and how he proposes to intensify constructive exchanges with the mainland after he takes up the position of secretary general as well as the role the Strait Exchange Foundation [SEF] will play in the future. Below is a summary of the interview:

[Reporter] The president has now successfully put together a cabinet and there are three years remaining in his term. As far as you know, where is he headed specifically regarding the mainland policy in the coming three years? What are his plans?

[Chiu Chin-yi] First of all, I want to clarify President Li's sentiments for China. Most people assume that since he was locally born and raised, he has no deep emotional ties to the mainland. But President Li realizes that his own family came from among the Hakkas in Fujian and has been in Taiwan for no more than three generations. Moreover, President Li studied agricultural economics as a young man precisely because the biggest problem in China is agriculture. In his early years he even considered going to and serving in the northeast. After finishing his studies in Japan, he stayed in Tsing-dao for one month while waiting for a ship to take him home. So it can be said that he has mainland experience.

President Li held a succession of public posts before becoming president. He is convinced that as a small island with 20 million people, Taiwan cannot be an isolated economic entity but must look outward and regard the mainland as its vast hinterland. That way Taiwan's economy is sure to grow substantially regardless of whether it is reunified with the mainland in the future. As for Taiwan independence, he believes it will lead to a political crisis and may not necessarily receive as much international support as we imagine. Moreover, Taiwan independence amounts to a decision on our part to give up our power to control Chinese affairs. These are the president's line of thinking and background.

[Reporter] What specifically will be done in the next three years to strengthen relations across the strait?

[Chiu Chin-yi] We have divided the period into three stages. For each stage we have a clear idea as to what we should do and what the Chinese Communists should do. During the first stage, we demanded that the CPC do three things: one, renounce the use of force; two, recognize Taiwan as a political entity; and three, not exclude Taiwan from international space. Has the CPC satisfied the three conditions ever since it opened up and allowed people from Taiwan to visit their relatives on the mainland? Let us take an objective look. Political entity and international space. At meetings of the Asian Pacific Council of Economic Cooperation, Hsiao Wan-chang [5618 8001 7022], our minister of economic affairs, sits at the same conference table as Beijing's minister of foreign affairs, Chien Chi-chen [6929 0366 3819]. If this does not amount to recognizing Taiwan as a political entity, what is it? As for excluding us from the international space, clearly the CPC has no choice but to loosen up a little as well. Of course this has everything to do with our own power.

As for political entity, the Chinese Communists have kept mum, but in many international organizations, if it does not recognize Taiwan as a political entity, then what is it? Beijing's attitude is this: We can recognize you as a political entity, but only as an "incomplete political entity" with no sovereignty. The Chinese Communists have time and again emphasized that they are an entity with political sovereignty, a mother entity, while Taiwan

is a subsidiary. At the same time, though, it is also recognized as an economic entity. In any case, we must stick to that road.

About the renunciation of the use of force, these days the CPC emphasizes peaceful reunification, about one nation, two systems, and avoids talking about the renunciation of the use of force, which in effect amounts to renouncing the use of force. We are still not satisfied; we still hope the CPC will change its one nation, two systems proposal.

Amid constant interactions between the two sides of the strait these days, the private sector is already demanding that we proceed to the second stage. The question is: Has the opportunity arrived? To move onto the second stage, we need a continuous response from China. In the absence of such a response, Taiwan people feel that there is no safeguard for life or property. If we look further ahead, Hong Kong will be returned to China on 30 June 1997, as will Macao in late 1999, both becoming an administrative region under Beijing. Yet we must continue our "three exchanges" with Hong Kong. We will inevitably be confronted with the "three exchanges" issue. Should we wait until 1997 before we deal with it, or should we work on it now, in 1993?

Right now the president still has three years remaining in his term. He cannot but think about these issues. In other words, as long as our security is ensured, relations between the two sides of the strait would continue to evolve and may pick up steam in the next three years. Provided our security is ensured, we would be in a stronger position in our dealings with the mainland. Premier Lien Chan [6647 2069] has said that the government would enter the intermediate stage with sincerity. Needless to say, the Chinese Communists must respond more positively. Also we must be prepared in every way.

[Reporter] The SEF will be an important player in the next three years after we enter the intermediate stage. What are your expectations for the SEF?

[Chiu Chin-yi] The SEF is an important instrument. The reason is that the government so far has not been able to communicate directly with the mainland and must go through the SEF. Two preconditions must be met before the SEF can fulfill its functions. First, the SEF must have full authorization from the Planning Commission for the Recovery of Mainland China as well as the latter's full confidence. Second, the SEF must receive well-meaning cooperation from the other side of the strait. If the Planning Commission for the Recovery of Mainland China only authorizes you to be a copy clerk, then you cannot do anything else. In that case, the SEF naturally would be severely limited in what it can do. At the same time, if the Chinese Communists don't cooperate with you, even 10 SEF's would not do any good. We must let Beijing know that our policy is changing so that it will modify its policy accordingly. The mainland is aware of

this. That is why they have set up the Association for Relations Across the Taiwan Strait.

[Reporter] After you join the SEF, will it be able to deal with strait affairs at a higher level compared to now?

[Chiu Chin-yi] It is hard to say right now. I approach my job with a measure of awe. I will try to understand the communists' attitude toward contacts between the two sides, just understand, not necessarily expressing my opinions. Then I will bring their views and ideas home, evaluate them, and see if I can come up with some suggestions. I think this is all I can do. I have not been authorized to discuss things like the Olympic Games, so if the communists raise the matter, saying there are some areas where we can cooperate with them, I will tell them those things fall outside my terms of reference. But I will still take the suggestions home and report them along with my views and interpretations. That will be my role.

[Reporter] Will you in the future ask the Planning Commission for the Recovery of Mainland China to give the SEF a blanket authorization, instead of giving it power on a case-by-case basis so that the foundation will play an even broader role under your stewardship?

[Chiu Chin-yi] Hard to say. I have emphasized mutual trust many times. If I trust you, I won't worry about you overstepping your authority even if I give you blanket authorization. In contrast, if I don't trust you, how can I give you blanket authorization?

[Reporter] After you become the SEF's secretary general, your No 1 assignment will be the Koo-Wang talks. As far as you know, how do the decision-making echelons on the mainland see the Koo-Wang talks? What are their expectations?

[Chiu Chin-yi] The navigation and aviation talks which grew out of the Wang Hsi-chueh [3769 6932 3635] incident had a specific purpose, namely, working out things like aviation, passengers, cargo. The talks can be considered the first contact between the two sides of the strait in the past 40 years and more. Next was the Quemoy agreement, which dealt with repatriation. The upcoming Koo-Wang talks may be regarded as the third formal contact. The Koo-Wang talks are a round of formal negotiations between two entities on an equal level after they set up comparable bodies. I believe both sides have high expectations. We hope the latest talks could reestablish a basis of mutual trust smoothly and in a cordial atmosphere. That should help improve bi-coastal relationship.

[Reporter] People who are now in charge of expanding bi-coastal relations must be held accountable to the Taiwan people, on the one hand, and should be able to communicate with the Chinese Communists, on the other. Did provincial origins figure in the president's calculations as he made personnel appointments?

[Chiu Chin-yi] I think the primary consideration here is personal, not provincial. If provincial origins were a

factor, then there should be more Taiwanese among those who actually carry out the policy...

I think what counts most is the person. Certainly provincial origins are not totally irrelevant. If the individual is somebody the other side approves of, there would be less suspicion. But we cannot go out of our way to give somebody a job just because the communists approve of him since he may not necessarily have the ability to do the job.

[Reporter] Vice Premier Shih Chi-yang [2457 0796 2799] once said that the SEF is government's "white glove." Given your standing and your relationship with President Li Teng-hui, it seems that the SEF will become the president's "white glove" after you take over the foundation. What do you think?

[Chiu Chin-yi] I don't think so. I try to do a good job wherever I find myself. I can't say I am the president's "white glove" just because I came from the Office of the President. However, we do hope to send a strong signal to the other side, namely that the president is willing to put his deputy secretary-general in charge of the SEF. The significance of this move should not be lost on them.

[Reporter] Are you saying that this is the effect President Li hoped to create with this appointment?

[Chiu Chin-yi] That is one way of putting it. [passage omitted]

Beijing Sees Zero-Sum Game in Negotiations

93CM0337B Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 321, 8 May 93 pp 60-62

[Article by Li Ling-fan (2621 0407 0416): "Beijing's Negotiating Style Discussed"]

[Excerpts] Before the official opening of the Koo-Wang talks, closely watched by people on both sides of the strait, Tang Shubei [0781 2885 0271], vice chairman for general affairs of the Association for Relations Across the Taiwan Strait on the mainland, praised Chiu Chin-yi [8002 6651 4135] as an outstanding diplomat, a "worthy opponent at the negotiating table." Many people think Tang Shubei was just being polite. But this is a superficial view. In reality, his compliments were consistent with the Chinese Communists' traditional negotiating strategy, which is to use friendship as a rein. Tang Shubei's praises for Chiu Chin-yi were neither mere polite words nor chance remarks. Instead, they were part of the CPC's negotiating strategy in action.

You could see the communists' negotiating strategy in action when Tang Shubei praised Chiu Chin-yi. What is more, Beijing began putting its entire negotiating strategy into high gear even before the Koo-Wang talks moved to Singapore. For instance, through statements by its officials in charge of Taiwan work the CPC made it quite clear that its Taiwan policy, with its focus on the admission of Taiwan into UN, has not changed. Time

and again it has said that "Taiwan is not eligible to rejoin the UN" and that "under no circumstances will Beijing allow Taiwan to do so under any name." All of that is calculated to convey to Taiwan Beijing's bottom line. Beijing will never entertain the idea of negotiating with Taiwan the terms of the latter's readmission to the UN. In other words, Beijing has told Taiwan through a variety of channels that there are some major principles that are just nonnegotiable. During the second stage of the preparatory discussions between Tang Shubei and Chiu Chin-yi, Tang Shubei already began sounding out his opponent about the agreement on guarantees for Taiwan investors in China. If Taiwan gave the nod on the "three exchanges," Beijing would sign the treaty of guarantees for Taiwan investors in the mainland. This is an example of the Chinese Communists' strategy of trading bargaining chips which cost them nothing for a major breakthrough in Taiwan's policy. Furthermore, in Singapore both Tang Shubei and Wang Daohan [3076 6670 3211] let loose a stream of rhetoric about the issue of "three exchanges" between the two sides of the strait in violation of the understanding reached during the Chiu-Tang preparatory conference that the talks would stay away from political topics. This is an example of the Chinese Communists' negotiating strategy, with its habitual failure to comply with agreements and attempts to shape public opinion.

It may be a tad unfair to see every act on the part of Beijing before the Koo-Wang talks as part of its negotiation strategy, but that is a fact. [passage omitted]

Summing up the findings of scholars who have studied the CPC's negotiating strategy and comparing them with Beijing's behavior during the latest round of Koo-Wang talks, we can draw the following conclusions about the CPC's negotiating style:

1. Cultivate goodwill so that its opponent will lower its guard psychologically. (This is the view of both Fei Cheng-ching [6316 2973 3237] and Chi Hsin-ku [1323 6580 5388].)
2. Hang tough on a number of positions and principles to make its opponent give up some negotiating chips it could use even before negotiations start.
3. Violate pre-negotiation agreements. (Lin Mai-ke [2651 6701 0668])
4. Demand that both sides first reach an agreement on broad principles. If the detailed content is favorable to the Chinese Communists, it must be discussed. Otherwise, each side is free to say what it wants, or they may decide to avoid the topic. (Pai Lu-hsun [4101 7627 1852])
5. Stick to principles, be flexible about details, and manipulate public opinion. (Professor Chiu Hong-ta [8002 1347 6671])

6. Use delaying tactics to make its opponent lose patience and wear down its stamina. (A view shared by almost all scholars.)
7. Put ideology in command. Negotiating discipline comes first. (Both British and Hong Kong experts agree that negotiators from Communist China have this habit.)
8. Use concessions on nonessential matters to make its opponent give way on major issues.
9. Push for a final consensus. Refuse to admit that the talks have broken down or failed.
10. Court the sympathy and understanding of a third party so that if the talks break down, Beijing can easily shift the blame to its opponent and even win international support.

In addition to the 10 negotiating characteristics mentioned above, the Chinese Communists always see negotiations as an on-going process, and are never content with the results of one round of negotiations. Also they see a concession made at any one point in the negotiating process as a strategic retreat calculated to secure even greater victories down the road. In other words, Beijing's negotiating philosophy is absolutely not one based on give-and-take. To the CPC, negotiation is a zero-sum game whose ultimate goal is total victory. Even as they negotiate with their opponents, therefore, the Chinese Communists back up their bargaining position with actual strength, and seek to annihilate their enemy in the end. [passage omitted]

In negotiating with Taiwan, the Chinese Communists certainly have also put the zero-sum game to use. Furthermore, Beijing does not judge the negotiations solely on the basis of the outcome of just the Koo-Wang round of talks. It matters not if agreement is not reached on some issues. As long as the door of negotiation is open, the Chinese Communists believe they still have a chance to bring the negotiations to a victorious conclusion in the end. Given its negotiating style described above, the CPC was in no hurry to humiliate Taiwan. What Beijing must do was to use this round of talks to achieve the preliminary strategic goals it had set for itself, namely, build up a momentum in the international community favorable to KMT-CPC negotiations, articulate clearly to the world the CPC's principle of peaceful reunification, and put pressure on Taiwan to come through with the "three exchanges." As far as these three strategic objectives are concerned, obviously the Koo-Wang talks have been as successful as Beijing anticipated.

Take the first two strategic objectives, for instance. With Tang Shubei and Wang Daohan taking great pains to manufacture a public opinion favorable to KMT-CPC talks, the international community has come to see what started out as simply a Koo-Wang exchange as the KMT negotiating with the CPC. At the same time, the CPC has succeeded effortlessly in broadcasting to the world its

one-nation-two-systems principle and winning international support for its formula for unification. But what was most alarming to the Taiwan delegation was that in a break from the traditional low-key approach in which Beijing sought to woo Taiwan investors, the Chinese Communists are now talking tough, criticizing Taiwan for not encouraging Taiwan businesses to invest in China. This was something the Taiwan delegation did not expect when the talks opened.

Tang Shubei said publicly on 28th, "Investment by Taiwan businessmen in the mainland is something between them and the mainland. It has nothing to do with the Strait Exchange Foundation [SEF]. As a matter of fact, the SEF does not encourage Taiwan businesses to invest in the mainland." After he heard those words, all Chiu Chin-yi could say was: Tang Shubei's language was a little too strong. But why did he have the nerve to say what he did? Clearly, the mainland has written off Taiwan investors. If they are not going to invest in the mainland anyway, what has the mainland got to lose? The Taiwan economy, on the other hand, may suffer. In this sense, the CPC may well decide that the "three exchanges" are bound to happen in the future and that in the end Taiwan will be forced by circumstances to agree to direct exchanges. During this round of negotiations, therefore, the CPC did not make any concessions, a world of difference from what happened in April when the CPC made concession after concession during Hsu Hui-yu's [6079 1920 4368] and Chiu Chin-yi's visit to Beijing. There is only one explanation. When Hsu Hui-yu and Chiu Chin-yi visited Beijing in early April, the CPC was anxious to make the Koo-Wang talks a reality, so it was ready to give way on a number of minor points. In Singapore, on the other hand, the CPC, having achieved its preliminary strategic objectives, had no overwhelming reason to make concessions.

Be that as it may, the Chinese Communists out of habit still tried to make the talks look good, if only in a superficial way. Hence their concessions on matters that had nothing to do with major principles, for instance, the titles of some documents to pave the way for the next round of negotiations. In the end both sides praised the Koo-Wang talks, which closed one day later than scheduled, merely expressing in passing some regret over the fact that economic problems have not been resolved.

The fact of the matter is that the so-called win-win concept is absent from Beijing's negotiating philosophy. Influenced by Mao Zedong's theory of the inevitability of victory, the communists see negotiation as a struggle between them and their enemy. Negotiation is a battlefield, and like war, must in the end produce winners and losers. Even if an agreement is reached at the end of a round of negotiations and there is no clear-cut victory, the Chinese merely regard such an outcome as a temporary strategic retreat whose purpose is to lay the foundation for victory in the next struggle. When he visited Beijing in April, Chiu Chin-yi kept stressing that the

negotiations must achieve a win-win outcome, a sentiment echoed by Beijing at the time. Once formal negotiations began in Singapore, however, Tang Shubei quit paying lip service to the win-win idea. After all, it is just an ideal. Besides, you cannot find it in the communist lexicon.

'Obscurantist' Policy of Monopolizing TV Criticized

93CM0336A Taipei CHO-YUEH [EXCELLENCE]
in Chinese No 104, 1 Apr 93 p 7

[Article by Peng Yun (1756 0061), director, Institute of Communications Science and Technology, University of Communications: "End 'Obscurantist' Rule"]

[Excerpt] For years scholars and experts have called on the government to decontrol radio and TV, loosen its grip on radio and TV, and provide the public with wider and freer broadcasting space. Their mouths were tired from talking. Their hands were sore from writing. All the arguing has left them exhausted mentally and spiritually. Then they discovered that owing to environmental changes in the Legislative Yuan, decontrolling the electronic media has been the most newsworthy event since last spring, second only to the factional struggle.

In fact, for the opposition party, the Democratic Progressive Party [DPP], and its predecessor, positive comments by the media have always been hard to come by. The electronic media, in particular, whether radio or TV stations, have refused to face up to the fact that the DPP is now a major player in party politics, a player which cannot be ignored.

A wealth of data exists to prove that the DPP was simply unmentionable in the past. When it did find its way into print journalism, it was portrayed negatively. After martial law was lifted, decontrol of the print media has both energized and diversified the free market of opinions, with a hundred schools of thought contending. Although much of what is being printed is exaggerated, at least news accounts about the DPP now appear more often, with some newspapers even embellishing their portrayal of the party. With coverage on the party increasing in the print media even as its standing rises, protests against imbalance have subsided.

Frequency monopoly in the electronic media, on the other hand, remains, which has perpetuated government control over this scarce resource. In the past the government was the KMT. As a result, the three TV stations and the Central Broadcasting Company, which accounted for 30 percent of the frequencies, could not and would not cover the DPP extensively. Academic studies show that during the election campaign, the three TV stations disproportionately under-reported the activities of DPP candidates. What scant reports they carried on the DPP all portrayed it negatively in both perspective and content.

DPP candidates made decontrol of the electronic media a major plank of their platform during the parliamentary elections late last year. With one-third of the seats in the Legislative Yuan now under its control, the DPP has put the issue before the legislature, making life enormously difficult for Hu Chih-chiang [5170 1807 1730], the eloquent director of the Department of Information, and Liu Chao-hsuan [0491 0340 3763], the minister of communications who assumed his position just a few days earlier.

In the past the government consistently used "no frequency" to dash the hopes of applicants. But anyone with a smattering of scientific knowledge realizes that while frequencies are inherently rare, scientific and technical advances have developed a host of new technologies and methods that can be used to make the absolute scarcity of frequencies a thing of the past. In other words, the reason that the government cited in the past was not persuasive to the lay person, not to mention people in the business.

The radio and TV office of the Department of Information once issued a report titled "Truth and Falsehood: Current Status and Future Direction of the Distribution and Use of TV Frequencies." Among other things, the report said that frequencies were available but were under government control. As a result, the government's image suffered and the public was deprived of the right to know. But who were the beneficiaries?

Early in the year the government announced that 28 radio frequencies would be made available to the public and that people who are interested could apply for them. Only then did the public realize that radio frequencies are indeed available. But radio, after all, does not give us a picture. In the final analysis, more people would like to watch than listen. Since the government could now come up with so many radio frequencies, why can't it do the same with TV frequencies? Why hasn't it decontrolled TV frequencies?

The issue of radio and TV frequencies only goes to show that the government's 40-year-old obscurantist policy is now in its death throes. If the government continues to refuse to face up to the seriousness of the problem, it may in the end cost it the regime. [passage omitted]

Legislators' Experience With Wiretapping

93CM0287B Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 318, 17 Apr 93 p 31

[Article by Chang Mei-na: "Sixty Percent of Legislators Visited Suspect Their Phones Wiretapped—Questionnaires Given to Legislators on Their Views and Personal Experience on Issue of Wiretapping"]

[Text] During the period in which martial law was enforced, wiretapping played an important role in the political arena, forming a large net of white terror. However, when the Period of National Mobilization for Suppression of the Communist Rebellion ended, the

shadow of wiretapping still looms. Should wiretapping be legalized and how human rights and privacy will be protected has become a controversial issue at present.

The draft Monitoring Law is now in the Legislative Yuan for examination. Meanwhile, the Bureau of Investigation in charge of the monitoring business is also making preparations to upgrade its equipment on a large scale to strengthen its monitoring task. All this arouses the attention of those who are involved in the controversial issue of monitoring. Thus, our journal has designed a questionnaire to learn more about legislators' personal feelings and specific experience on wiretapping and their views on the procedure in permitting monitoring. This questionnaire was distributed on 7 and 8 April to all legislators.

From the 73 copies of the questionnaires sent to the legislators on the subject of monitoring, we can clearly see that three-quarters of the 45 legislators who suspect wiretapping are members of the Democratic Progressive Party [DPP] and legislators without any party affiliation. Only 12 of legislators who suspect wiretapping are members of the KMT. On the contrary, only two of the 26 legislators who have never suspected wiretapping are members of the DPP; and only one of 26 legislators has no party affiliation. The rest of them are members of the KMT.

When those 45 legislators who suspected or deeply believed that their phones were being monitored talked about their specific experience, they pointed out that during telephone conversations, there was often a "click" when the phone was first connected. Conversations were often cut off, the volume of the conversation fluctuated, or the phone was noisy. Sometimes, the voice of a third person could be heard. All these strange symptoms make them believe that their phones were being bugged. "The quality of Taiwan's telephone system is not so good perhaps," explained Legislator Liu Jui-sheng. However, these "strange symptoms" were "minor issues" that are "routine" and "nothing new" as far as DPP legislators were concerned.

Most of the legislators with DPP membership are veterans of the opposition movement. Subjected to the various suppressive activities when they carry out reform movements under the KMT system, they have already become "physically indestructible like vadvjas." Particularly their specific experience of having their phones bugged, nearly every one of them can speak of their "glorious" history of being wiretapped.

Legislators Yen Chin-fu, Huang Chao-huei and Chang Chin-hung said that in the early days, KMT's wiretapping and surveillance over them were extremely blatant. They often received direct warnings or even threats and insults from a third party on the phone. Lin Cho-shui recalled that after the Formosa incident, the criminal investigation department of the local police bureau called him in to question him about the murder case in Lin's residence. He was asked: "Who are Chan Chang

and Lo Fan?" At that time, Lin wondered why he was questioned about these two persons whom he did not know. Later, he was again asked: "Whom did Kang Ning-hsiung talk to in Japan?" It was then he realized that "Chan Chang" and "Lo Fan" were the mispronounced names of two of his friends whom he often talked to on the phone—"Tsai Shen-chang" and "Lao Fan." It was obvious that at that time, Lin Cho-shui's telephone conversations were not only monitored, but also recorded.

Another interesting thing is that when Lin Cho-shui lived in Hsintien in the early days, Chen Chung-hsin, Su Ching-li, Lin Cheng-chieh and Tien Chiu-chin also lived in the neighborhood. They might be on the same monitoring network. Therefore, sometimes five phones were ringing at the same time. Thanks to the "stupid" monitoring system, they often could talk to each other on the phone.

When Legislator Shih Ming-te talked about his "history" about wiretapping, he burst out laughing. Prior to the Kaohsiung Incident, his good friend Lin Erh ran a Vietnamese restaurant. Vietnamese cuisine was expensive at that time, and the business was not too good. At one time, Lin Erh asked Shih to bring some friends over to his restaurant to support his business. Shih Ming-te immediately called his assistants on the phone and asked them to go to the restaurant. However, before his assistants arrived, the KMT lackeys were already there eating at a round table. He no longer felt strange on such incidents.

In the early days, those in the opposition group were somewhat scared at the beginning when they faced blatant wiretapping and surveillance. However, after so many incidents, their phones are still being monitored. Except feeling angry, they can do nothing about wiretapping. Lu Hsiu-lien and Hsieh Tsung-ming just laugh it off, showing that they simply do not care.

Although those being monitored perhaps feel uneasy, they also know how to adopt countermeasures against wiretapping. Legislators Huang Chau-huei and Chen Shui-bian often took the "opportunity" to "spread false information" to keep the relevant units "busy" so that they might attack in the west while making a feint to the east.

Legislator without party affiliation Chen Ding-nan told our reporter: An officer of an intelligence unit once informed him that when he was a candidate in a county-level city mayor election at the end of 1982, his phone conversations were indeed monitored and recorded so that political information on him could be collected. He himself was not happy about this, but he did not care. Another legislator without party affiliation Hsieh Chi-ta also felt that his telephone was wiretapped, because on several occasions, the "unit concerned" and news reporters called on him and asked him about his views and actions, even before he officially expressed his views or took action!

Nevertheless, in contrast with the members of the DPP and those legislators without party affiliation who suspected wiretapping, the 12 KMT legislators only suspected wiretapping because of the "strange symptoms" when they used their phones. KMT Legislator Yu Muming who was the first legislator to openly complain about wiretapping pointed out that his phone has been monitored perhaps because he criticized the administration and spoke the truth since the convocation of the provisional KMT Central Committee session in 1990. However, he has nothing to hide, and does not care.

Wei Yung said that actually he was not sure whether his phone was monitored or not. Whenever he announced some statements or said something, he would receive some anonymous phone calls. What he cared about was the fact that the government department concerned treated matters with indifference. As for wiretapping, he believed that wiretapping would seriously interfere with freedom of speech. Such a measure is improper even if the government used wiretapping under the pretext of safeguarding national security.

As for who should be permitted to monitor the phones of a special group of people according to the Monitoring Law which will be enacted soon, most of the persons questioned said that permits for monitoring phone calls should be issued by an impartial and neutral judicial unit and be executed by a police bureau or Bureau of Investigation unit. However, Huang Chau-huei said that there is still some doubts as to whether Taiwan's judicial organs are impartial or not at present. Therefore, one-fifth of the legislators visited suggested that an advisory council composed of supra-party personnel in society, administrative organs and people's representatives be formed to issue permits for monitoring phone conversations which undermine national security or public order.

However, legislators Chen Shui-bian and Shih Ming-te said that as seen from the current situation in Taiwan, indigenous methods cannot really cure a "skin ulcer." Thus, they believe that only letting the DPP run the government once and after the establishment of party politics, will there be any hope.

Nevertheless, one-third of the legislators who were questioned on the subject pointed out that in a democratic nation, freedom of speech is absolutely not to be compromised. Therefore, no phone monitoring should be permitted.

Recently the issue of monitoring phone calls will once again be debated. In addition to the fact that the Monitoring Law will soon be examined, KMT members would practically jump up when they experience what members of the DPP originally regarded as nothing new. Those who suspected nonparty personnel of suffering from "persecution mania" in the past now probably also adopt the attitude of "rather believing that there is such thing" and of "keeping their mouths shut" on their own telephones.

CPC Criticizes Patten's Electoral Arrangements

93CE0334A Hong Kong KAIFANG [OPEN
MAGAZINE] in Chinese No 77, 18 May 93 pp 74-75

[Article: "CPC Classified Document: Speaking With One Voice on Hong Kong"]

[Text] Editors' Note: This is an internal CPC document on the issue of Hong Kong given by a certain provincial foreign affairs office to a Hong Kong affairs official to use in presenting a unified position. It can be seen that it comes from criticism of Patten by Hong Kong leftist groups. [end editor's note]

(Note: At the instruction of the provincial leadership, I have arranged background material and clarifying positions on the issue of Hong Kong. This document is classified secret, for your reference. Please do not copy or carry it out of the country.)

Recently, Hong Kong and British authorities, in violation of the 1984 Sino-British Joint Declaration, have proposed a "Political Reform Plan," deliberately raising obstacles to the return of Hong Kong to China. In accordance with the single principle that we cannot accept any plan that is not in accord with the Basic Law, the Chinese Government cannot make concessions.

First, what major changes will the Patten Administration's report produce when it comes to Hong Kong's current political system? Why are these not in accordance with the spirit and stipulations of the Joint Declaration and the Basic Law?

On 7 October 1992, Hong Kong Governor Patten announced to the Hong Kong British Legislative Assembly an administration report. Patten raised the banner of developing democracy, and running counter to the spirit and stipulations of the Sino-British Joint Declaration, proposed a series of major changes in the existing political system of Hong Kong.

- 1) He proposed changing the existing structures of and relationship between Hong Kong's Legislative Council (Legco) and Executive Council (Exco):

The Exco and Legco are the two most important structures constituting Hong Kong's political framework. For a long period of time, Hong Kong and British authorities have consistently implemented a political model of administrative guidance by the Hong Kong governor and the Exco, with the Exco proposing major administrative plans and policies, and the Hong Kong governor having the final say. The Legco then in reality is a consultative organization of the Hong Kong governor. Some portion of Exco members at the same time serve as Legco members to ensure that the government's administrative plans do not run into too many obstacles in the Legco.

The following were proposed in Patten's administrative report: 1) separate the Exco and the Legco, Exco

members cannot jointly serve as Legco members; 2) increase the independence of the Legco, progressively increase the authority of the Legco, and establish a government and Legco Affairs Committee.

Patten's political reform plan in essence changes the nature of the Legco, endowing the Legco with the authority to participate in the modification of administrative policymaking, and to intervene in actual policymaking decisions. This will cause the decision-making process of the administrative structure to lose its stable supportive force, and it will be everywhere blocked by the Legco, weakening and damaging the administrative guidance position of the Exco and its policymaking effectiveness. This is not only clearly contrary to the relevant stipulations of the Basic Law, but will also jeopardize the flourishing and stability of Hong Kong.

- 2) He is attempting to increase the number of directly elected seats in the 1995 Legislative Council election:

Hong Kong's Legco is elected once every four years, and originally the British Hong Kong Legco consisted of officially reserved seats, appointed seats, functional constituency elected seats and district directly elected seats. In accordance with the relevant stipulations of the Sino-British Joint Declaration and the Basic Law, the officially reserved seats, the appointed seats, and the functional constituency elected seats will gradually be reduced in number, eventually disappear, and finally the goal of having the entire membership produced through direct elections will be achieved. The Chinese Government believes that this is an important measure for the development of democracy in Hong Kong. However, the goal described above must be done in accordance with the real situation of Hong Kong and be done in an orderly manner, advancing step by step until it is achieved. Still, in his administrative report Patten proposes that in 1995 the number of directly elected seats be increased, and great effort continues to be made on this. This is deliberately not in keeping with the Basic Law.

- 3) He proposes changing the functional constituency elections into separate direct elections:

The functional constituency elections are currently one of the primary types of elections for producing members of the Legislative Council. They are in effect a method of indirect election, and through these elections legislative members from all walks of life are generated from the various legal functional constituencies of Hong Kong society. According to the Basic Law, the electoral form associated with functional constituencies will continue to exist until the third Legislative Council of the Special Administrative Region, and the functional constituencies are to be indirectly elected and not directly elected, a fact that has long been generally acknowledged by various circles in Hong Kong. But in his administrative report

Patten proposes the need to replace the corporate body vote with a single person vote, and increase to nine new functional groups. In this way, the scope of the functional groups would include the entire working population of Hong Kong, and the functional constituency indirect elections would in fact be changed into a direct election by people from all walks of life in Hong Kong society. This clearly is counter to both the Basic Law and the relevant stipulations of the National People's Congress.

- 4) He proposes changing the character of the organization of districts:

Hong Kong's legislative system is divided into three levels, with the highest level being the Legislative Council, the middle level being the municipal councils and district municipal councils, while the primary level is the district legislative assembly. The district legislative assembly is the legislative organ for each of the various districts. It is the same as the Legislative Council in that it has a consultative, service character with no political authority. This status, in accordance with the Basic Law, will continue until after 1997. In his administrative report, Patten believes that the district legislative assemblies should go beyond this responsibility, and plans to greatly expand the responsibilities, functions and financial budgets of the district assemblies, giving them administrative power. This would transform the district assemblies into grass roots entities with political power and is consistent with the plan to expand the authority of the Legislative Council and change the nature of the Legislative Council. The goal of all these proposals is to allow the legislative structure to stand up to the executive branch as an equal, and become a mouthpiece for British interests. For this purpose, Patten also wants to liquidate the entire current membership of the district assemblies, and change over to direct elections to build up the strength of pro-British forces through direct elections. This is destructive of Sino-British cooperation, and also represents the establishment of an obstacle to China's return to exercising sovereignty over Hong Kong.

The common fundamental spirit of the Joint Declaration and the Basic Law is to keep Hong Kong's current system unchanged for 50 years. We must resolutely resist this plot by Britain and Hong Kong embodied by the series of major changes put forward in Patten's administrative report, with its goal of building up the strength of pro-British forces, and continuing after 1997 Britain's colonial domination in Hong Kong.

Second, in regard to a united position on the issue of Hong Kong:

- (1) **Question:** According to press reports, Chinese figures have said that if Hong Kong's Legislative Council is elected through Patten's political reform plan, China will announce a new electoral law for Hong Kong in

1995, and in 1997 will newly elect a Legislative Council. Please confirm this.

Answer: China does not accept the so-called "political reform plan" proposed by Hong Kong Governor Patten, and also will not accept a plan that is not in keeping with the Basic Law. The Chinese Government will handle affairs in accordance with the Sino-British Joint Declaration, the Basic Law and other relevant agreed upon principles and stipulations to maintain a peaceful transition period for Hong Kong through 1997.

- (2) **Question:** Governor Patten has already discussed his political reform program with the Legislative Council. What response does China have to this?

Answer: Governor Patten must recall the so-called "political reform program," and the Chinese side will not accept the so-called "political reform program" he has proposed. China will also not accept any "breaking faith program" that is contrary to the Basic Law.

- (3) **Question:** Will the Chinese and British sides hold discussions on the Hong Kong question?

Answer: China has all along maintained that in the latter half of Hong Kong's transition period, the two sides, in accordance with the "Sino-British Joint Declaration" and agreements already concluded, should reach an understanding through consultations to bring about a peaceful and stable transition period. The key at present is that the British side must abandon Patten's program for the political system, and genuinely express willingness to return to the good faith of the course embodied in the "Sino-British Joint Declaration."

- (4) **Question:** How does the Chinese side view holding meetings on the Hong Kong issue between China and Britain and renewing cooperation?

Answer: It is necessary to renew Sino-British cooperation, and the British must abandon Governor Patten's political system program, and return to the principles of the Sino-British Joint Declaration and the Basic Law, and to the path of the understandings and agreements already achieved by both sides. The Chinese side cannot accept any program that is not in accord with the Joint Declaration or already concluded understandings and agreements, and does not dovetail with the Basic Law.

- (5) **Question:** The British Foreign Minister has stated that China and Britain are conducting confidential negotiations on the Hong Kong issue. Please confirm this.

Answer: China has consistently maintained that in the latter stage of the transition period, in accordance with the Joint Declaration and already

achieved agreements and understandings, both sides should discuss cooperation to maintain a stable transition for Hong Kong. The key at present is that the British must abandon the political system program of Governor Patten, and return to the principles of the Joint Declaration and to principles for the development of Hong Kong's political system that are in line with the Basic Law and to agreements and understandings already reached by both the Chinese and British sides.

- (6) **Question:** Patten says that any agreements reached by China and Britain pertaining to Hong Kong must be approved by the Legislative Council. Do you have any comment on this?

Answer: Implementing the Sino-British Joint Declaration, and solving Hong Kong's major problems are tasks for the British and Chinese Governments, meddling by a third party may not be permitted.

- (7) **Question:** The Hong Kong British Government this year will start to run up a budget deficit, does China have a comment on this?

Answer: We have taken note of the relevant reporting and are keeping a close eye on this issue. We hope that the Hong Kong British Government will insist on a circumspect policy of balancing its revenues and expenditures to benefit the flourishing of Hong Kong's economy and to facilitate a stable transition.

Party Leaders View 'Mainstream Political Alliance'

93CM0332A Hong Kong PAHSING CHOUKAN
[PAHSING NEWSWEEK] in Chinese
No 7, 20 May 93 pp 19-23

[Article: "The Political Alliance Is Turning Back the Wheel of History: Four Major Political Parties Reprimand Liu Chao-chia"]

[Excerpts] Discussion Topic: Whether the Sino-British Political Dispute Will Stimulate the Formation of a Mainstream Political Alliance in Hong Kong

Date: Tuesday, 4 May 1993

Venue: Regal (Hong Kong) Hotel Speakers: Lee Peng-fei [2621 7720 7378] (chairman of the preparatory committee of the Liberal Party); Szu Tu-hua [0674 1778 5478], (Standing Committee member of the United Democrats of Hong Kong); Cheng Chieh-nan [4453 0094 0589], (secretary general of the Democratic Alliance for the Betterment of Hong Kong); Chang Ping-liang [1728 3521 5328], (chairman of the Meeting Point); and Huang Kang-hsien [7806 1660 7359], (senior lecturer of the Advanced Studies Institute of the University of Hong Kong)

Chair: Liang Ru-sheng [2733 0320 4141], (editor-in-chief of PAHSING NEWSWEEK)

Notetakers: Jen Yuan-hsing [0117 6678 5887] and Chang Chia-wei [1728 1367 0251] [passage omitted]

Chair: Will continuation of the Sino-British dispute over political reforms lead Hong Kong's political parties to form something similar to the "Governors Alliance," or "Mainstream Political Alliance" as advocated by Liu Chao-chia [0491 0304 1367]?

Lee Peng-fei: Although China and Britain are still disputing some issues of principle, I think this is only for the short term and in the end agreement will be reached. My reason for saying so is that Britain will not sacrifice Hong Kong's interests, but will urge the two countries to come to agreement as soon as possible in politics, economics, and diplomatic relations between the two countries. I suppose that as China and Britain arrive at an agreement, there will not be much opportunity for Hong Kong's major parties to form a mainstream political alliance, which is not a good thing for Hong Kong. This is just how I feel about one-party dictatorship, which is not necessarily conducive to the democratic development of Hong Kong. I believe no matter how China and Britain dispute or come to agreement, even though there should be any secret deals, their attitudes toward the development of Hong Kong's political parties will not change.

Chair: Will the United Democrats of Hong Kong participate in and become part of this mainstream political alliance?

Szu Tu-hua: Liu Chao-chia went on at great length to sell the conception of the mainstream political alliance. This is nothing but a reproduction of the united front of the CPC. After experiencing the 4 June incident I learned a profound lesson, which is that the communist party will never loosen its power. After all, through what forms can power be gained depends on circumstances. In retrospect, during the initial post-liberation period in 1949 the CPC put forward the theory of new democracy, and determined that the national flag is composed of one big star surrounded by four small stars. Then efforts were made to unite other minorities in support of forming an alliance. When Deng Xiaoping regained power after the end of the Cultural Revolution, what was the status of other democratic parties? Still it is one-party dictatorship! I feel that no matter what patterns are taken, the mainstream political alliance will only seek to gain power through different forms. Whoever is obedient will be coopted and the disobedient purged. Different standards, sometimes loose and sometimes strict have been applied under various circumstances. As we look back on the practice of removing the bridge after crossing the river by the communist party, we will be able to see this very clearly.

Chair: It is my understanding that the proposing of the mainstream political alliance is only "containing new wine in the old bottle." If the Chinese side proposes that the United Democrats of Hong Kong join the alliance, how are you going to cope with it?

Szu Tu-hua: The United Democrats of Hong Kong has not talked about the issue of the mainstream political

alliance, so there is not any tendentiousness. I believe that if we become part of the alliance, we will have to pay a price, be obedient and subordinated to its ideas at the expense of our own principles. Personally, I will not give up the principles of being an upright person to take the "through train."

Chair: Could this mainstream political alliance coordinate the differences among various democratic parties?

Cheng Chie-nan: First, I question who will head this mainstream political alliance and whether it will overthrow the present electoral system. I think this is the view of our own wishful thinking and it cuts us from realities. Hong Kong does not have racial or religious contradictions as other countries do. Some are only differences among political parties. Perhaps the differences will get increasingly acute, but conflict is not likely to occur in a short time. I think the relatively big difference is the attitude toward China caused by a historical factor. I am confident contradictions will become less complicated after 1997. The reason is that the British factor will gradually fade.

Chair: The United Democrats of Hong Kong recently took the initiative to contact the New China News Agency in the hope of meeting with Zhou Nan [0719 0589], and was regarded by Zhang Junsheng [1728 3182 3932] as an anti-China body. Does this mean that the United Democrats of Hong Kong will be expelled from the alliance?

Szu Tu-hua: The Chinese side wants to designate the United Democrats of Hong Kong a nonmainstream political group, even a sub-stream group, or one that does not belong to any stream. China wants to drive the United Democrats of Hong Kong from "streams" and let it become a pro-China political alliance.

Lee Peng-fei: To the best of my knowledge, Liu Chao-chia would like the mainstream political alliance he proposed to become a political entity and to unite various political groups to support the future government of the special administrative zone.

Szu Tu-hua (in refuting): As I see it, Liu Chao-chia's purpose is to develop a mainstream political alliance that will primarily depend on China's national power, draw over and unite the few pro-Britain forces.

Huang Kang-hsian: I do not find it necessary for Hong Kong to establish a mainstream political alliance. Liu Chao-chia's proposal is nothing but to follow communists' past practices. It is turning back the wheel of history and is not feasible; otherwise, Hong Kong would become chaotic. First, there has appeared a turn for the better in Sino-British talks, contradictions will reduce step by step in the future. I believe the only contradiction in the future will be between the central government and Hong Kong. Unless deviations appear in China's implementation of "one country, two systems," there is no need for Hong Kong's mainstream political alliance to exist. Second, due to the limitations on the number of

directly elected councilmen, I do not think there is much opportunity for the emergence of a majority party.

Szu Tu-hua: I feel that the Chinese side truly wants to establish a mainstream political alliance to support the special administration region government. I recall when I was on the Basic Law Drafting Committee, for many times I urged China to consider the relationships between the executive and legislative councils. But in the end nothing was done. They were only lobbying among council members. I agree with the view that a majority party will not appear in the Legislative Council. But the future chief executive could use the political force of the "alliance" to control the majority. [passage omitted]

Lee Pengfei: I think the term mainstream political alliance is too vague and general. Every society always has its own dissidents. If the future chief executive of the special administrative region wants to have a harmonious relationship between the executive and legislative branches, a ministerial system should be taken into consideration (that is, ministers that are only responsible to the chief executive). The chief executive should be elected and all the legislators directly elected. If the chief executive is out of the line with the legislature, he will not be able to effectively govern Hong Kong. Though China will not necessarily agree to the arrangement of ministerial system, we must try our best to win them over. I do not believe that after 1997 Britain will fight for the interests of the people of Hong Kong, which need to be striven for by the people of Hong Kong themselves. However, I do not believe such a big alliance will easily come into being.

Cheng Chieh-nan: I think that objectively a mainstream politics will appear. This situation arises under any type of regime. We have no reason to assume that the Basic Law will not be implemented. If we have this kind of thinking there is no need for further discussions. On the contrary, we should strive for the implementation of the Basic Law, even if some think the Basic Law is not democratic enough. Will a power center alone be influential in the future who has been influential? I think it is best to have elections, which have a great effect of checks and balances. The chief executive will be elected in the future. Though elections will not cover people extensively, everything will have to be made known to the public. In the future the legitimacy of exercising power does not only come from the power center, but also from the citizens. The future government will also have to consider how to win support from the Legislative Council. I will be pleased to see that after 1997 organizations with different political opinions still enjoy freedom of speech in accordance with the Basic Law and laws currently in effect. I believe we can be successful in this regard. I do not believe that the so-called mainstream political alliance has only one type of voice, and due to certain pressures other voices will be as silent as a winter cicada.

Chang Ping-liang: The term "mainstream political alliance" was mentioned several years ago. With the handover of sovereignty in 1997, an increase of China's influence in Hong Kong will be hard to avoid. But it is not good for China to become the political axis in Hong

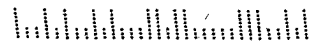
Kong. Rather, various local political groups will have to reach a common understanding to solve problems, thus forming the general direction. If China interferes excessively, the spirit of one country two systems will be violated.

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