

JPRS-CAR-90-082
6 NOVEMBER 1990



JPRS Report

China

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DTIC QUALITY INSPECTED 3

19980123 123

China

JPRS-CAR-90-082

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GENERAL

U.S. Motives in Gulf Viewed

910CM0033A Beijing BAN YUE TAN
[SEMIMONTHLY TALKS] in Chinese No 18,
25 Sep 90 pp 56-57

[Article by Ran Yingjie (0373 5391 2638): "What Are U.S. Motives in Its Military Deployment in the Gulf Region"]

[Excerpt] [passage omitted] The United States has repeatedly declared that it will not attack Iraq unless Iraq attacks Saudi Arabia. It appears from these declarations that the purpose of the United States in sending troops to the Gulf, besides protecting the safety of U.S. citizens, is mainly the restoration of Kuwait's sovereignty and protection of Saudi Arabia from aggression. Kuwait and Saudi Arabia have had a tradition of close relations with the United States and the other Western countries. We cannot say that the military deployment is not motivated by the desire to protect the two countries, but this at least is not the main reason; it is rather the following that has motivated the U.S. action:

Contending for Control of the Gulf Oilfields. The main reason that U.S. public opinion and some Western countries support the sending of troops to the Gulf is that these countries will under no circumstances allow the Gulf oilfields, a lifeline for energy supplies to the Western world, to fall into the hands of Iraq, a country unfriendly to the West.

An American has very succinctly expressed the U.S. reason for its present move in the Gulf region. He said, suppose a West African country would have invaded another country. President Bush would in that case perhaps merely have sent a letter through the international postal service to the president of the country which had suffered aggression, expressing his regrets, because even though this would also have been a case of aggression, few interests of the United States or other Western countries would have been affected in that area.

Since the Vietnam war, the United States has curtailed its role of policeman of the whole world. By the time of the Bush administration, the United States had divided the world into several different spheres according to the degree of safety concerns involved, which would then, in applying a flexible strategy, call for different reactions if disturbed. The Gulf region, from the viewpoint of U.S. safety, is one of the areas that calls for the most forceful reaction.

The Gulf region is the highly valuable storehouse of petroleum resources, and also the lifeline of petroleum supplies for the United States and the Western countries. According to statistics, proven oil deposits in the Gulf region account for 65.4 percent of the world's total oil reserves of 1,012 billion barrels. Daily oil production of the Gulf region accounts for 26.1 percent of the world's daily oil output of 63.6 million barrels. The ratio at

which Gulf oil is imported and consumed by the various Western countries in relation to the total oil consumption in these countries is: Japan, 64 percent; France, 35 percent; Italy, 32 percent; Great Britain, 14 percent; the United States, 11 percent; West Germany, 9 percent.

Oil from the Gulf area is therefore decisive for economic prosperity or decline in the Western countries. If control of the oilfields were to fall into the hands of Saddam Husayn, president of Iraq, a country that maintains a tough unfriendly attitude toward the West, it would mean that he would have a stranglehold around the neck of the Western countries, a situation which the United States and its allies could not possibly tolerate.

Eliminating Husayn's Grip on the Region. The United States intends not only to put a stop to Iraqi President Saddam Husayn's control of the oilfields, but earlier recognized and affirmed that Husayn is the greatest danger to Israel, in fact "the most dangerous man for the United States in the Middle East." The U.S. strategic objective is, therefore, to take advantage of the present opportunity to strike out against Husayn, even to destroy him, and to weaken the military power which would control the Gulf region and all of Arabia.

In the course of the eight-year Iran-Iraq war, Husayn expanded his military force to 1 million men and acquired large quantities of advanced types of weapons, building Iraq into the most powerful military country in the Middle East. Western analysts have pointed out that the expansion of his military power has fostered in Husayn the ambition to become overlord of the Gulf region and ruler of the entire Arab world, as it is also the objective of the ruling party in Iraq, the Arab Baath Socialist Party to create one unified Arab nation.

Since the armistice in the Iraq-Iran war, Husayn has always had the desire to attempt to achieve this objective. Early in April of this year, Husayn made it known to the world that Iraq had binary chemical weapons, and boasted that "if Israel were to attack Iraq, Iraq could destroy half of Israel." Husayn's threat shocked the Western world. The United States and Great Britain immediately responded with strong propagandistic statements and diplomatic attacks, putting pressure on Iraq. At the same time they revealed to the world that they had tracked for over a year Iraq's secret importation from the West of nuclear explosive devices and steel barrels for a large nuclear cannon; they had exposed and stopped Iraq's endeavors to develop nuclear weapons. The Western countries and Israel were most concerned about the possibility that Iraq would acquire nuclear weapons, and there had been some indications that Iraq was close to acquiring nuclear capability, which affirmed their intention to strike out against Husayn.

The hard line that Husayn is taking in the Arab-Israeli conflict has attracted the Palestinians and other Arab extremist parties, who thus pin their hopes on him that he would use his powerful military force to solve the problem of recovering the territory occupied by Israel.

From the U.S. point of view, this movement has destroyed the Mideast peace process, is jeopardizing the dominant role of the United States in the Middle East, and constitutes a vital menace for the United States and for Israel, which they must be determined to eliminate.

Control of the Gulf, Squeezing Out Soviet Influence in the Middle East, Maintaining the United States as Superpower. The relaxation in U.S.-Soviet relations and the Soviet Union's retreat from the Middle East have eliminated the danger of a head-on collision with the Soviet Union when staging the U.S. military deployment in the Gulf region, and has removed any concern in that respect. The U.S. is also "urging the Soviet Union to thoroughly abandon its anti-U.S. policy and to intensify its cooperation with the United States." At the same time, the present deployment of military forces in the Gulf region is showing the world that the United States is presently the only superpower in the world.

Indonesian President To Visit Vietnam

*OW0111170590 Beijing XINHUA in English
1456 GMT 1 Nov 90*

[Text] Hanoi, November 1 (XINHUA)—Indonesian President Suharto will pay an official visit to Vietnam later this month, it was announced here today.

This will be the first visit by an Indonesian president to Vietnam in the past 33 years and also the first visit to the country by a head of state from Southeast Asian countries since 1975.

A Vietnamese Foreign Ministry spokeswoman said at a press conference that during his visit, President Suharto will discuss with Vietnamese leaders measures to promote bilateral relations between the two countries and exchange views on international and regional matters of common concern.

NORTHEAST ASIA

Japan, DPRK To Hold Talks on Establishing Ties

*OW3110085490 Beijing XINHUA in English
0802 GMT 31 Oct 90*

[Text] Tokyo, October 31 (XINHUA)—Japan and the Democratic People's Republic of Korea (DPRK) are scheduled to hold preliminary talks in Beijing on November 3-4 as a step towards establishing diplomatic ties, the local press reported today.

The Japanese Foreign Ministry was quoted as saying Tuesday that the talks are aimed at laying the groundwork for full-fledged discussions to be held later.

The talks will be the first ever inter-governmental negotiations between Japan and the DPRK since the end of World War II.

Japan will send a delegation led by Sakutaro Tanino, director general of the Foreign Ministry's Asian Affairs Bureau, to the talks.

However, it is not yet known who will represent the DPRK for the talks, the Foreign Ministry said.

The talks were proposed after representatives of Japanese and DPRK political parties agreed in September to urge their respective governments to open talks in November on establishing diplomatic relations.

NEAR EAST/SOUTH ASIA

Egypt's Mubarak Visits Gulf To Seek Crisis Solution

*HK3010045790 Beijing RENMIN RIBAO in Chinese
29 Oct 90 p 6*

["Dispatch" by staff reporter Lin Jiaoming (2651 4109 2494): "Efforts To Settle the Gulf Crisis Peacefully—President Mubarak's Tour to Four Gulf Nations"]

[Text] Cairo, 26 Oct (RENMIN RIBAO)—Now the Gulf situation is at a crucial moment. Egyptian President Mubarak visited the Gulf from 22 to 26 October, during which he exchanged views with top leaders of Saudi Arabia, the United Arab Emirates [UAE], Qatar, and Oman on the Gulf situation and called for an Iraqi withdrawal, thus expressing the urgent wish of the Arab world for a peaceful settlement of the Gulf crisis.

During an inspection of the Egyptian troops stationed in the Gulf, President Mubarak stressed "as long as it is possible, the Gulf crisis should be resolved by peaceful means." Having a 25-year military career, this Egyptian president hoped the "troops can return to the motherland safely without shedding a drop of blood." President Mubarak called repeatedly for Iraq's unconditional and complete withdrawal from Kuwait to restore the legitimate Kuwaiti Government and prevent a serious disaster in the Arab world. Public opinion here believes this is another effort made by Egypt to prevent a Gulf war and find a peaceful solution to the Gulf crisis.

The focus of President Mubarak's tour was Saudi Arabia. His talks with King Fahd were considered another effort to coordinate the positions of the two countries on the Gulf crisis. During the talks, both Egypt and Saudi Arabia indicated they would not accept any program violating the resolution of the Arab League summit and insisted on Iraq's unconditional and complete withdrawal from Kuwait, as well as restoration of the legitimate Kuwaiti Government; only thus will negotiations proceed.

Upon his return to Cairo last night, President Mubarak said he objected to interfering in other countries' internal affairs and pointed out "only the Kuwaiti people have the right to decide their future leader." The Gulf states will discuss the Arab security defense system to cope with external threats in the region after the Gulf

crisis, he added. "Egypt has informed the Gulf states it is willing to join this defense deployment." Egypt and Saudi Arabia have asked Western powers to give up their "defense program" to be carried out after the Gulf crisis and made it clear the "Arab states can make such arrangements on their own." In addition, at the request of Saudi Arabia and the UAE, Egypt agreed to dispatch reinforcement troops, including air operational units, to the Gulf region.

These Gulf states have decided to relieve Egypt of its huge debts and to provide economic and financial aid. This is another great achievement made by President Mubarak during his tour. An Egyptian newspaper reported Saudi Arabia, the UAE, and Qatar will remit debts totaling \$7 billion that they provided for Egypt. These Gulf states separately concluded agreements with Egypt on providing it with economic aid totaling billions of U.S. dollars to make up for the losses it has suffered as a result of the current Gulf crisis. This aid includes liquid capital provided annually and preferential fund allocation for investment projects in Egypt.

Public opinion in Egypt and these Gulf states describes the present Gulf situation as a "race between war and peace." President Mubarak's Gulf tour will help strengthen the common position of the Arab world on finding a peaceful solution to the Gulf crisis. People are expecting the Gulf situation to develop in a direction favorable to peaceful negotiations.

Outlook on Minority Conflicts in Sri Lanka

910CM0012A Beijing LIAOWANG [OUTLOOK]
in Chinese No 36, 23 Aug 90 pp 41-42

[Article by special correspondent Chen Shupai (7115 2885 1014): "Ethnic Strife in Eastern Sri Lanka Deteriorating"]

[Text] (By wire from Colombo, dated 28 August) Since the beginning of August, repeated massacres of Muslims and Sinhalese in the eastern regions of Sri Lanka have resulted in the deaths of several hundred people. The government accuses the largest Tamil armed force, the Liberation Tigers of Tamil Eelam [LTTE] of instigating the massacre among the ethnic groups in the eastern region.

On the evening of 3 August, several score of men armed with rifles invaded two mosques at Kattankody city in Batticaloa District, killing 125 Muslims and wounding another 75 who were praying in the mosques, in a frightful massacre. Two days later, another massacre of Muslim peasants occurred in the rice fields of Muli-ku-la-mu [4476 6849 1655 2139 1191], also in the eastern district, with 30 people killed and 50 people missing. In the night of 7 August, a group of armed men infiltrated Ban-da-la-du-wa [3803 6671 2139 2629 3907] village in the Amparai district and hacked to death 27 Sinhalese villagers. On 11 August, a group of armed men in uniform invaded three villages in the Eravur district and used hand grenades and automatic weapons to kill

127 villagers, among them 27 women and 31 children, while another 51 persons were wounded.

After this series of incidents, the situation in the eastern district of Sri Lanka has become increasingly tense, and terror reigns among Muslims and Sinhalese, while repeated appeals were made to the government for protection. The World Islamic Conference sent a telegram to Sri Lanka's President Premadasa, expressing "deep concern and grief" over the continuing massacre of Muslims in Sri Lanka, and urging him to protect the Muslims. The various Muslim organizations of Sri Lanka too repeatedly issued statements denouncing the LTTE and in some cases reproaching the government for not providing effective protection for the Muslim population.

This civil war reflects the ethnic contradictions that have existed in Sri Lanka for a long time. Of a total population of 16.5 million, 74 percent are Sinhalese, 18 percent are Tamils, and 7 percent are Muslims. The Tamils are concentrated in the eastern and northern districts, and the Muslims inhabit the eastern district. There is deep-going animosity between Sinhalese and Tamils. The Tamils complain that the government and the army are controlled by Sinhalese, and that they, the Tamils, are discriminated against in such matters as employment, education, and so forth. For many years some Tamil organizations have fought for an independent Tamil state in the eastern and northern districts, and the LTTE is the most powerful armed organization in this movement.

Since 1983, the conflict between the Sinhalese and the Tamils escalated gradually into a protracted ethnic war, that even brought about foreign intervention. In July of 1987, India dispatched a military force of several ten thousand men to Sri Lanka's eastern and northern districts to help maintain peace. During the time that Indian troops were stationed in Sri Lanka, they were continuously fighting the LTTE, which had refused to lay down arms, and the Indian troops inflicted heavy losses on the LTTE formations.

To evict the Indian troops and to maintain their own power, the LTTE organization began in 1989 to initiate talks with the government. The goal of the LTTE organization is establishment of an independent sovereign Tamil state in the eastern and northern districts, which is, of course, something the government cannot possibly agree to. One year of talks has achieved no results, but has provided a breathing spell for the LTTE forces, allowing them to rally their forces, replenish their military strength, and consolidate their position as a necessary preparation for the clashes that are now occurring. After the Indian troops had been completely evacuated by March of this year, the LTTE organization thought a favorable opportunity had arrived, and they started in June to launch their civil war.

On 11 June of this year, the LTTE organization suddenly broke off its over one-year-old talks with the government, seized over 30 police stations, abducted over 1,000 policemen, and openly declared war on the government. On 18 June, the government ordered a general counterattack. Government forces first attacked in the eastern district and in somewhat over one month of fighting recovered the important cities of Amparai, Batticaloa, and Trincomalee, and drove the LTTE forces into the jungle. Thereafter, the government redeployed its main force in the north, in preparation for an encirclement of the Jaffna district, the main base of the LTTE organization. It is at this time that the massacres of Muslims and Sinhalese occurred in the eastern district with the obvious objective of pinning down some of the government forces.

According to official figures of the Sri Lankan authorities, 2,313 persons have already lost their lives in the civil war during the period from 11 June to 15 August. Among these casualties, the government forces suffered 331 killed and 801 wounded; the police suffered 299 killed and 352 wounded; the LTTE organization 1,001 killed and 1,700 wounded; and 682 civilians were also killed. Due to the fighting, over 500,000 had become homeless, and several ten thousands have fled to South India. The government of Sri Lanka had to add another 5 billion rupees to its military budget. Food supplies in the eastern and northern districts have become extremely critical, commodity prices have risen steeply, and the fighting has destabilized the domestic political situation and has created a huge problem for the economy and the livelihood of the people in the eastern and northern districts.

According to a statement by the Sri Lankan Government, the ethnic massacres of the LTTE have three objectives: First, to create conflicts and clashes between the three ethnic groups in Sri Lanka, the Sinhalese, the Tamils, and the Muslims, have them massacre each other, and create social unrest, thereby allowing the LTTE to fish in troubled waters. Second, to drive out all Sinhalese and Muslims from the eastern and northern districts of Sri Lanka where the Tamil population is in the majority, so that that area could become a unified Tamil country. Third, to upset the tactical deployment of the government forces and to disperse the military forces of the government in order to reduce their pressure on the northern battlefield.

Since the civil war erupted, most public media have been supporting the government and have denounced the

LTTE, and most political parties, including the opposition parties, support the war conducted by the government forces against the LTTE.

What are the prospects in this civil war? People generally believe that it will be a war of attrition without winners and losers. On 22 August, the government launched a large-scale attack against the LTTE organization on the Jaffna Peninsula in the north, involving the Navy, Army, and Air Force in the action, determined to destroy the headquarters of the LTTE organization. However, destruction of the LTTE headquarters will not at all be easy. The LTTE has a well-trained and excellently equipped guerrilla force of several thousand men. They have prepared for a protracted guerrilla war, relying on the support of the local Tamil population, and even if driven into the jungle, they will still be able to achieve their objective of continuously attacking the government forces. The government forces are about 100,000 men strong, or about 10 times more than the LTTE, but, because terrorist activities are also occurring in the central and southern districts as the People's Liberation Front, a Sinhalese terrorist organization, is showing increasing activity, they cannot deploy all their forces in the eastern and northern districts. Military strength and armament of the government troops is inadequate, and the government is now in the process of raising an additional five battalions of about 5,000 men, and is also stepping up purchases of arms and ammunition from various quarters.

Observers believe that this ethnic conflict cannot be resolved by military means but must to be resolved by political means. The government has also indicated that it would like to request the British Commonwealth of Nations, the nonaligned countries, and the member countries of ASEAN to assist in mediating for peace, but so far none of these countries has responded. Even though the LTTE organization has repeatedly called on India to intervene in the massacre of Tamils by government forces, India's premier, V.P. Singh, has already stated that India will not again send troops to Sri Lanka, indicating thereby that India will not intervene in Sri Lankan domestic politics. He has also declared that Sri Lankan Tamil combat organizations will not be permitted to use South Indian territory as a jumping-off place for military activities.

Judging by the present situation, there are no indications that any external forces will become involved; if any external force were to intervene, the situation would become even more complex.

Hu Qiaomu Criticizes CPC Leadership

90CM0339A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 247, Aug 90 p 72

[Article by Lueh Yang (3970 7122): "Hu Qiaomu Shoots Off His Mouth, Warns That the Party Might Be Lost"]

[Text] Hu Qiaomu [5170 0829 2606] says he has been deprived of his right to speak, and now he must speak out about bureaucracy, corruption, and the breakdown of law and order. If this goes on, it will lead to losing the party.

Not only have hundreds of millions of people criticized the bureaucracy, corruption, and decline of the Chinese Communists in recent years, but the upper echelon of the Chinese Communist Party [CPC], whether they are enlightened, conservative, or even extreme leftists, have also had to recognize it. Hu Qiaomu, who was called the "king of the leftists" in 1971 and who has now "retired" to the CPC Central Advisory Committee and leads party history work, gave a speech at a symposium for the news publication system during Beijing's celebration of the 69th anniversary of the founding of the CPC. It was one of the most unusual speeches in the CPC in recent years.

As soon as Hu Qiaomu appeared on stage, he said, "For a time I was deprived of my right to speak, but I am still a party member. Those who deprived me and opposed my speeches and work were precisely those who regard themselves as the enlightened faction and the reform faction of the party and as advocates of freedom and democracy. Not letting people speak, express different viewpoints, or organize factions is itself a violation of basic party democracy. I am a Communist Party member, an ordinary Communist Party member. I make my living in accordance with the party's mission and my work is not limited to its standards. You deprived me of my right to express my ideas, but I have two legs, so I can walk to all corners of the country and listen, observe, and study. After more than two years of surveying, research, and studying, I feel that it is time for me to speak out loudly. Where is China actually going? We do not want reform and opening up to conceal decadence. Declining feudalism and the dregs of capitalism breed, spread, and worsen in the motherland. The leadership authority of the ruling party, the Communist Party, is wavering and being criticized by the people. A lot of leaders in a lot of government departments are corrupt and have completely lost the affections of the people. They put power and money above everything. What about sacrificing everything for the party's mission? What about serving the people? This has been totally cast aside. Can this quality of leadership lead the development of reform and opening up? Without mincing words, if government departments in present-day capitalist countries were this way, I think there would be people demonstrating in the streets daily, calling for the leadership to step down. This can still be checked and controlled.

Quite a few people say that graft and corruption will inevitably come with reform and opening up. They even say that, in a certain sense, the more intense graft and

corruption are, the more obvious the results of opening up and reform will be. Is this the aim of the party's opening up and reform? Please note that there are quite a few of these people. If they do not have ulterior political motives, then politically they are "careless blunderers." They simply make a mockery of social progress and lack the most basic understanding of capitalism's sociopolitical and economic systems. If these types of people lead us into deepening reform and opening up, ultimately we will not only deviate thoroughly from the socialist system, but we could also be in danger of losing the party. This is a betrayal of the cause of the proletarian revolution...

"The policies and goals of reform and opening up proposed by the party's Central Committee were to speed up the four modernizations, enrich the people, and show the world the superiority and vitality of the socialist system. But which segment of the people profits the most? Which sectors? We can go to the special zones or some large and medium-sized cities and observe and listen to ordinary people curse party officials and the Communist Party. Even some law-abiding, hard-working cadres who seldom complain curse the Communist Party. The terrible part of the cursing is not just that no one stands up and says anything about it, but that they encourage and support them on quite a few occasions. You say that this is strange? It does not seem at all strange to me. Before liberation ordinary people cursed the Kuomintang, and Kuomintang cadres also cursed the leadership clique. At the time we said, 'Cursing is correct. You Kuomintang are corrupt. You have deteriorated into a party that fleeces the people, a party that harms the people. Naturally you will lose.' Truly serious bureaucracy and widespread corruption exist within the party. If it is not strictly controlled, we will completely lose popular support and party support, and one day we will lose the party."

Hu Qiaomu also said, "For the last few decades the party's democratic spirit has not been normal. Anyone with a dissenting view on a certain matter or policy can be given a "hat" by the authorities. I had a rightist hat. Now I have a leftist hat. They say that I oppose the policy of opening up. I certainly have made some suggestions about the policy and actual results of opening up, and some have been adopted. I have definitely often made (suggestions) about problems within the party. This is quite normal. How can I stand by and watch while the party is lost?"

The contents of Hu Qiaomu's speech given above were passed on by people attending the meeting that day. It is said that Hu Qiaomu's speech gave the upper echelon difficulty. Some said that he was carefree, had no office, and could freely "sound off." Others said that, after going to Hangzhou to visit Chen Yun, who was recuperating, he represented Chen in lashing out against the present situation. He also took the opportunity to express his own dissatisfaction at being demoted. However, his speech actually sounds like the death knell for the Chinese Communists.

NATIONAL AFFAIRS, POLICY

Plans Considered To Expand Urban Economic Reform

91CE0020A Beijing JINGJI CANKAO in Chinese
2 Sep 90 p 1

[Article by Wu Shishen (0702 1102 3234): "Improvement of the Economic Environment and Rectification of the Economic Order Is Presenting a New Opportunity To Develop Urban Economic Reform in Depth; Concerned National Departments Are in the Process of Considering New Plans To Gradually Give More Weight to Reform"]

[Text] Since entering the 1990's, the momentum of PRC urban economic reform has not abated, and reforms in various areas, such as contracting, mergers, alliances, and financing, are in the process of being developed in depth.

Along with the progress that is being made in improving the economic environment and rectifying the economic order, and the relative easing of the economic climate, new reform opportunities are arising in the 1990's. Pilot projects in overall economic reform, financing reform, and capital goods markets are underway in one-quarter of our 450 cities, and our reform momentum is vigorous. Our focus in moving reform forward actively and safely in various cities is on "stability," and the new directions in which reform is being deepened can be seen in our basic policy of steady reform, our perfection and completion of the various reform measures that are already in effect, and the vigorous efforts that we are putting into making them "realistic, feasible, and serviceable," instead of unilaterally striving for speed or novelty.

In order to fully release the vigor of enterprises, which are the "cells of our urban economy," further perfecting the enterprise contract management responsibility system has become our "major attack objective" in deepening urban reform. Contracts in the enterprise contract management responsibility system are being fulfilled conscientiously in all cities, and 77 percent of the enterprises whose contracts expired in 1989 have signed a new second round by either rolling over or extending their contracts. In light of the unstable external climate, enterprises in some cities are practicing venture guarantees for all personnel in the contract system on a large scale. Venture guarantees of 168 million yuan have already been put up by all personnel in over 1,800 enterprises in the cities of Jinan and Wuxi. Through the establishment and strengthening of venture guarantee forces, a community of interests of common guarantees, profits, and risks has evolved for managers as well as staff members and workers. Contracted enterprises in Nanjing achieved a success rate of 86 percent in 1989. New advances have also been made by pilot projects in aftertax contract leasing and shareholding systems, with the number of enterprises experimenting

with shareholding systems in Shenyang having increased from 1,072 in 1988 to over 1,300.

Enterprise mergers, the enterprise reform method of "helping the best to succeed by allowing the worst to be eliminated," has also achieved new development motivation along with improvement of the economic environment and rectification of the economic order. Various cities have coordinated rectification goals, such as industrial policy, overall efficiency, and supporting the best by eliminating the worst, and have come to widely regard enterprise mergers as a key step in restructuring. The four cities of Jinan, Shenyang, Qingdao, and Nantong have allowed 301 of their best industrial enterprises to take over 360 enterprises which incurred losses or earned few profits. Moreover, more diversified and larger enterprise groups are growing steadily, which is also giving new life to economic restructuring by forming a number of "group armies" that earn foreign exchange from exports. The method of enterprise mergers and alliances, has promoted a more rational circulation of key production factors, and brought about an encouraging situation of "less input, more output," and "the rich helping the poor in order to achieve common prosperity." As the single form of wage distribution caused "everyone eating out of one big pot" to spread unchecked, the current close linking of staff member and worker income to work achievements is steadily deepening wage reform. Concerned departments say that various forms of wage distribution based on factors such as piecework, counts, and quotas, have taken root in enterprises, and that wages are linked to economic efficiency for 95 percent of staff members and workers in the city of Wuxi, the industrial star south of the lower reaches of the Chiangjiang River. In Qingdao, not only are overall pension plans generally in effect for enterprises, but medical insurance system reforms have also been carried out for 320,000 staff members and workers in over 1,100 enterprises, which made their 1989 medical expenditures more than 20 percent lower than in 1988. Overall social insurance plans have spread to temporary workers, seasonal workers, and staff members and workers in private enterprises.

A new growth trend has appeared in lateral economic alliances, and many cities are emphasizing the common goals of restructuring, externally oriented development, resource development, and product marketing. Beijing Municipality has invested over 45 million yuan in neighboring provinces and autonomous regions to build a number of joint bases for production of raw materials, such as pig iron, industrial chemicals, livestock feed, building materials, and electric power, which has given its economic development more "raw materials sources." Shenyang has also set up over 1,600 such alliances, which are using their industrial advantages to gradually expand into the international market. Lateral alliances in even more cities are putting out feelers along coastal areas, rivers, border areas, and railway lines, for active development of the four major markets of materials, products, S&T, and money.

Banking reform is just unfolding, and urban money markets are clearly playing an enhanced role in capital financing. All large cities throughout the PRC generally have now set up money markets, which are increasingly expanding their amounts and scopes of capital financing, and acquiring even stronger functions in key cities. Stock markets have also appeared in embryonic form, with almost 70 cities having set up over 500 stock exchange network points, in which the volume of trade topped 1.6 billion yuan in 1989.

Many real signals show that our reform circumstances are clearly improving after almost two years of improving the economic environment and rectifying the economic order. Some economists are saying that "now is the time for deepening reform." Concerned national departments are in the process of considering new plans to gradually give more weight to reform, in hopes of gradually changing adverse conditions in the PRC, such as our irrational economic structure, poor economic efficiency, and uncoordinated markets.

Obstacles Confronting Enterprise Reform

90CE0463A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 30,
30 Jul 90 pp 9-10

[Interview with Zhang Yanning (1728 1750 1380), vice minister of the State Restructuring of the Economic System Commission, by CHING CHI TAO PAO reporter: "Looking at Enterprise Reform From All Angles"; date and place not given]

[Excerpt] [passage omitted] **What Is the Current Situation Regarding Enterprises? What Are the Major Problems Facing Enterprise Reform in China to Date?**

More than a year after we started improving the economic environment and rectifying the economic order, the business environment and behavior of enterprises have improved considerably on the whole. At the same time, however, a number of new problems has appeared. At present, market sluggishness, swollen inventories, and fund shortages are widespread problems. From the perspective of reform, most of the problems facing enterprises fall into three groups.

The first group has to do with the enterprise's external environment or, to put it differently, the related conditions for enterprise reform. For instance:

The fusion between government administration and enterprise management has not been broken fundamentally. There is excessive intervention by governments at all levels in the economic activities of enterprises, preventing the latter from making decisions on their own in their operations.

Local economic separatism, sectoral fragmentation, and the fact that the market for capital goods remains imperfect have made it difficult to expand strong enterprises

or eliminate backward ones. These factors have hampered the implementation of the industrial policy and the adjustment of the enterprise structure and product mix.

The enterprise tax and other fees constitute an exceptionally onerous social burden. The depreciation rate is too low, as is the percentage of profits the enterprise is allowed to retain. All this deprives the enterprise of the ability to plow back earnings into technological progress. If Chinese enterprises, particularly old concerns, are to raise their technical standard, thereby making the economy as a whole much more efficient, we must solve the problem of staying power. Whether or not an enterprise has staying power in its development and whether its products are competitive are questions that will help determine not only the fortunes and survival of the enterprise itself but also the place of the nation in the world.

The enterprise is subject to so many apportionments of expenses, inspections, fines, and confiscations that it finds them unbearable. Right now there are no effective measures to correct this state of affairs.

There has been no proper evaluation of assets, complicating inter-enterprise contracting, leasing, merging, and other horizontal economic integration.

The social security system is flawed. The labor system can be reformed only in a limited fashion within the enterprise.

The second group of problems has to do with the profitability and managerial behavior of the enterprise itself. For instance:

The overall quality and economic efficiency of Chinese enterprises are not high. Compared to industrially advanced nations in the world, China trails badly in materials consumption, productivity, and product quality. Because of obsolete equipment, many enterprises have been unable to repeat their best performance in terms of profitability. Within an industry, the profits gap between the advanced enterprise and its backward counterpart is quite wide.

Some enterprises have yet to establish effective self-restraining mechanisms. They have been evading taxes, hiking prices arbitrarily, turning out shoddy products, and issuing bonuses or materials in kind indiscriminately, all in violation of the law and discipline.

At present, enterprises everywhere have been operating under capacity. There is a lot of idle equipment out there. The reject rate is high and losses and waste are tremendous.

The third group of issues has to do with the perfection of the contract system. For instance: how can we calculate base figures more reasonably, handle the distribution relationship between the state and enterprises better, do

a good job in internal enterprise reform, improve internal management, and make competitive bidding and risk work even better.

Because of the variety of problems mentioned above, the profitability and managerial efficiency of China's state-owned enterprises, particularly large- and medium-sized enterprises, has remained unsatisfactory and their revitalization is still hamstrung in many ways. The basic mission of enterprise reform is precisely to target those problems and find out what causes them by examining the system, the management mechanism, and the scale of management. The purpose is to remove the assorted weaknesses that have hobbled enterprise reform and pave the way for enterprises to better themselves and orient themselves to the world.

Enterprise Reform: What Next? What Is the Long-Term Plan?

Needless to say, the next step in economic structural reform includes enterprise reform. On that the Fifth Plenum of the 13th CPC Central Committee has worked out a policy. The general spirit is that during the drive to improve the economic environment and rectify the economic order, the main goal is to stabilize, consolidate, adjust, and improve the various reform measures introduced over the past few years. Early in the year, we prepared a document to guide enterprise reform in accordance with the spirit of the CPC Central Committee. Currently localities across the nation are putting the document into effect, working on a smooth transition between the two phases of contracting. Everything is being done to ensure that the next round of contracting can make new progress by learning from the first phase.

Let me make a few basic points about enterprise reform during the next five years.

Based on the guiding spirit of the CPC Central Committee and the State Council, the state restructuring of the economic system commission is currently drawing up an economic restructuring plan for the Eighth Five-Year Plan, a crucial part of which is none other than enterprise reform. What should we really do by way of enterprise reform in the coming five years? I believe we must think long and hard about these few issues:

1. The goals of enterprise reform

Enterprise reform has been moving in the right direction in the past 12 years. What is that direction? It has been explained clearly many times in CPC Central Committee documents on economic structural reform; namely to gradually turn the enterprise into a socialist commodity producer and operator that has decision-making authority in operations, assumes responsibility for its own profits and losses, has self-development capability, and is self-restraining, a legal person with specific rights and obligations. To realize this goal, we have accumulated much experience in many areas in enterprise reform since the Third Plenum of the 11th CPC Central Committee. This constitutes our basic understanding.

For instance, in accordance with the spirit of separating government administration from enterprise management, we must gradually expand the enterprise's decision-making power and put an end to its status as an appendage of some government agency, as was the case under the product economy. In the case of an enterprise owned by the whole people, management power may be delegated to the enterprise in accordance with the principle of separating the two powers. Within the enterprise, we must introduce the factory director responsibility system and establish a leadership system under which the factory director assumes responsibility, the party committee guarantees and supervises, and the workers exercise democratic management. Since large- and medium-sized state-owned enterprises are the leading force in the development of China's productive forces and technological progress, their vitalization lies at the very heart of economic structural reform. Equal and fair competition should be relied on to reward the superior enterprises and weed out the weak. The reasonable circulation of accumulated assets among enterprises should be encouraged. An operating mechanism should be created to properly handle the interest relationship between the state, the enterprise, and the individual, one that would both stimulate and restrain. An enterprise must rely on self-accumulation for growth and must take the road of technological progress. The enterprise must tackle the two civilizations simultaneously, nurturing and developing an army of workers with ideals, morals, culture, and discipline. We must continue unwaveringly and endlessly to improve all these experiences and practices. During the Eighth 5-Year Plan and over the entire course of reform, enterprise reform may slow down or quicken at any point in time, but the goals and direction of reform should be the same throughout.

Certainly it will take a long, phased, and gradual process to realize these goals. During the Eighth Five-Year Plan, we can only make more or less stringent demands depending on the circumstances of different enterprises. Collective enterprises have a different way of achieving decision-making autonomy and accountability for their own profits and losses. The extent to which they accomplish them is also different. When it comes to collective enterprises, therefore, the pace of reform should quicken a little. In order to take part in international competition and international cooperation, enterprises in opened cities should be even more flexible in their methods of management, in taxation, in foreign trade decisionmaking, and in labor and wage systems. More should be done to make better use of state-owned large- and medium-sized enterprises and energize them. In short, we must stick closely to the established direction, on the one hand, and pursue classified guidance instead of imposing rules across the board, on the other.

2. Choices in enterprise reform

There is a basic consensus on what to do in enterprise reform in the two years before the beginning of the Eighth Five-Year Plan, namely to continue and improve

the contract system. What to do after 1992? Broadly speaking, there are three schools of thought.

One is that we should continue the contract system in most collective enterprises and those owned by the whole people, prompted primarily by the following considerations: The contract system is more in line with the practical reality in China right now. It is an enterprise management method with Chinese characteristics. It has strong stimulating and restraining mechanisms that can mobilize the initiative of enterprises and workers and ensure rising revenues for the government. Already we have the "Contracting Regulations" serving as a legal basis for the contract system. In addition, the localities have worked out detailed implementation methods in light of local conditions. From the central government to the local authorities, a fairly complete set of work procedures is in place. We have accumulated considerable work experience. From the functional standpoint, it is both inevitable and proper for the contract system to continue. As for the problems that have cropped up in the course of implementing the system, some have been overcome in the drive to improve the economic environment and rectify the economic order, some are being improved, and some can be resolved only when coordinated macroeconomic measures are put into effect. Nationwide, we have come to the end of just the first round of contracting and it has not been long since the system was introduced. Its development potential is tremendous. Using the experience learned from contracting to overcome the problems encountered is precisely where its potential lies.

The second school of thought calls for separating taxes from profits. Specifically, this means lowering the income tax, replacing pre-tax loan repayment with after-tax loan repayment, and introducing after-income tax contracting. This was the plan put forward by the Ministry of Finance in 1987 and was subsequently implemented on an experimental basis in Chongqing, Xiamen, and Yiyang. Judging from the pilot projects, separating taxes from profits has both advantages and disadvantages. On the plus side, it differentiates between the government's two roles—assets manager and assets owner—and its two kinds of revenues, which facilitates the separation of government administration from enterprise management and regularizes the method in which government derives its profits. It also helps change the enterprise's mechanism of investment and restrain investment behavior. Moreover, it lays the groundwork for tax separation between the central government and the localities. There are three major problems with separating taxes from profits. First, enterprises may find it too burdensome. It has been calculated that based on the 35 percent rate proposed by the Ministry of Finance in its plan, only about one-third of industrial enterprises within the budget have after-tax profits available for contracting. Second, it lacks the kind of incentive mechanisms like that in the contract system. The initiative of both the enterprise and its workers will be greatly undermined. Third, most enterprises find after-tax loan repayment untenable. Both technological transformation and

technical development within the enterprise will be badly hampered. If these problems are not handled properly, the system cannot be readily widely adopted.

The third school of thought calls for the share-holding system. Some comrades in the theoretical community and functional departments have proposed that we zero in on the reform of the property rights relationship and gradually create a modern enterprise system that meets the demand of the socialist commodity economy in order to move from the contract system to a share-holding system. To put it differently, we should build on the contract system and turn it into a share-holding system. In this context, the share-holding system mainly refers to a method of cooperative management in which enterprises, acting as legal persons, hold stock in one another. It does not refer to the share-holding system in the market economy in the West dominated by private ownership. At present, pilot projects in the share-holding system, in which employees are shareholders of their companies or shares are issued publicly to members of society, remain confined to a handful of enterprises in Shenzhen and Shanghai. On the plus side, the share-holding system helps increase the responsibility of the representative of the owner of state assets for the management of such assets and the increase of their value. It will help expedite the separation between government administration and enterprise management and develop within the enterprise mechanisms whereby the enterprise exercises decision-making authority in operations and assumes responsibility for its own profits and losses, as well as self-development and self-restraining mechanisms. It will also encourage the sound circulation and optimal combination of capital goods, contributing to the efficient distribution of resources throughout society. It will help reconcile the interests of all parties involved in horizontal economic integration, develop enterprise groups, and achieve economies of scale. During the Eighth Five-Year Plan, the share-holding system, where the shareholder is a legal person, may be gradually expanded in more pilot projects and adopted by more enterprises and enterprise groups in special economic zones and coastal opened cities. So far, however, there has been no unified understanding of the share-holding system. The related policies, laws, and regulations are not yet in place. Nor are the accompanying macro regulation and control mechanisms. Issues like property rights definition and assets evaluation have not been satisfactorily addressed. Managerial experience in the actual working of the system is still lacking. For all these reasons, we are not equipped to implement the share-holding system during the Eighth Five-Year Plan.

After considering the pros and cons of the three lines of thought, it seems that the contract system remains the principal management system in the Eighth Five-Year Plan. Certainly the three systems—the contract system, separating taxes from profits, and the share-holding system—are not totally mutually exclusive but can supplement one another. In the case of separating taxes from profits, if the income tax can be lowered a little from the

35 percent followed in pilot projects, if the depreciation rate can be increased, and if no energy and transportation funds and budgetary regulating fund are withdrawn from retained profits, then the tax and profit separation system may be adopted on a larger scale.

3. Major tasks of enterprise reform during the Eighth Five-Year Plan

These are being discussed. On a broad level, the goal is to pursue enterprise reform around the strategic objectives of economic reform and integrate reform with development organically. The relationships between the state and the enterprise and between the central government and localities should be gradually straightened out. The initiative of enterprises and employees should be further mobilized. Enterprise reform must be made compatible with macro reform. During the period of economic rectification, the main objectives are to stabilize, consolidate, adjust, and improve reform measures already introduced, achieve a breakthrough in the vitalization of large enterprises and the drive to make coastal enterprises more competitive on the international market; and pursue various pilot projects in reform vigorously. After economic rectification is accomplished, the pace and intensity of reform should be increased as appropriate and reform measures of proven effectiveness should be introduced.

What Are the Conditions for Vitalizing Large and Medium-Sized State-Owned Enterprises?

The vitalization of large and medium-sized enterprises is a basic mission of enterprise reform. At present, the efficiency and profitability of many large and medium-sized enterprises are not satisfactory. Behind this state of affairs are structural factors as well as those relating to the level of management. A long-term effort by all parties concerned is needed to solve this problem. Right now we need to address and tackle the following issues urgently:

First, regularize government behavior, reduce unnecessary intervention in enterprises, and be determined to end the onerous burden on enterprises. The enterprise must improve its own quality and enhance its adaptability. Meanwhile, governments at all levels must create a stable environment for enterprises and work hard to maintain the stability and continuity of basic principles and policies.

Second, ensure staying power for enterprise development. At present, the need for technological transformation is acute in a host of enterprises. Yet in most enterprises the depreciation rate is low, as is the rate of profit retention, which is sharply at variance with the need to carry out technological transformation. If this situation continues, large- and medium-sized enterprises will become less and less competitive. In the future actions must be taken to enable the enterprise to reinvest.

Third, transcend sectoral and geographical boundaries, expedite the adjustment of enterprise structure, and

promote the proper mobility of accumulated assets. Whether we are putting together an enterprise group or trying to merge enterprises, we all run into the problem of sectoral and local barriers. Many things that make sense economically cannot be accomplished. This problem too must be resolved through structural reform.

Fourth, improve and comply with enterprise laws and regulations. On the one hand, promulgate and implement promptly a set of new enterprise laws and regulations such as "Company Law" and "Organization and Management Regulations for Enterprise Groups" that are in line with economic development and the intensification of reform. On the other hand, laws and regulations already promulgated, particularly basic major legislation like "Enterprise Law," must be firmly enforced. Ensure the enterprise's rights but also set up its supervision and management in accordance with the law.

Fifth, speed up the establishment of a social security system. The implementation of the "Bankruptcy Law" and the optimal organization of labor within the enterprise must be accompanied by corresponding changes in the employment, retirement, and public health systems. The pace of reform on this front must be quickened.

Such are the external conditions for the vitalization of large- and medium-sized enterprises. Within the enterprise, there must be ceaseless efforts to improve the standard of management, the ability to make decisions, and the political and professional qualities of workers.

Dong Fureng Discusses Market Development

90CE0469A Chongqing GAIGE [REFORM] in Chinese
No 4, 20 Jul 90 pp 31-36

[Article by Dong Fureng (5516 6534 4356): "On Rectification and Improvement and the Need To Develop and Perfect the Market"]

[Excerpt] [passage omitted] It is not enough to rely on administrative measures alone to readjust the unbalanced industrial structure, especially to readjust the composition of the stock of assets. We must give play to the role of market mechanisms. Through competition whereby the superior are established and the inferior are eliminated and as prices change according to the changing supply-demand relationships, the market mechanisms will divert the resources from the sectors with excess supply to sectors with a shortfall and from the less profitable enterprises and departments to the more profitable ones. Although the market mechanisms are not omnipotent in optimizing the quantity of resource allocation and correcting the unbalanced industrial structure, and they may even have inherent defects, they are nevertheless indispensable. The fact that China's market is far from well-developed or perfect today has made readjusting the industrial structure during rectification and improvement very difficult.

Increasing enterprise (referring only to state-owned enterprises here) economic efficiency has always been a

sticky problem in China's economic development. One of the main goals of rectification and improvement is to increase economic efficiency, including enterprise economic efficiency. This is the major precondition to China's achieving sustained, steady, and smooth economic development. No doubt, the implementation of various tight measures (such as tight credit, reduced investments, higher interest rates, and higher taxes) during rectification and improvement has led to a shortage of funds and sluggish fund circulation and has raised the cost of capital and slowed market sales. In addition, because energy and raw material prices are rising steadily, most enterprises, especially those in industrial sectors with excess productive capacity, are either beginning to lose money or are losing more money than before. Some enterprises are losing money because they are poorly managed, their technologies and facilities are obsolete, and their products are of poor quality. A change or deterioration in the external condition causes these already unprofitable enterprises to lose even more money. Of course, many enterprises lose money because the state fails to set proper prices for their products. In 1989, the budgeted industrial enterprises lost more than 2.2 times what they had lost in 1988, and as much as 23 percent of the enterprises were losing money. Between January and March of 1990, total loss rose by another 69.9 percent compared to the same period a year ago, and by the end of March, 35 percent of the enterprises were losing money. On the one hand, rectification and improvement seek to improve enterprise economic efficiency, which is the precondition to China's getting out of her economic predicament and embarking upon the road to sustained, steady, and smooth development; on the other hand, many more enterprises will lose money or lose more money during rectification and improvement. To resolve this conflict, besides strengthening management, we should do the following:

First, enterprises should be reorganized. This means eliminating the technologically backward enterprises, enterprises that produce poor quality goods, that are poorly managed, that have always lost money, and that are beyond salvaging. Some of them should declare bankruptcy and some should merge with other enterprises. From the point of steady and smooth economic development, some enterprises in industrial sectors that have excess productive capacity should switch to other types of production or simply shut down. As we reorganize the enterprises in conjunction with the rectification and improvement effort, we should strive to solve the problem of uneconomical scale of enterprise operation. For example, there are 159 television manufacturing plants in China, and 110 of them are producing less than 100,000 sets a year, far below the level needed to generate economies of scale (200,000 sets and more); there are 147 manufacturers of washing machines, and by 1988, only 14 have reached minimal reasonable size (200,000 sets); there are more than 100 manufacturers of refrigerators, but only 12 have reached efficient size.

This is one of the important reasons why China's enterprise economic efficiency is so low. If we fail to reorganize the enterprises during rectification and improvement, if we retain these enterprises which are technologically backward, which are losing money, which produce poor-quality goods, and which are of inefficient sizes, and if we do not reorganize and eliminate them but continue to let them waste precious resources and even ask the state to sustain them through government subsidies or bank loans, not only will we not achieve the goals of rectification and improvement but will add new problems to the rectification process. Meanwhile, when China's economy reverses its downward course, the recovery will be accompanied by inefficiency, and it will require substantial resources to sustain this kind of recovery.

Second, we must speed up technological advancement. This is even more important than the above measure. Inefficiency is one of the main reasons why China's economy is repeatedly plagued by serious overheating and inflation. As a result, in order to sustain the increase in fiscal income at all levels and satisfy minimal essential needs and raise the living standard quickly, we must increase input to speed up economic growth. This is called extensive growth. This approach not only wastes precious resources but also prevents any increase in economic efficiency. To avoid the recurring overheating and inflation, we must make China's enterprises more economically efficient, and through rectification and improvement, we want to turn China's extensive growth into intensive growth. This means we need technological advancement. In particular, enterprise production cost will rise during rectification and improvement, and faced with the grim market situation, technological improvement becomes the only way out of the predicament. Through technological improvement, we can economize on input, cut cost, develop new products, improve product quality, increase market sales, and generate a bigger profit. Moreover, through technological advancement, we can consume less energy, raw material, and other input, which is also one way to correct the unbalanced industrial structure. Furthermore, through technological advancement, we can increase labor productivity and enterprise profit and lay the foundation for eliminating the financial deficits and basically solve the inflation problem. Thus, technological advancement is the key to improving enterprise economic efficiency, to getting the economy out of the predicament, and to achieving sustained, steady, and smooth economic development.

After more than a year of rectification and improvement, and in order to improve economic efficiency, the government has made every effort and has adopted several administrative measures but has had very little success. Both from the point of enterprise reorganization and technological improvement, there has been no substantive progress. Unprofitable and money-losing state-owned enterprises have not been eliminated. Other state-owned enterprises with excess productive capacity or

which are too small to have economies of scale have not merged or combined with other enterprises, formed joint-operations, set up enterprise groups, closed, switched to other types of production, nor reorganized in any other way. Some of these enterprises have stopped or have semisuspended production; some continue to operate in their inefficient way and even "manufacture" more losses and survive by getting more financial subsidies and bank loans. In 1989 alone, nearly 60 billion yuan in state revenues, or 20 percent of the state's fiscal expenditure for the year, was spent on subsidizing enterprise losses (including policy-oriented losses.) Not much has been accomplished in the area of technological advancement either. In 1989, in an effort to cut fixed-asset investments, capital construction investment in the ownership by the whole people system was reduced by 2.3 percent compared to 1989, but this includes a 1.4 percent increase in production-oriented capital construction investment and a 20.5 percent decrease in renovation and transformation investment. During the first quarter of 1990, fixed-asset investment in the ownership by the whole people system was up 4.4 percent (production-oriented investment rose by 5.1 percent) compared to the same period last year, but investment in renovation and transformation was down by another 10.5 percent. Meanwhile, some so called renovation and transformation investments have in fact been capital construction investments.

These phenomena demonstrate that China does not have the effective mechanisms to eliminate enterprises and to promote technological advancement. Those mechanisms are the same mechanisms that optimize resource allocation. In this respect, the market forces appear very weak. This is because China's market is underdeveloped and imperfect.

Looking at the above situations in the rectification and improvement process, the inadequacies and imperfections of China's market are clear in many areas, the following are a few examples:

1. There is no market acting as intermediary in the circulation of key factors of production. After a decade of reform, China has done much to develop the commodities market (especially the consumer goods market), but we have yet to develop a market for capital goods. In particular, we still do not have a fund market. In the circumstances, there is no market to act as intermediary in the circulation of key factors of production, especially the circulation of assets, and this seriously undermines efforts to readjust the industrial structure, reorganize enterprises, and make technological improvements. Take enterprise mergers for example: It no doubt is an effective way to readjust the stock of assets, improve enterprise economic efficiency, and optimize resource allocation. But judging from past situations, because the market is underdeveloped and imperfect, and especially in the absence of a fund market and a market for property rights, only a handful of enterprise mergers have taken place, and even in those cases, it has been difficult to make an accurate assessment of enterprises'

stock of assets. In these circumstances, when enterprises merge, they often have to rely on the authority of the administrative departments. However, because of departmentalism and local separatism under the current management system, although some enterprises would like to merge, and the mergers could improve resource allocation, they often cannot merge because of the administrative departments' disapproval. On the other hand, some mergers are put together by the administrative departments which, without economic justification, force the efficient enterprise to assume the financial burdens of the money-losing enterprises in the name of merger. During rectification and improvement, because there is no market acting as intermediary, there are few enterprise mergers and little readjustment of the mix of assets in any other form.

2. There are no strong and effective competition and elimination mechanisms. Market mechanisms play a role in optimizing resource allocation through the competition and elimination mechanisms. In the absence of the latter mechanisms, we cannot draw support from the market forces to shift the resources from the unprofitable sectors to the profitable sectors to help the industrial structure adjust to the economic and social developments, nor can the market play its role to regulate the economy. In other words, the market is no longer a market. China's underdeveloped and imperfect market is reflected especially in the absence of strong and effective competition and elimination mechanisms. The fact that the money-losing or unprofitable enterprises are not eliminated and the unbalanced industrial structure cannot be readjusted during rectification and improvement proves our point. The absence of strong and effective competition and elimination mechanisms in the market is of course due partly to the underdeveloped commodity economy but is also due to various constraints inherent in the old system. Here we should point out the following: 1) State-owned enterprises are not subject to rigid budgetary and asset constraints. They do not have to worry about being eliminated if they lose out in the competition and therefore they are not active competitors. 2) Enterprises at each level are protected by the government at that level and enjoy preferential treatments and special care (for example, they get more bank credit or preferential loans, low-cost raw materials, and more or less guaranteed supply of inputs). When they have a problem, they seldom try to work things out by strengthening management, making technological improvement, or improving product quality and so on; rather, they pin their hopes on getting more help from the relevant departments (such as getting tax exemption or reduction and deferred loan payments). Some localities go so far as to keep nonlocal merchandise out of the local market and restrict the outflow of local funds and other key factors of production to limit competition and protect local backward enterprises. Because enterprises' external conditions have deteriorated since rectification and improvement, these counter-market measures have in fact been reinforced. 3) The pricing mechanism is

imperfect and prices are distorted. The pricing mechanism is what the market relies on to bring its regulatory function into play and is also what the competition and elimination mechanisms rely on to give play to their functions. But so far China does not have a pricing mechanism that allows the market to play its role effectively. Under the current pricing system, the pricing mechanism cannot regulate nor optimize the allocation of resources. Distorted prices not only prevent enterprises from competing fairly but, because they do not reflect the scarcity of resources, they also cannot guide the circulation of resources properly. Efforts to stabilize prices during rectification and improvement often lead to more price distortions.

3. Most essential market regulations are absent, and even where there are regulations, they are not strictly observed. This is also one of the main reasons why the market fails to optimize resource allocation. The various steps taken by some localities to protect local enterprises as described earlier inherently violate the market regulations. Other examples of noncompliance can be found everywhere. For instance, in the triangle of debts among enterprises, some enterprises buy goods from others and default on payment for goods but still make the sellers responsible for the interest on the payment for goods. This is against market regulations. The "Bankruptcy Law" has been promulgated but not implemented, and this also violates market regulations. When essential market regulations are absent, or when market regulations are ignored by the market participants, the market cannot function properly, nor can it play a role to regulate and optimize resource allocation. The absence of essential market regulation and the failure to comply with regulations during rectification and improvement also obstruct efforts to readjust the industrial structure and increase enterprise profit.

We are facing a conflict in the rectification and improvement process: On the one hand, in order to implement rectification and improvement, besides adopting some administrative measures, we must also give play to the role of the market. On the other hand, the market's inadequacies and imperfections not only make it difficult for it to play its proper role during rectification and improvement but can lead to results contrary to the goals of rectification and improvement. This prompts us to rely more heavily on administrative measures, which further limits the market's role or prevents the market from developing and improving. Of course, the market is not omnipotent, and we should not think that the market is always perfect and flawless. In fact, the market can be haphazard in many ways and can lead to wastefulness and loss of resources. But an underdeveloped and imperfect market has even more problems. Thus, we must guide the market and intervene when necessary and emphasize the role of planning in regulating the economy. This is what a socialist planned commodity economy should be. To resolve the above-described conflict, we must integrate the immediate goals with the long-term goals of rectification and improvement. In

other words, we not only should give play to the market mechanisms' positive role in achieving the different goals of rectification and improvement (including readjusting the industrial structure and increasing enterprise profit) but should also combine rectification and improvement with the development and perfection of the market. Today, it is especially important that we promote the formation and development of a market for key factors of production. Experiments such as the formation of enterprise merger markets in Wuhan and other cities and financial markets in Shanghai and elsewhere should gradually be expanded. We must stop regional protectionism from dividing up the market and blocking the circulation of key factors of production. In accordance with the principle of selecting the superior and eliminating the inferior, and provided that we find jobs for the displaced workers and make sure that they are taken care of, instead of protecting and taking care of the mismanaged enterprises, the long-term money-losing enterprises, and the technologically backward enterprises that can no longer be upgraded, we should eliminate them or merge or combine them with other enterprises. Some enterprises in industries with excess productive capacity should switch to other types of production or suspend operation. When conditions ripen, we should begin to implement price reform and explore ways to set up mechanisms that impose rigid budgetary restraint and financial constraint on state-owned enterprises. In addition, we should establish market regulations and require those who participate in the market activities to comply with those regulations. In short, in conjunction with the rectification and improvement process, it is vital that we study and find ways to develop and perfect the market.

PROVINCIAL

Heilongjiang Opens Industrial Work Conference

SK2410111190 Harbin Heilongjiang Provincial Service
in Mandarin 2200 GMT 22 Oct 90

[Text] The provincial government-sponsored provincial industrial work conference opened in Harbin City on 22 October. The main purpose of this conference is to further investigate and sum up the implementation of the guidelines of the sixth plenary session of the provincial party committee and 50 policy measures of the provincial government, to analyze the situation, unify thinking, and study how to further open up the market, to coordinate the relationship between producers and sellers, to strengthen the marketing system, and to make arrangements for industrial and communications production now and during this winter and next spring.

Vice Governor Cong Fukui addressed the conference. He first used the doctrine that everything has two aspects to analyze the province's industrial situation in a fact-seeking way. He then pointed out that the province's industrial production situation has witnessed an upturn every month. In September, the total industrial output value increased 2.6 percent over the same period last

year. However, the upturn rate is slow, the economic results have declined, and the stockpiling of goods is serious. The default of payment for goods showed no signs of improvement; the shortage of funds is serious and the situation remains severe. The reasons for the slow upturn of industrial production and the decline in economic results are: Outwardly, it is caused by the sluggish market and the shortage of funds; actually, it is caused by some in-depth problems which have not yet been fundamentally solved. These in-depth problems mainly include the following: The industrial structure formed by history has restricted the rate of development and economic results. Insufficient input has resulted in weak momentum for industry and a lack of coordination between the relations of the producers and sellers. Imperfect policies have affected the development of local industry. Poor quality enterprises and low management levels constituted the internal reason for the downward trend in industry. The problems in the economic management system and leadership system are in-depth problems for the continued downward trend of industry.

In his speech, Vice Governor Cong Fukui said: The guidelines of the provincial party committee and government on organizing industrial and communications production during the fourth quarter of this year and next year are to conscientiously implement the spirit of the sixth plenary session of the sixth provincial party committee, to consider the market trend as our guide, the promotion of sales as an emphasis, the coordination of relations between producers and sellers as a breach, and the raising of economic results as central tasks, to accelerate the readjustment of product mix and industrial structure, to strive to vitalize the use of reserve funds, to mobilize the positive factors in all quarters, to strive to integrate the production rate, economic results, and momentum, and to comprehensively promote an industrial upturn as quickly as possible. Regarding this, he called on all districts and cities, as well as all departments and enterprises, to concentrate their leadership, efforts, and energy on grasping the work on the ten aspects defined in the provincial government's 50 policy measures on promoting an upturn in industrial production and on raising economic results.

Provincial Governor Shao Qihui presided over and addressed the conference. He called on cadres and the worker masses throughout the province to strengthen their confidence, lift their spirits, and work hard when industrial production is in a downward trend. It is necessary to believe in ourselves and the masses, mobilize enthusiasm in all quarters, and make concerted efforts to improve industrial production. Leaders at all levels should grasp this work personally as they have grasped the "383" project under the leadership of the party committee, fully display the government functions, extensively mobilize and rely on the masses, coordinate the efforts of all quarters, clarify the specific objectives and feasible measures, and strive to push industrial production forward. Leaders of all districts and cities in charge of industrial production, and responsible persons

of provincial-level departments concerned attended the conference. Other leading comrades, including Shan Rongfan, member of the Standing Committee of the provincial party committee and director of the Propaganda Department, also attended the conference.

Liaoning Intensifies Enterprise Management

*SK2310121090 Shenyang Liaoning Provincial Service
in Mandarin 2300 GMT 22 Oct 90*

[Text] The provincial work conference on enterprise management concluded in the city of Dalian on 22 October. Attending the work conference were more than 200 personnel, including the responsible comrades in charge of the economic work from the organs under the provincial People's Government and from the province's 14 cities and prefectures.

Zhu Jiazhen and Wen Shizhen, vice governors of the province, attended and presided over the work conference. Vice Governor Zhu Jiazhen also delivered a speech at the conference, in which after earnestly reviewing the economic situation prevailing in enterprises in the first nine months of this year, he pointed out that we should regard the work of strictly enforcing management among enterprises as a strategic measure of extricating ourselves from a predicament and ensuring the province's economy to achieve stable development.

Comrade Zhu Jiazhen stated in his speech: Although the factors which had caused the current poor and slack management of enterprises are multiple and objective, there are still some main reasons in which some comrades have long lacked a correct ideology in the economic work; paid attention to increasing input; pretended to be experts; attached great importance to input and technology; and have neglected their output and management. The managers of some enterprises have not sufficiently discerned the importance and urgency of strictly enforcing their management and have lacked the boldness and enthusiasm in strictly enforcing the management. Some enterprises have been weak and ineffective in conducting their political and ideological work and in fostering the concept of and taking the stand of enforcing the law. They have not done things in line with the regulations and not strictly enforced the law. The egalitarianism cropping up in distributions has dampened the masses' enthusiasm. These faults have caused the inestimably serious losses in the province's economic work.

Comrade Zhu Jiazhen emphatically pointed out in his speech that strictly enforcing management among enterprises must be regarded as an important issue and that efforts should be made to adopt very effective measures to implement the issue among the links of production and operation of industrial enterprises. He stated that the key to whether the enterprise management can be strictly enforced lies on the leading bodies of enterprises, which should first set themselves examples in strictly enforcing management. We should promote comrades who have dared to enhance management or lead and

have known well management at all levels. Those who have detoured while encountering trouble, established a private relationship, and been indifferent to matters of principle while encountering the knotty problem, should not be given important posts. The leading body of enterprises must be an example in guidance and dare to expose contradictions and deal with knotty problems, and should work selflessly for the public interest and charge at the head of its subordinate personnel.

Comrade Zhu Jiazhen also stressed in his speech that efforts should be made to mobilize the forces of the entire society to create a favorable external environment for strictly enforcing management among enterprises. We will never allow the practice of conducting inspection and appraisal arbitrarily by making use of the formalist methods and by not being responsible. Such a practice has only dispersed the energy of enterprises' leading personnel and interfered in the normal work of enterprises. We will not, all the more, allow the practice of regarding quality appraisal as a restriction condition and of directly ordering or authorizing the subordinate inspection and surveying organs to apportion expenses to enterprises arbitrarily. Those who have committed the problems about which the enterprises have lodged a strong complaint, such as lining pockets, retaining charges illegally, apportioning expenses arbitrarily, collecting charges arbitrarily, and imposing fines on enterprises arbitrarily, should be totally investigated through to the end.

Shanghai Total Output Value Increases 1.5 Percent

OW1710184990 Beijing XINHUA in English
1606 GMT 17 Oct 90

[Text] Shanghai, October 17 (XINHUA)—According to the municipal statistics department today, Shanghai, China's largest industrial center, produced 54.972 billion yuan in total output value in the first nine months of this year, a 1.5 percent increase over last year's same period.

Meanwhile, the municipality is expected to harvest 1,852,000 tons of grain this year, nearly equal to last year's grain production. And, due to an expanded cultivation of 2,800 ha, the cotton output is estimated to increase by some 20 percent.

In contrast to a lower output and supply of poultry, eggs and aquatic products, the total number of pigs in stock reached 3.115 million, 22 percent more than in last year's same period. In addition, milk production increased by 13.6 percent—up to 173,000 tons—and the output of fresh-water fish rose by 16 percent to some 24,000 tons.

Shanghai's industrial production increased by 1.2 percent over last year's same period, to 33.907 billion yuan.

INDUSTRY

Gross Industrial Output in September

HK1910134790 Beijing CEI Database in English
0907 GMT 19 Oct 90

[Text] Beijing (CEI)—Following is list of China's total industrial output value in September 1990, released by the China State Statistical Bureau.

	(in 100 million yuan)		
	1-9/90	9/90	9/89
Total	9,920.1	1,171.6	1,089.8
Including:			
Export products	1,147.4	140.9	
Light ind.	4,994.9	587.9	534.3
Heavy ind.	4,925.2	583.7	555.5
State	6,039.3	701.8	681.6
Collective	3,294.6	394.8	360.7
Others	586.2	75.0	47.5

(industrial output value is measured in 1980's constant yuan)

Output of Raw Materials in September

HK1910135990 Beijing CEI Database in English
0907 GMT 19 Oct 90

[Text] Beijing (CEI)—Following is a list of the output volume of raw materials in September 1990, released by the China State Statistical Bureau:

Item	Unit	9/90	9/89
Iron ore	10,000t	1,424.5	1,424.5
Pig iron	10,000t	541.8	496.9
Steel	10,000t	573.8	545.8
Rolled steel	10,000t	433.11	427.03
Ferro alloys	10,000t	19.08	20.17
Coke	10,000t	426.02	402.90
Ten non-ferrous metals	10,000t	19.78	18.07
Copper	10,000t	4.83	4.74
Aluminium	10,000t	7.06	6.38
Copper products	10,000t	3.50	3.08
Aluminium products	10,000t	3.34	2.75
Alumina	10,000t	12.97	12.52
Sulphuric-iron ore	10,000t	122.77	109.27
Phosphorus ore	10,000t	177.59	162.08
Timber	10,000c.M.	192	274

Item	Unit	9/90	9/89
Artificial board	10,000c.M.	17.93	19.59
Cement	10,000t	1,846.3	1,877.0
Plate glass	10,000c	650.09	722.29

Notes: m.m.—million meters; c.m.—cubic meters; c—cases

Industrial Output Value of 13 Major Cities

HK1710110990 Beijing CEI Database in English
0829 GMT 17 Oct 90

[Text] Beijing (CEI)—Following is a list of industrial output value in thirteen Chinese cities under central planning between January and September 1990, released by the China State Statistical Bureau:

	(in 100 million yuan)		
	Total	Percent over 1-9/89	Light Ind.
Shenyang	154.13	-0.6	52.97
Dalian	121.81	3.0	44.98
Changchun	71.88	-5.5	27.11
Harbin	93.19	-3.8	43.24
Nanjing	144.98	6.0	44.11
Ningbo	123.49	1.0	73.46
Xiamen	44.97	14.8	32.59
Qingdao	137.91	5.0	85.64
Wuhan	143.33	-3.3	61.45
Guangzhou	202.16	2.0	138.72
Chongqing	136.98	-0.6	56.65
Chengdu	102.80	-2.3	42.12
Xian	83.25	0.3	35.32

(industrial output value is measured in 1980's constant price)

Output of Light Industrial Products in September

HK2510114190 Beijing CEI Database in English
25 Oct 90

[Text] Beijing (CEI)—Following is a list of the output of China's light industrial products in September 1990, released by the state statistical bureau:

Item	Unit	9/90	9/89
Bicycle	10,000s	269.43	290.21
Sewing Machine	10,000s	59.19	73.00
Watch	10,000	730.10	554.6
TV Set	10,000s	218.64	208.21
Color TV	10,000s	93.51	55.35
Video Recorder	10,000s	0.16	

Radio	10,000s	174.88	178.62
Tape Recorder	10,000s	291.84	176.85
Washing Machine	10,000s	52.11	41.48
Camera	10,000s	19.06	19.24
Fan	10,000s	227.98	247.68
Refrigerator	10,000s	41.34	38.36
Sugar	10,000t	0.72	0.03
Salt	10,000t	168.7	306.7
Cigarette	10,000c	298.6	297.9
Beer	10,000t	65.56	51.22
Liquor	10,000t	35.15	29.15
Canned Product	10,000t	12.26	16.11
Feed	10,000t	189.70	193.32
Machine-Made Paper and Kraft	10,000t	100.99	97.98
Of: Newsprint	10,000t	2.59	2.31
Anastatic Printing Paper	10,000t	4.32	6.03
Synthetic Detergent	10,000t	12.83	12.17
Daily Fine Aluminium Products	t	5341	6320
Plastic Product	10,000t	27.17	23.22
Farming Film	10,000t	2.11	2.40
Bulb	100m pc	2.07	1.75

Notes: m.m.—million meter; c.m.—cubic meter; pcs—pieces; c—cases; t—tons—set.

Light Industry Increases Export Share

HK1610023290 Beijing CHINA DAILY in English
16 Oct 90 p 2

[By staff reporter Xu Yuanchao]

[Text] China's exports of light industrial products may break the record of \$13 billion by the end of this year, to make a quarter of the country's total export value, light industry officials predicted.

The officials based their optimistic forecast on the dramatic increase in exports in the January-June period and the favourable situation in the first two quarters of the year.

The industry exported \$6.7 billion worth of products from January to June, a 30.8 per cent rise over the same period last year.

According to the latest statistics of the General Administration of Customs, in the first nine months China

exported 2.3 million bicycles earning \$86 million, an increase of 28.8 per cent over the same period last year.

Exports of industrial sewing machines reached 125,000 units by September and the export value rose by 71 per cent over the same period last year to \$15.76 million. Export value of household sewing machines was also up by 48 per cent to \$27.14 million.

The statistics from the administration also showed a growth in the export of wrist watches. The export value rose 76.5 per cent to hit \$111 million in the first three quarters of the year.

By September China had exported \$380 million worth of toys, an increase of nearly 13 per cent over the same period in the previous year.

About 45 million pairs of leather shoes were exported from January to September. The export value of shoes increased by 52.8 per cent over last year to reach \$270 million.

But exports of carpets and canned food, believed to be China's main export products have dropped marginally.

Wang Yanyi, deputy director of the export office of the Ministry of Light Industry, attributed the increases to the policy that allows light industrial product exporters to reserve more foreign exchange earned from their exports.

Encouraged by the favourable policy, many producers have turned their sights on the world market as opposed to the sluggish market at home.

He told CHINA DAILY that leading enterprises have been granted the rights to engage in trade and they can reserve 80 per cent of foreign exchange earned from their exports and some can even keep 100 per cent.

In the past, he said, those enterprises had to export through trade companies and had to turn over most foreign exchange earnings to the State with only 12.5 per cent left for their own use.

Improved Quality Sought for Iron, Steel Products

HK2410022290 Beijing CHINA DAILY in English
24 Oct 90 p 2

[By staff reporter Ren Kan]

[Text] China's metallurgical industry has launched a month-long campaign to improve the quality of its iron and steel products.

Yin Ruiyu, vice-minister of the industry, said the campaign aimed to drive home to enterprise managers the need for better quality products.

It also hoped to persuade the industry to increase the proportion of steel products made according to international standards, he said.

During the first nine months of this year, he said, the proportion of such products of the total had risen to 70 percent from last year's 35 percent.

Qi Yunjin, of the Ministry of Metallurgical Industry, said the campaign reflected the industry's determination to improve quality and variety in order to further its development.

For many years, China has had to import large quantities of steel products because the quality of some domestic steel products cannot satisfy Chinese users, even though China is the fourth largest steel producer in the world.

Qi said imports of steel and steel products had been cut back this year in order to save enough hard currency to meet the country's foreign debt repayments—a situation which had forced domestic steel producers to make better quality products.

The country's determination to increase exports of machinery and electronics products also demanded better quality steel, he said.

At the same time, he said, the growing stockpiles of steel products were forcing the ministry to improve the quality of its goods.

Hubei Automobile Plant Achieves Record Output

OW2510062790 Beijing XINHUA in English
0228 GMT 25 Oct 90

[Text] Wuhan, October 25 (XINHUA)—The annual truck output of Wuhan's No. 2 Motor Vehicle Plant has reached 140,000 in 150 types, a record.

During the Seventh Five-Year Plan period (1986-1990) the plant spent a total of 1,250 million yuan to renovate its equipment.

The plant has also co-operated with companies from Japan, the United States and Germany to import advanced technology, reducing production costs by 20 percent.

Motor Vehicle Plant Produces Heavy-Duty Trucks

OW2010115090 Beijing XINHUA in English
0906 GMT 20 Oct 90

[Text] Wuhan, October 20 (XINHUA)—China's "No 2" Motor Vehicle Plant has recently started mass production of eight-ton trucks.

The new diesel engine truck—the "Dongfeng-153"—has incorporated advanced technologies from five automobile companies in the United States, Japan and Germany.

At present, 68 percent of the components for the new truck are produced in China, and the remainder are imported. The plant plans to use over 80 percent domestically produced components by the end of this year.

The plant now produces 135,000 five-ton trucks annually.

Growth Predicted in Telecommunications Industry

*HK2210025490 Beijing CHINA DAILY in English
22 Oct 90 pp 1*

[By staff reporter Gao Jinan]

[Text] Thanks to a major increase in government investment, China's post and telecommunications industry is expected to grow at a record rate of no less than 12 percent in the next five years.

China Daily has learned that a modern telecommunications network, mainly comprising programmed telephones and high-capacity optic fibre transmission lines, will be constructed during this period.

Under its plan, the Ministry of Posts and Telecommunications will install 6 million telephones, mainly programme-controlled models, by 1995 to further improve communications.

The deputy director of the ministry's planning department, Liu Liqing, said the expansion of the telephone service would cost about 18 billion yuan.

He said that by the mid-90s China would have nearly 20 million telephones.

He said investment in posts and telecommunications in the next five years would be double that for the current five-year plan. He said the current plan originally budgeted for 11.8 billion yuan but that was likely to hit 19 billion yuan by the end of this year.

The increased investment would ensure the industry to grow by no less than 12 percent during the implementation of the Eighth Five-Year Plan.

This is twice the country's anticipated national industrial growth rate of 6 percent of this year.

Liu said the ministry would install 10,000 kilometres of trunk optic fibre lines on the eastern part of the country by 1995.

These included the following lines: the 2,600 kilometre Shanghai-Guangzhou; the 4,200 kilometre Beijing-Tianjin-Shenyang-Changchun-Harbin; the 3,000 kilometre Beijing-Guangzhou; the 1,400 kilometre Beijing-Shanghai; and the 1,000 kilometre Wuhuan-Nanjing lines.

These high-capacity lines were expected to link most major cities, transportation hubs and industrial centres and form an optical fibre net work for transmission, Liu said.

The completion of the multi-billion yuan network would mark a milestone in the modernization of China's telecommunications industry.

He said China already had 12 million installed telephones, at a ratio of one phone to every 100 people. Another 1 million phones would be installed before the end of this year.

Ministry Foresees Higher Steel Output, Lower Profits

*HK1510044090 Beijing CHINA DAILY in English
15 Oct 90 p 2*

[By staff reporter Xie Songxin]

[Text] China appears likely to produce 64 million tons of steel this year—up from the projected 51 million tons—largely because of increased output during the past two months, according to the Ministry of Metallurgical Industry.

But while output is up, the profits of steel plants decreased and stockpiles have increased since declines in sales and construction spending have not bottomed out, officials said.

The industry had produced about 48.64 million tons of steel by the end of September, an increase of 8.6 percent over the same period last year. The figure was about 80 percent of the industry's production plan for this year.

The average daily output in September when a total of 5.74 million tons of steel was produced, was 191,300 tons, the highest the industry has achieved this year.

The output in the first eight months was 8.9 percent more than last year's corresponding period.

Industrial officials are now confident about China's ability to produce 64 million tons of steel this year even if production in the remaining quarter of the year slows a bit.

The industry's original production target was 61 million tons of steel, which was the amount it produced last year.

Steel is often watched in China as one of the chief indicators of the country's economic strength since it is one of the basic materials for the economy. China is the fourth largest steel producer in the world.

The officials attributed the industry's fast growth rates to abundant supplies of coal, electricity, raw materials and transport, all of which had been in short supply in previous years.

One official predicted that the industry may slow down its pace of growth in the winter month when more coal will be supplied to other sectors in North China, where about half of China's steel plants are located.

He said the steel plants' coal storages may be reduced in the remaining months of the year.

Despite the sharp increases in output, most steel plant managers are concerned about the shrinking profits.

During the first seven months of this year, the country's key iron and steel enterprises' profits were down 26.7 percent compared with the same period last year, according to the Metallurgical Industry Ministry. Later figures are not available.

The officials blamed the falling profits on rising production costs and increasing inventories caused by slack sales. The slack sales, in turn, were blamed on the industry's poor product mix with too many unwanted products produced and not enough wanted products.

In addition, defaults in debt repayments—the debts enterprises owe and are owed—remain a major problem that is haunting steel producers and hindering the improvement of their economic efficiency.

Meanwhile, the metallurgical industry produced 37.7 million tons of rolled steel during the January-September period, an increase of 6.2 percent over the same period last year. A total of 48.4 million tons of the products should be produced this year under the plan.

Pig iron output during the period was 45.4 million tons, an increase of about 7.4 percent. September's production as 5.4 million tons with an average daily output of 180,600 tons.

Of the top 10 steel producers, the Anshan Iron and Steel Corporation in Liaoning Province produced a total of 5.65 million tons of steel by the end of September this year and the Wuhan Iron and Steel Corporation in Hubei Province turned out 3.53 million tons.

FOREIGN TRADE, INVESTMENT

September Textile Exports Reported

HK2510113390 Beijing CEI Database in English
25 Oct 90

[Text] Beijing (CEI)—Following is a list showing the export volume of China's textiles in September 1990, according to statistics released by the general administration of Customs.

Item	Unit	Sep. 1990	Sep. 1989
Cotton	ton	11,133	19,724
Cotton yarn	ton	13,895	15,251
Artificial yarn	ton	737	1,254
Cotton cloth	10,000m	16,911	23,373
Polyester cotton fabric	10,000m	8,433	9,667
Rayon	10,000m	147	210
Synthetic fiber cloth	10,000m	2,292	1,762
Pure silk and satin	10,000m	1,155	1,358
Wool fabric	10,000m	87	110

Construction Begins for Sino-Soviet Joint Venture SK2410012590 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 23 Oct 90

[Text] The construction of the Soviet-Manufactured Vehicle Spare-Parts Industrial Company, the first state-run Chinese-Soviet joint venture in Qiqihar, began in Qiqihar City on 20 October. This company is being built with joint investments from Qiqihar City Motor Car Repair and Assembly Plant and the Chelyabinsk Oblast Motor Car Transportation Group Company. The design of the factory building as well as the technologies and equipment for the company have all been provided by the Soviet side.

ECONOMIC ZONES

Analysis of Taiwanese Investment in Xiamen

90CE0513A Sanming ZHONGGUO JINGJI WENTI
[CHINA'S ECONOMIC PROBLEMS] in Chinese No 4,
20 Jul 90 pp 13-21

[Article dated May 1990 by Hu Peizhao (5170 1014 0340), Hu Gang (5170 0474), Xu Jinshui (1776 6855 3055), and Huang Shanhe (7806 1472 3109), affiliated with Xiamen University's Economic Research Department; Zhuang Zhijie (8369 1807 2638), with the Xiamen people's government office; and Zhang Shiyi (1728 2508 2496), with XIAMEN RIBAO: "Report on Taiwanese Investment in Xiamen—An Analysis and Study of the 'Xiamen Wave' of Investment by Taiwanese Businessmen"]

[Text] Along with the gradual improvement of relations between Taiwan and the PRC in recent years, nongovernmental foreign economic relations and trade activities on Mainland China by increasingly dynamic Taiwanese businessmen. Tiny streams of indirect trade and low-turnover direct trade have gradually converged into a river of family visits, tourism, and nonpublicized indirect investment. Since the Taiwanese authorities decided on 12 March 1990 to allow Taiwanese businessmen to come to Mainland China on tours of investigation, to attend more international conferences held on Mainland China, and to import more Mainland Chinese goods, a wave of publicized investigation tours by groups from all circles in Taiwan, has been rolling into Mainland China to invest, trade, and open up traffic and communications. This shows that speeding up expansion of foreign economic relations and trade cooperation between Taiwan and mainland China, and realizing the "three exchanges" (exchange of mail, exchange of air and shipping services, and exchange through trade) as soon as possible, already accords with the will of the people and the general trend of events.

Xiamen was the first to be affected by this general trend of events. As to actual investment alone, not to mention the excellent prospects which can be inferred from its direct trade and traffic breakthroughs, Xiamen is undoubtedly now, and will be for some time to come, the

focus of the hottest investments by Taiwanese businessmen on Mainland China. Adjusted statistics show that Xiamen's share of the yearly investments by Taiwanese businessmen in Mainland China had increased from a little less than one-third in 1988 to about three-fourths by 1989. A poll taken by Deutschebank's Taipei branch, has found that about 70 percent of its Taiwanese business customers who plan to invest in Mainland China, are choosing Xiamen. The number of Taiwanese-invested projects in Xiamen, which was only 20 before 1988, increased by about 80 in 1988, 131 in 1989, and 52 in the first four months of 1990, for a grand total of more than 283. The agreed investment volume by Taiwanese businessmen in Xiamen, which was only \$19.35 million before 1988, rose to \$82.19 million in 1988, for a 3.2-fold increase, reached \$481 million by 1989, for another 4.9-fold increase, and has risen another \$127.28 million in the first four months of 1990, for an increase of 110.9 percent over the same period in 1989. Taiwan businessmen's share of the annual foreign investment in Xiamen had also increased from 52.8 percent in 1988 to 62.5 percent by 1989. Thus, although we do not yet dare to state with certainty that a "Mainland China wave" has appeared in international investments by Taiwan businessmen, a "Xiamen wave" has undoubtedly formed in investment by Taiwanese businessmen on Mainland China.

The following is an analysis and study of the factors involved in investment in Xiamen by Taiwanese businessmen, such as its characteristics, background, issues, and remedies.

I. Characteristics of Investment in Xiamen by Taiwanese Businessmen

1. Most Taiwanese-invested enterprises in Xiamen are wholly Taiwanese-owned, with a high average ratio of capital outlay (agreed total investment) by Taiwanese businessmen.

By the first quarter of 1990, 193, or about 73 percent, of Taiwanese-invested enterprises in Xiamen were wholly Taiwanese-owned, with a 92.2-percent average ratio of capital outlay by Taiwanese businessmen, which is far higher than the 59.9-percent average ratio of foreign capital outlay in Xiamen's non-Taiwanese-invested wholly foreign-owned enterprises. Table 1 gives the forms of ownership and capital outlay ratios for 196 of Xiamen's Taiwanese-invested enterprises in 1988 and 1989, which shows that the number, agreed investment, and agreed Taiwanese investment of wholly Taiwanese-owned ones accounted for 78.6 percent, 90.3 percent, and 95.5 percent, respectively, of all of Xiamen's Taiwanese-invested enterprises. Although the average ratio of capital outlay by Taiwanese businessmen was 93.7 percent in wholly foreign-owned enterprises, it was much lower in Sino-foreign joint ventures, or only 39.3 percent.

Table 1. Forms of Ownership and Capital Outlay Ratios for Xiamen's Taiwanese-Invested Enterprises in 1988 and 1989

Form of Ownership	Enterprises		Agreed Investment		Agreed Taiwanese Investment		Average Ratio (Percentage) of Capital Outlay by Taiwanese Businessmen
	Number of Enterprises	Percentage	Amount (in \$10,000)	Percentage	Amount (in \$10,000)	Percentage	
Wholly Foreign-Owned Enterprises	154	78.6	46,813.18	90.3	46,405.37	95.5	100
Sino-Foreign Joint Ventures	38	19.4	4,512.79	8.7	1,774.23	3.7	39.3
Sino-Foreign Contractual Joint Ventures	4	2.0	536.00	1.0	410.00	0.8	76.5
Totals	196	100	51,861.97	100	48,589.60	100	93.7

Explanation: The slight discrepancies between the numbers of enterprises and investment amounts listed in this table and figures published in other sources, are due partly to our not including certain agreements which were not honored, and similarly for all of the following tables.

2. Taiwanese investments in Xiamen have shifted from mostly small and medium-sized enterprises to simultaneous investment in small, medium-sized, and large ones, and average investment amounts per enterprise have doubled and redoubled. While there were no large Taiwanese-invested enterprises in Xiamen with investments over \$10 million up to and including 1988 (there was one agreement which was not honored), there are now more than 10 such enterprises, the largest one

having an investment of \$200 million. The statistical breakdown in Table 2 shows that the percentages of all Taiwanese-invested enterprises and all Taiwanese investment in Xiamen in small enterprises with capital outlays by Taiwanese businessmen of less than \$300,000, which were 33.8 percent and 5.9 percent, respectively, in 1988, had dropped to 20.8 percent and 1.1 percent, respectively, by 1989. Although the percentage of all Taiwanese-invested medium- and small-

sized enterprises in Xiamen with capital outlays by Taiwanese businessmen between \$300,000 and \$5 million, rose from 63.3 percent in 1988 to 72 percent by 1989, the percentage of medium- and small-sized enterprises among all Taiwanese investment in Xiamen dropped from 75 percent in 1988 to 21.8 percent by

1989. The major reason for this was obviously a rise in the number of large Taiwanese-invested enterprises in 1989. Consequently, the average Taiwanese investment increased sharply from \$736,000 in 1988 to \$3.469 million by 1989, or 3.7 times.

Table 2. A Breakdown of the Size of Taiwanese Investments in Xiamen

Investment Size	1988				1989			
	Number of Investments	Percentage of All Investments	Investment Amount (in \$10,000)	Percentage of All Taiwanese Investment	Number of Investments	Percentage of All Investments	Investment Amount (in \$10,000)	Percentage of All Taiwanese Investment
Over \$10 Million	0	0	0	0	7	5.6	32,300.00	74.5
\$5 Million to \$9.99 Million	2	2.8	1,000.00	19.1	2	1.6	1,150.00	2.7
\$1 Million to \$4.99 Million	16	22.5	2,377.82	45.5	36	28.8	6,620.66	15.3
\$300,000 to \$990,000	29	40.8	1,543.75	29.5	54	43.2	2,810.84	6.5
Less Than \$300,000	24	33.8	306.55	5.9	26	20.8	479.98	1.1
Totals	71	100	5,228.12	100	125	100	43,361.48	100

Note: All of the investment amounts in Tables 2, 3, and 4 refer to agreed investments by Taiwanese businessmen (not agreed total investment).

3. The industrial structure of Taiwanese investment in Xiamen is mostly production enterprises, which account for about 90 percent of all Taiwanese-invested enterprises in Xiamen. The statistics in Table 3 show that industrial enterprises accounted for about 86.2 percent of all Taiwanese-invested enterprises, or 80.3 percent of

all Taiwanese investment, in Xiamen for 1988 and 1989. In addition, although industries, such as real estate, accounted for only 7.1 percent of all Taiwanese-invested enterprises, they accounted for 17.3 percent of all Taiwanese investment, in Xiamen for 1988 and 1989.

Table 3. The Industrial Distribution of Taiwanese Investment in Xiamen in 1988 and 1989

Category	Number of Enterprises	Percentage of All Enterprises	Amount of Investment (in \$10,000)	Percentage of All Taiwanese Investment
Industry	169	86.2	39,029.24	80.3
Agriculture	13	6.6	1,147.96	2.4
Real Estate, etc.	14	7.1	8,412.40	17.3
Totals	196	100	48,589.60	100

As to the trade distribution of Taiwanese investment in the industrial sector in Xiamen, the statistical breakdown in Table 4 shows that although light industry accounted for about 73.3 percent, while the engineering, electronics, and chemical industries accounted for 21.3 percent, of all Taiwanese-invested industrial enterprises in Xiamen for 1988 and 1989, the engineering, electronics, and chemical industries accounted for 74 percent, while light industry accounted for only 24.3 percent, of all Taiwanese investment in Xiamen for 1988 and 1989. In the light industry category, most Taiwanese-invested enterprises were in the jewelry, handicrafts,

and ornaments trades, with the textile and clothing trades being second, and the shoemaking and raingear trades coming in third. As to average investment per enterprise, the chemical industry was first with \$27.7663 million, the electronics industry was second and, although the \$1.5368-million average investment per enterprise in the textile and clothing trades was slightly lower than the \$1.7392-million in the engineering industry, it was strikingly higher than that for other light industrial trades (more than twice that for common household appliances). For details, see Table 4.

Table 4. The Trade Distribution of Taiwanese Investment in the Industrial Sector in Xiamen for 1988 and 1989

Category	1	2	3	4	5 (equals 3 divided by 1)
	Number of Enterprises	Percentage of All Enterprises	Amount of Taiwanese Investment (in \$10,000)	Percentage of all Taiwanese Investment	Average Investment Per Enterprise (in \$10,000)
Light Industry	124	73.3	9,480.02	24.3	76.45
The Jewelry, Handicrafts, and Ornaments Trades	28	16.6	1,543.03	4.0	55.11
The Textile and Clothing Trades	21	12.4	3,227.35	8.3	153.68
The Shoemaking and Raingear Trade	19	11.2	1,172.66	3.0	61.72
The Packing, and Leather and Fur Trades	9	5.3	718.00	1.8	79.78
The Common Household Appliances Trade	9	5.3	666.87	1.7	74.10
The Food Trade	9	5.3	316.96	0.8	35.22
The Hardware Trade	8	4.7	508.00	1.3	63.50
Other Light Industrial Goods Trades	21	12.4	1,327.15	3.4	63.20
The Engineering Industry	18	10.7	3,130.60	8.0	173.92
The Electronics Industry	10	5.9	3,532.35	9.1	353.24
The Chemical Industry	8	4.7	22,213.00	56.9	2,776.63
The Building Materials Industry	4	2.4	438.90	1.1	109.73
Other Industries	5	3.0	234.37	0.6	46.87
Totals	169	100	39,029.24	100	230.94

4. Most products are exported by "foreign-run and export-oriented" enterprises. An average of 85 percent of the products made by Taiwanese-invested enterprises in Xiamen are exported, mostly to markets in Europe and the United States (75 percent), Japan (10 percent), Hong Kong, Macao, and the Southeast Asia region. The data in Table 5 shows that about 30 percent of Taiwanese-invested production enterprises in Xiamen agreed to export 100 percent of their products, while only 4.4 percent of them agreed to export less than 50 percent of their products, in 1988 and 1989. Thus, most of those in operation have been able to achieve foreign exchange surpluses and earn considerable amounts of foreign exchange each year.

Most Taiwanese-invested enterprises in Xiamen are "foreign-run and export-oriented" in areas, such as funds, technology, raw materials, and markets, and raise funds, bring technology, buy equipment, import raw materials, manage, and find markets and orders, on their own. These features generally give Taiwanese-invested enterprises in Xiamen stronger capabilities to deal with contingencies, better production management conditions, and larger profit margins than other foreign trade enterprises.

Table 5. Agreed Product Exports by Taiwanese-Invested Enterprises in Xiamen for 1988 and 1989

Category	Number of Enterprises	Percentage of All Enterprises
Export 100 Percent	56	30.8
Export 80-99 Percent	50	27.5
Export 50-79 Percent	68	37.3
Export Less than 50 Percent	8	4.4
Totals	182	100

Note: This table includes both industrial and agricultural enterprises.

5. Taiwanese-invested enterprises in Xiamen are set up faster and tend to have longer-term investments. Many small- and medium-sized Taiwanese-invested enterprises in Xiamen are set up in only three to five months because of their advantages of being "foreign-run and export-oriented." Thus, many of them are able to earn profits the very year in which they sign agreements and

go into operation. On the other hand, regardless of whether they are large-, small-, or medium-sized, they tend to have longer-term investments. Table 6 shows that most Taiwanese-invested enterprises in Xiamen have agreed management contracts for more than 10 years. The percentage of Taiwanese-invested enterprises in Xiamen with management contracts longer than 20 years, rose from 36.6 percent in 1988 to 64 percent by 1989. As the first Taiwanese-invested enterprises which were set up in Xiamen were generally very efficient, many of them have invested more for expansion, increased their production, and extended their management periods. Some of them, which used to rent factory buildings for simple processing and assembly, have begun to build or buy their own factories, and 21 of them invested an additional \$40.14 million in 1989 alone.

Table 6. Agreed Length of Management Contracts for Taiwanese-Invested Enterprises in Xiamen

Number of Years	1988		1989	
	Number of Enterprises	Percentage of All Enterprises	Number of Enterprises	Percentage of All Enterprises
Over 30 Years	9	12.7	45	36
20 to 29 Years	17	23.9	35	28
10 to 19 Years	43	60.6	45	36
Less Than 10 Years	2	2.8	0	0
Totals	71	100	125	100

6. The Taiwanese investment trend in Xiamen has shifted from investments in single enterprises to multi-purpose development of more diversified and complete businesses. Taiwanese businessmen have been constantly calling for more involvement in overall development, and have been showing a more particular interest in investing in infrastructures, such as power stations, ports, and industrial parks recently. On the other hand, they have been tending to invest in more complete industrial development, such as complete businesses in the automobile industry which make automobile tires and spare parts for cars and bicycles, and those in the shoemaking trade which make both finished shoes and shoemaking materials. Taiwanese manufacturers and business firms of all levels have been coming to Xiamen one after the other in response to talks on setting up large- and medium-sized enterprises. Moreover, Taiwanese-invested enterprises in Xiamen have been becoming increasingly higher tech, and those in key Taiwanese industries which produce goods, such as personal computers, numerical-controlled precision machine tools, and electronic devices, have begun to come to Xiamen.

In addition, along with the increasing role that Taiwanese investment is playing in foreign investment in

Xiamen, Xiamen's operating principle of "using Hongkongs, overseas Chinese, and Taiwanese to attract Taiwanese investment," has also promoted the formation of Taiwanese-Hong Kong and Taiwanese-overseas Chinese joint ventures. Industrial investment has brought financial capital, with certain foreign companies and banks in Taiwan having come to Xiamen along with their customers, and seemingly not too distant prospects of Taiwanese banks also coming to Xiamen.

II. The Background and Issues Involved in the "Xiamen Wave" of Investment by Taiwanese Businessmen

The background of the "Xiamen wave" of investment by Taiwanese businessmen can be considered from two angles. The Taiwanese side, in short, has been forced to find external outlets because of its huge surplus of funds and worsening investment climate. Taiwan's huge surplus of funds was caused by its excessive foreign exchange reserve base. Government statistics alone show that Taiwan's foreign exchange reserve base in recent years has been more than \$70 billion, or five to six times higher than normally needed. In addition, underground "investment corporations" control another \$10-20 billion. Too many foreign reserves have spurred sharp increases in the money supply and floods of idle capital. As the present desire to invest within Taiwan is low, those with fund surpluses have become speculators, there has been an unrestrained wave of real estate and stock buying, and free spending and extravagance have become common. In order to extricate themselves from this predicament by opening up channels for surplus funds, the Taiwanese authorities have increased imports to stimulate domestic demand on one hand, while beginning to actively urge Taiwanese manufacturers and business firms to invest abroad on the other.

The Taiwanese news media has blamed the worsening investment climate in Taiwan for causing things, such as overelaborate laws and decrees, deteriorating public order, a lowering of public authority, an endless stream of demonstrations, an upsurge in environmental protection awareness, the difficulty in acquiring land, problems in finding workers, increasing disputes between labor and capital, and an increasingly turbulent political situation. Furthermore, certain major entrepreneurs have been crying out in alarm that "The traditional Chinese work ethic seems to have disappeared on Taiwan." The economic reflections of these factors are the rising labor costs and real estate prices and falling production efficiency. In addition, the excessive foreign exchange reserve base has led to appreciation of Taiwanese currency, which has caused rapidly rising costs for Taiwanese exports and a drop in their international competitiveness. This has not only threatened many small- and medium-sized labor-intensive enterprises with bankruptcy, but also "steadily bled" large enterprises. Thus, the only way out for almost one-half of Taiwan's 100,000 small- and medium-sized enterprises, is to move out of Taiwan and find low-cost places in which to set up

shop. Even the Taiwan Plastics Group has found it hard to break ground and begin construction of its "six light industrial projects," due to factors, such as high real estate prices and the sharp resistance caused by the environmental protection awareness among the people.

The Mainland Chinese side in Xiamen has the following favorable factors with which to attract Taiwanese investment: 1) As Taiwan's small- and medium-sized enterprises do not have much capital, they might not be a match for local manufacturers and business firms if they invested in setting up factories in places, such as Europe, the United States, or Japan. If they invested in Southeast Asian or Central and South American countries, they would have complaints about the less than ideal local infrastructures, labor quality, and political scenes, as well as the numerous operating restrictions imposed on them by local governments. In comparison, although Mainland China might not be any better than these other countries or regions as to its general infrastructure and labor quality, it takes a very welcoming approach toward Taiwanese businessmen. Small- and medium-sized Taiwanese enterprises have the relative advantages of low costs and wages on Mainland China. Considering factors, such as geography, customs, and language, Mainland China is even more desirable. 2) Conditions are even better for Taiwanese investment in certain mainland Chinese regions, such as the Xiamen SEZ. Not only are Xiamen's infrastructure, labor quality, and social stability better than in the rest of Mainland China, but it also has more preferential policies toward Taiwanese investors, and enjoys more exceptional advantages as far as its geography, customs, and language are concerned. Thus, the "Xiamen wave" of investment by Taiwanese businessmen is quite understandable.

However, Xiamen also has certain disadvantages. As Taiwanese businessmen who invest in Xiamen are, after all, coming to operate in an environment that is different from the modern one in Taiwan, it is hard for them to avoid certain new issues. Based on our understanding of various conditions, we will now analyze the following problems that Taiwanese businessmen encounter before, during, and after investing in Xiamen, as well as certain issues that exist in Xiamen itself:

1. Problems encountered before coming to Xiamen: These are mainly advisory service problems. Since the Taiwanese authorities eased their Mainland China policy, more than 30 percent of our Taiwanese compatriots who have come to Xiamen to visit their families or as tourists, have also been interested in trade and investment. Some of our Taiwanese compatriots who came to find investment opportunities in Xiamen, have returned home disappointed and been negatively affected by our shortage of advisory services in the following areas: A) Our lack of a full investment advisory service network, in addition to the lack of clarity in our relevant policies on investment guidance, such as which industries are forbidden to operate or be wholly foreign-owned, as well as our inadequate publicity on how to undergo investment formalities, have left some Taiwanese businessmen

unable to find local backers and wasting time and money. B) The quality of our existing advisory service organizations is uneven. Although Xiamen has 28 companies which are registered to provide advisory services to our Taiwanese compatriots, most of them are of poor quality and unable to live up to their name, while only one or two of them are able to provide simple, convenient, and practical services which are understood and trusted by our Taiwanese compatriots. C) We have no advisory service organizations in Taiwan and very inadequate foreign publicity services, trust too much to chance and windfalls and too little to initiative and striking out, and act too passively;

2. Problems encountered in the process of investing and setting up factories in Xiamen: As most Taiwanese-invested enterprises are "foreign-run and export-oriented," the major difficulties encountered in this phase are problems in the investment application process. The number of organizations involved in the process of examining and approving (written) applications, varies according to project needs from as few as a dozen to as many as dozens. Some Taiwanese businessmen are so turned off by these difficulties that they either give up halfway or are unable to go into operation on time. These problems are caused by the following four factors: A) Too many units are responsible for examination and approval. Ordinary construction projects must be approved by units, such as foreign investment bureaus, planning commissions, industrial-commercial bureaus, planning bureaus, building committees, environmental protection bureaus, fire control inspectors, sanitation bureaus, designing institutes, labor bureaus, and trade union headquarters. Local construction projects which involve protection of trees planted in parks, preservation of cultural relics and protection of historic sites, or protection of waterways, must be approved by parks, cultural relic and historic site management, water conservancy, navigation control, and municipal government construction departments. Certain projects for which new power distribution and substations must be built, must also be approved by power supply departments. B) There is too much duplication of formalities. Responsible departments have poor internal coordination, and are unable to handle official foreign business in a coordinated and centralized way. Investors must first solicit opinions from concerned administrative or technical offices, and then have their applications signed and sealed by the leaders in charge. In addition, in some projects which must be examined and approved by a number of departments, it is found that the whole process can be held up if one link is blocked. C) Administrative procedures are unclear, and effective supervision is lacking. The former "six committees, one bureau" joint administrative system has not been upheld effectively, the many departments in charge of examination and approval each do things their own way, and there is no comprehensive organization to coordinate things. D) Fees are collected under a multitude of names. Fees are collected more than 30 times for application formalities, such as getting application forms, delivery for signing

and sealing, getting permits, and requesting data on some projects. While these charges may not amount to much money, they have a detrimental impact on the process.

3. Problems encountered after going into operation in Xiamen: Taiwanese-invested enterprises that are already in operation in Xiamen also encounter the following four major difficulties in their routine operations: A) Shortages of port transport capacity and the occasional occurrence of goods and port backups, cause some Taiwanese-invested enterprises that work in stages to shut down while waiting for materials or miss delivery dates. In addition, Taiwanese businessmen also report that transport prices are too high, with the cost of shipping goods from Xiamen to Hong Kong being almost as much as that for shipping them from Taiwan to the United States. B) Port management departments that are concerned with foreign affairs or foreign nationals, such as customs, harbor administration, and commercial inspection, are unable to act strictly according to international practice. Routine political classes, festivals, and holidays, as well as a too loose everyday system of starting and stopping work, make it impossible at times to transact urgently needed formalities. There are too many customs declaration formalities for foreign trade merchandise, and some customs personnel have forbidding attitudes. C) Industrial zones lack complete living service facilities. The chain reaction caused by the many inconveniences in the Huli Industrial Zone, where most Taiwanese-invested enterprises are located in areas such as staff lodgings, restaurants, and transportation facilities, has become a crucial issue for and directly affected the routine production operations and management of Taiwanese-invested enterprises. D) Entry and exit formalities are too tedious. Although Taiwanese-invested enterprises in Xiamen must frequently organize trips abroad for professional training and study by technicians and managers due to production operation needs, as there are too many time-consuming routine formalities for approval of exit applications, some Taiwanese businessmen are forced to send their staff abroad as tourists and sightseers on pretexts, such as "10-day tours" or "seven-day tours." This is not only a poor way of doing things, but is also very expensive.

In addition, Taiwanese businessmen also run into many problems and make occasional complaints about "minor matters," such as telephone installations, gas-use applications, and motorcycle licensing.

III. Certain Remedies and Tentative Plans for Improving the Investment Climate To Make Taiwanese Businessmen More Willing To Invest in Xiamen

The above-listed problems encountered by Taiwanese businessmen before, during, and after investing in Xiamen, are very unsuited to and out of harmony with the above-mentioned wave of investment in Xiamen by Taiwanese businessmen. This contrast might leave the wrong impression that Xiamen's investment climate is certainly not very good. We feel that our raising these

problems certainly does not imply that Xiamen does not also have many favorable factors with which to attract foreign investment, but was done rather out of consideration for space limitations and analytic objectives, and we do not wish to focus our efforts on describing these favorable factors (as plenty of public discussions and reports on them already exist). We think that letting the fact per se of the wave of investment in Xiamen by Taiwanese businessmen speak for itself, as shown by the numerous data presented in the first part of this article, is more convincing than giving a detailed description of Xiamen's favorable investment factors.

The purpose of analyzing problems is to solve them. The above-mentioned problems can be summed up in the two categories of bureaucratic red tape and system abuses, which are distinct but related. Although bureaucratic red tape exists throughout the world and is certainly disagreeable, it seems to be particularly prevalent in developing countries. Thus, in discussing how developing countries can utilize the capital of transnational corporations, some specialists emphasize that modernizing management procedures and eliminating the numerous stereotyped procedures and corrupt work styles, in order to lower investment costs for foreign investors, is more in keeping with the interests of developing countries than giving investors too much preferential treatment. As bureaucratic red tape seems to be even more related to our system abuses and it is often hard to distinguish which is the major factor in the PRC, it is no wonder that our SEZ's are no exception. Thus, although these problems are categorized in the following suggested remedies and tentative plans, it is very difficult to separate them totally.

First, as to the bureaucratic red tape problems encountered by Taiwanese businessmen before, during, and after investing in Xiamen, we suggest the following corresponding remedies to improve Xiamen's investment climate:

1. The following two steps could be taken to solve pre-investment problems, i.e., the lack of advisory services: A) Industrial-commercial departments should investigate and overhaul Xiamen's existing investment advisory service companies, in order to weed out the worst and retain the best. Deadlines must be set for overhauling merely nominal advisory service organizations, and particular attention must be paid to keeping them from collecting arbitrary fees. At the same time, conscientious publicity must be used to prop up a number of advisory service companies which have good reputations, so that they can offer packages of services, all the way from acting as initial agents to the start of business. These would include drafting for Taiwanese businessmen legal documents, such as letters of investment intent, feasibility study reports, agreements, and contracts; providing services such as legal advice, legal consultants, and legal representation in lawsuits; and gradually forming an advisory network system that takes the initiative to provide doorstep and follow-up services. B) The capabilities of our organizations stationed abroad

should be utilized by setting up "Xiamen investment advisory service units" in places such as Hong Kong and Singapore in order to coordinate service relations with our advisory service companies in the Xiamen SEZ. The major functions of these overseas investment advisory units should include providing direct advice to and representation for Taiwanese, Hong Kong, overseas Chinese, and foreign investors, organizing tours of Xiamen by Taiwanese, Hong Kong, overseas Chinese, and foreign investment investigation groups, and helping to include the products manufactured by Taiwanese-invested enterprises in Xiamen in international trade talks, so as to enable our real achievements to publicize the Xiamen SEZ's investment climate and promote participation in international competition by SEZ enterprises.

2. The following three steps could be taken to solve the problems encountered by Taiwanese businessmen in the investment application process: A) A "SEZ Investment Application Management and Supervision Organization" should be set up to make overall plans for, coordinate, and supervise the examination and approval process in all departments, and resolve conflicts and dissension both among and within departments, in order to eliminate the abuse of too many blocks being set up, eliminate as much as possible intradepartmental procedural conflicts and wrangling, and prevent conflicts from being shifted onto investors. B) Work functions should be changed, with the functions of units in charge of work being changed from examination and approval to service, supervision, and distribution to investors of all of the relevant requirements of departments, such as environmental protection, labor, sanitation, labor unions, and fire control. This would make things easier for Taiwanese businessmen by reducing unnecessary repetition, while enhancing the service awareness and improving the administrative efficiency of responsible government departments. C) Administrative procedures should be publicized and clarified, including publicizing which certificates must be taken to responsible departments, what the administrative contents are and who the Each departments' investment procedures, such as examination and approval scope, method, time, and place, should also be formed into tables as investor guides;

3. Consideration could be given to taking the following steps to solve the problems encountered by Taiwanese businessmen after going into operation in Xiamen: in addition to speeding up construction of related facilities to increase port shipping capacity, foreign businessmen could also be encouraged to invest in port construction, and advanced port management practices could be introduced from abroad; departments involved with foreign affairs or foreign nationals, such as customs, harbor administration, and commercial inspection, should bring their work schedules and regulations into line with international practice, while urging their workers to develop better service attitudes and capabilities; construction of complete living service facilities should be

speeded up in the areas in which most Taiwanese-invested enterprises are located, in order to solve as quickly as possible enterprise staff food, housing, and transportation problems; in line with reform of the above- and below-mentioned organs and regulations, staff entry and exit procedures should be streamlined.

Second, as to the major policy problems caused by existing system abuses, we suggest the following specific tentative plans to consolidate and enhance the wave of investment by Taiwanese businessmen in Xiamen:

1. Xiamen should be allowed to draw up its own list of overall plans, including fiscal ones. Although the reform measures, in which the Central Committee gave Xiamen City fiscal responsibility in 1985, and the State Council allowed Xiamen to draw up its own list of plans in 1988, have speeded up development of the Xiamen SEZ, the original provision on fiscal responsibility (the fixed five-year base on revenues paid to Fujian Province) expires in 1990, and new input is going to be urgently needed now and in the future to deal with the particularly heavy construction tasks caused by the wave of investment by Taiwanese businessmen in the Xiamen SEZ, especially since the all of the infrastructures that were built in the initial stage of setting up the SEZ (such as airports, piers, communications, and water and power supply) are already operating beyond capacity. Furthermore, as an enormous amount of money is still needed to complete large projects in the Haicang Taiwanese Investment Zone, Xiamen should be conscientiously allowed to draw up its own list of plans for its fiscal jurisdiction. Moreover, while taking Fujian's overall development needs into account, Xiamen's base on revenues paid to Fujian should be suitably raised. There is a precedent for this (in that Shenzhen has been drawing up its own list of fiscal plans for some years). This will not only prevent revenue base conflicts between Xiamen and Fujian, but will also make Taiwanese businessmen more confident about investing in Xiamen, and turn Xiamen more quickly into a breakthrough point for the "three exchanges."

2. The size of the Taiwanese Investment Zone should be expanded. Although the State Council approved the Xinglin and Haicang districts within the Xiamen SEZ island and municipal jurisdiction as part of the Taiwanese Investment Zone in May 1989, these districts can provide only a little over 120 sq km of development space in addition to their hilly parts. Along with the increase in Taiwanese investment in Xiamen, since plans for building industrial projects in the Haicang Taiwanese Investment Zone have included most of its territory, and Taiwanese investment in the Xinglin District has also expanded very quickly, investment distribution has steadily expanded from these two districts into the Jimei Region. In order to adapt to the new "Xiamen wave" of investment by Taiwanese businessmen, it will be necessary to consider including the rest of the Jimei Region (in addition to Haicang, it still has 183 sq km of territory and a population of about

120,000 people) in the Taiwanese Investment Zone, so that it enjoys the same treatment.

3. Consideration should be given to reinstating Xiamen's original preferential policy on income taxes for Taiwanese-invested enterprises of "four exemptions and five reductions." The preferential treatment of "four exemptions and five reductions" on income taxes, which the relevant State Council departments gave to Taiwanese investors in the Xiamen SEZ in 1984 in order to encourage Taiwanese investment, was changed in 1988 to "two exemptions and three reductions." Taiwanese businessmen have complained about this and said that our policies are too easily changed, which should teach us a lesson. Preferential policies are like wage policies, in that they should be applied firmly, and be generally put into effect but not nibbled away at, which sends unwelcome signals to foreign businessmen. Thus, when drawing up preferential policies, we should above all be cautious, consider their long-range impact, and not change them rashly once they have been announced and gone into effect. It seems that the relevant departments should consider reinstating the "four exemptions and five deductions" policy, to show the continuity and stability of our policies. If this is impossible, they should at least do a good job of explaining why it is in order to ensure a correct understanding of the facts and eliminate misunderstandings;

4. Indirect tax reductions and exemptions should be put into effect for materials which are intermediate links in the manufacture of exports. Our current tax laws stipulate that product taxes must be collected for materials which are used in every link of the production process. Although we exempt tariffs on imported materials which are intermediate links in the manufacture of exports, there is certainly no issue of tariff reduction or exemption for them when they are produced in China. This either undoubtedly encourages export manufacturers to import intermediate materials instead of using those made in China, or discourages exports of certain products, all of whose intermediate materials are made in China with Taiwanese (foreign) investment, because they have higher export costs due to the necessity of paying product taxes on production of their intermediate materials. Thus, we should reduce or exempt product taxes for intermediate materials used in the manufacture of exports, so that they can enjoy the same treatment as the tariff reductions and exemptions on imported intermediate materials which are used in the manufacture of exports. This will encourage export firms (whether Chinese- or foreign-owned) to use intermediate materials that are made in China, while encouraging Taiwanese (foreign) businessmen to invest in manufacturing exports which use intermediate materials that are made in China (either by foreign businessmen or domestic firms).

5. In order to facilitate entry and exit by our Taiwanese compatriots, we should consider giving the Xiamen SEZ the authority to issue entry visas to our Taiwanese compatriots which are good only for the port of Xiamen.

The relevant SEZ departments could then issue regular visas to our Taiwanese compatriots who wish to go inland after entering Xiamen. This would create favorable conditions for future direct passage between Taiwan and Mainland China.

6. The authority to examine and approve hotel construction should be devolved to the Xiamen SEZ. As the Xiamen SEZ has now become a hot spot for our Taiwanese compatriots to return to Mainland China for family visits, tourism, trade, and investment, the number of rooms in Xiamen's existing hotels can no longer meet their needs. As a big increase is expected in the number of our Taiwanese compatriots who will come to Xiamen in the future, we suggest that the relevant national departments approve as quickly as possible the SEZ's reported hotel construction projects, and devolve to the Xiamen SEZ the jurisdiction to examine and approve projects for hotels to be built with mostly foreign investment.

7. The Xiamen SEZ should be given legislative power corresponding to its special status. Along with the rapid expansion of foreign economic relations and trade exchanges between the Xiamen SEZ and Taiwan, there is an urgent need to draw up administrative laws and regulations which correspond both to our national laws and the SEZ's actual conditions, in order to legalize certain measures which have proved effective through practice. Legislation should be enacted to further improve the SEZ's investment climate. Thus, we suggest that the NPC give the Xiamen Municipal People's Congress (standing committee) the jurisdiction to draw up local laws and regulations, so that it has the same legislative power as the Shenzhen SEZ and large municipalities.

As Xiamen's history of attracting Taiwanese investment is still short, everything is still in an experimental stage, there are still only initial clues as to whether it will succeed or fail, and final conclusions should not be reached too soon, this is actually merely a preliminary report which is cautiously presented for reference only.

POPULATION

Gansu Localities Urged To Meet Population Quotas

HK1510130490 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 13 Oct 90

[Text] The provincial party committee and government called a telephone conference on family planning yesterday afternoon, reviewing the family planning work throughout the province in the previous stage and arranging for the task for the next stage. The meeting called for all localities to make continuous efforts to fulfill population quotas for 1990 within the year. Since the on-the-spot meeting on family planning in Linhua, all prefectures, autonomous prefectures, and cities have launched the second drive to promote family planning.

By late September, 680,000 persons had undergone contraceptive operations, including placing the loop, a 110-percent increase as compared with last year and the year before.

But the general situation throughout the province shows that we have yet to overcome a number of difficulties before we can accomplish the task of controlling population growth for 1990. We should not be too optimistic. The main problem is that we have failed to bring unscheduled births under effective control. The meeting called on all localities to get rid of their fear of difficulty and slack mood and do more painstaking ideological work. The tougher the job gets, the more leaderships at all levels should have greater confidence. They should persist in keeping tabs on family planning and try to achieve fruitful results. At the same time, they should continue to publicize the "two laws" and local regulations regarding family planning, set family planning work on the course of the legal system, and increase the people's legal awareness of the problem of marriages and births.

It is also necessary to strengthen the network of family planning work at the grassroots level, improve administration, and train capable cadres to make sure that the family planning work is really taken care of. Lu Kejian, deputy secretary of the provincial party committee attended the meeting and gave a speech. He said, "We have made remarkable achievements in the family planning work in the previous stage but we have yet to tap potential. We must address the Gordian knot and penetrate the spot as yet untouched by the campaign to control population growth, making a breakthrough. At the same time we should make continuous efforts to spread and carry forward useful experience and methods, and overcome our shortcomings. The best way is to strengthen ideological work. We should repeatedly conduct education on advantages and disadvantages among the masses so that they will exercise birth control on their own initiative."

TRANSPORTATION

Faster Expansion of Expressways Envisioned

*HK1810034690 Beijing CHINA DAILY in English
18 Oct 90 p 3*

[By staff reporter Gao Jinan]

[Text] Deputy Communications Minister Wang Zhanyi has predicted a faster expansion of expressways in the next five years with six more still under construction or preparation.

The completion of the six expressways will bring the country's total length of super-highways to more than 1,500 kilometres.

Currently, the figure is about 500 kilometres.

Nearly all these expressways are in the coastal and developed eastern part of the country, reflecting the ministry's strategic plan in highway building, Wang told CHINA DAILY.

The six expressways under construction are the Guangzhou-Shenzhen-Zhuhai in Guangdong Province, Shenyang-Benxi in Liaoning Province, Shanghai-Nanjing, Hangzhou-Ningbo in Zhejiang Province, Quanzhou-Xiamen in Fujian Province and Haikou-Sanya in Hainan Province.

It will take several years to finish these expressways and will cost billions of yuan.

Expressway construction, still a controversial issue in the mainland, started in the 1980s when the 20-kilometre Shanghai-Jiading Expressway opened.

But Wang said these highways were essential to modernize Chinese transport.

The ministry, according to Wang, will continue to build expressways in "a well-planned way" to meet increasing traffic volume according to economic development and financial capability.

Wang admitted that it is still impossible for a widespread building of expressways in China.

In China, expressways refer to trunk roads which allow only high-speed trucks and cars. Highways permit all forms of transport, including tractors and horse-drawn carts.

The provincial government in Guangdong, one of the economic powers in the country, has decided to build 2,500 kilometres of expressways in the next 20 years to cater to its fast-growing economy.

The length of express highway in the province, centred on Guangzhou, will stretch in all directions and link up all major cities in the province.

The ministry has used foreign loans to speed up the construction of expressways.

At present, the 172-kilometre Beijing-Tianjin-Tanggu and the Haikou-Sanya expressways are funded by loans from the World Bank and the Japanese Overseas Development Fund.

The deputy minister said that the ministry will continue to divert more foreign money into expressway construction in the coming years.

Shenyang Plans Largest Beltway

*SK2610063290 Shenyang LIAONING RIBAO
in Chinese 11 Sep 90 p 1*

[Summary] On 27 August, the Ministry of Communications approved the state project designed for the Eighth Five-Year Plan period with regard to building the beltway in Shenyang City, which is 26 meters wide and

85 km long. The total investment for this freeway reaches 810 million yuan. It will have 14 exits to the Shen-Da express highway, the Tao-Xian express highway, and the Beijing-Harbin highway and will provide connections with 21 county-level highways and with 48 suburban villages around the circle. The acreage of areas encircled by the freeway reaches 430 square km. The province is expected to begin building the southern section of the freeway, which is 53.3 km long and will take three years to construct, at the end of 1990.

Highway Construction Advancing in Heilongjiang
SK2210095890 Harbin HEILONGJIANG RIBAO
in Chinese 21 Sep 90 p 1

[Summary] Through construction during the Seventh Five-Year Plan period, Heilongjiang Province has basically formed a highway network connected with outside places in all directions and with the key cities as centers, on which commodities have been disseminated smoothly and conveniences provided for the travelers.

At present, Heilongjiang Province has 47,000 km of highways, a 9-fold increase over the mileage scored in the early period of the PRC's founding. These highways are ranked the province sixth in the country in this regard. The province has 2,348.7 km of highways with asphalt and concrete pavements, a 1.34-fold increase over the figure scored during the Sixth Five-Year Plan period. In 1989, the province ended its history without super highways by putting the section between Harbin City and Caijiagou Town on the Beijing-Harbin super highway and the special super highway between Harbin City and Acheng County into operation.

During the 1987-1989 period, the province invested 210 million yuan in building local highways and newly built or repaired more than 20,000 km of roadbeds, 17,600 km of road pavements, 557 highway bridges, and 5,837 culverts. By the end of 1989, the province had 52,000 km of local highways. The mileage of local roads which had been expanded over the past three years reached 4,691 km. The rate of townships and villages across the province, which were connected by the highways, reached 99.8 and 98.5 percent, respectively. The mileage of transport operations on both sunny and rainy days showed a 31 percent increase over the figure scored in 1986. The number of local roads which provide connection among counties, townships, towns, and villages has increased from 720 in the past to more than 1,700 at present; that of highway buses, from more than 1,600 in 1985 to more than 8,000 by the end of August this year; and that of freight trucks, from more than 4,000 in 1985 to 76,000 by the end of August this year.

Tianjin Improves Passenger, Cargo Transportation
OW1910024790 Beijing XINHUA in English
1447 GMT 18 Oct 90

[Text] Tianjin, October 18 (XINHUA)—North China's Tianjin City has witnessed a great increase in its passenger and cargo transportation, thanks to the rapid construction of transportation facilities in recent years.

Tianjin is a transportation hub in north China and an important link in the Beijing-northeast China and Beijing-Shanghai railways.

The Tianjin Municipal Government has made great efforts in the construction of transportation facilities since the implementation of China's reform and opening to the outside world ten years ago.

In recent years an average of 200 million yuan has been invested each year in the construction of the Tianjin Harbor. The harbor now has 29 cargo berths, two passenger berths and one oil berth.

There are now double the number of platforms in the newly built Tianjin Railway Station, and 95 pairs of passenger trains are accommodated by the station every day. Its waiting room can hold more than 10,000 passengers at a time.

The improvement of the Tianjin Airport was completed in August this year. The airport lounge area has increased to 20,00 sq m from the original 5,500 sq m. And the runways now total 120,000 sq m.

As a result, more than 1,000 passengers can now transit the airport every hour.

The airport also has a 10,000 sq m warehouse and the cargo handled by the airport has reached 80,000 tons annually.

In recent years Tianjin has built three ring roads in urban and suburban areas, and also built 14 highways linking the city and surrounding cities, towns and villages in all directions.

In addition, Tianjin has a opened transportation co-operation with other parts of the country, and with the United States, Japan, Canada, Hong Kong and other countries and regions worldwide.

New Railway Station Opens in Haining, Zhejiang
OW1210184490 Beijing XINHUA in English
1524 GMT 12 Oct 90

[Text] Hangzhou, October 12 (XINHUA)—A new railway station along the Shanghai-Hangzhou multiple track railway began operation yesterday in east China's Haining city, Zhejiang Province.

The old railway station, which was built in 1908, was too small to meet passenger demand as the economy rapidly developed in the area.

Last year, the Railway Administration and Haining city allocated over 2.4 million yuan (over 510,000 U.S. dollars) to build the new station.

The new station covers an area of 2,432 square meters, and has a capacity of more than 800 passengers.

Six New Air Routes To Open in Northeast

OW2010214990 Beijing XINHUA in English
1518 GMT 20 Oct 90

[Text] Shenyang, October 20 (XINHUA)—Six new air routes linking northeast China with other parts of the country will be opened as from November 1 this year, an official from North China Airlines disclosed today.

Three of the new routes will link Harbin, capital of China's northernmost province of Heilongjiang, with Nanjing, capital of Jiangsu Province, Xian, capital of Shaanxi Province, and Hangzhou, capital of Zhejiang Province. Two other routes will link Dalian, a port city in Liaoning Province, with Nanjing and Xian, respectively. The other route will link Fuzhou with Luoyang.

These new routes will bring the total to 56 linking the three provinces in northeast China with cities in other Chinese provinces.

AGRICULTURE

Good Harvest of Hybrid Rice Expected

OW0111222990 Beijing XINHUA in English
1454 GMT 1 Nov 90

[Text] Changsha, Nov 1 (XINHUA)—China expects a bumper harvest of hybrid rice this year in south China.

The 15,928,000 hectares of hybrid rice—the largest area of its kind in history—account for 48 percent of China's total rice producing area, and will produce more than half of the country's rice output.

According to experts, each hectare of hybrid rice produces 900 kilograms more than the conventional strain of rice.

Experts also report that they are attempting to renew combinations of hybrid rice and expand planting area to increase output.

Provinces Issue IOU's for Cotton

40060006B Beijing JINRONG SHIBAO in Chinese
11 Oct 90 p 1

[Summary] During the middle of September, cotton procurement stations in Hunan, Hubei, and Xinjiang began issuing IOU's.

Heilongjiang Livestock Industry Develops

91CE0008A Harbin HEILONGJIANG RIBAO
in Chinese 16 Sep 90 p 1

[Article by correspondent Feng Zhihao (7458 1807 3185): "Steady Development of Animal Husbandry Throughout the Province Through Reliance on Science and Technology"]

[Text] The province's livestock industry has made progress by relying on science and technology, taking the road of intensive expansion of reproduction for sustained and steady development of production.

The number of dairy cattle, oxen, hogs, and sheep in inventory throughout the province from January till the end of June 1990 totaled more than 11.64 million. This was a 12 percent increase over the same period in 1989. Output of meat and poultry totaled 178,000 tons; output of fresh milk was 408,000 tons; and output of wool was 37,686 tons, up 47.1, 1.7, and 5.5 percent respectively from the same period in 1989. Although the number of poultry in inventory and the output of fresh eggs were lower than during the same period in 1989, they still overfulfilled plan norms.

This is the first year of the implementation of "reliance on science and technology to make animal husbandry prosper." Every jurisdiction in the province has adopted as its main direction of attack the tapping of the potential of resources and technology. Emphasis is on five overall technologies for the fattening of hogs in a straight line, increases in meat and egg outputs, increasing per unit yields from dairy cow herds, concentrated fattening of beef cattle, and increasing mutton and wool output. At the same time, firm attention is being placed on breeding livestock and poultry, grassland fodder, the scale of operations, a grassroots science and technology service system, and the training of talent. As a result of pilot projects in 15 counties (or cities) and state-owned livestock farms, and demonstrations by nearly 20,000 households specializing in the raising of livestock, these techniques and projects are being spread throughout the province, and have shown initial results.

Rise in Production levels; Increase in Livestock and Poultry Reproduction Rates, the Product Output Rate, and the Resources Utilization Rate; and Decline in the Livestock Sickness and Death Rate. In 1989, all cities and counties adapted general methods to specific circumstances in setting development projects and technical achievements to be made. In raising hogs, Wangkui County adopted the straight line fattening technique, thereby reducing the period for removing live hogs from inventory from the former one to one and one-half years to six or seven months. Households more skilled in hog raising increased hog weights by 617 grams per day, and the ratio between meat and fodder declined from the former 1:5 to 1:3.76. Statistics for the end of June show 845,000 hogs, 114,000 dairy cows and beef cattle, 12.5 million laying hens and eating chickens, and 562,000 sheep and lambs in inventory, reaching or exceeding

plan norms. The livestock and poultry sickness and death rate has continued to decline.

The Special Production Mode of Closely Meshing Operations on a Moderate Scale With Comprehensive Associated Techniques To Advance the Commercialization of Livestock Industry Production. Governments at all levels have done comprehensive planning and made rational layouts in keeping with the state of local resources, and they have also formulated a series of preferential policies to foster the development of large livestock raising households. The number of households in the province now specializing in various kinds of livestock and poultry raising has increased to 122,000, 14,000 of which are large livestock raising households. This represents a 22 and 14.8 percent increase respectively over the same period in 1989. Households in Anda City specializing in the quick fattening of cattle within a short period of time have between 40 and 80 head in inventory, and a turnover volume for the year of approximately 120 head. The number of households specializing in the raising of livestock and poultry has increased to 1,448 in Baoqing County. They provide more than 30 percent of all commodity livestock and poultry. Households making more than 10,000 yuan from the raising of only 100-odd hogs number more than 80.

Acceleration of the Building and Improvement of a Social Services System. To meet needs in the development of the livestock industry, 69 service centers have been established in prefectures, cities, and counties throughout the province. In addition, livestock industrial and commercial companies have been established at 70 locations, and township and town multipurpose service stations have been established at 951 locations. All villages have established service offices and technical personnel to provide livestock raising households with multiple services including disease prevention, quarantining, veterinary treatment, breeding, protection, feeding, production, processing and sales. Fuyu County operates multiple service stations at the village primary level where households raising livestock can solve difficult production problems without going outside the village.

Stable Policies Stir Enthusiasm in All Quarters, Forming an Atmosphere of "Reliance on Science and Technology To Make Livestock Raising Prosper." Governments at all levels have taken "reliance on science and technology to make livestock raising prosper" an important task in the deepening of rural reform, in readjustment of the rural industrial structure, and in development of the rural economy. The provincial government has drawn up numerous policies to spur the development of the livestock industry. Various campaigns carried out throughout the province such as the "build livestock cup," the "haymaking industry cup" and the multipurpose station evaluation competition that the livestock system conducted, as well as the veterinary medicine prevention and treatment championship competition have roused all jurisdictions to increase investment in the livestock

industry, and to promote practical techniques. Investment in the livestock industry provincewide for 1990 is nearly 250 million yuan. Animal husbandry departments at all levels organized more than 4,000 technical personnel to devote attention to townships, contract in villages, and lead households in an effort to help livestock raising households solve various practical problems. The masses have actively studied the use of science, 200,000 people receiving training. Quite a few livestock raising households have technically informed people.

Hubei Corn Area

*40060005F Wuhan HUBEI RIBAO in Chinese
3 Oct 90 p 1*

[Summary] This year gross output of corn on the 3 million mu of fields covered with plastic film in Hubei Province was 750 million kilograms. In normal years the corn area in Hubei exceeds 6 million mu.

Hunan Building Large Chemical Fertilizer Plant

*OW3110122790 Beijing XINHUA in English
0800 GMT 31 Oct 90*

[Text] Beijing, October 31 (XINHUA)—A large chemical fertilizer plant is being built in Lengshuijiang city, Hunan Province, the "CHINESE YOUTH NEWS" reported today.

Hunan, in central China, is a key agricultural producer.

The plant is being built on the basis of Zijiang Nitrogenous Fertilizer Plant. The project represents an investment totaling 150 million yuan, 40 percent of which will come from farmers.

Upon completion in 1993, the plant is expected to turn out 160,000 tons of synthetic ammonia and 260,000 tons of urea a year.

Inner Mongolia Reports Good Beet Harvest

*SK3010062090 Hohhot Inner Mongolia Regional
Service in Mandarin 1100 GMT 29 Oct 90*

[Summary] Our region reaped a good harvest of beets this year. Total output exceeded 2.36 billion kg, second highest in the region's history and represented an increase by more than 580 million kg, or 33 percent, over last year. The average per mu yield of the region reached 2,378 kg, an increase of 928 kg, or 64 percent, over last year. The region's acreage sown to beets totaled more than 1.4 million mu, an increase of more than 200,000 mu over 1989. The per mu yield of Bayannur League totaled 2,695 kg, highest in the region.

Shandong Cotton Purchases Reported

*SK0211063990 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 31 Oct 90*

[Summary] As of 30 October, peasants in Shandong had sold nearly 10 million dan of cotton to the state, fulfilling

about 50 percent of the cotton purchasing plan. It is expected that Liaocheng Prefecture's total cotton output of this year will exceed 5 million dan. So far, more than 3 million dan of cotton has been purchased. Huimin County which was hit by serious waterlogging, has purchased more than 250,000 dan of cotton so far, fulfilling 71 percent of the cotton purchasing plan.

Sichuan Market Prices for Rice

40060006A Beijing JINGJI CANKAO in Chinese
9 Oct 90 p 2

[Summary] According to a survey of 35 grain markets in Sichuan Province during the beginning and middle of September, rice prices fluctuated between 1.00 yuan and 1.10 yuan per kilogram, compared to 1.60 yuan per kilogram in 1989.

Kunming's Move To Raise Milk Price Lauded

91CE0011A Kunming YUNNAN RIBAO in Chinese
11 Sep 90 pp 1-2

[Article by reporters Wang Yaoping (3769 6460 1627), et al.: "The Aftermath of Milk Price Readjustment in Kunming City"]

[Text] Milk, a delicacy in Kunming City's "market basket," finally hopped out of the "bridal sedan chair" of huge government subsidies and landed on the path of the law of value when the government raised the price of pasteurized milk by 50 percent. This no doubt is a noteworthy event that calls for celebration.

How will this round of major price readjustment affect the production, supply, and sale of milk, and how will the citizens be affected? What will the people learn from this event?

A Successful Round of Price Readjustment

On a special assignment which lasted a whole week, we interviewed milk producers, suppliers, and consumers, and although opinions vary, there is one consensus: Readjustment of the price of milk is necessary, and the substantial price hike in Kunming has proven successful; it has been a job well done.

In the 10 years since the formation of the Kunming City Dairy Company in 1980, milk production and sales have increased 11-fold. Today, Kunming City produces more than 80 tons of milk and sells more than 200,000 bottles of pasteurized milk (more than 40 tons) a day, ranking fourth among the nation's provincial capital cities in milk supply. But few realize that behind these gratifying figures is a huge sum of government subsidy.

Relevant materials show that Kunming's milk has been riding the "government-subsidy express" since April 1985, and in the wake of growing production and supply, the government's financial burden has become increasingly heavy. In 1989, the government paid 2.81 million yuan to subsidize the state-run dairy farms' parity-price

feed and another 2.44 million yuan to subsidize milk procurement. These two items alone cost the city government more than 5.2 million yuan. If we add the grain subsidy the government pays out in the 3-jin grain ration coupon it costs per household for a standing order of one bottle of milk per month, the total will come to more than 7 million yuan. As a "lubricant" that smooths milk production and sales, this sum of government subsidy indeed has played a positive role in promoting production, stabilizing milk prices, and reassuring the consumers. But while on the surface this sum of money is earmarked for the production units, it has in fact been subsidizing the consumers, helping to sustain the ridiculous phenomenon where "a bottle of soft drink costs more than a bottle of milk."

Moreover, in contrast to grain, meat, and egg subsidies, milk subsidy has its grossly unfair side. Statistics show that only 180,000 people in Kunming City, or 18 percent of the city's population, drink milk. Millions of yuan are spent each year to subsidize 180,000 people while the remaining 800,000 people get nothing. This is simply unfair.

In the wake of rectification and improvement and thorough reform, clamor for higher milk price has grown louder and louder. In addition, now that the price index has been reduced to single-digit and prices are under control, the time has finally come to readjust the price of milk. On 15 June of this year, the State Administration of Commodity Prices approved a moderate increase in the price of milk in Kunming. After careful calculations, Kunming City has decided to raise the sale price of pasteurized milk by 50 percent (raising the price from 20 cents to 30 cents a bottle). The procurement price of milk has also been raised by an appropriate amount while abolishing the government subsidy.

This round of price readjustment is a complete departure from previous practices where each new price readjustment policy and measure introduced by the government mandated additional government subsidies. This time, we not only have gotten rid of the more than 500 million-yuan's worth of subsidy, we have even narrowed substantially the gap between price and value, a gap which has long plagued the dairy industry, and we have won the approval and endorsement of the public. It indeed has been a successful price readjustment.

The Price Readjustment Injects New Life Into the Production and Supply Links

By raising the price of milk, Kunming City not only has abolished the government subsidy but has also injected new life into the dairy industry. Elimination of the government subsidy takes away the producers' "backer," forcing them to take risks and be responsible for their own profits and losses. Clearly, government subsidies are like a blood transfusion; eliminating the subsidies and forcing enterprises to comply with the law of value is like having a blood-making machine. There is no doubt that being able to make new blood is far superior to getting a

transfusion. Of course, if the price of milk stays the same, things will be more risky. For example, if the price of feed and other raw and supplementary materials should soar beyond what enterprises can absorb, what are they to do? Should they ask for government subsidies again or raise the price of milk? These and other considerations have given the producers reasons for concern despite the good news.

In order to reduce the dairy producers' risks, the Kunming City People's Government has tentatively determined that enterprises themselves are to absorb the cost if feed price should increase by 10 percent or less over the current price; beyond that, the government will take over the burden. Meanwhile, it has set up a substantial dairy production risk fund which is available to enterprises on a revolving basis.

Whether the government will introduce other preferential policies and measures toward the dairy industry in the future or not, one point is very clear: The reform, spearheaded by this round of price increase, has prompted the dairy producers to rely on better management, technological improvement, lower production cost, and on themselves for development.

If we stay on this path steadfastly, Kunming City's milk supply will increase and milk will be a part of every family's market basket.

This round of substantial price increase has also invigorated the City Dairy Company which has long been a low-profit operation and which has always depended on its tax-exempt status and sheer frugality to achieve expanded reproduction. According to the company's calculation, if it can provide 60 tons of pasteurized milk a day, the city will be able to lift its supply quota. But with its existing facilities, even with overtime, round-the-clock production, it can produce around 40 tons of pasteurized milk a day. The continuous increase in demand has forced the company's more than 180 pickup points to take turns in skipping milk pickup in order to make the supply last.

It is estimated that this round of price hike will increase the City Dairy Company's profit from the processing and sale of milk. The company hopes to use the money on expanded reproduction and to raise the production of pasteurized milk to 60 tons a day as soon as possible. God knows how many people are waiting for that day to come.

The Reasonable Price Increase Reassures the Consumers

This round of price readjustment which raises the retail price of pasteurized milk by 50 percent is indeed substantial, but even with the price hike, Kunming City's milk price still falls within the median range compared to the rest of the country. In terms of parity, the price of milk is still too low. The ridiculous situation where "a bottle of soft drink costs more than a bottle of milk" remains. Although one can hear some complaints from

those lining up to place their order for the higher-price milk, the consumers are still just as eager to buy as before.

According to the City Dairy Company's data, in the month immediately after the price hike (September,) all of the city's 123,629 long-term milk subscription cards were sold out. These subscription cards were the earliest type of milk order cards issued under certain conditions by Kunming City. At first, they were a token of the government's care and concern for the people. Back when the price of milk was low and only a few could get hold of the cards, they represented a privilege and became a kind of "negotiable security" that were traded in the market. At a time when the cards were selling for 50 to 100 yuan each, three cards could buy a Fenghuang Brand bicycle. No wonder those who had a long-term subscription card often felt superior. Today, milk price is still low and supply is limited, few would bet that the illegal buying and selling of these cards would stop. Nobody wants to give up his or her long-term milk privilege. Perhaps this is why the cards are sold out.

Things have changed somewhat for the less-popular temporary milk coupons since the price hike. The number of temporary orders has fallen from 101,123 bottles in August to 96,290 bottles in September, a decrease of 4,794 bottles. This change is more prominent in the urban areas where temporary orders have decreased by 4.74 percent. This demonstrates that the price hike is having a psychological effect on some consumers. But authoritative sources insist that this psychological effect will be short-lived and that the number of temporary subscribers not only will bounce back but will eventually increase. It is one of the primary goals of the price reform in China to gradually decontrol the price of nonstaple food. Kunming City has taken a giant step toward this goal by raising the price of milk as a part of its reform. If we continue to deepen the reform process, it will not be long before we see a substantial increase in milk supply and the price decontrolled.

Yunnan Energy Conservation, Production Invigorated

*91CE0008B Kunming YUNNAN RIBAO in Chinese
5 Sep 90 p 3*

[Article by Shen Nengyuan (3088 5174 0626): "Joys and Sorrows in the Province's Building of Rural Energy Sources"]

[Text] Just when people are deeply concerned about the sharp reduction in the province's forested area and the ever worsening ecological environment, a new trail has been blazed in the conservation and broadening of energy sources for use in daily rural life, which accounts for most of the timber consumed in the province. Statistics show that the province has spread the use of stoves that save on firewood and conserve coal in more than 2 million households, which is 30.6 percent of all peasant households in the province; it has built more than 890,000 methane pits, and spread the use of more than

30,000 square meters of solar panels to heat hot water. Just these three means have realized a saving of 2,166,800 tons of firewood, which is equal to 2.7 million cubic meters of timber valued at 130 million yuan. The ecological benefits are harder to estimate. In addition, it has replanted 847,000 mu of firewood forests, increased by 88 the number of small hydropower generators having a total installed capacity of 247.87 kilowatts, and by 68 the number of wind driven generators having an installed capacity of 15.35 kilowatts, their annual power generation capacity amounting to 284,300 kwh. It has improved 243,000 flue-cured tobacco flues and more than 3,000 brick and tile kilns for a saving of 77,000 tons of standard coal.

Even more heartening has been the spread of rural energy conservation and the broadening of energy resources from pilot projects throughout the province. In addition to 31 pilot project counties in the province that are running projects for the country on the use of firewood and coal-conserving stoves, the whole province has launched widespread efforts in rural energy conservation and the broadening of energy sources. Thousands upon thousands of households are using clean, sanitary, and convenient firewood and coal conserving stoves. An upsurge of a large number of "energy townships" and methane gas villages" has taken place throughout the province.

The building of rural energy sources in the province has developed quickly and to good effect largely as a result, first of all, of the high degree of serious attention that governments at all levels accorded the task, and the vigorous support of departments concerned. Currently 901 people in 142 organizations are promoting this work throughout the province. Rural energy service companies (or stations) at all levels number 16. They employ 59 people, and they have fixed assets worth 489,000 yuan plus 652,000 yuan in working capital. There are 79 teams totaling 5,279 people specializing in improving stoves and building methane pits. A total of 239,000 technical personnel have received training. A provincewide scientific research and technology promotion corps has been established throughout the province for the shaping of a technology promotion network. Second, scientific and technical personnel have assiduously worked on key problems, producing a number of new technical achievements. Work in the province on firewood and coal-efficient stoves, for example, resulted in the development of a series of stove models including flatland area coal-conserving stoves, mid-mountain level firewood-conserving stoves, and mountain region combination cooking and heating stoves whose design is novel, that are easy to use, and that are sanitary and practical.

However, despite the startling achievements that the province has made in rural energy conservation and the broadening of energy sources, it still faces an extremely grim situation. Surveys show 2.4 million peasant households in the province as lacking firewood for more than three months of each year. This is 37.5 percent of all peasant households. In the eastern part of the province,

in particular, the shortage has still not eased, while in the western region the amount of waste is frightening. Firewood consumption in Degen Zang Autonomous Prefecture and in Nujiang Lisu Autonomous Prefecture stands at 1.29 and 1.17 cubic meters per capita per annum. In Deqing County firewood consumption is as high as 1.5 cubic meters per capita per year. In central and southern prefectures, which have a warm climate, and where plant stalks and stems and animal dung are plentiful, conditions for the development of methane gas are exceptional. Nevertheless, only 1.1 percent of all peasant households in the province have built methane pits, so a large amount of a premium quality, low-priced energy resources is being lost right before our very eyes.

What is to be done in the face of this grim situation? We can only continue to advance along the road of innovation to write a new chapter during the Eighth Five-Year Plan. Efforts are to be made during the Eight Five-Year Plan to spread firewood and coal-saving stoves to 2.5 million households, to build 50,000 new methane pits, to expand by 25,000 square meters the solar panels for heating hot water, to expand by 100,000 the number of new flue-cured tobacco sheds, and to increase small hydropower generator installed capacity by 1,000 kilowatts. Following fulfillment of the Eighth Five-Year Plan, a cumulative total of 4.6 million households, which is 68.7 percent of all peasant households, will have firewood and coal-saving stoves; there will be 130,000 methane pits, 55,000 square meters of solar-powered water heating devices, small hydropower generators having an installed capacity of 1,300 kilowatts, and more than 346,000 energy-conserving flue-cured tobacco sheds and brick and tile kilns. This will result in an annual savings of energy equivalent to 2.935 million tons of standard coal, which is equal to a saving of 6.415 million cubic meters of firewood.

In order to insure smooth fulfillment of the Eighth Five-Year Plan and promote all-around and thorough development of the province's rural energy conservation and the broadening of energy sources, a beginning has to be made now in the following regards: First, governments at all levels must treat rural energy as a strategic problem, leaders at all levels placing it on their daily agenda of important matters. Second is perfection of rural organizations that boost energy sources making the system operate more smoothly. Specifically, those autonomous prefectures (or counties) that have not established such organizations should do so at once to insure normal development of rural energy work. Third, it is hoped that governments and finance departments at all levels will correspondingly increase investment in rural energy resources in the spirit of "Views on the Building of Rural Energy Sources," which the State Council approved for issuance by the State Economic Commission. The former situation of little investment that hurts public interest in energy should also be changed. Rural energy work should be made a part of governments' annual plans and long-range plans, attendant operating funds

for developmental work being allocated annually. Departments providing assistance to the needy should apply a certain amount of funds to help the needy for the building of rural energy sources in needy areas. Forestry departments should withdraw some money from their

forest raising funds to help in the building of rural energy sources and in the growing of firewood forests. Fourth, land management units at all levels should allot between 12 and 15 square meters of land for the building of a methane pit whenever a rural house is built.

Intellectuals Faulted for Academic Superficiality

90CM0415A Hong Kong CHENG MING
[CONTENDING] in Chinese No 155, Sep 90 pp 74-76

[Article by Liu Xiaobo (0491 2556 3134): "Contemporary Chinese Intellectuals and Politics, Part XII"; Part XI was published in JPRS-CAR-90-079, 25 Oct 90 pp 70-72]

[Text] *Intellectuals in the contemporary era are too dependent on every sentence uttered by the one in power, too dependent on every word in the Marxist-Leninist classics... In contemporary China intellectuals criticize almost all truths, even ridiculously regarding the theory of relativity and the science of genetics as works of idealism that need to be knocked down.*

(Continued from issue No. 154)

At the same time, in method, Chinese intellectuals have never paid attention to closeness, distinctness, completeness, and orderliness in theoretical thought. They lack the logical method necessary for academic research, and are even less aware of its limits. No matter whether it is analogy and deduction or experiment and induction—it is all inexplicable to intellectual circles. They are satisfied with chaotic, directly perceived utilitarian experience, and with everybody's falling into the all-encompassing infinite, which can be sensed but not explained in words. As a result, in China's cultural tradition of several thousand years, there has never been the ontology, epistemology, and methodology of pure philosophy separate from politics; there have never been a theory of knowledge and theory of truth independent of the rise and fall of politics and the good and evil of ethics. All books like *Politics*, by which China can be governed, and *Ethics*, by which the moral character can be cultivated, are considered knowledge and truth; even books of divination, like the *Book of Changes*, are thought to be all-encompassing treasure houses of knowledge. The Chinese people explain all the myriad things of the world and even the principles of modern Western science by the *Book of Changes*. This precisely represents and is a very typical example of the solely utilitarian and sly and evasive personality of Chinese intellectuals, and of their work style of being a jack-of-all-trades and a master of none. It is a timid, overcautious personality because it fears the unknown and is unwilling to let the world's true features appear clearly, and in that way it escapes a brutal life and an ugly contemporary world. The enormous contrast that the Chinese intellectuals have made between the perfection of the theoretical world and the ugliness of the real world in China precisely explains the timid and overcautious, apathetic and lazy personality of Chinese intellectuals. If we would dare to face reality squarely and insist on the truth and not just utility, we would see that in China's account book there were certainly not all that many retired scholars and true men, sages and virtuous men, and enlightened rulers. Precisely stemming from their goal of utility, Chinese intellectuals whitewash and embellish them. This situation became especially serious after

1949. If people of later generations were only to depend on books to understand this history, they would perceive a confused world: All evils become resplendent and magnificent, and all fallacies become truths. Today's Chinese intellectuals, even if they do not take truth into account and feel responsible only to posterity, should in theoretical matters cultivate a completely new personality that follows only truth.

After 1949, the utilitarian personality of Chinese intellectuals, under the consolidation of doctrinal Marxism-Leninism, gradually became parochial. In particular, after "theory must be integrated with reality" became the only authoritative truth permitted in the entire country, the Chinese intellectuals accordingly followed closely behind and kept in step with political slogans. It can be said that, since 1949, all academic research and artistic creation have been annotations to political slogans and have been arguments in favor of the one in power. The annotations of Confucius and Mencius in ancient times at one stroke became annotations of Marxism-Leninism and Mao Zedong Thought, and even annotations in accord with the standards approved by officials. Contemporary Chinese intellectuals care too much about every sentence, every move, and every expression in the eyes of the one in power; and care too much about every word and every punctuation mark in the classics of Marx and Lenin. They do not care about what they themselves think and want to say, do not care about academic freedom and truth. To obtain political utility, contemporary Chinese intellectuals have criticized almost all truths, even ridiculously regarding the theory of relativity and the science of genetics as products of idealism to be overthrown. Chinese intellectuals accept only the class nature of academics, theory, and science; and dependence on this theory of class nature precisely suits the utilitarian nature of traditional politics. Class nature is a butcher's knife in the hand of a butcher that is thrust into the academic domain, where it wantonly kills all true academic freedom. The slogan raised during the Cultural Revolution of "invigorate learning and its usefulness, and get instant results" was nothing more than another typical example of the products of utilitarian thinking. The slogan "practice is the sole criterion for testing truth," which was raised after the end of the Cultural Revolution, was also the product of the utilitarian personality. A more crucial problem is that the connotation of the Chinese people's concept of practice both contains everything and is extremely narrow and limited. I say that it contains everything, because the one in power can, in line with the needs of political utility, arbitrarily interpret practice: Practice is whatever he says it is. I say that it is narrow and limited, because it is limited to political struggle and the economic domain. Thus, politics is made primary and there is never a differentiation between production practice, scientific practice, political practice, religious practice, aesthetic practice, and ethical practice; and there is never any specific stipulation of what practice is. Since 1978 discussion of the slogan "practice is the sole criterion for testing truth" has not had any academic significance; it

has only had political significance in the scramble for power and profit. What is regrettable is that the intellectuals who passed the severe test of the Cultural Revolution have, with gifted pens, joined in this discussion and have, in outstanding fashion, acted as tools of political struggle. Those who rendered meritorious service in this struggle naturally obtained political benefits. Similarly, in these several years, the theoretical debates on the definition of true Marxism and on the definition of true socialism were all engaged in for political objectives. Looking back on the 40 years from 1949 to 1989, we see that there was a strong political background and a direct political objective in every academic dispute. To win the appreciation of the one in power, the intellectuals struggled against each other left and right. In this discussion there was basically no talk about academic truth and falsehood. On which side an intellectual actually stood was determined completely by where he put his political bet. If he bet correctly he would enjoy a meteoric rise; if he bet incorrectly he would suffer a disastrous decline. Whomever the intellectuals recognized as having a future would be given the benefits of their intelligence.

The utilitarianism of the propositions "theory must be integrated with practice" and "practice is the sole criterion for testing truth" is, at the least, irrational in the following three respects:

1. The Chinese-type of "theory integrated with reality" or with "practice" in the main means only political practice and logical practice, which, speaking in the modern Chinese language, is "revolutionary practice." The "real nature" of academics and science requires an independent personality and style that transcends politics and transcends ethics, and it is also the neutrality of science. Without a genuinely neutral motive, it is very difficult for a scientist to value truth; its absence easily becomes a class, political, or ethical reason for sacrificing truth. In other words, it is impossible for political practice or ethical practice to be the criterion for testing academic truth, which has its own unique criteria, namely, logical tests and positive tests. This question was expounded above, and no more is needed on it here.

2. The motive for engaging in pure academic research is not just utility. Newton did what he did not for the basic necessities of life nor for Britain's political revolution or ethical innovation, but for the sake of discovering the unknown secrets of the universe. **The sense of wonder, sense of mystery, and desire to explore** are the real motives of people who engage in pure academic research and pure artistic creation. Just as Einstein said, "For scientific talents, unknown and mysterious things always have the most value." Actually, philosophy is also like this. The philosophers of ancient Greece loved nature and felt a sense of wonder about mathematics, and modern philosophers are interested in logic, language, life, and death—in both cases their personalities transcend utility. Similarly, most artists engage in artistic creation because of their interest in form or in the human spirit. Perhaps, except for artists in socialist countries, it is very difficult to find in the world an artist who engages

in creation only "for the revolution." Thus, people in the West pursue "pure academics," "pure science," "pure art," and "pure religion," while people in China consistently oppose pure science and pure art separated from politics and ethics. In ancient times there was the strong tradition that "the Way is transmitted by culture"; in modern times there is a new tradition, namely, that art and science must serve politics. I think that the transcendental nature of the great talents in science, philosophy, and art can be called "religious feelings," because for mankind God not only represents the values of life's transcendent nature, but also represents the mysterious unknown world. Precisely because this world has always existed, mankind is not satisfied with the known reality, but harbors the risk-taking spirit of charging into the unknown world. The sense of mystery, sense of wonder, and desire to explore aroused by the unknown are precisely the transcendental nature of mankind in its eternal search for truth. In this sense, mankind strenuously pursues pure theory, pure art, and pure faith, and even pursues self-transcendence.

3. There are theories at different levels, and not all theories stem from the utilitarian motive and must immediately accept the test of practice. In detail, there are the levels of science and technology, scientific principles, philosophical theories, and ethics. Generally speaking, there are at least two levels. One level was created for a practical objective, and it is applicable to the theories of a technical nature about practice. For this theory, "practice is the criterion for testing." At the other level are theories created with the objective of transcending utility, or with the objective of satisfying people's need for intellectual recreation. These theories cannot be immediately applied to practice; or, to put it another way, their connection with practice is not direct and utilitarian. For these theories, practice should not be made the sole criterion. That people love the close, systematic, and self-sufficient nature of theory as such indicates that the intellect of people is rising to a higher level. In what follows it is necessary to restate certain of my viewpoints that were expressed in my work *Selected Criticisms* (see pages 188-192 of *Selected Criticisms*). Mankind's pursuit in nature and art of what transcends utility and its relative separation of spiritual creation and material creation lie in the fact that the spiritual creations of pure theory and pure art, which have no direct connection with pragmatic utility, not only provide guidance of a leading nature for mankind's specific practice, **what is more important is its improvement of the quality and creative power of man himself. It is the intrinsic measure and sign of man's freedom and independence.** The freer and the more independent the individual is in pure theory and pure art, the richer and the more profound and abstruse will be his discoveries and creations. This explains the degree to which the individual will go to extricate himself from nature and society (food, clothing, shelter, and transportation, and also political utility). Therefore, one must not just grasp from the angle of epistemology and pragmatism, the

connections and the differences between man's theoretical research, artistic creation, and social reality, but must also grasp them from the angle of man's transcendence and freedom. That is, we must make the separation between theory on the one hand and reality, supra-utility, and utility on the other hand the intrinsic measure for the level of development of mankind itself. The demand that theory and art be separated from reality is precisely an extreme manifestation of man's demand for independence from nature and society, and is a way for man to achieve this freedom. The more mankind develops, the more it demands that theory and reality be separated, the more indirect are the connections between them, and the more numerous, more complex, and richer are the intermediate links by which they approach practice—the forms in which all of them are manifested are entirely those of "spiritual recreation."

In the above sense, making the Chinese intellectuals' personality utilitarian and pragmatic means making people's life utilitarian and pragmatic; and means an atrophied, slavish, and dependent state of life in which there is no individuality and no creative power. In such a state, all theory and art must first possess a politically pragmatic value and ethical enlightenment value. From a superficial look at the emphasis on integrating theory with practice, we see that it is essentially an emphasis on subordinating absolutely the individual rights of intellectuals to the demands of society's politics and ethics.

This utilitarian character has also permeated Western culture, where it is being accepted. Viewing Western culture with a pragmatic attitude and an attitude of getting instant results is a universal trend in Chinese intellectual circles. As everybody knows, during the past more than 10 years, China's intellectuals have hurriedly completed the spiritual course in several thousand years of Western culture. From ancient Greece and Rome to the Renaissance and the Enlightenment, and then to the modernized culture after the two world wars and even to postmodernism—the greater part of every ideological trend and every doctrine of Western culture has been played with by China's contemporary intellectuals, whose spirits soared, who were elated, and who thought that all good things in the world were now in their possession. However, in every playtime, like children who blow hot and cold, they were overanxious for quick results, had no patience, and stopped after getting a little knowledge of a given subject; they were unwilling to do long-term, deep, and meticulous research. Up to the present, in their research on Western culture, Chinese intellectuals have not written works worthy of reviewing, and even less have they applied well certain modern methods in their analysis of China's reality and traditional culture. **Western culture, particularly the culture of recent and modern times, is a necessary frame of reference for Chinese people to examine themselves. In contemporary China, the Chinese intellectuals have played almost no role in making true theories effective and in transforming China's reality and the quality of the Chinese**

people's life. Like jeans, sunglasses, Nike shoes, and other decorative items, Western culture is used by Chinese intellectuals to follow the fashion. Even more, it is like a foreign exchange certificate, with which one buys the most fashionable commodities. On the one hand, certain intellectuals who have a sense of responsibility, and who are fairly serious-minded, try to get instant results by applying Western theories to solve China's real problems. Under the circumstances in which they have not done deep research and are overanxious for application, on meeting the slightest difficulty or encountering resistance, they abandon the attempt and switch to a new theory, itching to find at once a magical theory that will "snatch the patient from the jaws of death" and that will cause overnight an earthshaking, enormous change to occur in China. The result is that they neither comprehend Western culture in a practical way nor are able to solve China's actual problems. For example, the American futurist Toffler wrote a best-selling book entitled *The Third Wave*. In China this book was all the rage for a time and became a popular topic of conversation. The book's thesis is that, in the Third Wave that will come to the industrial countries, the Second World (developed countries) and the Third World (undeveloped countries) will stand on the same starting line. This viewpoint caused the Chinese people to fall blindly into the dream of catching up with the developed countries and achieving modernization overnight. Consequently, countless theoretical articles were published in succession, each vying in expounding how China should seize the golden opportunity of the "Third Wave" to move rapidly toward this other world, a situation that rather smacked of the flavor of the Great Leap Forward in 1958. For a time, from top to bottom, people rushed headlong into mass action, and economic reform was like a mighty political movement. The Chinese intellectuals' mode of thinking in which they are eager for quick success and instant benefits fundamentally ignores the existing, fixed historical differences between China and the West. They only want to make contributions to reform in order to gain political and material benefits. It may be said that many of the policies in economic reform were formulated in line with the theories put forward by intellectuals. The responsibility for the stagnation or failure of the reform now, like the upsurge of the Cultural Revolution, lies not only with a small number of despots; even more the responsibility lies with every person in China, particularly the intellectuals who masterminded the scheme for reform.

On the other hand, those intellectuals who desire only fame and gain in society want to use the West's modern theories to bedeck themselves, and they advocate and do research on whatever theory is fashionable. Over the span of several days, they can cross over the doctrine of the many, can turn from Freud to Lai-ge [5490 2706], switch from modernism to post-modernism, and go from structuralism to destructralism. Middle-aged intellectuals depend on new theories to cover up their inherent weaknesses, and young intellectuals use new theories for self-promotion. People who do not understand Plato,

Augustine, Descartes, Kant, Mach, Lotze, and Wittgenstein talk in a big way about the most fashionable philosophies in the West—linguistic philosophy. People who do not understand the natural sciences talk in a big way about systems theory, cybernetics, and information theory. In both cases they use them as new methods for studying history, aesthetics, and literature. In particular, this tendency is clearly manifested in young intellectuals. I say, without the slightest exaggeration, that Western culture acts as a mirror for the Chinese people to examine themselves, and what it sheds light on mostly is a countenance that feels good about itself. This mirror can help too many intellectuals to find a shortcut to becoming famous and getting profits. In these years, if one opens a theoretical publication or an academic work, the abundance of new terms will dazzle one; an article of several thousand words could use several dozen new terms that are unexplained. I don't say that just the reader doesn't understand them: the writer himself doesn't understand them. I once said that Chinese intellectuals would make use of everything with which they were in contact with to prettify their own faces, and Western culture is no exception. Over the past several years, this phenomenon has reached a high tide, and even in the upsurge of the rush to buy Western books the phenomenon of prettifying can be discovered. Too many college students and graduate students when they come upon a book will buy it and then put it on a bookshelf to display their trendiness and erudition, but very few of them actually read these books. Also there are various kinds of academic discussion meetings, there is contention to display the newest theories, and this is also like the farce of Ah Q's revolution. These phenomena make me think of the scenes in the period of the May 4th Movement (please see my work *The Tragedy of Enlightenment—Critique of the May 4th Movement*). The Chinese intellectuals of that time, dominated by the mode of thinking that was eager for quick success and instant benefits, toyed with all the ideological trends of Western culture. In the end, because of the success of the October Revolution, they chose Marxism-Leninism. I think that if the intellectuals of that time had made a deep-going, overall study of Western learning, there would certainly have not been so many radical elements among them who switched so quickly to Marxism. By comparison, Hu Shi was a fairly clear-headed intellectual of that time. The point he made—"study more some issues, talk less about some doctrines"—still has an effect of enlightenment for today's Chinese intellectuals.

(To be continued.)

Minister Outlines Educational Readjustment Plan

HK0111062290 Beijing XINHUA Domestic Service
in Chinese 1039 GMT 31 Oct 90

[Report by Zou Peiyan (6760 3099 7346) and Yang Li (2799 0500): "He Dongchang on Educational Readjustment Plan"]

[Text] Chengdu, 31 Oct (XINHUA)—Today, at the second national conference on the Prairie Fire Plan and

comprehensive reform of rural education, He Dongchang, vice minister of the State Education Commission, pointed out that, in light of China's population structure at present, we should make some corresponding readjustments for the development of our educational cause.

He said, at present, in view of the fact that China's population has reached 1.16 billion and in light of the population's educational status, our policy for future educational development must enable education to develop continuously, steadily, and harmoniously. He emphasized that in this development we must have some choices. The scope of higher education cannot be further expanded, and management over higher education should be concentrated. But primary education should be actively popularized, consolidated, and improved. In a few areas where conditions are especially poor, lower primary education should be popularized first and special attention should be paid to prevent the emergence of new illiteracy.

Talking about the target of popularizing primary education, He Dongchang said that, according to our national situation, we must continue to run schools at various levels and offer guidance in light of the different situations in different categories, and must mobilize the initiative of various localities and the masses in running schools. More power should be given to the localities in carrying out primary education. Education should be localized and teaching materials, especially textbooks for primary schools, should be diversified.

The seven-day meeting will end in Guanghan, Sichuan Province on 1 November. During the meeting, He Dongchang and the participating representatives made an inspection in Wenjiang and Guanghan, the two counties for experiments on the prairie fire plan and reform of rural education. They also had a discussion on the "National Program for Guiding the Experiment on the Comprehensive Reform of Rural Education."

First Sexology Institute Established in Harbin

OW0111213990 Beijing XINHUA in English
1523 GMT 1 Nov 90

[Text] Harbin, Nov 1 (XINHUA)—The Heilongjiang Provincial Institute of Sexology, the first of its kind in China, was set up here today.

The State Science and Technology Commission instructed the institute to use current Chinese research methods to engage in the research of sexology and venereal diseases, and to popularize the sexological knowledge, thereby contributing to the construction of socialist culture and ethics.

The research of sexology was forbidden during the long period of country's feudal society.

CENTRAL-SOUTH REGION

Guangdong Official Sentenced for Unexplained Wealth

HK2910085990 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 28 Oct 90

[Text] The Yingde County People's Court recently passed sentence on (Zhou Shiyan), former deputy chief of the Yingde County Public Security Bureau. The sentences have already gone into legal effect. (Zhou's) case is the first of its kind in our province in which someone failed to explain the source of his huge personal wealth.

During his tenure of office as deputy chief of the Yingde County Public Security Bureau, (Zhou Shiyan) accepted a lot of bribes by making use of his position.

After conducting investigations, the court found that (Zhou Shiyan's) personal wealth exceeded 100,000 yuan. After more than 15,000 yuan in bribes taken by him and more than 14,000 yuan of his family's legal income savings were deducted, he still had more than 70,000 yuan in personal wealth, the source of which he failed to explain.

In accordance with the relevant stipulations of the National People's Congress Standing Committee, the Yingde County People's Court sentenced defendant (Zhou Shiyan) to two years' imprisonment on a charge of illegally obtaining profits and confiscated his more than 70,000 yuan in personal wealth, the source of which he had failed to explain. Moreover, the court also sentenced him to six years' imprisonment on a charge of taking bribes.

After the sentences were pronounced at the first trial, (Zhou Shiyan) pleaded guilty and did not lodge an appeal. Now the sentences have gone into legal effect.

NORTH REGION

Peasants, Workers Party Congress Ends in Hohhot

SK0211101690 Hohhot Inner Mongolia Regional Service in Mandarin 1100 GMT 1 Nov 90

[Text] The second congress of the Inner Mongolia Autonomous Regional Committee of the Chinese Peasants and Workers Democratic Party concluded in Hohhot yesterday afternoon after a three-day session. Attending the closing ceremony were Shi Shengrong, Zhang Cangong, Cui Weiyue, Wu Ligeng, Li Shuyuan, Baoyanbatu, Wang Chongren and Yun Shufen, leaders of the autonomous region; and Zhou Junqiu, director of the United Front Work Department of the autonomous regional party committee.

Participants at the congress conscientiously studied the opinions of the CPC Central Committee on persisting in and improving multiparty cooperation under the CPC

leadership, the guidelines of the national united front work conference and the national work conference of the Chinese Peasants and Workers Democratic Party, and the two important speeches given by General Secretary Jiang Zemin at the national united front work conference; heard, discussed and approved the work report given by Lan Qianfu, chairman of the first Inner Mongolia Autonomous Regional Committee of the Chinese Peasants and Workers Democratic Party; and elected in a democratic way the second Inner Mongolia Autonomous Regional Committee of the Chinese Peasants and Workers Democratic Party. Lan Qianfu was elected chairman, and (Zhang Qingdu) and (Tao Zuoyi) were elected vice chairmen of the committee. (Tao Zuoyi) will serve concurrently as secretary general.

The congress urged the organizations at various levels of the Chinese Peasants and Workers Democratic Party and all its members in the Inner Mongolia Autonomous Region to hold high the banners of patriotism and socialism, unite all the forces that can be united, and serve the purposes of consolidating and developing political stability and unity, facilitating socialist modernization, reform and opening up, improving socialist democracy and legal system and promoting the principle of one China, two systems and the peaceful reunification of the motherland.

During the congress, autonomous regional leaders, including Bu He, Hao Xiushan, Yang Enbo and Bai Enpei, attended to extend congratulations, and had group pictures taken with the delegates. Responsible persons of the various democratic parties, mass organizations and pertinent departments of the autonomous region also attended to extend congratulations. Qian Fenyong, deputy secretary of the autonomous regional party committee, read a congratulatory message of the Inner Mongolia Autonomous Regional CPC Committee to the second congress of the Inner Mongolia Autonomous Regional Committee of the Chinese Peasants and Workers Democratic Party. Fang Rongxin, vice chairman of the Central Committee of the Chinese Peasants and Workers Democratic Party, made a special trip from Beijing to attend and give an important speech at the congress.

NORTHWEST REGION

History of Xinjiang Separatism Reviewed

91CM0005A Urumqi XINJIANG SHEHUI KEXUE [SOCIAL SCIENCES IN XINJIANG] in Chinese No 4, 15 Aug 90 pp 11-16

[Article by Xu Haisheng (6079 3189 3932), History Department, Xinjiang University: "Retrospective on Modern Separatism and the Struggle Against Separatism"]

[Text] Xinjiang has been an inseparable part of our great motherland since ancient times, and it is a border area that the fraternal peoples who live north and south of the

Tian Shan have developed for the motherland. The history of Xinjiang's development and construction is a history of the development of relationships among peoples in which various nationalities, including the Han and minority nationalities, have lived together, gradually fused, stood together through thick and thin, and struggled in unison. After 1840, China was already in the final stages of a feudal society in which the Qing dynasty was headed for decline from the great prosperous age of the emperors Qianlong and Jiaqing. The big capitalist powers that were in the ascendancy at that time used their powerful ships and marvelous guns to blast open China's front door, forcing the Qing government to sign a series of unequal treaties that turned China into a colonial and a semicolonial country open to their aggression and plunder. Xinjiang shared the same fate as the motherland, also becoming a place in which imperialism fought over how the melon was to be divided. Faced with the incursions of foreign enemies, people of all nationalities in Xinjiang united with all inland nationalities in the motherland to wage an unyielding and heroic struggle against the outsiders, giving their blood and their lives to defend the territory and sovereignty of the motherland for the writing of a heroic and moving patriotic chapter in history. This was the mainstream of the Xinjiang region's historical development.

Nevertheless, along the mainstream of Xinjiang's historical development, there have also been tributaries and hidden currents, which cannot be overlooked. These have been when foreign enemies tried to infiltrate and subvert Xinjiang, and a small handful of national separatists in Xinjiang have worked with them to fan the flames of disorder. Xinjiang is a region in which numerous nationalities live in compact communities. Because relationships among these nationalities are intricate and complex, a small handful of separatist forces inside and outside Xinjiang have been able to use national and religious banners. In addition, Russian and British imperialism meddled out of ulterior motives and frequent upheavals with one difficulty after another occurred in endless succession in Xinjiang in modern times, resulting in "10 years of minor turmoil and 20 years of major turmoil," as the saying goes. The section that follows employs the principle of "dealing with historical issues, whether right or wrong, by making an analysis and a validation based on the seeking of truth from facts" to make a simple historical retrospective of several fairly large disturbances in the Xinjiang region in modern times.¹

I. A Historical Retrospective

1. The Struggle Against the Separatist Activities of the Descendants of Old and Young Khoja

The word *khoja*, which is also rendered as *hoja* is an Arab word meaning the descendants of Mohammed, the founder of Islam. Old and Young Khoja are respectful terms of address for two Xinjiang Uygur Muslims, namely Boluonidu (also called Burhannidin) and Huojizhan (also called Hojahan), respectively. These two

brothers were sons of a Xinjiang Uygur religious leader named Mahmut, who were born after Mahmut was taken to Ili as a prisoner by the Mongolian Dzungar tribe.

In 1757, the Qing government finally put down the separatist rebellion of the Dzungar tribe nobles, bringing under control the regions north and south of the Tian Shan, and sending Old and Young Khoja back to Xinjiang on amnesty. However, once they got back to Xinjiang, they used race and religion as appeals to incite every city to rise in revolt against the Qing. Young Khoja, Hojahan, killed the Qing government emissary who had been sent to southern Xinjiang to "issue instructions," as well as the deputy military commander Amindao, and more than 100 soldiers. He proclaimed himself "Batur Khan," and hoisted the banner of rebellion against the Qing for independence. He set up a backward Middle Ages-style feudal religious regime over all the nationalities of southern Xinjiang. In 1758 when the Qing government dispatched troops to southern Xinjiang to put down the rebellion, all the nationalities of southern Xinjiang who could not stand "the cruel treatment of the people and the harsh punishment they had to bear"² were filled with joy. They actively supported and worked with the Qing armies. After nearly two years of warfare, the separatist rebellion of Old and Young Khoja in southern Xinjiang was suppressed in 1759. Then, the Qing government completely unified Xinjiang in the consolidation of its rule both north and south of the Tian Shan.

The suppression of the separatist rebellions of [the descendants of] Old and Young Khoja has been a righteous act of the Qing government carried out since the 19th century with the active support of the people of all nationalities in Xinjiang to safeguard the unity of the motherland. The Qing unification of Xinjiang was a continuation and the development of the historical unified relationship between Xinjiang and the motherland. It was objectively consistent with the interests of all nationalities throughout the country, and also consistent with the interests of people of all nationalities in Xinjiang.

Following suppression of the separatist rebellion of Old and Young Khoja, their families fled to the Khokand Khanate, a kingdom neighboring Xinjiang. The Khokand Khanate was a feudal kingdom that had split away from the Bokhara Khanate in the early 18th century. In the early 19th century, the Khokand Khanate began to grow prosperous and powerful. After Alimhan took over the government (1799-1809), the khanate began to expand until it became a large central Asian country during the 19th and 20th centuries that always nurtured aggressive ambitions against Xinjiang. After the descendants of Old and Young Khoja fled to Khokand, they were unwilling to admit defeat and frequently dreamed of returning to Xinjiang to restore and expand the central Asian suzerainty that their ancestors had bequeathed. Thus, they were willing to throw in their lot with foreign aggressors, playing the part of puppets and lackeys of foreign aggressors. From 1820 (the 25th year

of the reign of Jiaqing) until 1828 (the eighth year of the reign of Daoguang), Big Khoja Boluonidu's grandson, Zhangger, either invaded Xinjiang or caused border disturbances five times with the support of the Khokand Khanate. In early 1828, after Zhangger failed for the last time to invade Xinjiang, he fled to the Kertiegai Shan where he was captured by the Qing forces, taken back to Beijing and put to death. The Qing dynasty won a victory in putting down the separatist rebellions of Zhangger, which had raged for many years. At the same time, the Qing government adopted a policy of counterattacking the Khokand khanate aggressors. It issued orders to drive Khokand nationals out of Xinjiang, and it cut off trade with Khokand.

However, the Khokand rulers were by no means willing to give up. During the 30 years following Zhangger's failure to invade Xinjiang, they continued to incite the descendants of Old and Young Khoja to infiltrate, split, and subvert Xinjiang. In August 1830 (the eighth year of the reign of Daoguang), Khokand abetted Zhangger's brother, Yusuf Khoja, in rampaging through Xinjiang where he captured the two cities of Kashgar and Yengisar for a time. In July 1847, Khokand again instigated the descendants of Old and Young Khoja, Mahmet Imin (the son of Zhangger's brother Yusuf) and Walihan (Zhangger Dibabuding's son) to create disorder in Xinjiang. They captured both Kashgar and Yengisar for a time, and they wantonly butchered and violently plundered the land. In 1857, Woli Khan again joined the Khokand aggressors in invading southern Xinjiang to stir up trouble, and once again they captured both Kashgar and Yengisar where they wantonly butchered, molested, and looted. The above invasions of southern Xinjiang by the descendants of Old and Young Khoja, in collusion with the Khokand brigands, lasted for several decades in all and inflicted endless hardships on Xinjiang, particularly on the peoples of southern Xinjiang. When the Qing government sent forces to clear the region south of the Tian Shan of the separatist rebel descendants of the serf lords, Old and Young Khoja, people of all nationalities came forward to provide active support in opposing the separation and to make a contribution to safeguarding the unity of the motherland. The tortuous and complicated history of Xinjiang during this period tells us that Xinjiang, which was termed the western region in ancient times, has a long-standing and well-established link to the inland areas of the motherland. From 60 BC, when the central government of the Western Han dynasty brought this region under administrative control, until the Qing dynasty, when Xinjiang was made a province, the history of more than 2,000 years irrefutably testifies that Xinjiang has been an inseparable part of our great motherland. The Qing government's suppression of the separatist rebellion of the descendants of Old and Young Khoja for the unification of Xinjiang with the motherland was entirely in keeping with the basic interests of peoples of all nationalities throughout the country, including people of all nationalities in Xinjiang. It was also firmly supported by the people of all nationalities in Xinjiang.

2. The Struggle Against the Separatist Activities of the Feudal Lords and Religious Upper Strata During the 1860's

History demonstrates that, in the course of China's very long historical development, unity was always paramount. Even during periods when the motherland was broken up into many parts, relations between the ancient western territory of Xinjiang with inland areas were not broken off, nor did Xinjiang become a country independent of the motherland. Instead, it remained an inseparable part of the motherland.

Following the Opium War in the 1840's, "the conflicts between the imperialists and the Chinese race, and the contradictions between feudalism and the masses of the people"³ became the main conflicts of modern Chinese society. People of all nationalities throughout the country, including people of all nationalities in Xinjiang, raised high the glorious banner of patriotism, rose in unity, and confronted the outsiders as one in the face of aggression by foreign enemies, thereby setting off an upsurge of struggle against imperialism to save the nation from subjugation and ensure its survival. Inside China, the contradictions between peoples of all nationalities and the feudal ruling class also became ever sharper. During the 1860's, both the Taiping Heavenly Kingdom movement and the Muslim Uprising in north-west China against imperialism and feudalism broke out. Influenced by these events, armed uprisings and riots on an unprecedented scale also erupted among all peoples in Xinjiang. However, because of historical and class limitations, these uprisings and rebellions lacked a clear-cut program for struggle, and they lacked unified leadership and close organization. Consequently, without exception, they were used and their leadership authority was usurped by feudal lords and top-echelon religious personages of their own people. The broad masses of peasants hoped that struggle would bring a reduction or remission of exactions for a change in their tragic circumstances. But a small handful of usurpers always took the opportunity to seize control of the domain, set up a separatist regime by force of arms, and become a king or a khan to realize their goal of ruling an "independent" regime. Using race and religion as rallying cries, they produced slogans against the Manchus, against the Han, and against infidels in a resort to demagoguery that aroused the unwitting masses to perpetrate rebellion. An example occurred in June 1864 when an armed rebellion occurred around Kuqa when religious leader Huang Khoja (Rexiding Khoja) seized power, made himself the supreme leader, and occupied the four cities of Aksu, Wushi, Kuqa, and Kelashaer (Yanqi). In July 1864, an armed rebellion occurred around Urumqi when a Hui, namely the Imam Tuoming (Andelin), seized leadership authority, named himself "the true Qing emperor," and then successively attacked Changji, Fukang, Jimsar, Hami, and Manas to become the greatest separatist force at that time. In September 1864, an armed rebellion occurred around Kashgar when Hui feudal lord Jin

Xiangyin and a Kirghiz chieftain, Sideke, seized leadership, styled themselves leaders, and attacked the old city of Kashi (today's Kashi City). At the same time, an armed rebellion centering on Hotan and Yeerqiang broke out in which Mafudi and Habibula seized leadership and made themselves leaders. In November 1864, an armed rebellion broke out in Ili Prefecture in which Aqimubo Kemaimuzi (later known as Abdurusul), who had been relieved from office, usurped leadership and made himself chief. In 1866, he attacked and occupied first Huiyuan City and then Gongchen City. In 1867, he set up the Uyghur feudal lords' so-called "Sudan State" of Ili. At this time, most places north and south of the Tian Shan were occupied by separatist forces who had seized the fruits of victory in rebellion. In vying for a domain, this small handful of usurpers known as kings and khans did not shrink from slaughtering each other, and they ruled the people tyrannically. In order to deflect the goals of peasant armed uprisings, they did not hesitate to fan religious frenzy by raising the slogan of "jihad" (a holy war for Islam) to butcher and pillage infidels. The endless separatist upheavals seriously damaged social stability and the development of production in Xinjiang, plunging the people's livelihood into an abyss of misery.

This tortuous and complex period of Xinjiang history tells us also that during the 1860's foreign enemies were casting greedy eyes on the region. In an international situation in which big powers formed an arc around the region, safeguarding the unity of the motherland and opposing foreign aggression was the unanimous and heartfelt aspiration of people of all nationalities throughout the country. As the dynasty ruling the whole country, the Qing dynasty was a symbol of the unity of the motherland, while a small handful of feudal lord and religious leader usurpers, who occupied territories and styled themselves kings or khans, represented the feudal separatist forces. Setting up regimes by force of arms and separatism is a reactionary tendency that should be thoroughly exposed and criticized.

3. The Struggle Against the Aggressor, Akbar

The insurrections and struggles of all nationalities throughout Xinjiang during the 1860's in which a small handful of feudal lords and religious leaders usurped power changed the character of struggle. At the end of 1864, Jin Xiangyin, the feudal lord of Kashgar, and the Kirghiz chieftain Sidiki, who had long been unsuccessful in bringing about the downfall of Kaqi New City (modern-day Shule County), finally entered into union with the Khokand khanate, which harbored aggressive ambitions against Xinjiang and which sent troops to invade Xinjiang. In early 1865, a military officer of the Khokand khanate, Akbar, seized on the forced exile in Khokand of Busuluke Khoja, Zhangger's son, as a rallying point for leading armed forces in an invasion of southern Xinjiang and the occupation of Kashgar. Later on, Akbar employed various means to attack and occupy all the cities of southern Xinjiang. He installed the puppet Busuluke Khoja there, and he brazenly announced the establishment on Chinese soil of the

so-called "Yedishehar Khanate" (also known as the "Seven Cities" Khanate). By 1871, except for the outlying areas of Ili and Tacheng in eastern Xinjiang, virtually all of the region had fallen into Akbar's hands. In 1873, when the Gansu Muslim Uprising collapsed, Bai Yanhu led the remaining forces into Xinjiang where he linked up with the aggressor Akbar, deploying his forces against the Qing army at Gumudi, and along the area running from Urumqi to Manas.

The regime that Akbar set up was, in terms of both internal and foreign policies, a reactionary regime established directly on the soil of China in which domestic and foreign separatist forces colluded to separate Xinjiang from the rest of the country. Internally, Akbar established a ruthless despotism that extorted, plundered, and wantonly slaughtered the people, causing unprecedented damage to social production. In foreign relations, Akbar became a double lackey of both British and Russian imperialism as "a single servant of two masters." Between 1866 and 1888, czarist Russia sent Keludafu and other military officers to Xinjiang to help Akbar train an army. In 1866, czarist Russia signed an "accord" with Akbar granting Russia the right to enter southern Xinjiang in pursuit of fugitives. In 1871, czarist Russia sent troops to occupy the Ili region and institute colonial rule. In 1872, mindless of China's sovereignty, czarist Russia sent a delegation to southern Xinjiang, which recognized Akbar's puppet government. Akbar, in turn, agreed that czarist Russia could establish a "trade office" in each of the cities south of the Tian Shan and would be free to travel and trade there. Subsequently, czarist Russia sent envoys to Kashgar on several occasions to prop up Akbar. Seeing that czarist Russia was already dabbling in Xinjiang, Great Britain also sent several people on missions to southern Xinjiang, where they intensified efforts to win over Akbar, and did their utmost to support him. About 1868, Great Britain began to pour a steady stream of goods, munitions, and secret agents into Xinjiang from Turkey and India. Ignoring Chinese sovereignty, in 1874 Great Britain recognized Akbar's ruling position in southern Xinjiang, simultaneously sending him a large shipment of rifles and assorted artillery pieces. Great Britain also signed a "trade treaty" with Akbar, and won the special right to maintain an embassy, to trade, and to put consuls in southern Xinjiang. In July 1876, the Qing government commanded its armed forces to enter Xinjiang to hunt down Akbar. Great Britain did all in its power to obstruct the advance of the Qing army. After the Qing army recaptured Urumqi, Changji, Hutubi, and Manas between July and September, the British again dispatched a delegation headed by Fuerte to play the "mediation" game. It threatened the Qing government in an effort to get it to cede Kashgar and permit it to become free. This was an effort to get China to sacrifice its sovereignty in southern Xinjiang in order to protect Akbar's puppet regime. Naturally, this met with the Qing government's categorical refusal. The governor general of Shaanxi and Gansu, Marshal Zuo Zongtang, launched a punishing attack against Akbar's invading forces with

the active support and cooperation of people of all nationalities in Xinjiang. In May 1877, he occupied Turpan, Daban City, and Tuokesun. Akbar fled to Korla where he was attacked and killed by his subordinates. In January 1878, the Qing army recaptured Kashgar to win a complete victory in the annihilation of the invaders. The Akbar puppet regime, which has forcibly occupied Xinjiang for 13 years, was declared destroyed in the smashing of the vicious Russian and British plot to use Akbar to separate Xinjiang from China's domain.

This tortuous and complex period in the history of the Xinjiang region clearly told us once again that, in this battle to safeguard the unity of the motherland and oppose foreign aggression, the people of all nationalities waged a courageous fight against the Akbar aggressors. After the Qing army under command of Zuo Zongtang entered Xinjiang, it was because of the vigorous support and cooperation of the local people of all nationalities that military operations moved along as smoothly as a hot knife through butter. At that time, very many Uygurs and Huis took the initiative in sending grain, fodder, and livestock to express their appreciation to the army, reported information, acted as guides, and even directly took part in combat or went on the counterattack. The broad masses of people in Baicheng and Aksu closed their doors to Akbar and Bai Yanhu, while they opened their cities to welcome the Qing forces, the two situations contrasting clearly with each other. Once again historical facts demonstrated that people of all nationalities supported the unity of the motherland and opposed aggression and separatism.

4. The Battle Against the Hejianiyasi and Other Separatist Rebel Forces in Southern Xinjiang

The Hami peasant uprising, which formed a prelude to the large-scale rebellion that engulfed all of Xinjiang during the 1930's, was also, without exception, a case in which the clan of the prince of Hami and the feudal chieftain and commander of the royal palace, Dr. Yaole, as well as the commander of the palace guard, Hojan-yaz, usurped power, deflecting a righteous armed uprising against feudal oppression and feudal exploitation into a wrong direction. They wantonly instigated an ethnic struggle among the masses, diverting the struggle of the masses toward ethnic vendettas. This small handful of people brought the local Hui warlord from Gansu, Ma Zhongying, into Xinjiang, where his forces caused untold suffering for people of all nationalities.

Early on in the Hami peasant insurrection, Great Britain instigated some of the most reactionary feudal lords and religious leaders in southern Xinjiang to stir up an armed rebellion in a plot to split the unity of our motherland. Sabit Damullam, born in Artush, who was a naturalized British citizen, worked together with pan-Turkish nationalist Mohammed Yimin on a plan to establish an "independent" government aligned with Great Britain in southern Xinjiang. In February 1933, Mohammed Yimin seized by force some munitions that the Jinshuren government had repurchased from India, which

he used to strengthen his "bludgeon rebel" forces for the subjugation of the Moyu County seat. Mohammed Yimin also led an attack against Hotan. When Hotan fell, he proclaimed himself the king of Hotan (king of Amier). He selected Sabit Damullam as religious leader in the establishment of an "Islamic kingdom." Next, he attacked and occupied Pishan, Yecheng, Zepu, Shache, and Yengisar after which he attacked Bachu. When Mohammed Yimin was leading the rebellion in Hotan, four forces merged in the Kashi region to expand their strength. One was led by Timur, who was most powerful, and who called himself a division commander and border region commander in chief. He also commissioned as his administrative head the Turpan Uygur Yunusbek (also known as You Wenbin). Second was Ma Zhancang, who represented Ma Zhongying's forces, and who cooperated with the former chief of administration Ma Shaowu. He had capable and strong combat forces. Third was Osman, who was a native of Kashi who was totally unscrupulous, and who killed Han people at will. Even Uygurs could escape his wrath only with luck. Since Tiemuer had reneged on a promise to give him a position as division commander, he had become more aggrieved against Tiemuer. Fourth was Sabit Damullam, who had some troops at Kashi even though his base was at Hotan, and who plotted in vain to set up an "East Turkistan Islamic Republic" independent of China. Among these factional forces there was both open strife and veiled struggle. Each of them watched for a chance to swallow the other to strengthen himself. In mid-April 1933, Wushi, Bachu, and Jiashi counties came under control of Tiemuer. Mohammed Yimin, in command of more than 4,000 troops, crossed Bachu to enter Aksu where he joined forces with Timur to attack Kashi. In early May, Tiemuer's and Yimin's combined forces conquered Kashi and Huihan cities, Yimin replacing Osman as the force in Kashi. Subsequently, with support from Great Britain, Yimin got Sabit Damullam to organize an "independent" government. On the night of 12 November, with the intelligence chief of the British government in India, Abdullah Ashisihan, acting as a direct go-between, all the pan-Turkish partisans throughout Xinjiang assembled in Kashi where they brazenly announced the establishment of the "East Turkistan Islamic Republic." Sabit Damullam was chosen premier of the bogus country, and Hojan-yaz became the bogus president. This was a coalition regime of religious leaders and landlords based on the Islamic scriptures that was made up of a number of feudal lords, big merchants, reactionary religious leaders, and greater Turkish and pan-Islam partisans. Following the founding of this regime, it publicized internally that it was a nation founded on Islam, and it practiced an extremely narrow kind of nationalism. First, it established religious courts to strengthen its hold over the people. Peasants and city residents were forced to contribute money, grain, and fodder, and to provide labor without compensation. The religious courts used cruel physical torture to maintain their rule. An Uygur woman had her face covered with a cloth and was finally shot to death for failure to respect religious rules.⁴ After the

founding of this regime, it sought military assistance from outside. At the behest of Great Britain, it sent "representatives" to Turkey, India, Afghanistan, Iran, Great Britain, the United States, Japan, Germany, Italy, and the USSR to engage in illegal activities. They called for recognition of their bogus government and support with weapons. Great Britain shipped large quantities of weapons into Xinjiang from India to support this bogus regime.

In February 1934, Ma Zhongying was defeated by Sheng Shicai and fled to Aksu and Bachu in southern Xinjiang. In early summer, Sabit Damullam and Hojaniyaz had a falling out, and Sabit Damullam was taken into custody. Ma Zhongying withdrew from Kashi. Ma Zhongying subordinate forces under Ma Shiming joined with Ma Shaowu's and Mao Zhancang's forces in an attack on the so-called "independent country" at Artush. The "independent country" and Hojaniyaz's forces were unable to withstand the fierce attacks of Ma Zhongying's forces; and Hojaniyaz led the remnants of his forces in an escape into the mountains, allowing Yengisar and Kashi fall into Ma Zhongying's hands. While fleeing to India, Sabit Damullam was seized by the local people. Because of the fierce opposition of peoples of all nationalities in Xinjiang, the two separatist regimes of the "Islamic kingdom," and the Kashi "East Turkistan Islamic Republic" collapsed in less than a year after their founding. In August, Sheng Shicai's troops attacked and occupied Kashi. Ma Zhongying escaped to the USSR, and his subordinates either surrendered to Sheng Shicai or scattered.

II. Historical Insights

The tortuous and complex modern history of Xinjiang can, in brief, provide us with the following several insights:

1. Ever since the 19th century, the separatist turmoil of the Xinjiang region has been intertwined with domestic and international struggles, and this characteristic continues to this day. Xinjiang is a vast region with plentiful resources, and it is an important area that links the Asian and European mainlands and that holds an important strategic position. Imperialist and foreign separatist forces have never ceased their plots to split Xinjiang. They have tried to capitalize on opportunities that turmoil in Xinjiang provided to intensify their instigation of ethnic separatists and local nationalists to call for independence and to engage in separatist activities in a vain effort to split Xinjiang from China, either to make it their colony or to bring it within their sphere of influence. The separatist regimes of the aforementioned descendants of Old and Young Khoja, and of feudal lords, and the separatist regimes in southern Xinjiang, including the "Zhedeshaer Khanate" of the invader Akbar and the regimes of Mohammed Yimin, Sabit Damullam, and Hojaniyaz all show that imperialist and external separationist forces are always colluding with ethnic leader and religious leader reactionaries inside Xinjiang. Therefore, if the overall situation is to be

stabilized in Xinjiang, a fine situation of stability and unity developed, and energies concentrated on the development of Xinjiang and the building of Xinjiang, more work will have to be done to strengthen the unity of nationalities, to support the unity of the motherland, and to firmly oppose the meddling in Xinjiang and the creation of disturbances by a small handful of antagonistic forces and separatists inside and outside the country.

2. One marked feature of separatist disturbances in the Xinjiang region since the 19th century has been that a small handful of national separatist forces inside and outside the country have always hoisted the banners of nationalism and religion, and they have always used these two banners to swindle and numb the broad masses of working people to throw Xinjiang into disorder, call for independence, and practice separation. They loudly shout "kill all the infidels," and "fight a holy war for Islam," and even go so far as to oppose the Han and to discriminate against the Han nationality, and so forth. Actually, they are serving imperialist aggression and the restoration of feudalism. The modern history of the Xinjiang region gives us insight that we can use to realize more clearly that the nationalities issue and the religious issue are important issues for the overall stability of Xinjiang. If close attention is given to the nationalities and religious issues, foreign separatist forces and domestic ethnic separatist elements will find greatly diminished their opportunities for using race and religion to sell treason and to carry out their strategy of infiltration, separation, and "peaceful evolution" in Xinjiang, and it will be possible effectively to cut both inside and outside contacts.

3. Ethnic separatism is Xinjiang's greatest danger. Pan-Turkic and pan-Islamic movements are among the main root causes for the outbreaks of separatist disturbances in Xinjiang. There are multiple historical, ethnic, religious, political, and international reasons for pan-Turkic and pan-Islamic separatist ideology and activities in Xinjiang. The damage this separatist ideology produces is ethnic separation and destruction of the unity of the motherland. Its substance varies at different historical periods, but no matter how it changes, its central themes never change. Thus, this means that separatist activities in Xinjiang cause frequent outbreaks of social disturbances at different times and in different places. Collusion of forces inside and outside the region using religious ideology and racial feelings to instigate the masses to create social disorder and to carry out armed rebellion has been a historical characteristic of separatist activities in Xinjiang. In short, racial separatist activities in Xinjiang are always garbed in ethnic and religious issues, and open and illegal activities are employed as cover for secret and illegal activities. Political infiltration, ideological pollution, and religious instigation are intertwined with separatist activities, thereby making the struggle against separatism in Xinjiang more complex, more serious, long-term, and daunting.

4. The people of all nationalities in Xinjiang are the main force in the struggle against separatism. The modern history of the Xinjiang region tells us that the people of all nationalities in Xinjiang ardently love the motherland, support the unity of the motherland, and support the unity of nationalities. They are a main force in the struggle against separatism. Those who forsake the motherland, split the unity of the motherland, and damage the unity of nationalities are but a small handful of ethnic separatists. History has eloquently demonstrated that a small handful of separatist forces inside and outside the country who are vainly plotting to separate Xinjiang from our great motherland will never be able to succeed. Today, when China stands erect among the world's powers, their vain hopes are absolutely less likely to succeed.

Footnotes

1. *Selected Major References Since the Third Plenary Session*, p. 412.
2. *Shengwu Ji [Holy Weapon]*, Volume 4.
3. *Selected Works of Mao Zedong*, Volume 2, p. 546.
4. Wu Aichen [0702 5676 1368]: *Xinjiang Travel Record*, p. 184.

Nature, Roots of Nationalist Separatism Analyzed
91CM0003A Urumqi XINJIANG SHEHUI KEXUE
[SOCIAL SCIENCES IN XINJIANG] in Chinese No 4,
15 Aug 90 pp 1-4

[Article by Liu Yonglian (0491 3057 6197), Xinjiang Social Sciences Academy; edited by Lin Sheng (2651 5116): "Firmly Establish a Permanent Ideology of Combating Nationalist Separatism"]

[Text] Nationalist separatism and its activities are the main threat to Xinjiang's overall stability today. This conclusion has been proven accurate by the rampant counterrevolutionary activities of a handful of nationalist separatist elements in recent times. The struggle against nationalist separatism is an important manifestation of class struggle in Xinjiang. It will be a long-term struggle; sometimes it will be an intense struggle. Our comrades must have a sober-minded understanding about the situation and firmly establish a permanent ideology of combating nationalist separatism.

To establish a permanent ideology to combat nationalist separatism, we should follow Marxist epistemology and methodology, start out with the reality and history of nationalist separatism and its activities in Xinjiang, and conduct an objective, historical, and comprehensive study of the past and the future of nationalist separatism in Xinjiang in connection with the state and the characteristics of class struggle in the socialist era in China and abroad, as well as their relationship with nationalist separatism, and on that basis we can study and predict its future. Only in this way can we establish a permanent

ideology to combat nationalist separatism and its activities on a practical, realistic, and scientific basis.

From the historical perspective, throughout the course of the formation of this great country and its development into a unified, multinational country, in support of the country's unification and in defense of its sovereignty, the masses of people of all nationalities in Xinjiang have struggled against foreign aggressors who try in vain to annex Xinjiang and against a handful of separatists who try to split Xinjiang from the rest of the country. These struggles come in waves and have become an important manifestation of the historical class struggle in Xinjiang. Since the beginning of this century, the nationalist separatist movement has been even more aggressive. The following are a few major examples:

In 1918, armed rebellion led by nationalist separatist Mahmetilhan broke out in Kuqa. The splittists carried the Islamic platform and incited and coerced the masses who did not know the truth and caused a lot of trouble. In 1933, Sabit Damullam, Hocuniyaz, and their pan-Turkish, pan-Islamic cohorts fomented nationalist splits in Kashi and cooked up a so-called "East Turkistan Islamic Republic," which turned out to be but a flash in the pan. Early this century, the movement led by Meisiwude, Yimin, Aysa, and other Turkish chauvinist elements who whipped up reactionary, nationalist separatist opinions and engaged in splittist sabotage lasted the longest and was the most violent. In 1915, they used the opening of schools in Xinjiang as excuse to propagate reactionary, nationalist separatist ideologies. In 1934, they started several magazines, including TIANSHAN, TUERQISITAN ZHISHENG [TURKISTAN VOICE], TUERQI YU [TURKISH], WULUSI, ALTAY YUEKAN [ALTAY MONTHLY], and ZHANZHENG XIAOXI [WAR NEWS], in cities like Nanjing, Shanghai, Tianjin, and Chongqing to spread reactionary, nationalist separatist views. From May 1947 to January 1949, they controlled the political power in Xinjiang, which gave them more reason to act arrogantly and in contempt. On the one hand, they held regular "Dernek" (gatherings of Turkish chauvinist elements) and, using speeches on nationalities, history, literature, language, and other topics as vehicles, they peddled Turkish chauvinism and propagated nationalist supremacist ideologies. On the other hand, they appointed many nationalist separatists to positions as commissioners, county executives, and school principals and even renamed Xinjiang "Tujue Province." Their separatist conspiracy was brazen. In the early days of the "Three Regions Revolution" which broke out in 1944, under the protective cover of the banner of "revolution," a handful of nationalist separatist elements led by Alihan Tore usurped the power of their office to engage in anti-Han and Han-exclusion activities as they clamored for "independence." They drew severe criticisms from a group of revolutionary leaders led by Ahmetjon, and the separatist plot collapsed.

In the 40 years since the founding of New China, awed by the mighty power of the people's democratic dictatorship and because of the common aspiration and determination of the masses of people of all nationalities in Xinjiang who love the CPC, who support and uphold the socialist system, and who are determined to defend the country's integrity and unity, the handful of nationalist separatist elements have been more restrained, but they have not been eliminated, nor have they disappeared. They have been lying low, waiting for a chance to resurface. In recent years, because this country has been inundated by bourgeois liberalization ideologies; because foreign enemy forces are taking advantage of our reform and opening up to step up their infiltration, acts of subversion, and talk of peaceful evolution; and because of the dramatic changes in the international arena, the handful of separatist elements in Xinjiang have mistakenly thought that their time has come. They have incited a series of riots, disturbances, and even armed rebellions, once again raising the torn banner of the "East Turkistan Republic," and they have openly carried out monstrous acts of fomenting splits. They have again gone down in defeat.

From the above review and analysis of the past and the present, it is clear that nationalist separatism and its activities are stubborn and inveterate. Even under socialist conditions, the struggle between separatism and anti-separatism will persist. Thus, it is very important that we establish a long-term ideology to combat nationalist separatism.

It is understandable that nationalist separatism and its activities will be inveterate in a class-antagonistic society, but why have they persisted and continued to do evil under socialist conditions? It is generally agreed that there are two reasons: 1) It is a unique form of class struggle in China as reflected in nationalities issues. In the socialist era, class struggle of limited scope will persist in this country for some time to come. It can even intensify under certain conditions. This kind of class struggle will manifest itself as nationalist separatism and separatist activities when reflecting nationalities issues in the socialist era. In other words, nationalist separatism and its activities are the manifestations in a unique form in the minority nationalities regions of the class struggle that exists in limited scope in China. 2) It is the result of international class struggle, especially the influence of the anticommunist, anti-Chinese, and anti-socialist activities of the enemy forces that are hostile to socialist China. The foreign enemy forces' infiltration and subversive activities and peaceful evolution require the help of insiders. The nationalist separatist elements are that contingent of insiders. The latter's activities to split the country need outside help. Foreign enemy forces hostile to socialist China become their natural backers. Such collaboration from within with forces from without is the international factor that sustains the vestiges of the nationalist separatist elements and their activities. The class struggle that exists in limited scope in this country and the international forces hostile to socialist China are

ingrained, and therefore nationalist separatism and its activities which are influenced by these two factors will be long-termed. These analyses and discussions no doubt are correct, and I will not discuss them further. Instead, I would like to express my own views on the following two issues:

First, we must try to understand the permanent nature of nationalist separatism and its activities from the high plane of the struggle between socialism and capitalism in order to firmly establish a long-term ideology to combat separatism.

In an important speech delivered before cadres at the army level and above who were responsible for enforcing the martial law on 9 June last year, after Beijing seized decisive victory in quelling the rebellion, Comrade Deng Xiaoping not only pointed out correctly and in a timely fashion that the nature and the root cause of the political disturbance reaffirmed the correctness of the measures taken to quell the rebellion, but also proposed some scientific methods for viewing and analyzing the disturbance. He pointed out that we must look at that round of political disturbance from the perspectives of the international macroclimate and the domestic microclimate. When we try to understand the presence and the permanent nature of nationalist separatism and its activities, we should also insist on these perspectives and methods.

In essence, in the socialist era, whether we are talking about the class struggle that will always exist in limited scope in China and that takes the unique form of nationalist separatism and its activities when dealing with nationalities issues, or whether we are talking about the foreign enemy forces' strategy of promoting peaceful changes in China and their conspiracy with the nationalist separatist elements, both are reflections of different aspects of the struggle to death between socialism and capitalism. Thus, only by putting the issue of nationalist separatism and its activities in the context of the international "macroclimate" can we understand the root cause of their inveteracy.

Socialism and capitalism are two fundamentally opposite social systems. From the standpoint of the objective laws of creation and development of various social ideologies in the history of human societies, two different social systems may coexist at any point in time, but ultimately they cannot coexist forever. In the end, one system must defeat the other. It is our firm belief that, in the struggle between socialism and capitalism, socialism and communism will win and capitalism will be eliminated; capitalism will be replaced by socialism and communism. Just as feudalism defeated and replaced slavishness, and capitalism defeated and replaced feudalism, this is a natural course of the history of development of human societies and is independent of man's will. The final victory will emerge only after a long process. It is a historical mission that cannot be accomplished in one, two, or even several generations' time.

In order to understand correctly why the defeat of capitalism by socialism is such a long process and thus understand correctly the permanent nature of nationalist separatism and its activities, it will be very helpful to review the struggle between capitalism and feudalism. If we begin at the time capitalism was born in the coastal Mediterranean cities in the 14th or 15th century, capitalism already has 700 or perhaps 600 years of history. Even if we count from the time capitalism was introduced to Western Europe in the 16th century, it has had about 500 years to develop. During this long period, although capitalism has won many victories worldwide, it has failed to defeat feudalism. For example, some countries still retain the feudal system, and we now have something that is a compromise between capitalism and feudalism—constitutional monarchy. These are proofs that capitalism has not entirely defeated feudalism. Both capitalism and feudalism practice a social system of dictatorship by the exploiting class. The only difference is that the bourgeoisie has replaced the landlord class. Even this kind of replacement is not complete after 500 years, or even 700 years. Thus, although it is inevitable that socialism, which aims to eliminate the exploiting class and abolish the system of exploitation, will eventually defeat and replace capitalism, it should be no surprise that it will take time.

The struggle between capitalism and socialism today is primarily a struggle between those who want and those who do not want peaceful evolution. So long as socialism has not defeated and replaced capitalism in the global context, the struggle between those for and those against peaceful evolution will continue. In order for international capitalism to achieve peaceful evolution in the socialist countries, it must muster international forces and forces within socialist countries that are hostile to socialism and combine these forces from within and without in a long-term strategy. In a multinational socialist country like China, nationalist separatist elements are the inside force needed by the foreign enemy forces bent on achieving peaceful evolution. Thus, international capitalism will always make inciting, funding, buying, and harboring nationalist separatist elements living in socialist countries or in exile and who engage in splittist activities a major part of its peaceful evolution scheme. When the nationalist separatist elements plot to divide the country and ruin its unity, they need outside help. They often look to and sell themselves to foreign enemy forces and offer their services to international capitalism to bring peaceful evolution to the socialist countries and make those activities a major part of their own separatist movement. The enemy forces' peaceful evolution and the nationalist separatist activities in China today fully demonstrate this point. Thus, it is our opinion that, so long as the struggle between those for and those against peaceful evolution, a struggle derived from the struggle between capitalism and socialism, persists, nationalist separatism and its activities will continue. The struggle between those for and against peaceful evolution will continue throughout this historical era until socialism finally defeats and

replaces capitalism, and therefore the struggle between separatism and anti-separatism will permeate this entire socialist era, which mandates that we establish a long-term ideology to combat nationalist separatism.

Second, we must try to understand the permanent nature of nationalist separatism and its activities from the point of their ideological roots in order to firmly establish a long-term ideology to combat them.

In a speech delivered at the Qingdao Nationalities Work Conference in August 1957, Comrade Zhou Enlai discussed the unhealthy tendencies of local nationalism (also called narrow nationalism). He pointed out that, "if a nationality takes the erroneous attitude of local nationalism against its fraternal nationalities, and if that attitude prevails, it will lead to nationalist separatism." This tells us very clearly that the nationalism of the landlord class and the bourgeoisie is the ideological root of nationalist separatism and its activities.

The nationalism of the landlord class and the bourgeoisie is the reflection of the exploiting class's attitude toward nationalities relations in a multinational country. In the era of bourgeois-democratic revolution, it expressed itself as the refusal to join the proletariats of other nationalities and other working people in their revolutionary struggle. In the socialist era, it often manifests itself as an ideology that ignores national unity in order to protect what is backward and negative in one's own nationality and puts the interests of one's own nation before the interests of the whole country and the whole Chinese nation. In the country as a whole and in Xinjiang, situation, several decades of education and leadership by the CPC have made attaching importance to and enhancing national unity, protecting the nation's integrity, and upholding socialism and the policy of reform and opening up the most important goals among the people of minority nationalities. But we must also admit that the influence of bourgeois nationalism remains, prominently so at times, and this has provided the fertile ideological breeding ground for nationalist separatism to grow.

Of course, bourgeois nationalism is not the same as nationalist separatism. Those who harbor nationalist ideas are not nationalist separatists. These concepts must be clarified, and a clear line must be drawn between the two. In his essay, "Questions Pertaining to China's Policy Toward Nationalities," Comrade Zhou Enlai pointed out that it "is an issue of internal conflict and should be resolved by the principles used to resolve other internal conflicts; that is, we should apply the formula proposed by Chairman Mao, start out with the desire to unite the nationalities, and through criticism and struggle we will have a new basis to foster greater unity among the nationalities." Nationalist separatism characteristically tries to ruin national unity and split the country. Under socialist conditions, it is also characterized by its opposition to the communist leadership and the socialist system. It is very clear that this is a

contradiction between the enemies and us and can be resolved only by dictatorial means.

Nationalism is formed little by little over a period of thousands of years in a class society. Under socialist conditions, as Comrade Zhou Enlai pointed out in the aforementioned essay, it will "gradually diminish" and will eventually disappear. But its disappearance, like its formation, will take time, and in the process, it will be influenced by the class struggle at home and abroad. Thus, in the socialist era, nationalism may be the vestige of a waning ideology, but its presence will continue to be felt; it will not disappear any time soon. Thus, only if we work hard to study Marxist nationalist theories and the party's policy toward nationalities and religion, immerse ourselves in practical work to realistically solve the nationalities problems in the socialist era, draw lessons from past experiences, and conduct serious criticisms and self-criticisms can we resist or gradually stem the influence of nationalism, establish a Marxist nationalist outlook, and become revolutionaries who uphold the Marxist stand, viewpoint, and methods on nationalities issues.

But if we are not vigilant about the vestiges of nationalist ideology in our own minds and let them grow and their malignancy spread, they will eventually turn into nationalist separatism. Although nationalism is not nationalist separatism, it is the breeding ground for nationalist separatism; its malignant growth will turn into nationalist separatism. Since the vestiges of nationalist ideology are inveterate, the ideological roots of nationalist separatism are ingrained, and the ideological breeding ground for the nationalist separatist movement can never be completely eradicated.

To sum up, we have analyzed and discussed the permanent nature of the struggle between nationalist separatism and anti-separatism from the perspectives of the permanent nature of class struggle at home and abroad, especially the permanent nature of the struggle between socialism and capitalism, and the permanent nature of the vestiges of nationalism which are the ideological roots of nationalist separatism, and on that basis, we have brought up the issue of firmly establishing a long-term ideology to combat nationalist separatism. We feel that this approach to the issue of nationalist separatism is consistent with Marxist epistemology and methodology.

Fuyun County Villages Build Party Schools

91P30022A Urumqi XINJIANG RIBAO in Chinese
3 Sep 90 p 1

[Unattributed article: "Fuyun County Actively Building Party Schools"]

[Text] During the golden fall season, it was officially announced that the Temek village party school of Fuyun County, situated in the depth of the Altai Mountains, was founded. The party school is located in a renovated old factory building with simple but bright and clean

classrooms that were furnished with complete sets of desks and chalkboards. The opening of the party school is an important measure taken by the CPC Committee of Fuyun County to implement the spirit of the Sixth Plenary Session of the 13th CPC Central Committee and of the 15th (expanded) Plenary Session of the Third Xinjiang Autonomous Regional CPC Central Committee. It is a measure taken to strengthen political ideological work and the work of basic-level party organization building in the villages and pastoral areas.

The Fuyun County CPC Committee pays a great deal of attention to building party ideology, and to the training of grassroots-level party cadres. Since 1986, the county party school has conducted training classes every year: two sessions for agricultural areas, two sessions for pastoral areas, with each session lasting 15 days. This has played a positive role in enhancing the grassroots-level party member cadres' political, cultural and vocational qualities. The aim of the county party school, however, is to train mainly party members and cadres above [as published] the levels of party committee secretary and village committee director. Thus, the majority of the average party members and the average cadres don't have the opportunity to study in the county party school. Due to separate living arrangements of agricultural and pastoral people, routine political and ideological study sessions are difficult to conduct. These areas became weak links in the process of building party ideology in the county. It is because of this that the county CPC Committee decided to build village party schools.

The county party committee is requiring that every village open a party school within the year, and that the village party school administrative committee and the teaching staff members be members of party committee secretariat. For the village party school training sessions, the county party school will send lecturers to help with instruction. Village party schools aim to train party members and average cadres whose positions are below [as published] the level of party committee secretary and village committee director. The training sessions for these people will be half a month each year. According to the unique production features of agricultural and pastoral areas, party members of agricultural areas will be trained all together for a week each during the winter and summer agricultural slack season, and party members of pastoral areas will be trained for a week each just before the winter and summer grazing season. In all aspects the village party schools are to be used according principles of simplicity, self-reliance and regeneration, and multiple use of school grounds. Under these principles, village party schools will integrate agricultural and pastoral technology training into their curriculum, for which they will receive appropriate compensation from the county. The county party committee states that, for this winter and next spring, priority lessons will be on the spirit of the 15th (expanded) Plenary Session of the Third Autonomous Regional CPC Central Committee, on Marxist nationalities theory, on nationalities policy of the CPC, and on basic knowledge of the CPC.

Right now, of the county's six villages, Temek, Kurtu, and Turhun have opened party schools. The other three villages are actively making preparations for the building of their party schools.

XINJIANG RIBAO Commentator on Party Schools

91P30021A Urumqi XINJIANG RIBAO in Chinese
4 Sep 90 p 1

[Commentator's article: "Work Diligently To Operate Party Schools Well"]

[Text] In the golden days of autumn, scenes of harvest are everywhere. The autonomous regional party school welcomed its 40th anniversary commemoration date. During these 40 years, the autonomous regional party school nurtured a vast number of superior nationalities cadres, and made positive contributions to the implementation of party line and policies, to the development of Xinjiang, and to the construction of socialist modernization. We sincerely extend our warm congratulations to the autonomous regional party school teachers and staff, and to those in the past who made contributions to party school educational undertakings.

At present, the tasks that our party faces are unusually complicated and arduous. The internal and international developments, the lessons of international communism, and the conditions of our party urgently demand that we strengthen the training of our young and middle aged cadres, vigorously raise the quality of our vast number of cadres, and, most of all, first raise the standard of Marxist theory among leading cadres. Right now, in our region, there are more than 14,000 party and state leading cadres above the county level. A lack of systematic Marxist indoctrination remains a glaring problem. First, many do not understand and are not familiar with the basic principles of Marxism. Second, although many of them have read books on Marxism, they are not adept at practicing what they have read, especially not in using what they have read to solve the new problems that have cropped up. Third, a very small number of people still have wrong stands, still harbor non-Marxist concepts and have muddled thoughts. Young and middle-aged cadres will cross the century and carry forward the revolutionary cause pioneered by our predecessors and forge ahead into the future. They must have a solid Marxist theoretical basis, staunch faith in communism, and possess firm proletarian party character; only then will they be able to withstand severe tests of being in power, of reform and opening up to the outside world, and countering "peaceful evolution." Furthermore, only then will they be able to guarantee that the leadership of the party is firmly controlled by real Marxist-Leninists, to persist in the socialist path, and to push forward the undertakings of building socialism with Chinese characteristics.

The party school is a school to nurture cadres. Raising cadres' theoretical quality affects the prosperity or decline of our party and the socialist undertaking. Comrades Mao Zedong and Deng Xiaoping have always cared very much about the work of party schools. The new party center with

Jiang Zeming as its core has issued many directives concerning cadre education and party school work. Jiang Zeming, in June of this year, during the National Party School President's Conference, made some important speeches. He further clarified the nature, tasks, and educational goals of party schools, and put forward some concrete demands on all party committees about how to strengthen party school work. In August, during Comrade Jiang Zeming's inspection tour of Xinjiang, he gave further important instructions concerning cadre education. He pointed out the following: Cadre education consists mainly of political and vocational studies, and these two must be integrated; one should not be emphasized at the expense of the other. The core of political study is the study of the basic theories of Marxism, and this requires one to start the study with the works of Comrade Mao Zedong and Comrade Deng Xiaoping, and the studying must be done often. Their works are sinified Marxism. We must seriously learn to grasp the spirit of instructions of the party Central Committee and of leading comrades of the central authorities, to further strengthen the building of the party's ideology theory. We must maintain the party's superior working-class pioneering character. From the points of view of upholding and strengthening party's leadership in the building of socialist modernization, of countering "peaceful evolution," of safeguarding the unity of the motherland, and of antinational separatism, we must understand fully the importance of cadre education and the importance of mastering Marxist theories, understand fully the importance of persistence in and the development of Marxism, and understand fully the position and the role of party schools.

Looking into the future, our regional party school is at a new developmental stage, bearing important responsibilities and arduous tasks. Party schools, in order to fulfill the tasks bestowed upon them by the CPC, must earnestly strengthen the party's leadership over all party schools, greatly emphasize the research, propagation, and study of Marxist party-building theories. The party school is a school where the party educates its cadres; it is also an important department of party committees and, therefore, party committees at all levels must place party schools under their own direct leadership, set strict demands, direct the school's orientation, coordinate classes, replenish the contingent, and in various other ways strive to guarantee conditions for building party schools. Government offices and concerned departments should also greatly support the work of party schools.

Party schools at all levels must, according to the principle of uniting theory with practice, earnestly conduct theoretical deliberations concerning issues that are intimately related to new situations and new problems confronted in party building. They should then, with perfect assurance, persist in the correct viewpoints, refute wrong viewpoints, clear up muddy viewpoints, and educate and arm party school students with Marxism. They must strive to foster a Marxist contingent of cadres who are capable of uniting theory with practice.

Analysis of Speculation on Currency Devaluation

90CE0351A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 26, 2 Jul 90
p 29

[Article by Zhang Yi (4545 1837): "Taiwan Is Shrouded in the Haze of New Taiwan Dollar's Devaluation"]

[Text] In the past two weeks, expecting the devaluation of the New Taiwan dollar, people in Taiwan rushed to buy foreign currency. In spite of the vigorous intervention by the central bank, which has slightly stabilized the situation, fears for the devaluation of the New Taiwan dollar have not subdued.

Foreign Exchange Market Is Bubbling

For several days, Taiwan's foreign exchange market has been very busy. In addition to manufacturers, ordinary citizens have also squeezed themselves into the lines waiting to purchase foreign currency. Many investors have switched funds to foreign exchange deposits. Due to the obvious transfer of funds, transactions of Taiwan's stock market and foreign exchange market have become polarized. The value of stock market transactions has declined while that of foreign exchange transactions continued to set new records. During the four-day period between 18 and 21 June, the volume of transactions exceeded \$2 billion. On the day of 21 June, it set a new record of \$748.5 million.

The excitement on Taiwan's foreign exchange market is caused mainly by the psychological factor of anticipation for the devaluation of the New Taiwan dollar. However different reasons contributed to such mentality. First of all, because Taiwan's economic structure is at a changing stage plus the fact that Taiwan's investment climate has deteriorated recently, many investors have transferred enterprises abroad, causing the unfavorable balance of dollar exchange to increase continuously. According to a recent report of Taiwan Central Bank on the balance of international payments of Taiwan for the first quarter of 1990, Taiwan had an unfavorable balance of international payments of nearly \$1.9 billion in the first quarter of 1990 due to the rapid outflow of civilian capital and because the increase rate of imports was much higher than that of exports. Since the outflow of capital continues to grow, the unfavorable balance is estimated to exceed \$2 billion in the second quarter and to reach as high as \$5 billion at the end of the year. Second, the falling exchange rate of the New Taiwan dollar has fed to the public's panic. In March 1989, one dollar could be exchanged for 25.5 yuan of the New Taiwan dollar. In 1990, one dollar could be exchanged for 26.2 yuan. By May 1990, the exchange value of the New Taiwan dollar dropped to 27.5 yuan. The trend of continuous devaluation is very obvious, causing the public to rush headlong into buying foreign currency.

A Strong "Smell of Arbitrage"

The recent unusual performance of Taiwan's foreign exchange market is related to the factor of speculation.

Some time ago, a large amount of idle funds flowed to real estate and stock markets and the wind of speculation swept through the entire Taiwan island. Recently real estate market slowed down and stock market fell several times, forcing speculative funds to find other channels. So on the one hand, some foreign exchange speculators began to spread through various channels the rumor that the New Taiwan dollar will depreciate to intensify the psychological anticipation of society for the devaluation of the New Taiwan dollar. On the other hand, some foreign exchange banks began to expand their foreign exchange departments or persuade their clients to adopt countermeasures against the devaluation of the New Taiwan dollar such as postponing the sales of foreign exchange or moving up the purchase of foreign exchange, etc. Of course, it is normal for general manufacturers to buy foreign exchange to avoid risks caused by changes in exchange rates or to readjust their property structures and increase foreign exchange deposits to increase the efficiency of capital use. But currently in addition to manufacturers and businessmen, a large number of "scattered" small-scale speculators have also joined the rank. Moreover, "major units" including state-owned industries and large-scale financial groups have entered the market and are waiting for the foreign exchange rate to "crash to the bottom." Obviously, the people vied with one another to transfer deposits and purchase foreign exchange purely because of the price differences between exchange rates. This is undoubtedly an expression of speculation.

Such panic buying reeks of arbitrage. It makes the market fluctuate and unstable. If it is allowed to spread unchecked, it will have a very unfavorable influence on Taiwan's economy, finance, and trade as a whole.

Triggered by Ignorant Media

With regard to this foreign exchange disturbance, the "Economic Construction Commission of the Executive Yuan" stated: The unfavorable balance of the New Taiwan dollar has always been the highest during the month of June because June is the account settling month of a fiscal year. In order to implement their budgets and pay for the goods they bought from foreign countries, Taiwan's public industries must settle foreign exchange accounts to make foreign currency payments in June. This phenomenon was mistaken by ignorant media for the recurrence of fever of civilian arbitrage, thus leading to the widespread activities of arbitrage and causing the unanimous anticipation for the devaluation of the New Taiwan dollar. The Economic Construction Commission emphasized: According to the commission's projection, the effective foreign exchange index of all currencies currently stands at 96.3, so the New Taiwan dollar is still under the pressure to appreciate.

Hsieh Senchung [6200 2773 0022], president of Taiwan's Central Bank, also said: Judged by the fact that Taiwan's economy has not made a complete turn for the worse, it is not necessary to further lower the exchange rate of the New Taiwan dollar at the present stage. He

also pointed out: Latest statistics show that the central bank still has more than \$67 billion in foreign exchange reserve. Plus the infusion of over \$3.4 billion in the foreign currency lending market and about \$5.5 billion in gold reserves, the central bank now owns about \$76 billion in foreign currencies.

Intervention and Opposition to Intervention

In order to resolve the current situation where limited investment channels force idle funds to different directions and to switch to foreign exchange market for the purpose of arbitrage, the central bank has gone all out to attack speculation and arbitrage. It has also reached a tacit agreement with the "Ministry of Finance" to develop new financial commodities to promote the lively development of Taiwan's bond and real estate markets so as to alleviate the pressure of excessive idle funds on Taiwan island. Considering Taiwan's economic development, the central bank will still give appropriate support to the capital needs of normal enterprise operations. The banking system will keep their interest rates at the current level for the time being and try to stabilize the exchange rate of the New Taiwan dollar at 27.5 yuan for 1 US dollar. Some people even suggest that Taiwan adopts the Hong Kong model and announces long-term fixed exchange rates.

It is reported that the intervention measures adopted by the central bank have proved to be effective and that the panic buying of foreign exchange can no longer be seen on the market.

However, the intervention of the foreign exchange market by the central bank has been attacked by a number of legislators and industrialists and businessmen.

Four legislators including Liu Hsingshan [0491 5281 0810] criticized: In order to prevent the devaluation of the New Taiwan dollar, the central bank recently sold as much as \$450 million of the US dollar on the exchange market every day. This price protection move not only cannot encourage the sales of the US dollar but has increased the anticipation of society for the devaluation of the New Taiwan dollar, leading to one wave of panic buying of foreign currencies after another. They think that the central bank's intervention is not a very smart move because Taiwan's financial and economic movements are under the deep influence of Japan. This situation made Taiwan's public see that the exchange rate of Japanese yen against the US dollar dropped as much as 17 percent in 6 months. Therefore, they are even more convinced that the New Taiwan dollar will devalue. Of course, the central bank cannot compare with the ability of the market to purchase foreign exchange. At the same time, the central bank on the one hand advocates the liberalization of the foreign exchange market and on the other hand vigorously intervenes in the foreign exchange market. This contradicting practice not only does not help the stability of the foreign

exchange rate but also feeds to the fever of buying and selling of the foreign exchange market.

Some industrialists and businessmen think that the exchange rate of the New Taiwan dollar against the US dollar should drop at least to the level of 30:1. But the central bank tries to maintain the level of 27.5:1. As far as the strong demand for the US dollar is concerned, such a large profit margin has made speculators go after the exchange market like a flock of ducks, creating the spectacle of "everybody is happy on the exchange market."

Large trading companies think that the devaluation of the New Taiwan dollar has become the unanimous view of business circles. The reverse operation of the central bank may accelerate the trend of devaluation of the New Taiwan dollar.

Dangers Seen in KMT Quest for Sovereignty

91P30020A Taipei TZULI WANPAO in Chinese
9 Oct 90 p 5

[Article by Chen Song-shan (7115 3247 1472), graduate student in the Jurisprudence Institute at National Chung Hsing University: "Another Version of Taiwan Sovereignty—the Doctrine of De Facto Sovereignty"]

[Text] On 7 October 1990, the second plenary session of the fourth DPP [Democratic Progressive Party] Congress formally adopted a resolution proclaiming that "our national de facto sovereignty does not cover mainland China and Outer Mongolia." At the same time, the first meeting of the National Unification Council was in session. However, judicial and procuratorial organs treat the "doctrine of Taiwan sovereignty" and the "doctrine of national unification," advocated by the two major parties, in a quite different fashion. It is hard to predict the future development of this incident. Nonetheless, in the process of party operations, the ruling party has frequently wielded the outdated "Penal Code on Rebellion" to threaten the DPP, and has utilized the "Civilian Group Organization Law" to suppress the stands taken by other parties. This has, in fact, seriously violated, on the one hand, the spirit of "people's sovereignty" and "equality among parties" stipulated in the Constitution, and has invaded "freedom of speech" guaranteed by the Constitution on the other. Consequently, under the situation of the judiciary serving as a political tool, people's rights and interests have been gravely encroached upon.

"Sovereignty is a concept relating to struggle. Initially, it is defensive; then it becomes offensive in nature." If a claim of sovereignty is based on nihilist fantasy, it is tantamount to a kind of self-satisfaction. This does not serve any function in practice. On the other hand, it can shake up the existing sovereignty to its very foundations, because, by merely obtaining the consent of the international community, it is rather easy for the other side to legitimately "take over" the sovereignty not belonging to them originally. For instance, Taiwan has repeatedly

affirmed its claim of sovereignty over Mainland China and Outer Mongolia in international relations. Yet, China's sovereignty over Taiwan would automatically become a reality only if China internationally and diplomatically made it practically impossible for Taiwan to survive. Then, Taiwan would be bound to "be unified." Therefore, it is highly possible that the upholding of the "doctrine of national unification" by the ruling KMT [Kuomintang] will bring about the aforementioned result. After all, "unification of China under the three principles of the people" is merely a slogan that is unable to resist the CPC's power in the world community. Thus, in international struggle for power, a sovereign nation that cannot exercise power within its jurisdiction will inevitably be deprived of its power by other sovereign nations. Seeking their own political survival and taking actual circumstances into account, the affirmation by the people on Taiwan that their de facto national sovereignty does not cover Mainland China reflects the doctrine of people's sovereignty. How could we regard as a rebellion the "right to self-determination" when it is in keeping with political reality?

Equality among parties means all parties enjoy equal protection of the law, they enjoy equal opportunity to enter into an election contest, and they are equally free to engage in disseminating any doctrine of their choice. That is to say, no party is entitled to any preferential treatment or privilege. Neither is it subjected to any form of discrimination or oppression. The DPP's "doctrine of Taiwan sovereignty" has time and again been subjected to intimidation by the ruling party. The KMT has even forced the opposition to give in by threatening to "disband the party." This actually violates the principle that parties are not subjected to discrimination or oppression in light of the basic spirit of "equality among parties." The judiciary branch or the Ministry of the Interior should not penalize the DPP for the offense of rising in rebellion. In fact, the concerned department should actively collect and examine evidence related to suppression of the DPP by the KMT, and deal with it by due process. This, then, will conform to the "equality among parties" protected by Article 7 of the Constitution.

The "doctrine of Taiwan sovereignty" is not only an ideological problem, but also within the limits of freedom of speech permitted by law. On no account does the DPP's advocacy constitute an offense of rising in rebellion, defined as "intent to destroy the state system, usurp national territory, or alter the Constitution of the state and overturn the government by illegal means." If a "factual statement" can bring about a rebellion which, in turn, will shake up the foundation of the state, this is a bit too absurd. Since the DPP puts forward the political "doctrine of Taiwan sovereignty" for national construction and the means employed—using words instead of resorting to insurrection or force—as well as the goal itself, conform to appropriateness recognized by society and are secure against disrupting public order, how could this be considered to constitute a crime of rising in

rebellion? In order to maintain their political interests under "one-party monopoly of power," the authorities in power do not hesitate to distort the meaning and spirit of legal provisions and seize the opportunity to crack down on and vilify the DPP. The ruling party attempts to deepen the populace's misunderstanding of the DPP. This is indeed disgusting. To avoid repeated occurrence of similar incidents, a fundamental solution is to delete Article 7 of the criminal law penalizing the general crime of insurrection.

Actually, the DPP's current affirmation expressed in the resolution should never have caused strained, antagonistic relations between the two parties in the first place. But how could the ruling KMT condone the existence of such a conflicting affirmation of "quasi-independence" while making preparations for the setting up of the National Unification Council in pursuit of a magnificent plan of future unification? Isn't it slapping the KMT's own face as well as self-contradictory, if they are allowed to exist side by side? Therefore, the KMT was forced to exert its utmost effort to hold back the resolution. It was beyond the ruling party's expectation that the proposal, originally designed to isolate the New Tide faction by drawing in the Formosa faction, brought about the happy reunion of the two major factions within the DPP to deal with the KMT's policy of mollification along with high-handedness.

General Chiang Wei-kuo Views Bicoastal Relations

91CM0008A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 224, 16 Sep 90 pp 34-35

["Text" of speech by Chiang Wei-kuo (5592 4885 0948) at a "Seminar on the China Problem" on 19 August 1990 in Canada: "China's Future on Both Sides of the Strait—Taiwan's Role in the Interactive Relationship"]

[Text] The Greatest Challenge Facing the Pursuit of Democracy

In recent years a great wave of reform has been sweeping the Soviet Union and the communist countries of Western Europe. These movements are characterized not only by a pursuit of democracy, improvement of the people's living conditions, and the abandonment of communism, they have also made it possible for divided nations to become unified again, the best example being the unification of East and West Germany. This structural change within the communist world, particularly destruction of the Ceausescu power structure in Romania, no doubt has dealt the Chinese Communist power structure a pretty strong blow, proof that totalitarian dictatorship and tyranny have been unable to stem this tide for reform and change.

In an environment where "the times are changing, society is changing, and trends are changing," and Taiwan's society is becoming even more open, its economy even more thriving, and its politics even more democratic, we must be on the alert. Elements of divisiveness

in Taiwan, while taking advantage of this period of democratic transformation, have been collaborating with certain elements abroad to continuously tear the nation apart with turmoil and social unrest, thus pushing Taiwan even closer to the edge of a dangerous precipice. This is by far the greatest challenge facing Taiwan as it moves toward democratization. It is obvious to those in Taiwan who are aware of the common crisis that the situation is becoming more critical by the day.

In his book *The Spirit of Chinese Politics*, the American political scientist Lucian P. Pye said, "...The chief difference between China and most other developing countries is the fact that China has not experienced the common crisis that most countries face during the transformation phase." Moreover, Pye also pointed out a comparatively important point, which is "...we only need to note that in the recent historical period, the Chinese never questioned whether or not they were Chinese..." But how heartbreaking it is that some people in Taiwan now are beginning to deny on their own that they are Chinese. Historically, this is a precedent and a counterdeclaration that most Chinese cannot accept.

Considering China's historical experience and culture, what kind of democratic and political structure do we need? Personally, I think it should have a "tolerant heart" that will allow social dissatisfaction to move toward harmony; a "heart of equality" that will distribute riches in a more even-handed manner; and a "modern heart" that will allow more products of creativity to be added to our cultural traditions. On the basis of these three kinds of heart, I must state in all seriousness, that the democratic constitutional government of the Republic of China (ROC) would never be thrown into the polarized conflict between unification and independence. While we cannot pursue a "romantic" unconditional kind of unification, neither can we expect a "totally agreeable" kind of independence. Take Taiwan's present situation, for example. Here a "revolution" obviously cannot coincide with the interests of 20 million fellow countrymen living in the base for [China's] restoration. Therefore, how to eliminate the social conflicts brought on by this common crisis, to again restore to wholeness a Taiwan society that is becoming increasingly fragmented, is the urgent task calling for immediate solution by the government.

A Tentative Mainland Policy To Promote Unification

Even as the Third World develops politically in the pursuit of democracy, the experience of countries in the Third World shows the course to be highly hazardous and uncertain. With the danger of reversing course always a possibility. When I dwell on such problems, I always believe that democracy can become alive only in a political space that is freer and more open. In other words, only by cultivating a healthy and democratic character will it be possible to elevate the democratic attainment of all the people, and, on the base of an economic miracle, to bring forth the fruits of a political miracle.

The problem is that in recent years a metamorphosis of democratic abuse has frequently surfaced in political development in China. In extreme situations, reforms within the system can suddenly change to become a revolution against the system, with no consideration for the people's interest. Such abnormal developments only help the enemy and hurt one's own side. I must emphasize here that any struggle for political power should assume as its responsibility the development of constitutional government in the ROC, and the development of constitutional government must be based on the pursuit of democracy. If the goal of unification is not clear, our national consciousness will naturally be unclear and lead to confusion in policy direction and the unrest that is seen on Taiwan. An uneasy atmosphere is pervading the whole of society with the extensive politicizing of violent protests. This is where we must be on the alert. It must be repeated again that the important goal for promoting constitutional government on Taiwan is to achieve the unification of China. Unification of China is not just the responsibility of the Chinese on Taiwan and those living on the Chinese mainland, it is also the historical mission of Overseas Chinese living abroad.

Now that bicoastal relations between both sides of the Taiwan Strait have become increasingly close, what kind of mainland unification policy should be drafted by the ROC? Because the political systems on both sides have, up till now, been ideologically antagonistic, there is no way to expect the antagonists to give up their respective positions. As a result, objective conditions are not present for the two sides to discuss matters and understand each other. Fortunately, Chinese on both sides of the Taiwan Strait, and even those Chinese the world over, do share three common thoughts or aspirations:

1. We are all Chinese; therefore, we need only one China. It is only through unification into one China that we can lean on each other to be peaceful at home and strong abroad.
2. We all hope that all Chinese can live a good life, or at least have the opportunity to achieve it.
3. We all hope that China will receive the respect of the world, to become a truly independent nation.

Because of this, we take the following positions:

1. We must never allow the government of the ROC, which is established by the constitution written by delegates representing all the people, to lose its legality and national entity.
2. We must never allow Taiwan to be relegated to a local government of the "Peoples Republic of China."
3. We must never allow any external force to destroy, either openly or clandestinely, our cohesiveness and our safety.

The Difficult Historical Task To Be Shouldered

Because of these common indicators, Taiwan's role can be considered a historically important one. For 40 years now, our efforts on Taiwan have created an economic miracle that is acknowledged worldwide. How Taiwan will utilize this economic power, allowing all Chinese to live a modern life on one hand, and for them to gain international respect on the other, will be the difficult historical responsibility it must assume. More important, we must see that all Chinese—on Taiwan, on the Chinese mainland and elsewhere in the world—have the opportunity to enjoy these rights.

At an earlier time when our former president, Chiang Kai-shek, drafted the policy of "three parts military, seven parts politics," we found that this policy not only ensured a long period of peace for Taiwan and the Penghu [Pescadores], Quemoy, and Matsu Islands, it also laid a solid foundation for Taiwan's political and economic development, and a strategic role for it in the international community. Now, following the end of the cold war, the whole society sees a lessening of conscious confrontation. The outstanding feature on the international scene now is the increasing mutual economic dependence of nations on each other. The bicoastal relationship between Taiwan and the Chinese mainland is no exception. So I think the mainland policy that the ROC expects to draft should use the psychology of economic motivation to drive politics. Simply stated, the mainland policy that I advocate should bring about economic freedom, democratic politics, and a modernization of society in accordance with the highest principle to resolve the crisis in our national existence.

Once Taiwan's economic strength produces positive results on the Chinese mainland, the corresponding psychological and political effects that Taiwan has on the mainland will also be raised. The greater the mutual economic dependence between them, the closer the psychological relationship. If political leaders on both sides can see the double benefits, and can respect each other without any belittling, that will be the timely opportunity for both sides to talk to each other. However, because of the lessons from our historical experience, I must advise caution—any discussion must be backed by actual strength, for mere wealth cannot ensure the safety of a nation.

Last, I must emphasize that the China mainland policy drafted by the ROC must meet two basic requirements:

1. Never allow the shortsightedness and political greed of a few to obstruct or destroy the interests of 23 million fellow Chinese on Taiwan.
2. Work for the well-being of 1.1 billion Chinese on the mainland, and 30 million Overseas Chinese. In other words, it is necessary for both sides along the Taiwan Strait to start working together, on the basis of mutual and common interests. Not only will this be beneficial for our countrymen on Taiwan, but also for those on the China mainland as well.

Therefore, I am respectfully appealing to Chinese everywhere, regardless of ancestral origin and party affiliation, to adopt the spirit of the Middle Way where "I am on your soil, and you are on mine," and "You are me, I am you" to work toward the great task of China unification. I believe China has a bright future. What is commendable is the fact that Taiwan will fill a very glorious page in China's history.

Problem of Continuing 'Brain Drain' Viewed

91CM0022A Hong Kong MING PAO in Chinese 20 Sep 90
p 20

[Article by Wang Jui-tien (3769 6904 3240), senior lecturer, Management Science Department, Shannan College: "Will the Brain Drain Cause a Crisis?"]

[Text] The Advisory and Planning Office of the Hong Kong government has forecast that 62,000 persons will emigrate to foreign countries this year, a figure that is not only far higher than the estimate made last year of 55,000 persons, but that even sets a record for the number of emigrants from Hong Kong. The explanation given by Lu Wei-ssu [4151 4850 1835], deputy chief of the Advisory and Planning Office, is that, because of the fluctuating and variable political environment last year, coupled with the changes made in the immigration policies and quotas of many countries, it was fairly difficult to make an accurate forecast. The trend in emigration recently made public by the Hong Kong government shows that in 1991 there will be about 58,000 emigrants and that every year afterward the average number of emigrants will be 60,000. If we compare last year's estimated figures with the revised figures made public this year, the latter figures are a little higher.

A Serious Latent Crisis in Manpower Resources

With regard to the intensification of Hong Kong's brain drain, Sir David Wilson, the governor of Hong Kong, said that the loss of able people caused by the brain drain is, without a doubt, cause for concern, but that it has not yet reached crisis proportions. As for whether it is now a crisis, opinions naturally differ. However, this writer thinks that the brain drain has caused a serious crisis in Hong Kong's manpower resources. The potential in this crisis will not necessarily produce disastrous effects, but it must be faced squarely and guarded against; otherwise, the consequences will be distressing. See the statistical figures for this year and the past 10 years (attached table).

Table: Number of Emigrants 1980-1990

Year	Number of Emigrants
1980	22,400
1981	18,300
1982	20,300
1983	19,800
1984	22,400
1985	22,300
1986	19,000
1987	30,000
1988	45,800
1989	42,000
1990	62,000
After 1990	(In 1989 the forecasted number of emigrants was between 55,000 and 60,000 per year; the revised estimate made in September 1990 was 60,000 per year)

Until 1986 the number of Hong Kong people who emigrated always remained at a low level. However, beginning in 1987 there was a general tendency for the number of emigrants to rise, and in 1990 it will even hit a peak of 62,000, so how can people not worry! Statistical data show that the main places selected for migration are Canada, Australia, and the United States; and in recent years many people have selected New Zealand and Singapore. The data also show that most of these emigrants are highly educated, widely experienced middle-level managers, specialists, and technicians. Their departure from their jobs adversely affects the normal operations and long-term development of companies, and also has an adverse effect on society's manpower resources. The question can be looked at from the following four aspects:

1. Organizational aspect: From the angle of individual organizations, the brain drain intensifies the personnel loss rate. The loss of personnel generally increases the cost of manpower resources. For example, the training provided by a company is wasted, experience is lost, and there are expenditures for hiring personnel and training them. No matter whether personnel leave their jobs to become emigrants or to change jobs, it is a loss of manpower for the organization. If an employee is hired by a competitor in the same field of endeavor, it poses an even greater threat to the organization.

2. Occupational aspect: At present Hong Kong's brain drain is concentrated mainly in several occupations or specialties, for example, the computer industry, accounting, banking, doctors, and nurses. This will cause an artificial shortage in these fields, and supply will not meet demand. Also, these fields will gradually become popular fields and channels for the export of Hong Kong's talented persons.

3. Social aspect: From the angle of Hong Kong's society as a whole, this problem is even more serious, because it is not only a problem of personnel loss and talent shortage but is even more a problem of society's brain drain. It may be said that the brain drain is a loss of society's manpower resources, and the education, training, and experience provided by society in the past vanishes with the outflow of talent.

A 10-Year Emigration of 500,000 Persons

If we make a forecast based on the emigration structure made public by the Hong Kong government, it will show the even more serious nature of Hong Kong's "brain drain." To cite an example, beginning in 1990 the emigration per year will be about 60,000 persons. If we make a calculation based on average, stable circumstances, this would mean that there will be about 500,000 persons emigrating from Hong Kong in the 10

years from 1987 to 1997, which accounts for a large proportion of Hong Kong's population of 6 million. Moreover, this is an ultraconservative estimate, and at the same time it assumes that there will not be great changes in Hong Kong's politics and economy.

The statistical data also show that in age makeup the proportion of emigrants is greatest in the 25-to-44-year-old group. As for level of education, in 1987 a total of 18.7 percent of the emigrants had college degrees, and in 1988 this figure was about 15 percent. In occupation, emigrants belonging to the "specialized, technical, administrative, and managerial" categories in 1987 and 1988 accounted for about 25 percent of the total number of emigrants. Summing up and analyzing these aspects, we see more clearly the serious nature and latent crisis of Hong Kong's brain drain.

Although the Hong Kong government has put forward some suggestions and methods for solving the problem, this writer fears that they will be of no avail. For example, the "localization of government functionaries" seems to be no longer stressed. There is too much emphasis on inducing talented people and foreign nationals to return to Hong Kong so that there will be an "internationalization of the population" of Hong Kong, which, it is said, will truly mitigate the serious nature of the brain drain. However, in the long run it will inhibit the search for and development of talented people. Likewise, the exit insurance of the "right to stay" in Britain, Australia, or Canada will have a similar effect. In addition, over the next several years Hong Kong will face an onrush from other countries to snatch away its talented people.

Neglect of Long-Term Manpower Training

This writer believes that, under the shadow of the sharp increase in the brain drain, the industrial and commercial circles for the most part emphasize the short-term hiring of manpower and neglect the long-term search for and development of manpower resources. Also, under the circumstances of a talent shortage, the cost paid for manpower resources will also increase, but it will be impossible to get the same results as in the past. For example, the expenditures of hiring, training, and paying salaries will increase correspondingly. Looking at the organizational aspect it is easy for us to see the emergence of a situation in which there is weak middle-level management or a "vacuum." Although vacant positions can be filled by new people or by internal promotions, the frequent moving about of personnel and the inadequacy of the new people's experience will have a bad effect on an organization's development. Too drastic promotions of a chain-reaction nature make an organization's operation and development unsound, and there will also be a lack of suitable successors for the upper level. In addition, given the perplexity of the brain drain problem, it is easy for an estrangement to arise between employer and employee, it is fairly difficult to maintain the desired relationship of employment, it is also fairly difficult for the two sides—employer and employees—to

draw up long-range plans, and an enterprise's plan for development will not be able to display its efficacy.

Moreover, the brain drain not only damages Hong Kong's manpower resources; it also puts Hong Kong's society in a predicament in which it faces contradictions in several areas. For example, the brain drain causes a loss of skills and experience, and, in accordance with the principle that the remedy should suit the case, training and development should be provided. But should the organization provide this specialized training? Or should society be responsible for this training? From the angle of the organization, emphasis can be put only on short-term practical training, and developing long-term training is far inferior to attracting experienced talent by means of high salaries, thereby immediately achieving action and results. However, given the talent shortage, this will only cause a "battle for talent," in which, imperceptibly, remuneration will be "stir-fried" higher and it will be impossible to get results. But will commercial organizations be willing to spend money to train manpower for others? Looking at the development of society as a whole, we see that raising salaries will not solve the problem of insufficient manpower; providing training is the way to achieve a permanent solution to the brain drain. However, it is really doubtful that the government plans to provide specialized training for future successors. Also, the talents in short supply now are concentrated in certain specialized fields, and these specialized fields have become professions which emigrants have a fairly large tendency to enter. If training is not provided there will not be enough talent, but if training is provided there will be a gradual loss of talent. Moreover, the brain drain prompts those about to enter a profession to choose a popular one, thereby causing an imbalance in the development of society's manpower resources. What is more serious is that the emphasis at present is only on the short-term development of manpower resources, and their long-term development is neglected. In the long run, this will lower the quality of Hong Kong's manpower resources and impede the long-term development of its society. In my opinion, the brain drain in the transitional period is a serious problem, not only in the current talent shortage, but even more in that in the long run it will produce many sequelae and will impede the normal transitional development. Therefore, we certainly cannot afford to overlook the problem of Hong Kong's current brain drain!

Canada To Accept More Immigrants

HK2610020190 Hong Kong SOUTH CHINA
MORNING POST in English 26 Oct 90 pp 1, 6

[By Simon Macklin]

[Text] Ottawa opened its doors to more immigrants from Hong Kong and elsewhere yesterday under a new scheme which might make it harder for people to join relatives in Canada but will increase immigration chances of skilled workers.

A five-year plan out-lined by Employment and Immigration Minister Ms Barbara McDougall increased the number of new immigrants accepted each year from around the world by 50 per cent to more than 25,000.

The plan will do away with some family reunification schemes and a retirement scheme allowing the elderly to move to Canada.

But the success of the scheme in Hong Kong might be jeopardised by a shortage of consular staff to administer the programme.

The Commission for Canada in Hong Kong is at present the country's largest overseas immigration mission with 16 diplomatic posts dealing with migrants.

But staff say they are stretched to their limit handling applications from the territory, Canada's biggest single source of new migrants.

It is understood discussions have already begun in Ottawa to create more posts in the territory and increase the level of immigrants from the 22,130 accepted last year.

But the Hong Kong mission has to compete against the country's new commitments in Eastern Europe, Central America and elsewhere in the world.

Canada estimates it costs the taxpayer more than \$3 million a year for each post and is reluctant to increase its staff.

If new posts are created, under the policy announced last night Hong Kong might see several thousand more people leave for Canada each year.

Ms McDougall said the new policy would re-establish the balance between different groups as immigration had become lop-sided family re-unification.

The policy re-defined criteria so only close and dependent family members could be included under the family class.

But the new policy also dropped the qualification of length of stay in Canada before an individual could sponsor relatives to join them.

Adjustment would be made in working out how many points would be awarded in the independent class so more would be awarded to those in a designated profession.

Next year it is estimated Canada will accept 200,000 people in the family class and 19,500 principals in the independent class, together with 5,000 principals in the business class.

But under the new policy it is estimated by 1995, 250,000 people will go to Canada in the family class and 29,000 principals in the independent class along with 5,000 principals in the business class.

Canada has a total global target of 175,000 legal immigrants this year.

But the actual number entering the country in 1990 is expected to be closer to 200,000, together with a further 30,000 to 40,000 immigrants under the refugee programme.

The new policy put before parliament yesterday is expected to be implemented from the beginning of 1991 and will allow more than 250,000 new migrants to settle in Canada each year.

The policy will do away with the clause allowing unmarried children over the age of 18 years to automatically follow their parents to Canada and restrict other family schemes.

Children aged over 18 years will have to qualify on their own merits, although they will gain a small number of points for family connections.

The retirement scheme, which allows the elderly to emigrate to Canada if they have sufficient funds to support themselves, will be heavily pruned—which could further restrict numbers in the family class.

Some people in the assisted relatives class who qualify under the existing scheme might lose this opportunity under the new policy.

But Canadian officials say they will continue to deal with existing applications and new applications made before the end of this year under the old policy.

The intention of the new policy is to aid the Canadian economy through attracting young, skilled migrants.

Families with young children will be encouraged, with extra points awarded to make it easier for them to qualify.

At present the biggest single class of migrants from Hong Kong is in the independent class, whose applications are more easily dealt with by immigration officers.

But in recent years the numbers of those in the assisted relatives class, which staff at the commission say take longer to deal with have been increasing as a proportion of the total.

The move to boost immigration has been one of the planks of Prime Minister Mr Brian Mulroney's Conservative Government's policy because of concern about the country's falling birth rate.

With a current birth rate of 1.55 per couple and the current level of immigration, Canada's population now 26 million, will begin to decline in 2030.

An independent employment and immigration advisory council presented a sponsored report to the Government last month which recommended increasing immigration.

The report recommended that immigration be increased annually at the rate of approximately five per cent for the next five years.

Diaoyu Islands Campaign Called 'Ruse'

*HK2610020590 Hong Kong SOUTH CHINA
MORNING POST in English 26 Oct 90 p 2*

[By Catherine Beck and Daniel Kwan]

[Text] Radical pro-democracy activists yesterday condemned the Protect the Diaoyu Islands campaign as a ruse for establishing ties between Hong Kong and Beijing.

The April 5th Action Group singled out the Professional Teachers Union (PTU) which is one of the eight organisers of Sunday's rally at Victoria Park to protest against the Japanese Government's sovereignty claim on the remote islands.

A key member of the group, Mr Raymond Lau Wing-kam, said PTU leaders wanted to mend relations with the Chinese Government damaged after the Beijing massacre.

"They want to stand behind the Taiwan and Chinese governments against a common enemy—the Japanese," he said.

"While being against Japanese aggression, we don't agree with this, because it diverts attention from the Chinese regime."

Organisers of Sunday's rally expect at least 10,000 people to take part.

The April 5th Action Group would not officially participate but would try to get on stage to put over its point of view, Mr Lau added.

The group also has plans to stage a separate demonstration against Japanese military action tomorrow with a march on the Japanese consulate and the NEW CHINA NEWS AGENCY.

Meanwhile, the Protect the Diaoyu Islands campaign continues to grow with about 20 local organisations indicating they want to become involved.

The left-wing Federation of Education Workers announced it would start a campaign to distribute posters across the territory to educate the public about the issue.

The federation will mobilise its 4,600 members and students to hand out leaflets and posters at MTR [Mass Transit-Railway] and train stations today.

Another 140,000 leaflets will be distributed in schools and at the mass rally on Sunday.

The leaflets carry a declaration condemning the territorial claim by the Japanese Government and urge China to take a tough stand.

Mr Cheng Kai-nam, executive committee member of the federation, also called on members to educate their pupils about the history of the Diaoyu islands.

"We urge them to educate the students about the first Protect Diaoyu Islands movement in the 1970s and to hold discussions with them on the issue," he said.

Among other local groups which registered their protest with the Japanese Consulate yesterday were the Harbour Transportation Workers General Union, the Hong Kong Teachers' Association, the Tripoliare Society and the University of Democracy.

The University of Democracy will also organise a public debate on the issue in front of the Sogo department store in Causeway Bay today.

In Macao, six student representatives of the University of East Asia handed a letter to the Macao branch of the NEW CHINA NEWS AGENCY yesterday, demanding that Chinese Premier, Mr Li Peng, lodge an official protest with Japan over the issue.

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