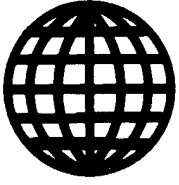


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NEAR EAST/SOUTH ASIA

Iran Says Foreign Presence in Gulf Intolerable

OW2708000990 Beijing XINHUA in English
2336 GMT 26 Aug 90

[Text] Tehran, August 26 (XINHUA)—Iranian President Hashemi-Rafsanjani said here today that foreign presence in the Gulf is "totally intolerable" if designed only to safeguard the interests of "arrogant powers."

"This (military presence) would arouse deep hatred among the Islamic Ummah (community), the consequences of which would be devastating" for their interests, the president told a group of high-ranking civil servants.

However, he did not elaborate how the foreign powers' interests would be imperiled.

Condemning Iraq for bringing about the current "bitter situation" in the region, he added that the massive presence of "arrogant powers" and their excuses for thwarting aggression were "much bitter and regretful for the Muslim world."

He was referring to the Western powers' military buildup in the region, where more than 50 foreign warships and about 700 combat aircraft are deployed or to be deployed to counter possible Iraqi aggression.

The Iraqi troops thrust into its tiny Gulf neighbor Kuwait on August 2 and later annexed it.

The president made the statement one day after the U.N. Security Council adopted a resolution calling for necessary measures to ensure strict implementation of sanctions against Iraq.

He did not comment on the resolution, which was approved 13-0 by the 15-member Security Council Saturday. Yemen and Cuba abstained from voting.

The president made it clear Friday that Iran did not resent the international efforts to prevent aggression, but the big powers must leave the region if Iraqi President Saddam Husayn comes to sense one day to pull out his invading troops from Kuwait.

Iranian Group Condemns U.S. Gulf Presence

OW1408050390 Beijing XINHUA in English
0053 GMT 14 Aug 90

[Text] Tehran, August 13 (XINHUA)—An Iranian Muslim organization today condemned the U.S. military presence in the Persian Gulf and the deployment of foreign forces in Saudi Arabia.

"Muslims must know that the United States is present in the region not with the idea of fighting off aggression but for the purpose of perpetuating its control of its own interests in the world's energy resources," the Muslim Association of College Students throughout the country said in a statement.

Earlier, Iranian leaders expressed concern over the reinforced foreign military presence in the region, but they did not single out the U.S. for criticism.

The association's statement was reported by the official news agency IRNA.

The statement did not repeat the Government's demand for immediate and unconditional withdrawal of Iraqi troops from Kuwait to eliminate the grounds for outside interference.

The statement preceded an official denunciation of Iraq's preconditions for Iraqi troop pullout set by President Saddam Husayn Sunday.

Saddam said that Iraqi troops will withdraw from Kuwait conditional upon the Israeli retreat from the occupied Arab lands, the Syrian pullout from Lebanon, and the withdrawal of U.S. troops from Saudi Arabia.

In the first official reaction to Saddam's speech, a Foreign Ministry spokesman said today that linking Iraqi troop withdrawal to other international issues does not correspond with international norms nor to Iraq's alleged commitment to UN Resolution 598. The resolution halted the Iran-Iraq War in 1988 and calls for withdrawal of Iraqi troops to internationally recognized borders and exchange of prisoners of war.

The spokesman also urged the international committee of the Red Cross to take necessary measures to secure the safety and property of Iranian nationals in Kuwait, now under Iraqi occupation since August 2.

Iranian nationals form a large proportion of the population of the tiny oil-rich Gulf state.

EAST EUROPE

Czechoslovakia Notes Decline in Industrial Output

OW1408075990 Beijing XINHUA in English
0617 GMT 14 Aug 90

[Text] Prague, August 13 (XINHUA)—The total industrial output decreased by 3 percent and construction by 5 percent in the first half of this year compared with the same period of 1989, the Czechoslovak Statistic Bureau announced today.

The bureau said the foreign trade volume dropped by 5.8 percent. The trade volume with socialist countries dropped by 15.3 percent, but the trade volume with Western countries increased by 6.1 percent.

The number of cattle showed a reduction of 25,600 during the period and that of pigs 294,000. But the death rate of calves and piglets increased respectively by 5.8 percent and 6.8 percent.

Profits made by economic units throughout the country decreased by 3 percent, the bureau said.

Finland Decides Not To Join UN Forces in Gulf

*OW2108055190 Beijing XINHUA in English
0131 GMT 21 Aug 90*

[Text] Helsinki, August 20 (XINHUA)—Finland is not going to join the UN peacekeeping forces to the Gulf which is under discussion among some big countries, Finnish Ambassador to the UN Klaus Tornudd said today.

Speaking in an interview with the Finnish Telegraph Bureau, Tornudd pointed out that the United States goes its own way in taking military action in the Gulf, which is not adopted by the UN Security Council.

Any military action without the UN Security Council's decision will violate the Charter of the United Nations, he said.

According to the ambassador, the consensus of big countries in their response to the Iraqi invasion of Kuwait enables the UN to play a role in this Gulf crisis.

The cooperation and coordination among important big nations in the UN in recent years have improved the UN role and enforced its activities, he said.

Unemployment Continues To Rise in Poland

*OW3008115890 Beijing XINHUA in English
1123 GMT 30 Aug 90*

[Text] Warsaw, August 29 (XINHUA)—The number of unemployed workers in Poland will reach 1.3 million this year, Polish official sources said.

The Polish Statistics Bureau said that the number of unemployed reached 570,000 in the first half of this year and 767,000 in mid-August.

The Polish newspaper RZECZPOSPOLITA today quoted the Central Planning Bureau as saying that the number of unemployed people will continue to grow in the second half of this year as more and more small and delicate factories are closing down.

The bureau said the national income in 1990 will drop by 20 percent compared with last year, food by 30 percent, personal income by 25 percent and the annual average wage scales by 28 percent.

Based on the economic situation in the first six months, the bureau estimated that the daily average output value in the next six months will increase by 4 percent.

WESTERN HEMISPHERE**Cuba 'Struggling Valiantly' Against U.S. Pressure**

90CM0352A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 13, 1 Jul 90 pp 24-25

[Article by Ke Ji (2688 3444): "Like David Brandishing His Sling, Cuba Is Struggling Valiantly"]

[Text] The enormous changes in the international situation during the last year have newly raised tempestuous

waves in the Caribbean Sea, which even before that had not been too calm. First, the United States staged its military invasion of Panama, and then, in Nicaragua, the Sandinistas gave up after almost 10 years in power and lost the general election... The U.S. Government and the American public were elated with their "victories," and, carried away by these sentiments, they tightened their pressure on Cuba, which is only 90 nautical miles from the United States, pressuring Cuba to turn into a "democratic state."

Since the beginning of this year, the United States has frequently engaged in military activities directed against Cuba. On 30 January, the U.S. Coast Guard, on the pretext of going after drugs, raided a Cuban merchant vessel in the Gulf of Mexico. Soon thereafter, the United States twice dispatched additional naval vessels to Guantanamo Bay in the eastern part of Cuba, which is occupied by the United States as its naval base. Early in May, the U.S. Armed Forces staged three military maneuvers with the code name "Ocean Adventure" near the Guantanamo naval base and close to Cuban territorial waters. Participants in the maneuvers were the 82d Airborne Division, the 101st Strike Force, the 24th Mechanized Infantry Division, several hundred fighter aircraft and bombers, and many naval vessels. Such a large military force as took part in these exercises, conducted on such an expansive scale, has seldom been seen in recent years. The Cuban broadcasting station commented that the U.S. Armed Forces were simulating an invasion of Cuba. The United States also threatened to carry out "surgery" against Cuban installations that interfere with Radio Marti. In Florida, a U.S. state only 144 kilometers distant from Cuba, Cuban refugees have gathered on a large piece of marshland; they are undergoing stepped-up military training, and threaten that when the time is ripe they will land as a military force on Cuba. In addition to military threats, the United States also applies pressure on Cuba in the political, economic, and diplomatic fields, and now is tightening one step further its total economic encirclement of Cuba. According to a report dated 3 April in THE WASHINGTON POST, officials of the United States have demanded that the Soviet Union, on the pretext of improving Soviet-U.S. relations, considerably reduce its economic and military assistance to Cuba. Fitzwater, spokesman for the U.S. White House, has repeatedly indicated that the United States wants to institute "a complete blockade with regard to anyone intending to go to Cuba or on commodities being shipped to Cuba." After its incursion into Panama, the U.S. Government immediately pressured the new government of Panama to shut down the Panama Company, which had been trading with Cuba.

Diplomatically, the United States is continuing to isolate Cuba. It is reported that the United States has agreed to the plan of the new Czechoslovak Government to cease patronizing the Office in Charge of Cuban Interests

located in the Czechoslovak Embassy in the United States. This office was the only semiofficial diplomatic organ that Cuba had in Washington.

In political respects, the United States is making unwarranted charges against Cuba and is making completely unreasonable demands, such as that Cuba "organize free elections," "demilitarize the island," "develop a market economy," and so on, and so forth. In February, the U.S. House of Representatives and the Senate jointly set up a "pressure group" specially directed against Cuba and openly proclaimed that the United States "supports international condemnation of Cuba for violations of human rights," supports the activities of the Marti radio and television station, that it is in support of "free elections" in Cuba, that it will make determined efforts to tighten the economic blockade of Cuba, etc., etc.

As important steps in anti-Cuban propaganda, and to intensify its ideological infiltration, in 1985 the United States set up Radio Marti, and again on 27 March of this year added the Marti television station. This TV station is located in Washington and is sending its signals to Cuba on the same frequency as Cuba's TV Station No. 13, by means of a large balloon 3,000 meters over the Ka-qiao [0595 0829] Air Force Base in Florida. If the transmission proves successful, the United States will allot \$320 million to maintain the station for the next two years.

U.S. efforts to isolate and exercise control over Cuba have not started just these days. In the last century already, the United States set forth the so-called "ripe fruit policy," which is to say that Cuba will fall into the hands of the United States like a ripe fruit that will naturally be blown down from the tree to fall to earth, but the United States will have to wait for the fruit to ripen and must not act hastily. For 100 years, the United States has always pursued this "ripe fruit policy" toward Cuba. The United States follows the same principle when it is now taking advantage of the relaxation in the international situation and of the enormous changes in Eastern Europe to launch new attacks against Cuba. Officials of the U.S. White House have openly indicated "that there is no further threat by Cuba to the United States," but the United States "will continue its pressure on Cuba," hoping that Cuba will by itself "abandon its present policies."

Faced with this strong pressure from the United States, Cuba, which is so much smaller and weaker, is conducting a blow-for-blow struggle for its very existence and independence.

Cuba's leaders have indicated that there will be no letup in maintaining socialism and national independence. On 7 December of last year, Chairman Castro said in a long speech, "In Cuba, revolution, socialism, and national independence are indisputably integrated. If capitalism should return, we will completely and for ever lose our

independence and sovereignty, our country will become an extension of Miami and an appendage of the United States."

Cuba hopes there will be no military conflict, but is not at all afraid of the Americans, and is prepared to offer resistance wherever necessary.

As a response to the three "Ocean Adventure" maneuvers staged by the United States, Cuba held its own large-scale military exercises from 2 May to 17 May with the code name "Cuba's Shield." All arms of the service and almost 1 million men of the militia took part in the exercise, which involved the use of all kinds of military equipment.

Cuba, furthermore, is taking very determined action to effectively interfere with the transmissions of the Marti television station. This station programs appear on the average for only two minutes on the fluorescent screen before they fade away.

To break the economic blockade by the United States, Cuba has taken measures to resolve the serious economic difficulties that had arisen in the country. The government held special economic work conferences and called on all Cubans to "practice self-reliance in solving the food problem," so that "the basic requirements of the citizens will be met within a short time," and included concern for these matters in a plan for "an exceptional time in a peaceful era."

To break the blockade, Cuba is also seeking to develop economic and trade relations with Latin American countries. In the middle of March, Chairman Castro took the opportunity of attending the inauguration of Brazil's new president to meet leaders of Spain, Venezuela, and other countries. According to reports in Latin American newspapers, Cuba has decided on a new policy aimed at the development of diplomatic and trade relations with Latin American countries, in particular with Argentina, Brazil, and Venezuela. On 17 April, Castro signed at Havana an agreement with the Soviet Union for bilateral trade and economic cooperation in 1990; the total amount of trade will reach \$1.41 billion, an increase of 8.7 percent over 1989.

The Cubans have a tradition of opposing aggression from the strong country to the north and of fighting for national independence. Jose Marti, Cuba's national hero, in a letter penned on 18 May 1895, on the eve of laying down his life in a battle for Cuba's independence, wrote, "I have lived in the entrails of the devil and therefore know very well all his vital organs—I am brandishing the sling of David." He is referring here to a Bible story: David, as a young herdsman, used a sling to shoot and kill a strong invading enemy, the Philistine warrior Goliath. Marti's fighting spirit is deeply imbedded in the hearts of the Cuban people. To defend their independence, the Cubans are indeed brandishing the sling of David.

Internal Ideological Struggle Proposed for Party

90CM0365A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 7, 15 Jul 90 pp 33-35

[Article by Ye Yuantao (0673 0337 3447) and He Qingshan (0149 7230 1472), CPC Shanghai Maritime Transport Bureau Party School, CPC Shanghai Light Industry Bureau Party School: "Energetically Develop Intraparty Ideological Struggle"]

[Text]

I

For many years, our party has not mentioned developing the ideological struggle of the proletariat against the nonproletariat. Examination of the causes reveals the following four points: First is the unilateral acceptance of the lesson of going too far in the struggles under the former incorrect "leftist" line, confusing the essential intraparty ideological struggle with the "leftist" erroneous intraparty struggle. Second is the underestimation of the existence of a certain amount of class struggle during the new period. To see only the continued existence of counterrevolutionaries and criminals, and to believe that we need only rely on legal procedures to solve the problems is to seriously ignore the intense and complex class struggle that exists on the ideological political front. Third is that, in recent years, certain party leaders, while trivializing party leadership and ideological-political work, have also passively looked upon the struggle within the party to oppose bourgeois liberalization and other nonproletarian ideologies. Not only have they failed to develop a powerful struggle against bourgeois liberalization and other nonproletarian ideas appearing in society and the party, but at times have connived in and supported them. Fourth is the reduction of the status, mission, and requirements of party ideological construction in recent years, unilaterally emphasizing the need to follow a "new way" of relying on reform and institutionalization to build our party. In ideological construction, we have been unilaterally stressing "new concepts" and never bring up the need for educating party members in the communist world view and outlook on life; we never bring up the need to solve the problem of Communist Party members' ideology upon entering the party, much less ever launch ideological struggle of the proletariat against the nonproletarian within the party.

For the above reasons, in the last few years the ideology of bourgeois liberalization and nonproletarian ideologies of every description have spread unchecked, not only in our society, but also in our party and party press propaganda and dissemination, becoming legitimate or semilegitimate ideologies. For instance, "political pluralism," "the superiority of private ownership," and the demand for abstract "democracy," "freedom," and so forth, have, for a time, had a market within our party. Emphasizing material benefits, pursuing pleasure, "taking advantage of power while the opportunity lasts," "the subjective for oneself, the objective for the people," and similar decadent modes of thought are already in fact respected as criteria for action by a few party members.

Last year, during the turmoil and counterrevolutionary revolt of the late spring, some party members went over to the side of the rioters; some even became mainstays of the disturbance. The persistent presence of unhealthy tendencies within the party and corrupt phenomena became the rioters' principal pretext for inciting the disturbance. These are a few relatively obvious unfortunate results of the relaxation and abolition within the party of the ideological struggle of the proletariat against the nonproletariat.

II

To sum up the last few years' internal and international lessons of the experience of ideological struggle within the party, we believe that the principal current problem is the inclination to abolish or relax ideological struggle within the party. Therefore, we should now emphasize guiding the great masses of party members to fully recognize the necessity and importance of launching ideological struggle within the party in the new period, to correct the various erroneous understandings that block the development of ideological struggle, to regard the energetic development of the ideological struggle of the proletariat and the nonproletariat as a major measure in strengthening party construction. To this end, we should unify within the party our understanding of the few points below.

First, we must unify understanding of the present era; we must unify our understanding of questions of class struggle in the socialist new period. We must realize that, although peace and development problems are comparatively prominent in today's world, contradictions between the proletariat and the bourgeoisie, between socialism and capitalism, contradictions among imperialist nations and between imperialist nations and developing nations still exist. In the new period of socialist construction in our country, although we must focus on economic construction and already class struggle is not the principal contradiction we face, it still is a factor affecting the destiny of our party and country. If the political situation is unstable, then the economy cannot grow. Class struggle in the ideological sphere especially is still of long duration and great complexity. Those people who carry out bourgeois liberalization or have all sorts of nonproletarian ideologies must always tenaciously assert themselves, demanding that we reform the party and society in their image. The question of who will conquer whom, socialism or capitalism, has yet to be decided. Furthermore, in common with the international struggle of socialism and capitalism, it appears even more intensely complex. These struggles are reflected within the party; the struggle within the party over practicing Marxism or social democracy, the struggle of corruption and opposing corruption has also become intensely complex and long term.

Second, we must unify understanding of struggle within the party. In recent years, everyone has seen that there are major problems in the ideological aspect, but some unilaterally emphasize education by positive means and

guiding policy; some unilaterally emphasize the need to rigorously organize discipline, but they dare not bring up developing ideological struggle within the party, equating the essential criticism struggle within the party with erroneous "competition philosophy." In fact, the law of the unity of opposites is a universal, fundamental rule; the nature of the struggle between contradictions is unconditional and absolute; contradictions between proletarian and nonproletarian ideology within the party can be resolved only through ideological struggle. As Comrade Liu Shaoqi pointed out, "If our party... does not regularly internally oppose all kinds of harmful trends, if it does not eliminate each type of nonproletarian ideology, and overcome leftist or rightist opportunism, then these nonproletarian ideologies could develop within the party to the point of controlling... it and thus allowing our party or certain parts thereof to undergo basic changes into a nonproletarian form." In today's international communist movement, the decay of certain parties is a precise, powerful example.

Third, we must unite understanding of the status, mission, and requirements of ideological construction of the party in the new period. We must place ideological construction in an important place in building the party, emphasizing building the party on the basis of ideology. This is a successful experience already demonstrated by our party's construction practice. It is also an important principle of Mao Zedong's doctrine of party building. Only by arming the whole party with Marxism-Leninism-Mao Zedong Thought, enabling Communist Party members to establish a scientific world view and communist outlook on life, and overcoming nonproletarian ideology of every description, can we enable our party to preserve its proletarian vanguard character. As Comrade Liu Shaoqi pointed out, "The crucial question in construction of our party is, above all, a question of ideological construction; it is employing Marxism-Leninism—that is, proletarian scientific thought—to educate and reform members of our party. In particular there is the question of petty bourgeois revolutionaries, which is precisely a problem of struggling with and overcoming each kind of nonproletarian ideology within the party." Not to grasp this one crucial question in party construction, not to develop ideological struggle between proletarian and nonproletarian, to allow the idea of bourgeois liberalization and other types of nonproletarian ideology to corrupt the body of our party, these will result in not only the inability to guarantee the implementation of the basic party line, but also the very existence of the proletarian political party itself will be endangered.

III

In the new historical period, to correctly develop the ideological struggle of the proletarian and the nonproletarian, in addition to having to unify the ideology of the whole party and increase understanding of the need and importance of developing ideological struggle within the party, we should also grasp the following points:

First, we should strengthen party leadership over the ideological theory front and correctly lead the ideological theory front in the struggle against bourgeois liberalization and other nonproletarian ideologies. Because confusion in ideology within the party derives from confusion of theories, if we do not radically reform theory, we cannot correctly develop the intraparty ideological struggle of the proletarian and the nonproletarian. In order to energetically and effectively develop proletarian versus nonproletarian ideological struggle on the ideological theory front, in the new historical period, the party should first develop an effective, high-level Marxist theory contingent. This contingent must be able to use the Marxist stand, viewpoint, and method to correctly explain and answer important internal and international questions of the new period, to powerfully criticize bourgeois liberalization and other bourgeois fallacies, and to clarify each issue that has been confused by the ideology of bourgeois liberalization. Second, we must be certain that the ideological front of the press, television, and the like, and the leadership of the social science research system are controlled by the Marxists. Next, in the struggle to develop the ideological theory front in opposition to bourgeois liberalization and other nonproletarian ideologies, we must pay attention to policy. For one thing, we must adhere to the party style and fighting spirit in carrying out ideology and theory work within the party. For another, we must persist in scientific analysis and a reasoning attitude, clearly state the facts, use logic, genuinely convince people through reasoning, and avoid repeating past crude practices of the erroneous "leftist" line.

Second, we should strengthen the party education and party quality of party members, and overcome the ideology of spinelessness and the attitude of democracy among party members. In reality, the reason correct ideological struggle within the party cannot develop normally, in addition to erroneous understanding of ideological struggle in our ideological theory, is because of all sorts of misgivings among party members, including fear of hurting feelings, fear of being put down, fear of not being able to get the vote, fear of damaging relations, fear of influencing later work, and so forth. Comrade Mao Zedong pointed out, "The cause of liberalism is the petit bourgeoisie's selfish self-interest, which puts individual interests in first place, revolutionary interests in second place, thus producing liberalism in ideology, politics, and organizations." "Liberalism is a manifestation of opportunism, and is fundamentally opposed to Marxism." Because of this, we must overcome liberal tendencies among the contingents of party members. We must strengthen the party education of party members and develop within the party opposition to spinelessness and liberal tendencies. Let each party member know that liberalism and spinelessness are evil tendencies that seriously harm and corrupt the party. In our party there should be no place for them to hide.

Third, we must create a good environment within the party for developing ideological struggle. Criticism and

self-criticism have always been advocated by the Great Teacher of the Revolution, but really became one of the superior traditions within our party from the time of the Zunyi Meeting and the Yanan period of rectification. However, toward the end of the 1950's they began to weaken; by the Cultural Revolution they were even more seriously damaged. After the Third Plenary Session of the 11th Central Committee, they were restored somewhat, but hardly became the fashion. The cause of this, in addition to the ideological understanding and quality of party members, is also a matter of environment and atmosphere. In this regard, we must first have a correct political line and a program for correctly developing struggle within the party. Under the rule of an incorrect line, political life within the party is very abnormal, of course there can be no genuine criticism and self-criticism. Then again, under a correct line, we still must create a specific environment that is beneficial to criticism and self-criticism: First, leading cadres in each level, from top to bottom, must set an example and take the lead in developing diligent criticism and self-criticism, adhering to the truth and correcting errors. Furthermore, they must have a marked democratic work style, taking joy in having errors pointed out. Second, we must advocate at every level the development of energetic ideological struggle, criticism, and opposition to liberalism and insipid tendencies. We must sustain a healthy atmosphere, criticize ill trends, and form an atmosphere in which developing energetic ideological struggle is respectable and spinelessness is shameful. Third, as to sulking, harboring thoughts of revenge, putting people down, and similar things that are not beneficial to the development of ideological struggle, we must promptly take corrective action, deal with them earnestly, and clear away obstacles to developing criticism and self-criticism. After solving the aforementioned problems and having this sort of atmosphere and environment, our party's excellent work style of criticism and self-criticism then can certainly be restored and carried on, and thus decay will have no foothold within the party, the party's power to struggle can greatly increase, and our party can more vigorously lead the people of the whole nation, advancing with great strides along the road to building socialism with Chinese characteristics.

Village Cadres Seen Playing 'Contradictory' Roles
90CM0364A Nanjing JIANGHAI XUEKAN [JIANGHAI
ACADEMIA] in Chinese No 4, 10 Jul 90 pp 40-44

[Article by Pan Xining (3382 3556 1337), cadre in the Policy Research Office of the Jiujiang Municipal CPC Committee, Jiangxi: "The Dual Status and Dilemma of Village Cadres"]

[Text] The production brigade, which used to exercise all administrative and economic powers, has become a villagers committee with only statutory self-government authority following dissolution of the people's commune, which combined government administration with commune management, was large in size and collective in nature, and practiced three-level ownership, with the

production team as the basic accounting unit. Cadres of the brigade not engaged in production are now all partly engaged in production, both "official" and peasant. Because of an odd combination of historical contradictions and real-life complications, changes in village-level titles and the roles of village cadres have not led to a genuine reshuffling of functions. On the contrary, village cadres now find themselves in a dilemma because of the weakening or disappearance of certain traditional management tools.

I

The root of the village cadre's dilemma can be found in his dual identity as manifested in his role.

First, the village cadre is both cadre and peasant. To begin with, village cadres are peasants through and through in terms of their legal status. Like other ordinary peasants, they must work the field and do not enjoy the commodity grain, wages, welfare, retirement security, and other benefits that state cadres are entitled to. But even more important than differences in conditions of service are differences in political status. A state cadre may become a township head, a county head, a governor, and even higher positions. But no matter how well he does his work, a village cadre remains a village cadre, confined to his native village of a dozen square li with a thousand people or so. And when he retires because of age or when he is no longer qualified as village cadre for whatever reasons, he would be virtually the same as other peasants. Moreover, while the village cadre is an official to other villagers, he does not have the halo that a genuine cadre has in the eyes of the world. On the other hand, however, he is not a peasant, strictly speaking. Within the confines of the village, he is a leader in fact and in name and possesses some of the power enjoyed by state cadres at the higher level. Besides his incomes from agriculture, he is entitled to the remuneration due all village cadres. In this sense, the village cadre is not altogether on the same plane as the regular peasant. To be accurate, therefore, the village cadre should be called a "peasant cadre."

Second, the villagers committee is both an organ of self-government and a quasi-government. Hence the dual identity of the cadres on the villagers committee. According to the Constitution, "The neighborhood or villagers committee, depending on where the residents live, is an organ of self-government of a grassroots mass nature set up by the city or village." "The Organic Law on Villagers Committees of the People's Republic of China (Trial)" is even more explicit. It says, "The villagers committee is an organ of self-government of a grassroots mass nature for the self-management, self-education, and self-service of the villagers. It manages public affairs and undertakings of public welfare, mediates civil disputes, helps maintain social law and order, reports villagers' opinions and demands to the people's government, and puts forward proposals." According to legal provisions, the villagers committee does not exercise government functions and, needless to say, should

not handle government affairs. In reality, however, the committee discharges the functions of the People's Republic at the most basic level. The villagers committee is known as the "administrative village" and "village government." The secretary of the villagers committee is referred to as "village head." Whether a village cadre is to be promoted or demoted depends entirely on the village CPC Committee and village government. The villagers do not have the right to choose the leaders of their own self-government organ. The work of the villagers' committee is completely determined by the village government, which is a far cry from the provisions in the "Organic Law on Villagers Committees of the People's Republic of China (Trial)." The law says, "The people's government of the village, nationality village, or town shall guide, support, and assist the villagers committee in its work." The scope of work of the villagers committee is also very broad, including delivering grain and paying taxes to the state, tying the fallopian tubes of pregnant women, implementing the plan, planning production, and a string of other administrative and economic responsibilities. The villagers committee in effect performs the functions of a class-one government.

Third, the village cadre both represents peasant interests and embodies national interests. As a peasant, he has his own means of production, business operations, and economic incomes derived therefrom. He has interests consistent with those of other peasants. Interest consistency of necessity makes the village cadre lean to the peasant in word and deed, turning him into the natural representative of peasant interests. In addition, the village cadre is the leader of the organ of self-government; the "Organic Law" in effect confers on him the legal status of a peasant-interest representative. On the other hand, however, his very status as a cadre and the fact that he serves as the leader of the regime at the grassroots leave him no choice but to represent national interests.

These are the contradictory social roles that the village cadre performs at present.

II

The village cadre's dual role inevitably puts him in a dilemma. The fact that he is at the meeting point of a multitude of contradictions causes a role conflict for him.

Dilemma One: The contradiction between work and farming. As a cadre who is compensated accordingly, the village cadre should carry out his duties responsibly to the best of his ability. As a peasant, on the other hand, he is allocated a plot of responsibility land. Besides, most village cadres are the principal breadwinners in their households, which determines that they must combine work with their responsibilities as heads of households, devoting the necessary time to them. Combining work with farming often poses serious conflicts in time. 1) Conflict in overall time. Take the triple-cropping system of oil-bearing crop-rice-rice in some areas in the south, for instance. It takes 35 man-days a year on the average

to work one mu (excluding water conservation projects). At present most rural households have five to six members and a household has about six mu of land, requiring 210 man-days in all, more in arid areas or if the household concerned is engaged in other family sideline industry. After the household responsibility system of linking remuneration to output was introduced, more and more women were released from farm work, putting a heavier burden on the shoulders of male comrades. A majority of village cadres are men saddled with the responsibilities of family. According to a questionnaire survey on 100 village cadres conducted by the agricultural work office of the Jiangxi CPC Committee in 1988, the village cadre spent 262.6 days on his work on the average each year, resulting in a substantial conflict in overall time. 2) A time conflict in seasonal terms. Natural reproduction and economic reproduction meet in agricultural production and it is highly seasonal. These days we often mount a rush effort to finish a task in a particular month, which frequently conflicts with the farming calendar. In particular, grain is usually stored in warehouses during rush-harvesting and rush-planting or at the peak of the fall harvest season, putting the village cadre in a dilemma.

Dilemma Two: The conflict between hard tasks and soft means. Each and every rural task impacts the national economy and the people's livelihood. "Agriculture is the foundation of the national economy. Grain is the foundation of the foundation." "There can be no stability without grain. Without grain, there will be chaos." The place of agriculture as the foundation is unshakable. Family planning is a basic national policy. With the future and destiny of the nation hanging on it, the importance of family planning is self-evident. Both grain contract procurement and family planning targets are rigid targets. There can be no ifs, ands, and buts about them. In actual work, however, there are no coordinated means to ensure that even these vital tasks are accomplished. Under the traditional people's commune system, brigade leaders had the power to lead, to allocate labor, to distribute income, and to control materials, among other things. Today these administrative and economic powers have been whittled down or taken away. As an organ of self-government, the villagers committee actually engages in administrative work illegally. Needless to say, it has no effective administrative tools at its disposal and wields no commensurate legal tools either. As a result, in rural work "the tasks are hard, the tools are soft." The village cadre, hardest hit by this contradiction, says that nowadays he "cannot use old methods, does not know how to use new methods, has no use for the soft method, and dares not use the hard method."

Dilemma Three: The conflict between national interests and peasant interests. Under the socialist system, no doubt the interests of the peasant and basic national interests are consistent with each other. Nevertheless, this does not mean that there is no conflict of interest between the two. As elsewhere, there are different

interest groups in socialist nations. Conflicts do exist between these groups, which can be very sharp at times. It is just that these conflicts are nonconfrontational. In the past, the interest relationship between the peasant and the state occurred through an intermediate organization, the collective. The losses suffered by the peasant were hidden up to a point. Following introduction of the household responsibility system of linking remuneration to output, peasant interests became more direct and visible. The cloak of invisibility that used to hide losses has now been removed. At present the conflict of interest between the state and the peasant manifests itself mainly in the following two ways. 1) The conflict between low-priced agricultural products and high-priced industrial goods. On the one hand, the peasant is required to sell to the state contract procurement grain at a price 60 yuan per 100 kilograms lower than the market price. On the other hand, he has no choice but to purchase on the market high-priced industrial goods for daily use and agricultural capital goods. Thus, he loses on both counts. In recent years especially, it has become increasingly common for some sectors and units to milk the peasant, adding to his losses. Strictly speaking, therefore, the conflict of interest between the state and the peasant is actually a conflict between different groups: factories, the circulation sector, and urban residents on the one hand, and peasants on the other. 2) The conflict between population control and the idea that the more labor one has, the more powerful and richer one becomes. Population control can only do the nation good and no harm at all, now and in the future. Currently, however, since the level of productive forces in agriculture remains low, agricultural production has not moved beyond backward farming methods characterized by "the ox pulling the plow, sowing seedlings by hand, and carrying objects on a shoulder pole." To a large extent the wealth of a family is in direct proportion to the size of its male labor force. Thus, conflict is inherent between the family planning policy of the state and the peasant's immediate interests. Of course, this conflict is no reason to reject the family planning policy.

Dilemma Four: the conflict between give and take. According to the "Organic Law," the villagers committee shall concentrate on "managing public affairs in the village and undertakings of public welfare." To accomplish these two missions successfully requires two things: sufficient time and the necessary funds. In reality, though, these two conditions are not met in many places. As far as time is concerned, according to the questionnaire survey on 100 village cadres by the Agricultural Work Department of the Jiangxi CPC Committee, only 75.5 working days a year were spent on these tasks. Most of the time was spent demanding grain, imposing levies of money, family planning, and other administrative affairs. As for funds, because the household responsibility system of linking remuneration to output overemphasizes the distribution side, collective properties have been distributed away in most cases. Besides, the subsequent failure to put the development of the collective economy on the agenda has helped reduce many a village

to an empty shell, unable to undertake any projects of public welfare. Not only that, but village cadres are not in a position to guarantee even low-priced agricultural capital goods that the peasant should be provided with under contract procurement. Meanwhile, occasions where peasants have to give are ever on the rise. He gives often, but seldom takes. With the rural cadre spending his time taking from the peasant instead of giving, it is easy to imagine how difficult his work is.

Dilemma Five: The village cadre is both an economic victim and a mediator of the conflict in question. As a peasant, the village cadre necessarily suffers economically like other peasants from the unequal exchange. As a cadre, however, he is the mediator of the conflict of economic interests. Inside he feels torn and perplexed, feelings which translate into a predicament in behavior.

III

The dual role of the village cadre makes interests the determinant of his behavior when he faces two difficult choices. He wavers between national interests and personal interests, tilting to the side that offers him more benefits. If being a cadre benefits him more, he will stress national interests and mass interests, which, in a practical sense, means that he will diligently complete the various administrative and economic tasks assigned by the higher authorities and do practical things for the masses by every possible means. If, on the other hand, he stands to benefit more by being a peasant, he will give more weight to peasant and personal interests in making decisions, which translates into a failure to fulfill the administrative and economic tasks assigned by the higher authorities, even standing up for the peasants and siding with them against the state. At the same time, he will concentrate his energy on farm work, spending little or no time on undertakings of public welfare for the masses. As for public affairs in the village, he will pass the buck as much as possible, or at least try to put them off.

Specifically, village cadre work at the moment can fall into any one of four scenarios.

In the first scenario, the higher authorities are satisfied with the village cadre and the masses are supportive. On the one hand, he fulfills, even overfulfills all state tasks and, on the other, does practical things for the masses. That the cadre is able to make both parties happy is mainly because he has tackled the development of a collective economy aggressively, which gives him the economic wherewithal to do practical things for the masses and compensate the peasants for some of the economic losses they suffer in their economic conflict with the state. Cadres in this category are usually handsomely rewarded. Needless to say, there are still few such cadres at the moment.

In the second scenario, the village cadre is considered satisfactory by the higher authorities but does not enjoy the support of the masses. He completes the various tasks assigned him rather well, but, hemmed in by

objective factors, cannot undertake projects of public welfare for the masses. In the course of completing a task, compulsory measures are often resorted to, which badly strains the cadre-masses relationship. The village cadre derives more income from his work as a cadre than from farming. This scenario is a common sight at the present moment. While the masses are not happy and do not support this kind of cadre, they have little or no power to choose cadres and are forced to accept him.

In the third scenario, the village cadre is not considered satisfactory by the higher authorities but basically enjoys the support of the masses. Most village cadres in this category accommodate the masses and muddle through in their work. When a task involves no conflict between national interests and peasant interests, he can usually ensure its completion. As soon as there is a conflict, he either tries to muddle through or dumps it in the lap of the authorities above. Thus even though he has undertaken few projects of public welfare for the masses, his compensation is usually realized by collecting funds from accumulated profits. This scenario is also quite common right now.

In the fourth scenario, the village cadre neither satisfies the authorities above nor enjoys the support of the masses. He neither fulfills the tasks assigned by the people above nor furthers the interests of the masses. The relationship between the cadre and masses is often confrontational, with the former frequently unable to collect funds from accumulated profit and his compensation remaining unrealized for years. Most village cadres in this category are village cadres in name only and many have handed in their letters of resignation. But since a suitable successor cannot be found right away (actually nobody wants to be a village cadre) there is no alternative but to leave village-level work in a state of paralysis or semiparalysis.

IV

The intensification of rural reform and the development of the rural economy urgently demand that party committees and governments at all levels put rural grassroots organizational construction on the top of the agenda. The dilemma faced by the village cadre also requires that we find a solution quickly to help extricate him from his predicament.

Judging from the reality in the countryside today, the following options are available to provide a way out for the village cadre:

First, redistribute functions seriously by removing administrative functions from the villagers committee. There are two ways to achieve this: 1) Change the present villagers committee into the village office. Put the villagers committee in the existing villagers group. The village office will serve as the agency of the township people's government and carry out administrative and managerial functions. As for the villagers committee, it will specialize in self-government work. This arrangement will facilitate self-government. To begin with, the

villagers group has always been a production brigade. Under the people's commune system characterized by "three-level ownership, with the team as the basic accounting unit," it was already the most basic accounting unit. Land, forests, ponds, barns, and other basic capital goods all belonged to the villagers group, so it was no mere theoretical organization of the rural economy. A villagers group is often a natural village. Its historical continuity determines that the people in it have a lot more things in common. Thus only the masses in a group truly have "undertakings of public welfare" and "public affairs." Second, the masses in a villagers group are relatively few in number and live fairly close to one another, making it easy for them to gather together for meetings and get things done. This is particularly important in the mountain areas where some villages today have a circumference of tens of li with thousands of people, which militates against the practice of self-government. 2) The villagers committee remains unchanged as it is presently constituted, but a village office will be created parallel to it. Administrative functions will be transferred to the village office. Whichever of the two above approaches we choose, the principal cadres of the village office must be state cadres. The remainder may be recruited in society.

Second, revise the "Organic Law" to confer administrative functions on the villagers committee, explicitly making it the most basic administrative organization so that the administrative responsibilities it assumes are consistent with its social status. Undeniably the "Organic Law" has not really been put into effect since trial implementation began. Besides, its realization will be very difficult in the future. The reason is that we cannot equate the villagers committee in the countryside with the neighborhood committee in urban areas. These two organizations should not be similar in nature. We know that most residents within the jurisdiction of a neighborhood committee belong to their own respective units (enterprises, institutions, group organizations) which are actually responsible for their management. Naturally this makes it easier for the neighborhood committee to carry out self-government. Not so in the countryside. At a time when the legal system remains flawed and peasants have a weak sense of legality and a low educational standard, it is impossible to regularize their conduct through "self-management, self-education, and self-service." Inevitably, their conduct goes against social norms and state policies. If the conduct of better-educated urban residents under the strict management of administrative organizations is less than orderly, it is hard to imagine that the countryside with its 200 million and more illiterates can achieve orderliness through self-management, which makes it all the more important for us to confer administrative functions on villagers committees and strengthen administrative management.

Third, select and send state cadres to fill real positions on the villagers committee. Alternatively, revive the old practice of selecting state cadres from among village cadres and put an end to the current practice in which

cadres are both "officials" and "peasants." The two changes above involve legal issues, so decisionmaking by the state at the macro level is required to bring achieve them. This renders early implementation unlikely. On the other hand, selecting and sending state cadres to fill positions in the countryside and selecting state cadres from among village cadres are decisions that can be taken at the county or township level. These changes have limited implications and are thus much easier to implement. Needless to say, we do not mean that state cadres need to be sent to all villages, let alone that all village cadres must be state cadres. The primary target should be paralyzed and semiparalyzed villages. Moreover, only the leading cadre positions should be filled by state cadres. Selecting state cadres from among outstanding brigade cadres proved highly inspiring in the

1970's and should still be an important means to mobilize cadre initiative today. It is well worth reviving.

Fourth, develop the village-level collective economy vigorously and strengthen service functions, an approach of proven feasibility. It is precisely by expanding the collective economy and nurturing agriculture with industry that many villages have been able to compensate the economic losses of peasants, thereby freeing the village cadre from his predicament.

Certainly, ending the role conflict for the village cadre fundamentally in the larger environment will still require adjusting the relevant state policy and eliminating or moderating the conflicts between different interest groups.

NATIONAL AFFAIRS, POLICY

Outline of Urban Economic System Reforms in 1989

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GAIGE [CHINA ECONOMIC SYSTEM REFORM]
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[Article by Geng Liang (5105 0081) and Yao Yunde (1202 6663 1795): "A Roundup of Comprehensive Urban Economic Reforms in 1989"]

[Text] China's comprehensive experiment in economic reform was deepened in 1989. In the past year, experimental zones for opening up and reform, such as Guangdong, Fujian, and Hainan, as well as the various cities in which experiments are taking place, have all earnestly summed up the lessons learned from 10 years of experience in reform. While continually perfecting and deepening the reform measures which had already been introduced, these places have continued to promote some new reforms and explorations. New progress has been achieved in many areas.

Unifying Ideology and Viewpoints; Bolstering Confidence in Reform

1989 was the first year of improvement and rectification. The state implemented a "double tight" policy on fiscal expenditures and credit, and the economic environment underwent changes. Under these circumstances, there was a relatively large number of points on reform which gave cause for debate. Many uncertainties existed. Faced with this situation, party committees and governments in many cities where experiments are under way organized cadres to repeatedly study the central leadership's programs and important speeches given by Comrade Deng Xiaoping, thereby further unifying understanding of the current status of the reforms. There are four main signs which indicate that the reforms are going well. First, the central leadership has a very clear attitude toward the reforms, and confidence is strong. They have clearly identified the four cardinal principles as the foundation upon which this country is built and the path of reform and opening up as the way toward national strength. They further corrected the direction of the reforms. Second, 10 years of reform have significantly bolstered the vitality and strength of the national economy. Much beneficial experience has been built up in the theory and practice of reform, laying the foundation for future deepening of reform. Third, the first steps have been taken toward eliminating the disruptive and destructive effects of bourgeois liberalization on the reforms. As corruption has been rooted out and clean government has begun to be established at a faster pace, the political environment has become even more conducive to reform. Fourth, the thorough prosecution of improvement and rectification, stable prices, and gradual alleviation of the imbalance between supply and demand have provided favorable conditions for

reform. Through study, everyone has cleared his mind of doubts, braced his spirits, and bolstered his confidence in reform.

Deepening Enterprise Reform; Raising Economic Benefits

First, we have perfected the forms and methods of contracting. Some experimental cities, in response to the need to readjust industrial structure, have differentiated between various situations and applied different forms of contracting accordingly. For enterprises that need to be developed, we have adopted the contracting form known as the "two guarantees and one link." For enterprises whose future development prospects are uncertain, we have adopted a rolling contract method in which they are periodically investigated, audited, and made good on. For enterprises that do not fit into the required industrial structure and that need to be closed down, have production suspended, be merged with other enterprises, or switch product lines, we have chosen strong enterprises from their own industries or from closely related ones and have either contracted the former out to the latter or merged them. In most cases, the contract term coincides with the period in which we will be carrying out improvement and rectification, but the contract term has been appropriately extended for a small number of enterprises that are responsible for important technological upgrade projects and have long production cycles.

Second, we have perfected the contract document itself. Many cities have earnestly set to the task of perfecting the contract document. For contract documents that have already been signed by the enterprises, most of those that were not up to standard, failed to clearly define responsibilities, or had not completed all procedures were supplemented and perfected last autumn. The funds-to-profits ratio, labor productivity, appreciation in asset value, and production safety have all been improved. For enterprises that are charged with responsibility for exports and foreign exchange earnings, foreign exchange earnings targets have been added to the contract documents.

Third, we have earnestly set about the work of contract renewal. Enterprises in many experiment cities have been affected by insufficient supplies of energy, raw and semi-finished materials, and funds, as well as by slumping markets. These problems have increased the difficulty of getting contracts renewed for another round. Shijiazhuang Municipality, in setting vigorously about the task of contract renewal, has paid most of its attention to two areas. 1) It has carried out investigation and study. It has analyzed the favorable and unfavorable conditions being encountered by enterprises. It has produced a relatively accurate forecast of development prospects for enterprises, and has bolstered confidence in contracting. 2) It has stressed handling interest relationships between the state, enterprises, managers, and workers and staff in a correct manner. It has guided enterprises to make a greater contribution to the state.

We Have Further Developed Lateral Economic Links and Enterprise Mergers

Nanjing Municipality established an equity transfer market last year. Through enterprise mergers, a group of new combined economic entities has been formed. The municipality now has 33 large-scale enterprise groups, of which 15 are enterprise groups. They possess fixed assets worth a total of 5.2 billion yuan, and their total industrial output value exceeds 9.5 billion yuan.

We Have Deepened and Coordinated Internal Enterprise Reforms and Brought the Enthusiasm of Workers and Staff Into Play

First, we have implemented an enterprise internal contract responsibility system at all levels, giving rise to a new situation in which the "internal contractor" vouches for the "external contractor." This has spurred economic development. For example, there are 56 enterprises in Wuxi which have implemented internal "shared guarantee contracts." The factory head represents administration, the union represents workers and staff, and the party committee serves as an impartial witness and overseer. Shared guarantee agreements have been signed, and the relationship within enterprises between the party, the administration, and workers has been clarified, as has the relationship between managers and producers. By doing these things, we have improved the contract management responsibility system.

Second, we have reformed the internal distribution system within enterprises. Dalian Municipality has worked together with enterprises to divide the latter internally into small accounting units. They have charged each unit with responsibility for its total wages, and they have implemented internal links between wages and performance, thereby further bringing the enthusiasm of workers and staff into play and raising economic benefits.

Third, we have further perfected the factory head (manager) responsibility system. Last year, Changchun and some other experiment cities worked to bring relationships into balance. They strengthened the party's leadership as well as ideological and political work. They combined the central position of the factory head with the core function of the party organization, and clarified the following issues: The factory head responsibility system is compatible with China's system of leadership, and cannot be lightly negated. We must affirm that the ranks of enterprise managers are good, and cannot depict factory heads as a group of criminals. We must strengthen unity and cooperation between party and administrators. This is an important prerequisite if we are to run enterprises well. We must handle ideological and political work in a unified manner. We must thoroughly implement the principle that the party oversees cadres. We must rely on party and government leadership groups to make proper use of cadres.

Rectifying the Circulation Sector; Setting Standards for Market Order

Since last year, the various experiment cities have all given high priority to the tasks of rectifying the circulation sector and establishing market order. Work has been done mainly in the following areas:

Cleansing and rectifying corporate ranks. Wuhan, Dalian, Chongqing, Guiyang, and Nanjing have all set up leadership working groups to cleanse and rectify corporate ranks. They have focused on resolving the problem of party and government organs getting involved in commerce and running enterprises. They have achieved some initial success in resolving the problem of lack of separation between officials and commerce, and between government and enterprises.

Rectifying market order. Many experiment cities have worked to clean up and rectify relatively chaotic conditions in commodity wholesale markets, capital goods markets, technology markets, and transportation markets. All of these markets have been brought under standardized regulatory procedures. Wuhan has reviewed the qualifications of participants in wholesale markets there, and has resolutely revoked the privileges of a number of wholesale enterprises that lacked the necessary qualifications.

Strengthening regulation of individual industrial and commercial entrepreneurs. The experiment cities of Qingdao and Wuxi have placed high priority on strengthening regulation of individual entrepreneurs, and have formulated relevant documents. Dalian has done several things to strengthen regulation of its markets. It has implemented standardized regulation of markets and launched "civilized markets" activities. It has strengthened price regulation and rectified market order. It has strengthened the education on the current situation, legal education, and ethical education of individual entrepreneurs.

Strengthening Macroeconomic Regulation and Control; Promoting Improvement and Rectification

Strengthening macroeconomic regulation and control of prices. Many experiment cities have adopted a series of measures aimed at controlling price rises. The main ones include raising effective supply and doing a good job with the "market basket project," setting up a reserve system for major commodities, implementing a rigorous price reporting system, and regulating the type of commodity for which prices may be raised as well as the scale of price hikes, and setting up a price regulation responsibility system.

Strengthening macroeconomic control of fixed asset investment. Yingkou Municipality has dealt with fixed asset investment by adopting measures to eliminate, suspend, restrict, and protect. Construction has been suspended on a total of 17 projects, and investment has been cut by 214 million yuan. The municipality has

acted in accordance with industrial policy to readjust economic structure, protect good investments, and root out bad ones.

Strengthening macroeconomic regulation and control of bank credit. By strengthening the regulatory and control functions of the People's Bank, Dalian, Yingkou, and Wuhan have all acted on the credit policy of restricting total loans, supporting certain targeted areas, treating different enterprises differently, supporting good enterprises, and restricting bad enterprises. They have achieved some initial success in controlling the amount of credit and readjusting the direction of credit flow, and they have helped to improve the financial situation.

Strengthening macroeconomic control of fiscal revenues. The first thing has been to severely restrict the fiscal revenues of products and manufacturing enterprises whose production has been limited, while giving financial support to key products and enterprises. Special importance has been given to inputs for agriculture and education. Of secondary priority is strengthening tax collection. Of tertiary importance are rigorously controlling tax deductions and exemptions, and rooting out and punishing tax evaders.

Aggressively Pushing Experiments; Gradually Exploring and Gaining Experience

Pushing shareholding system experiments in an aggressive but stable manner. In order to ensure that the experiment with a shareholding system based on the system of public ownership can continue to develop in a healthy manner, the regions and municipalities where experiments are taking place summed up their experience over the past year, formulated and perfected policies and regulations related to the implementation of shareholding system experiments, and gradually brought the experiments within the legal system and subjected them to set standards. First, enterprise groups under the shareholding system in which different enterprises hold each other's stock are being further developed. Second, the incremental shareholding system, in which the workers and staff within an enterprise hold stock in their enterprise, is being tested in an aggressive but stable manner. Last year, Changzhou Municipality inspected experiment work units as well as total stock equity. The municipality has ensured that funds derived through the issue of stock will be used to expand production of highly competitive products and export products. It has also rigorously controlled the distribution of bonuses, and prevented the expansion of consumption funds. Third, the amount of stock issued to the public by enterprises under the shareholding system has been brought under control. So far, about 60 enterprises in more than 20 cities (including Shanghai and Beijing) that have implemented the shareholding system have issued 500 million yuan worth of stock to the public. These stock-issuing enterprises are relatively more regulated. About 80 percent of the shares issued by enterprises cannot be returned to the issuer, and they can, within certain

limits, be exchanged. About 50 percent of dividends paid by enterprises are not listed as a cost.

Experiments in which profits and taxes are unlinked from each other are being carried out to explore paths by which to reform the distribution relationship between the state and enterprises. Chongqing, Xiamen, and Hunan Province's Yiyang Municipality began to carry out experiments in unlinking profits and taxes in 1988. Enterprises carrying out the experiment in the three cities account for 65.9 percent, 100 percent, and 67.5 percent of the industrial enterprises within the state budget. Last year from January through August, industrial enterprises carrying out the experiment achieved increases of 8.6 percent in profits, 8.1 percent in taxes paid to the state, six percent in repaid loans returned, and 17.3 percent in retained profits despite a relatively tight macroeconomic environment and a 3.2 percent drop in industrial output value. From an overall standpoint, the experiment in unlinking taxes and profits has achieved some preliminary success, primarily in the following areas: First, the distribution relationship between the state and enterprises has been brought into a more satisfactory balance. Second, a self-restraint mechanism for enterprise investments has been gradually established and perfected, and third, conditions for reform of the tax system have been created. Other provinces and municipalities are also now studying and formulating ways to carry out experiments in unlinking taxes and profits.

Experiments with reform of the social security system have been started. 1) The system of unified administration of retirement pensions in enterprises under the ownership of the whole people in Fujian Province began in the industrial transportation system and spread to every industry. The work units participating in the system account for 90 percent of all enterprises under the ownership of the whole people. Workers and staff participating in the system account for 78 percent of all workers and staff in enterprises under the ownership of the whole people and 77 percent of all retired workers and staff. In July of last year, the provincial government approved a pension plan for workers and staff in collectively owned and privately run enterprises. A system combining a basic pension plan with a supplementary pension plan was adopted for collective enterprises, while a system based on each individual's savings was adopted for private enterprises. 2) The municipalities of Dandong, Siping, Huangshi, and Zhuzhou are now doing preparatory work in order to carry out a pension plan experiment. This preparatory work includes calculating the amount of funds required, and formulating and proving the feasibility of a program. 3) Shenzhen and Hainan are now consulting about the feasibility of programs that have been formulated to guide experiments that will be carried out there on a comprehensive reform of their social security systems.

Exchange Rate Adjustment Pressures Domestic Prices

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[Article by Tong Ke (4547 3784): "Impact of Readjustment of Renminbi Exchange Rate on Domestic Prices"]

[Text] The renminbi exchange rate constitutes an important part of China's price system. The price of the renminbi versus major Western currencies has been adjusted downward several times in recent years. Of particular note was 16 December 1989, when it was once again devalued to 4.7 renminbi per U.S. dollar, a devaluation of 21.2 percent. This article shall attempt to offer a tentative analysis of how to correctly evaluate the impact of the downward adjustment of renminbi exchange rates upon domestic price movements, and how to take measures to deal with this impact.

The Inverse Relationship Between Downward Adjustment of Exchange Rates and Domestic Prices

Adjusting exchange rates downward is an administrative measure universally adopted by the governments of the world to spur exports, turn trade deficits around, and improve current accounts. Its objective effect is to correct exchange rates which have fallen out of line and to retroactively acknowledge the effect of inflation which has occurred in a previous period. Since exchange rates represent one aspect of the value of a given currency, they will naturally affect another aspect of currency value, i.e.—domestic market prices. By looking at the acknowledged devaluations of the renminbi over the years as well as the de facto devaluations which have resulted from the expanded share of the market held by foreign exchange, we can see that there is basically an inverse relationship between downward adjustments of the renminbi and price rises in the domestic market. When exchange rates fall by three percentage points, it causes prices to rise by one percentage point. The renminbi exchange rate versus the U.S. dollar dropped 26.2 percent in 1985 from the previous year's level, and the general price index during the same period rose 8.8 percent. Exchange rates dropped 17.5 percent in 1986 while the general price index rose 6 percent. If we calculate the share of the market held by foreign exchange at 30 percent in 1987 and 50 percent in 1988, then overall exchange rates fell by 28 percent and 46.8 percent, which caused the general price index to rise, respectively, by 7.3 percent and 18.5 percent. The cumulative drop in exchange rate from 1985 to 1988 was 118.5 percent, while the general domestic price index rose by a cumulative 49.6 percent. It is apparent that at the same time that downward adjustments of the renminbi exchange rate increased exports and expanded markets for international trade, they also inevitably fueled price rises on the domestic market. It will help us in our efforts to take measures to deal with these price rises if we take a serious look at this negative side effect of downwardly adjusting exchange rates.

The Reason Why Downward Adjustment of Exchange Rates Causes Domestic Price Rises

1. *China's import/export commodity structure lacks flexibility.* Let us first examine exports. The question of whether adjusting exchange rates downward can achieve the goal of expanding exports depends, in the final analysis, on the price elasticity of the commodities exported by the country which has devalued its currency and on the demand elasticity of the importing country vis-a-vis the export commodities from the country which has devalued its currency. With regard to the supply and price elasticity of export commodities, primary products and light textile products account for 80 percent of the total value of China's export commodities. These export resources, whose supply elasticity is relatively low, are in many cases extremely scarce resources which are greatly needed for China's domestic economic development. For example, if exports of coal, petroleum, or some major agricultural and sideline products expanded sharply within a short period of time, it would inevitably exacerbate the imbalance between supply and demand on the domestic market. Furthermore, after foreign currencies appreciate, they can be traded for greater amounts of local currency, and some localities and foreign trade corporations may initiate a new round of purchasing wars in which prices are bidded up, thereby driving up procurement prices for these resources. Therefore, the "encouragement of exports" effect, which is subject to checks exerted by the low supply elasticity of export commodities, is quite limited, but the inflationary side effects which accompany it are very evident. Let us next examine imports. Adjusting exchange rates downward has the effect of limiting imports, but this effect is limited by the demand and price elasticity in the country which has devalued its currency vis-a-vis import commodities. Heavy industrial goods and chemicals account for 70 percent of all materials imported by China. These materials are required for economic development in China, and it would be difficult for China to produce these products in quantities sufficient to substitute for imports, so the amount of foreign exchange spent on imports could not possibly be appreciably reduced over the short term. China's dependence on imports in 1980 was 6.74 percent. This figure increased to 15.94 percent by 1987, and it has continued to climb during the last two years. This rigid import structure has forced domestic users of foreign exchange to spend greater amounts of renminbi in the period since devaluation to import the same quantities of goods and equipment as before. This has greatly increased the costs incurred by enterprises which use foreign exchange and has added to inflationary pressures in the market. Taking Anhui province as an example, the plan for allocation of foreign exchange for raw materials and original and supplementary parts was \$240 million. In other words, an extra 240 million yuan would have to be paid out. If we assume that processing enterprises in Anhui province can only absorb 16 percent of this extra expense, then an extra 201.5 million yuan worth of inflationary pressure would be exerted on the entire market of Anhui.

2. *Domestic commodity price relationships continue to be distorted.* That the expected benefits from downward adjustments of exchange rates progressively shrink and become distorted is generally due to the dual pressures of loss of control over domestic market prices and structural displacement. Let us first examine overall price levels. Continued price rises in domestic markets will mitigate the positive effects of a devaluation of the renminbi. Although the strategy of "improvement and rectification" has effectively suppressed inflation, and the general market price index has come back down, many underlying imbalances which could cause another round of price rises have not been fundamentally resolved. Furthermore, China's retail price index this year will rise by more than ten percent. This rapid inflation will inevitably make it difficult for the renminbi exchange rate to reach the proper level after it has been devalued. It will continue to be overvalued. It is apparent that if domestic prices cannot be held down, then the extra renminbi that result from currency devaluations will cause a huge gap between supply and demand and spur new domestic price rises. Let us next examine the price ratio structure. The irrational price policy currently being implemented in China, in which prices for high-quality products and some resources are too low while those for finished manufactured products are too high, results in unrealistic profits and losses for some of the commodities that are imported and exported by foreign trade enterprises. Under the current conditions, in which price ratios have yet to be brought into balance, currency devaluation could very well provide some enterprises with an opportunity to raise prices. Because the government has adopted a policy of dual track regulation of import commodity prices, enterprises can make huge profits by importing consumer goods at low prices and selling them in China at decontrolled prices, and domestic producers in the same category await the opportunity for corresponding price rises. On the other hand, currency devaluation loses all meaning for some capital goods whose prices are set by the government and for which a policy of "high-priced imports, low-priced exports" is being pursued if downward adjustments of exchange rates cannot reduce or eliminate import subsidies and the government has to go on bearing the burden of these subsidies all by itself. If we did away with subsidies and implement price setting through the import agent system, the great majority of enterprises which lack the dual restraint of a budget which must be met and the survival-of-the-fittest mechanism would pass on the cost of rising prices to the users of their products.

3. *The pressure of demand for currency will increase.* One manifestation of a currency devaluation is that the international purchasing power of the local currency decreases, and more of the local currency must be put into circulation or expended to purchase the same quantity of goods that could have been bought before devaluation. In China, foreign exchange conversions related to import or export activities must eventually be carried

out by the Bank of China according to renminbi exchange rates. After exchange rates have been adjusted downward, the quantity of renminbi required to carry out such conversions will necessarily increase, a part of which will be converted, via foreign trade enterprise purchases of industrial goods and agricultural and sideline products, into monetary investments. The other part of this quantity of renminbi will go mainly for renminbi-denominated loans to be used for imports connected with technology upgrading projects, and to make up for the extra loan amounts occasioned by the downward adjustment of exchange rates. In addition, when foreign currencies appreciate, the rate of profit accruing to foreign investors goes up, which brings in more foreign investment and increases nontrade income. All of these factors work directly or indirectly to raise the amount of renminbi in circulation and to increase the pressure of demand for increased money supply. Furthermore, the sudden and voluminous expansion of money supply will to a certain extent constitute a threat to domestic market prices, because after currency devaluation, money supply is a rapidly changing variable, whereas market supply of a given commodity is a slowly changing variable. The key determinant of the rate at which prices rise is whether the short-term increase in money supply can be held to a level compatible with effective market supply. After a tentative analysis of China's import/export structure (which is not flexible enough) and the currently distorted state of the price structure, it is not difficult to deduce that the huge quantity of additional money supply that will be released by the powerful pressure created by this demand for more currency will subject domestic market prices to a severe test.

How To Reduce the Negative Effects of the Downward Adjustment of Exchange Rates

We must correctly handle the relationship between exchange rate adjustments and the stabilization of domestic market prices. In the most fundamental terms, if we are to resurrect an exchange rate mechanism which "encourages exports and limits imports," then we must lower exchange rates to a proper degree, otherwise, if our currency is overvalued, domestic commodity price ratios will become unbalanced, the foreign trade structure will certainly fall out of adjustment, and it would be difficult to maintain the stability of domestic prices. However, in devaluing our currency, we must exercise good timing and adjust it down to the proper level in a single stroke. Experience has shown that a devaluation is most effective if carried out when international prices are rising and domestic prices are falling. The next best is when international and domestic prices are stable, and the least effective is when international prices are falling and domestic prices are rising. For this reason, it would be best to adjust the renminbi exchange rate downward when domestic prices are relatively stable so as to strengthen the "encourage exports, restrict imports" effect while weakening the impact upon domestic market prices.

We must work hard to stabilize the prices of imports and exports.

Let us first examine import prices. Because downward adjustments of exchange rates are an unforeseeable risk that must be assumed by enterprises that use foreign exchange, the state should continue to give subsidies to those enterprises which are most affected by price rises for imported capital goods, at the same time that it strengthens the ability of enterprises to absorb price rises on their own. With respect to imports of daily consumer items whose prices are deregulated, because the gap between international and domestic prices has become rather large, importing enterprises must carry out sales according to the same principle that applies to other products of the same category in the domestic market—compare quality, compare price. They must report to the local price agency, and they will definitely not be allowed to carry out unauthorized price hikes. Next, let us examine export prices. First, we must control procurement prices for export products and stabilize the average costs in terms of foreign exchange. After exchange rates have been adjusted downward, procurement prices for agricultural and sideline products should not in principle be adjusted upward; rather, they should be kept, as much as possible, in line with domestic market prices for products of similar quality. Second, at the same time that it strengthens its unified, planned regulation of imports and exports, the government must also actively promote the development of lateral economic ties between different regions, between the industrial and trading sectors, and between producers and sellers. The foreign trade system has been opened up in a rough-hewn sort of way; domestic price are being forced up in purchasing wars while export prices are being forced down in cut-throat competition for sales. This situation has to be addressed in a fundamental way.

We must establish a foreign trade price regulation fund. The basic object of such a plan would be to utilize various economic measures, including a specially earmarked fund, primarily for the purpose of regulating the relationship between the domestic prices of export commodities and international market prices, lengthening the time period in which domestic exporting enterprises are able to prepare for price risks, and lessening the impact of international market prices. The purpose of these measures would be to stabilize domestic production of export commodities and procurement price levels. As for the source of this fund, it could be raised by imposing a tax on profits from imports and exports. Part of the taxes could be imposed on profitable imported daily consumer goods to make up for losses suffered for goods (some capital goods, for instance) which are "imported expensive and exported cheap." The rest of the fund could be raised by imposing a tax on highly profitable export commodities, particularly on primary product exports, to serve as a price regulation fund that would make up for foreign exchange losses occasioned by some exports. We must take these measures to achieve the goal of improving export commodity structure and stabilizing domestic market prices.

We must effectively control the money supply. Monetary policy is the most important economic variables determining exchange rate levels and domestic market price movements. Only when the inflation rate is truly lowered will the gap caused by the inverse relationship between currency devaluations and rising market prices be reduced. Although the current strategy of improvement and rectification has achieved success for a certain period, it has not put an end to the problem. If we lightly abandon the "double tight" policy (and particularly if we abandon the effective control we have maintained over the volume of currency and loans in circulation), the resultant rebound in domestic market prices would rob the downward adjustment of market prices of virtually all positive significance. For this reason, the Central Bank, while continuing to carry out a stringent money supply policy, must regulate and bring into balance supply and demand for the renminbi in a planned manner, stabilize the value of the renminbi, and prevent the exchange rate from falling too low, thereby effectively controlling domestic market price movements.

FINANCE, BANKING

Status Report on Securities Exchange Markets

90CE0372A Beijing JINGJI GONGZUO TONGXUN
[ECONOMIC WORK NEWSLETTER] in Chinese
No 11, 15 Jun 90 p 19

[Article by Yao Huaicheng (1202 2037 2052), Research and Investigation Department, Bank of Communications Main Office: "An Overview of China's Negotiable Securities Exchange Markets"]

[Text] Just what the status of China's negotiable securities exchange markets is, is a question that financial circles and industrial and commercial circles both inside and outside China wonder about.

China's Negotiable Securities Exchange Markets Now in Embryonic Form

As reform of the financial system moved along, in early August 1986, the Shenyang Municipal Trust Investment Corporation took the lead in operating a negotiable securities buying, selling, and transfer business, which marked the advent of China's negotiable securities exchange markets. In September of the same year, the first negotiable securities transfer point also appeared in Shanghai—the internal securities counter of the Shanghai Jingan Trust branch of the Industrial and Commercial Bank. In November, the Xian Capital Center Market began business, including a negotiable securities exchange market. Subsequently, securities exchange markets appeared one after another in Taiyuan, Chongqing, Wuhan, Xiamen, Shenzhen, Guangzhou, and Fuzhou. After nearly three years of practice, these exchange markets have become more and more brisk. For example, after one year of operation, the Shenyang securities market's types of transactions increased from four to 50, and the number of agencies

dealing in securities increased fourfold. As of February 1988, exchange volume totaled more than 43.2 million yuan. In its first year of operation (1987), the Wuhan securities market's trading volume reached 15.38 million yuan. As of the end of March 1988, the Chinese People's Bank and the Ministry of Finance authorized Shenyang, Harbin, Shanghai, Chongqing, Wuhan, Guangzhou, and Shenzhen to be experimental sites for open national treasury bond transfer markets. In just three months, nationwide trading volume in national treasury bonds totaled 336 million yuan. In early June of the same year they authorized an additional 54 cities, including Zhengzhou, Changchun, Shijiazhuang, Fuzhou, Hangzhou, Nanjing, Taiyuan, Jinan, Changsha, Chengdu, Hohhot, Guiyang, Kunming, Urumqi, and Haikou as the second group of experimental sites serving as open national treasury bond transfer markets. As of the end of 1989, a total of more than 6,000 enterprises throughout the country issued stock share certificates and bonds. During 1989 alone, securities trading volume nationwide amounted to 1.61 billion yuan; nearly 300 million yuan of stock shares and debentures were issued by agents; nearly 70 cities operated securities exchanges; and there were more than 500 exchange network outlet points. Kinds of securities marketed through securities exchange markets throughout the country include enterprise stock shares and debentures, national treasury bonds for the period 1985 through 1988, various kinds of financial securities, and negotiable large-denomination certificates of deposit. Practice has shown that China's negotiable securities markets already exist in embryonic form.

Main Features of China's Negotiable Securities Exchange Markets

There is a direct correlation between the development of local economies, the degree of openness, and the up-to-dateness of urban residents' ideas, and whether the area's securities markets are flourishing. Securities exchanges are fairly lively today in open coastal cities, in cities that the state has designated experimental sites for financial system reform, and in some cities with well-developed basic industries. The views of quite a few urban residents have changed, developing from holding money until it is spent, to putting money into savings accounts until it is spent, to putting money into securities until it is spent. People have the idea of investing, but overall, quite a few people still do not understand the role of securities markets and stock shares and debentures in building a socialist economy. They regard purchasing national treasury bonds as "entirely a political duty."

Because of differences in economic characteristics, the kinds of negotiable securities marketed, the volume of transactions, and the total value of transactions differ from place to place. For example, in Shanghai, the national economic center, the volume of market transactions in negotiable securities during 1988 was more than 900 million yuan. This was not only 50 percent of the total volume of transactions nationwide, but 760

million yuan of it was in national treasury bonds. Furthermore, the externally oriented economies of Shenzhen and Guangzhou developed fairly rapidly, with the result that stock share and debenture transactions were much more brisk than trading in national treasury bonds.

Because of the wide spread in prices from one place to another, negotiable securities flowed toward cities where they could be sold at high prices.

With the advent of the 1990's, negotiable securities exchange markets everywhere exhibited two main characteristics in varying degrees, as follows: First was extraordinary briskness following the lunar new year. This was because quite a few stock shares and debentures reached maturity during the first quarter of 1990, and the broad masses of city residents continued to buy new issues. Second, exchanges of national treasury bonds gradually became the staple in most exchange markets. The main reason for this was the slide in enterprise production, the market slump, and a trend toward zero in the guaranteed value bank savings account subsidy rate. Some experts predict that securities exchange volume nationwide during 1990 will exceed 4 billion yuan in a more than 2.5-fold increase over the exchange volume during 1989. Shanghai's volume will remain highest, its volume for the year being forecast at approximately 1.6 billion yuan.

Main Problems in China's Negotiable Securities Exchange Markets

Although the advent of China's negotiable securities exchange markets was an inevitable result of the socialist commodity economy and of economic system reform including financial reform, nevertheless, there has been no penetrating and full theoretical discussion and argumentation about China's failure to form socialist securities markets. Nor has there been any theoretical guidance and effective macrocontrol exercised during the past nearly four years of practice. In addition, the propaganda media have not played the role they should have played.

The securities exchange market mechanism is not yet fully complete. This shows up in the following ways: There is no nationwide body of securities law and regulations for better centralized administration. Securities exchange prices are also neither completely fair nor reasonable. So far the country does not have a securities exchange and a corps of brokers. Personnel specializing in securities exchange work are few and far between, and their professional qualifications need improvement. After enterprise stock shares and debentures are marketed, there is no publicity about dealings, profits or losses, so investors' risks are increased. Rating standards for stock shares and debentures that enterprises issue are not uniform throughout the country, and administrative methods also differ from place to place.

Rapid steps have been taken in the active creation of new credit tools and the steady marketing of new kinds of

securities. Even though there are more than 6,000 enterprises in the country issuing stock shares and debentures, only an extremely small percentage has entered security exchange markets. As yet, 1989 national treasury bonds have not reached the market.

INDUSTRY

'Double Guarantee' Industrial System Achieves Goal

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in Chinese 7 Aug 90 p 1

[Summary] The "double guarantee" system set up by the government on a trial basis on 1 April of this year apparently is working well in several key backbone industries, with anticipated results. There has been an improvement in production conditions and an emergence of profitable enterprises under contract with the government to hand over products and tax returns.

The system, whereby the state and the local governments guarantee preferential treatment and working conditions while the enterprises agree to hand over to the state centrally distributed products and profit tax returns, comprises 234 large and medium-sized key backbone enterprises which are expected thereby to play a better role in the national economy.

Since the documents on the trial implementation of this system were handed down, the energy and material supply departments of all localities have tightened up inspection, evaluation, and review procedures on production conditions. They have also delivered this year's plan on electricity usage and on major material supplies to all enterprises involved in the "double guarantee" system. The railroad and communications departments have made concrete plans to transport goods produced by these enterprises. People's banks and industrial commercial banks have given support by making circulating funds and loans available to enterprises. All concerned areas and departments have made major adjustments and provided followup services to these enterprises, making sure that the double guarantee system is being carried out. Statistical departments at all levels have set up a statistical indicator system for the double-guarantee enterprises which provides complete and up-to-date data, unimpeded access, and regularly itemized analysis.

As a result of this trial run, the enterprises' production conditions have improved in three major areas. First, the enterprises get priority in obtaining loans. For example, of the 8 billion yuan loan issued by China People's Bank for the first quarter of 1990, 4.51 billion yuan, or 55.9 percent, was given to the double-guarantee enterprises. Second, the energy supply to the enterprises has increased by a large margin compared with the same period last year. Coal, electricity, and oil supplies have increased 26, 19, and 16 percent respectively, with an even bigger increase on the part of state-monopolized distribution. Third, rolled steel, timber, nonferrous

metals, caustic ash, soda ash, and other raw material supplies have basically satisfied the enterprises' production demands. Due to a tight cotton supply this year, the state and localities have decided to import from abroad and mobilize from reserves enough cotton for the double-guarantee textile enterprises to use in Shanghai, Beijing, and Tianjing municipalities. This approach has made it possible for the textile enterprises to fulfill over 70 percent of annual planned cotton usage.

As a result of this double-guarantee system in industry, the 234 key enterprises produced 95.7 billion yuan in gross industrial output in the first half of 1990, an 8.8-percent increase compared with the same period last year. Except for automobiles, the output of crude coal, rolled steel, and other major products by the enterprises registered increases above the national average. They have met the state contracts and overfulfilled the production quotas for centrally directed products.

FOREIGN TRADE, INVESTMENT

Solutions to Foreign Trade Enterprise Problems

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[Article by Li Daquan (2621 1129 0356): "Problems Facing Foreign Trade Enterprises—Suggested Solutions"]

[Text] Since economic reform and the open policy were introduced in 1979, Chinese exports and imports have been increasing steadily year after year, reaching \$40.1 billion by 1988 and meeting the 1990 export target of \$38 billion laid down in the Seventh 5-Year Plan. At present China has established trading relations with 184 nations and regions. During the past decade, China entered into 16,377 agreements involving foreign capital with a total price tag of \$78.51 billion, the actual amount utilized being \$47.73 billion. Moreover, China has been investing overseas steadily. By late 1988, China had invested in 526 nontrade joint ventures or wholly Chinese-owned ventures overseas with a combined investment of \$1.9 billion.

(1) Despite gratifying results, China's foreign trade currently faces enormous difficulties, the major ones being:

1. *Ineffective macroeconomic control and chaos in foreign trade.* The reform of the foreign trade system aims to break the monopoly of foreign trade departments by delegating the power to practice foreign trade. The power to export and import has been extended to other departments and localities, mobilizing everybody's enthusiasm. A brave new world has appeared in the operation of foreign trade, with multiple channels and windows. This should be a good thing, but because openness has not been accompanied by macroeconomic control and the necessary detailed management methods, there has

been confusion in foreign trade. Fragmentation is commonplace, with a variety of agencies running the show. Internally, enterprises scramble for export commodities by raising prices. Externally, they slashed prices to make a sale, engaging in "civil war" with their competition. The result is an outflow of profits.

2. *An acute shortage of credit funds.* In the new era of economic rectification, when the state has been cutting back on the scale of lending and tightening the money supply, foreign trade enterprises are strapped for funds to procure commodities for export. While the government is clear in its guiding thought that the foreign trade sector and export-oriented enterprises should be given priority when it comes to funding, this policy has never been fully carried out because of a lack of specific policies and regulations and banks' preoccupation with their own interests and the practical difficulties they are facing. Under these circumstances, foreign trade enterprises have been forced to give up buying and exporting marketable and popular products because they simply do not have the funds for procurement.

3. *We have been slow in developing new products and lack staying power as a trading nation.* At present, China's export mix is highly unbalanced structurally. The share of raw materials and primary processed products is too large, while the proportion of products with a high added value and capable of earning substantial foreign exchange is too small. The export of high-tech products is still in its infancy. Many enterprises set their sights on the domestic market and, slow to adjust their export mix, keep exporting the same old varieties. So instead of "producing what the market needs," we are still "selling what we produce." And since our products are not what the ever-changing international marketplace needs, we not only fall behind and lose out but also lack staying power.

4. *Blocked external marketing channels, imperfect service mechanisms, and a falling contract compliance rate.* A production factory may have a product that catches the eye of a foreign businessman at a trade fair and be deluged with large numbers of orders, but because it has no opportunity for further contacts with the foreigner, it may not be able to sell its products successfully. Besides, in some cases raw materials and packaging goods are not available at home and must be imported from overseas by the appropriate department. Since service mechanisms are highly deficient, the problems of enterprises are not resolved quickly. For lack of support, export deals often come to nothing. Moreover, the quality of some products has been deteriorating. Popular products have been adulterated. The amount of pesticide residues in grain, oil, livestock, and native products often exceeds the permitted limits. Occasionally we find industrial products of shoddy workmanship. The result is a falling contract compliance rate.

5. *Foreign trade is conducted in secrecy.* Complaining about unfair distribution, enterprises have become less eager to earn foreign exchange. Production enterprises

turn their products over to the foreign trade sector for export but are not in a position to know the prices foreign buyers pay for their products. They do not even know for sure where the markets are. A number of preferential policies for foreign trade, such as those that offer drawbacks and treasury subsidies for export seldom take the wishes of production enterprises into consideration. Furthermore, there is the objective fact that products fetch better prices at home than in the overseas market. Consequently, many enterprises decide their marketing plans in accordance with the principle of profit maximization, concentrating on the domestic market to the neglect of the foreign market. The enthusiasm to export and earn foreign exchange has cooled off and shows signs of further decline.

6. *Under the current system, the grassroots element is hampered and restricted to a certain extent in its responsibility for and role in foreign trade.* This is another factor hindering the development of foreign trade. The problem manifests itself in the following four major ways:

1) Responsibilities and rights are not proportional to each other. The corps of foreign trade workers and cadres nationwide currently consists of over 500,000 people, half of them grassroots workers. They are the organizers of the development and nurturing of the production of export commodities and the commanders of the procurement, collection, processing, selection, arrangement, packaging, and transportation of commodities for export. Practice proves that without the efforts of the grassroots foreign trade departments, many export commodities could not be procured. Facts fully demonstrate the role and function of grassroots foreign trade departments in China. However, the present reality is that grassroots foreign trade only has obligations but seldom enjoys specific rights. For instance, the right to determine targets for the use of foreign exchange in importing, to allocate credit funds intended to foster export enterprises, to supply and distribute raw materials and energy to improve the investment climate, and to import professional personnel is all scattered among various departments involved, making it difficult for grassroots foreign trade departments to play its centralizing, unifying, regulating, and controlling roles. In six major areas—manpower, financial resources, material resources, production, supply, and marketing, grassroots foreign trade departments are powerless to play their leading role.

2) Planning is divorced from profitability. There has been growing pressure and increasing burden on the grassroots foreign trade sector. After the contract system was introduced in foreign trade, specialized companies at the provincial level, working through the provincial planning commission, assign tasks based on the procurement situation in the past years to foreign trade companies at the lower levels, prefectural, municipal, and county, emphasizing that the tasks constitute a national plan and that only when foreign trade companies at the lower levels send the commodities to the port companies

of the province in question would they be considered as fulfilling the plan. However, since the various specialized foreign trade companies at the provincial level have been severed from the central government financially, practice independent accounting, and are responsible for their own profits and losses, they are tempted to skim off grassroots foreign trade companies in improper ways. For instance, they lower the processing fees paid to the lower levels, delay payments, and withhold interest, among other things, resulting in a steep decline in the regular incomes of foreign trade companies at the prefectural, municipal, county, and grassroots levels, so much so that they almost cannot afford the routine expenses. Thus foreign trade companies at the lower levels only have the obligations to fulfill the plan while their interests are being ignored. This has put them under increased pressure.

3) Lack of coordination between production and circulation. Nowadays export production enterprises are subordinate to their own departments in charge and rely mainly on foreign trade companies for export commodities. They have no power to initiate actions, command, or control in the production and circulation of export commodities. As a result, there has been a large outflow of popular sought-after commodities and the export plan is not completed as desired.

4) Difficulty in reconciling the use of foreign exchange with the earning of foreign exchange. It takes foreign exchange to import advanced foreign technology and equipment, accelerate product turnover, upgrade the types of export commodities, and enhance competition. But the foreign exchange target falls within the jurisdiction of the planning commission in some cases and that of the finance department in others. The power to regulate foreign exchange belongs to the Foreign Exchange Management Bureau, while enterprises have to turn to bank loans for the renminbi necessary for regulating foreign exchange or to raise the money on their own. Without foreign exchange and foreign exchange quota, not to mention renminbi, regulation is out of the question. Consequently, some good imported projects have been irrevocably lost.

In our opinion, these problems cannot be solved without reforming the current foreign trade management system.

(2) How to achieve steady growth in foreign trade is a top priority facing China's foreign trade enterprises today and has a direct impact on the stability and development of the overall economic situation and the implementation of the policy of improving the economic environment, rectifying the economic order, and furthering reform. Beginning in 1990, China has entered a period when many foreign loans become due. The enhancement of our ability to earn foreign exchange has direct implications for our ability to pay off our debts. Thus we must take effective measures in earnest to prevent foreign trade from going downhill. We should make the export drive and the earning of foreign exchange a top priority

and look for a new way to develop foreign trade steadily. Toward that end, we should concentrate on doing a good job in these areas:

First, intensify the reform of the foreign trade system based on the requirements of overall coordination. We must first have a correct understanding of the liberalization of foreign trade and present a united front to the outside world. Building on that basis, we must establish management and supervisory mechanisms as necessary and safeguard the foreign trade order. Meanwhile, we must promote the group operations of foreign trade, establish reliable overseas marketing channels, delimit areas of operation to ensure that the interests of export and production enterprises are not damaged, and bring about a healthy foreign trade order through good quality and good services. The earning of foreign exchange basically depends on the enterprise, so we must further reform the enterprise. Even as we improve the economic climate, rectify the economic order, and perfect the system of contract responsibility within foreign trade, production enterprises as well as those in foreign trade must adopt the factory director/manager tenure objective responsibility system and hire workers through bidding to get the optimal mix of people. They should also establish a well-defined system of personal responsibility and strictly enforce evaluation procedures and a system of rewards and punishments.

Second, tap potential to the full to solve the problem of fund shortages in foreign trade. Banks may raise the quota for foreign trade lending. Furthermore, we should utilize the enthusiasm of all quarters and raise foreign trade funds through multiple channels in a variety of ways. Foreign trade enterprises must overcome the mentality of "waiting, depending, and asking" and start demanding efficiency from management and funds from efficiency. Fund management must be improved to increase the returns on funds and speed up fund circulation. Sums that should be collected or paid should be sorted out accordingly, each and every one of them. In instances where goods have been sold on credit, payment should be collected promptly. The payment collection process must be accelerated. Also, an effort should be made to clear export commodities sitting in the warehouses to raise funds to be plowed back into the operation of foreign trade. In particular, we must grab the opportunity to make export deals, raising the prices at which we sell, lowering the prices at which we buy, limit all unnecessary imports, and economize foreign exchange. The idea is to perpetuate a positive process: export, earn foreign exchange, and plow it back into foreign trade to earn yet more foreign exchange.

Third, we should strive to adjust China's mix of imports and exports and improve the comparative advantage of foreign trade. While the mix of imports and exports cannot be significantly improved in the near future, we must stop our blind pursuit of quantitative growth in foreign exchange earnings while overlooking profitability, which has led to instances where Chinese exports were shipped back to China as imports after passing

through the hands of foreign businessmen. This abnormal phenomenon has got to stop. In accordance with the principle of comparative advantage, we should make the cost of earning foreign exchange and the profitability of exporting an important principle to be followed in optimizing the import and export mix. By fully utilizing the superiority and potential of China's production technology, we must upgrade both exports and imports and greatly increase the exports of multiple processed merchandise and foreign-exchange earning agricultural products like electronic machinery, domestic electric appliances, light industrial goods, crafts, apparel, processed food, and building materials. We must increase the proportion of exports consisting of manufactured goods, particularly multiple processed goods, and electrical machinery. We must work hard to improve the quality of import and export commodities and increase the ratio between foreign exchange earnings and the costs in order to make Chinese goods more competitive on the international market and increase the profits of foreign trade.

Fourth, adjust the balance of interests in favor of factories that produce exports. Factories are the foundation of steady growth in exports. Only by mobilizing the enthusiasm of factories to export and earn foreign exchange and overcoming the difficulties facing the foreign trade sector can we make steady progress in exports a reality. Accordingly, in the spirit of "keeping water to breed fish," we must give more preferential treatment to factories making export products, strongly supporting them with human, financial, and material resources, among other things.

Fifth, strictly enforce foreign trade discipline and step up the management of export commodity prices. To begin with, overhaul foreign trade companies. Foreign trade companies set up with the permission of the localities should be weeded out in strict accordance with the requirements. Those that do not make the grade should be stripped of their power to handle imports and exports. Never be over-lenient and accommodating. Second, vigorously strengthen the management of foreign trade procurement prices. Put an end to procurement wars. When ports, regions, and enterprises raise prices and scramble for products, causing losses for the export sector, they should be punished depending on the circumstances. Losses thus incurred should not be written off if we are to standardize enterprise operational conduct and form a uniform and sound foreign trade order.

Sixth, strengthen and improve the foreign trade macroeconomic regulation and control system. Foreign trade is a task with an all-embracing impact. It involves a broad area and is fraught with difficulties, from top to bottom, inside and out. Under the leadership of the government and with the participation of the heads of all departments involved, each locality must set up an authoritative macroeconomic regulation and control organ to reconcile the relations among all parties and resolve some practical problems.

In short, the short-term outlook for China's foreign trade is grim. The tasks are arduous and the difficulties are legion. We must adopt a positive attitude and effective measures, improve the economic climate and rectify the economic order successfully and unwaveringly, adjust the relations among all quarters, overcome difficulties assiduously, climb out of the doldrums in which we now find ourselves, and create and make full use of favorable conditions so that foreign trade can develop healthily and steadily. In particular, we must aggressively push exports as a way of earning foreign exchange and ensuring foreign exchange income for the state.

State Council Notice Stresses State Asset Management

90CE0358B Beijing JINGJI RIBAO in Chinese
12 Jul 90 p 1

[Article by reporter Qian Fengyuan (6929 7685 0337): "State Council Issues Circular: Strengthen Management of State-Owned Assets and Strive for Stable Economic Development"]

[Text] The State Council has recently sent down a "Circular on Strengthening the Management of State Assets" to the people's governments in all provinces, autonomous regions, municipalities as well as the State's Council's own departments and commissions and directly subordinate organs. The "Circular" emphasizes "treating the management of state assets as an important part of the rectification and improvement and deepening reform process" and urges everybody to "seek unity of thinking, emphasize leadership, take effective measures, and work steadily to produce results."

The "Circular" asks that fund sources be determined through physical inventory nationwide to deal with the problems of unknown "bottomline" and chaotic management and unjustified losses and wastefulness. During the Eighth 5-Year Plan period, the Ministry of Finance and the state asset management bureau in conjunction with other relevant departments will formulate a program on this task, which will be reported to the State Council for approval before implementation.

Governments at all levels should set up state asset management organs or similar departments to look into the shareholding operations, lease operations, the Chinese-funded portion of the Sino-foreign joint ventures, state-owned assets in use abroad, as well as enterprise mergers, the sale of small enterprises, and the way state-owned assets are being managed in the "money-making" projects set up by various units. They should sort out, assess, transfer, or collect state-owned assets being used by various "abolished, merged, or transformed" companies. The ownership rights of state-owned assets in use by companies still doing business should be registered in order to set up a complete management system. The use of state assets to engage in stock participation, set up joint ventures, or take part in enterprise mergers, and activities such as selling state assets to legal entities or individuals outside of the

ownership by the whole people system within the country or abroad must be reported to the state asset management bureau at or above one's level for approval, and procedure must be followed when transferring the property rights.

In the new round of contracting, the financial departments and the state asset management organs should share in handing out the contracts. We need to improve the way the contract terms are assessed as well as the internal allocation method. Through setting up enterprise groups, joint operations, mergers, and other effective methods, we can promote the proper circulation and the optimal disposition of the stock of state assets and avoid idling and wasting state assets.

To help enterprises understand the input-output concept better and increase their economic efficiency, the Ministry of Finance and the state asset management bureau should join the localities and departments in finding and studying an industry-based, locality-based profit-to-investment ratio assessment method and promote that method step by step.

State asset management organs at all levels must work with other relevant departments to ensure profitability in the investment of state-owned fixed assets and comply strictly with regulations when examining and approving the declaration of loss, offset, and write off of state funds.

The state charges the Ministry of Finance and the state asset management bureau with the task of setting up experimental units of different kinds to explore new systems and methods of managing the state's assets and formulating a set of provisional state asset management regulations and its accompanying rules and regulations and systems as soon as possible.

In accordance with the principle of unified leadership and graded management, we should gradually set up and perfect the state asset management organs. The State Council has stipulated that the function of managing the state assets in the capacity of property owner should be exercised by the Financial Ministry and the state asset management bureau and that it is the state asset management bureau's specific duty to perform the management tasks under the Financial Ministry's direct administration. The establishment and the duties of the military's state asset management organ should be decided by the military commission of the central party committee.

Finally, the "Circular" asks that the people's governments in the provinces, autonomous regions, and municipalities and all departments under the State Council "find ways to strengthen their own region's or department's state asset management and come up with some practical and workable measures. Reports should be handed to the State Council by the end of October. Duplicates should be sent to the Ministry of Finance and the state asset management bureau."

ECONOMIC ZONES

Background on Decision To Develop Pudong

90CE0380A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 7, Jul 90 pp 68-71

[Article by Chang Kung (1728 1712): "The Decision and the Blueprint To Develop Shanghai's Pudong"]

[Excerpts] (*Editor's note: Shanghai has recently gone all out to publicize its intention to develop the Pudong area east of the Huangpu River. Shanghai Mayor Zhu Rongji [2612 3579 1015] even led a delegation to Hong Kong in June to sell the development plan to the outside. This article on the background of the decision and planning has been written with inside information and is a summation of materials intended for internal distribution.*)

Deliberations on developing Pudong have been going on for a long time. The logic is simple. Nowhere in the world is there a large city such as Shanghai with such a disparity between one side of its river and the other.

In 1984, the municipal government submitted to higher authorities a report entitled "Economic Development Tactics," proposing development of Pudong. In February 1985, the State Council gave an official reply which proposed that a new urban district be planned to create the proper conditions for Pudong development. In 1986, the State Council in its official reply, "The Overall Program for the Economic Development of Shanghai Municipality," again proposed that special attention be given to setting up Pudong on a planned basis to make it into a new, modernized district of Shanghai. It was then that Shanghai began to take action.

In July 1987, Shanghai made Zhu Zongbao [2612 1350 0202], the then standing committee vice mayor, chief of the joint advisory group to develop Pudong.

In May 1988, the Shanghai municipal government specially convened an "international discussion meeting on developing the Pudong area." High-ranking Shanghai party and government officials, including Jiang Zemin, Zhu Rongji, and Wang Daohan [3076 6670 3211] participated and presided, and more than 140 domestic and foreign experts expressed their opinions. It was at this meeting that Jiang Zemin declared that Shanghai is a world-renowned city, which in the thirties and forties was Asia's greatest trade and financial center. However, various factors transforming the city and affecting its development weakened its status as an economic and export center. In the past 10 years, various methods have been discussed and adopted to transform the city, but the costs have been too high and the difficulties too numerous. We know from history that Shanghai can only become an international, pivotal, modern, and unified world city if we integrate the old districts, develop new districts, and step up outwardly oriented new development.

This marked the early stage of preparations for Pudong development. There was also established in 1988 a leadership group for developing Pudong.

In April 1989, Zhu Rongji and others went to Pudong on many occasions on official business and to discuss development difficulties. In October, Shanghai held an international consultative conference of entrepreneurs. In his address to the conference, Zhu Rongji set forth the need to accelerate the development of Pudong and to bring strategy into play for the rapid development of Shanghai. He also welcomed investment by foreign businessmen and issued a call for their preferential treatment.

Although discussion of Pudong development had been going on for a long time, the actual decision was made during the 50 days following the 1990 Spring Festival between 26 February and 18 April.

About the time of this year's Spring Festival, the three "heads" of the Central Committee, Deng Xiaoping, Yang Shangkun, and Qiao Shi along with Zou Jiahua came to Shanghai to move up the agenda for developing Pudong.

Yang Shangkun declared that Shanghai must take off.

Deng Xiaoping said that the achievements of Shanghai are not yet finished and that it will move faster than Guangdong. Qiao Shi revealed that the upper levels of the Central Committee were almost unanimous in their support of developing Pudong and that the Political Bureau had held a special meeting on the issue.

Zhu Rongji confirmed that he felt the real turning point with respect to developing Pudong probably came in the wake of "4 June." As an "overall designer's" plan for the nineties, it was an opportunity that could not be missed. On 26 February, the Shanghai municipal party committee and municipal government formally presented to the CPC Central Committee and the State Council their "Request Concerning the Development of Pudong."

In only one day, on the 26th, Premier Li Peng issued his instructions requesting Zou Jiahua to study it. Zou took immediate action, going to Shanghai to set up an outpost to make preparations for Vice Premier Yao Yilin's arrival to make the final verdict on economic decisions.

From 18 March to 8 April, Yao Yilin, commissioned by Jiang Zemin and Li Peng, was in Shanghai with a group of ministers to make a special study.

On 29 March, hearing the Shanghai reports, Yao Yilin immediately assigned six specialized groups to enter into coordinating discussions. There was a special zone group, a financial administration group, a foreign trade group, a commercial group, a monetary group, and an agricultural group. During a full five days of talks, they each made offers, heard counteroffers, and made calculations.

On 2 April, Yao Yilin brought together the responsible members of the six groups from the State Council and

the principle Shanghai government leaders and held a joint conference to discuss the project.

A second round of meetings was held from 3 to 7 April which resulted in a report to the Beijing central authorities entitled, "Report Outlining Several Issues Concerning Pudong Development."

On the 8th, Yao Yilin took the report and returned to Beijing.

On the 9th, Li Peng presided over a meeting of the State Council that especially heard the report on developing Pudong.

On the 12th, Jiang Zemin presided over a Politburo meeting that in principle passed the program to develop Pudong.

From 14 to 18 April, Li Peng made an inspection tour of Shanghai. Arriving on the morning of the 15th, he proceeded to Pudong. In the afternoon he heard the Shanghai work report and gave an address on the decision to develop Pudong.

Li Peng declared that he, the State Council, and the CPC Central Committee all approved of its development. For the past 10 years, the focus has been on developing the Guangzhou delta. Shanghai should be the focus for development for the next 10 years.

He also said that Shanghai's position was not inferior to Guangdong's. Guangdong's superiority has simply consisted in its proximity to Hong Kong and preferential treatment. Shanghai, on the other hand has the advantage of an economic base, strong scientific and technical management, and different levels of foreign ties. Consequently, Shanghai should not be underrated. Developing Pudong will not only bring strong development to Shanghai, it will be strategically significant for the Chang Jiang valley and the overall situation.

Li Peng declared that it has not only been the State Council and party Central Committee that have agreed to these views. They have been unanimously approved.

Li Peng's formal announcement on 18 April at groundbreaking ceremonies for a new factory of the decision to develop Pudong was a stern warning of a high tide of Shanghai activity. [passage omitted]

Many other policies, such as the following, are still being fought for and await the final say by higher authority.

1. Shanghai hopes to put into effect differential rents, from 0.5 to 24 yuan. The central authorities have all along fixed them at 8 yuan and below. Li Peng finally said that consideration could be given to handling cases individually, making Shanghai and Xiamen exceptions. However, the final decision still has not been made.

2. Shanghai hopes that capitalist enterprises in the new zone will also be able to enjoy preferential policies. The central authorities have not relented on this point. The

reason is that, if the genuine foreign devils feel they are not receiving preference, they will not come, while the "false foreign devils" will flock in.

3. Shanghai hopes to set up a local bank to facilitate overall control of funds. However, the central authorities have not agreed, being of the opinion that it is crucial to divide the profits. Nevertheless, just before leaving Shanghai, Yao Yilin left word allowing investment trust companies to go ahead and engage a bit in this kind of business.

4. Can the Puxi Hongqiao, Minhang, and Caohejing development zones obtain treatment equal to the Pudong development zone? Li Peng says that Pudong will receive somewhat greater preference for now and that the other three zones are not to be put forward. They can be discussed later.

Shanghai still has not given up on these four policies and will continue to fight hard until the upper echelons give their formal approval.

Huang Ju, the Shanghai standing committee vice mayor, has declared that future work includes:

1. Vigorously publicizing the significance of developing Pudong (with respect to Shanghai, the Chang Jiang valley, and the whole country, as well as internationally).
2. Continuing to perfect planning work for the new Pudong zone.
3. Earnestly completing preparations for the development of the new zone ahead of schedule, the key being three to five years and taking three to five steps.
4. Strengthening organizational leadership of the Pudong development zone. Establishing a Pudong development leading group with Huang Ju as chief and Gu Chuanxun and Ni Tianzhen [0242 1131 7201] as deputies to set up advance offices and design institutes.
5. Striving further for policies and for honoring policies.
6. Carefully settling the relationship between developing Pudong and transforming Puxi.
7. Firmly grasping the two civilizations (material civilization and spiritual civilization).

POPULATION

Report on Census in Guangdong

90CE0401A Beijing JINGJI CANKAO
in Chinese 21 Jul 90 p 1

[Article by reporter Yang Chunnan (2799 2504 0589) and correspondent Jiang Zhiwen (1203 1807 2429): "As the Curtain Goes Up—Observations and Thoughts on the Fourth Census in Guangdong Province"]

[Text] At midnight, 1 July 1990, China began its fourth national census. A force of over 6 million census takers fanned over an area of 9.6 million square kilometers.

There have been drastic changes in the population situation in Guangdong province, which has been the leading edge of our reforms and opening up. Thus the census has dropped like a gigantic boulder into the swirling water of society, creating a splash of unending ripples.

"A Carpet-Sweeping Movement" Began at Midnight

At the stroke of midnight, 29 June 1990, Guangdong began a coordinated, massive carpet-sweeping action of counting drifters and workers who slept in streets, under bridges, in makeshift tents in desolate suburbs, and registering them. That evening alone, Guangzhou dispatched over 15,000 census workers and public security personnel who found over 10,000 garbage and rag pickers, beggars and itinerant workers.

Very obviously, the "carpet-sweep" netted substantial numbers in the Zhujiang Delta area alone. Their large numbers in the midsized and large cities of Guangzhou, Foshan, and Dongwan have caught widespread attention; especially noteworthy are those of the Zhujiang Delta villages, where simple tents and makeshift homes are readily seen all over near the water or laying against low slopes. They have no fixed employment, most picking through trash, getting piecework where they can find it, becoming laborers, even begging. Many have settled right there, and even have had children.

On Sanyuanli Street, those newly discovered drifters, when asked how long they had been in the Guangzhou, almost without exception proclaimed that they had only recently arrived, and had gotten into their situation because they were not familiar with the area, were strangers, had no money, and could not find accommodations. Some even claimed to have just gotten off the train!

Finally, some told the truth. And as the census workers collected these drifters at processing offices, they explained the census policy loudly so all could hear, and these drifters began to relax noticeably.

One peasant, more than 50 years old, maintained that he had just arrived by train from Guizhou. After he was brought to the street processing office, the peasant corrected his story to say that he had been hanging around Guangzhou for more than a year, and had begged several thousand RMB which he had sent back to his family Guizhou.

Yet, there is still some skepticism concerning the accuracy of registration reports. Of the more than 77,300 homeless of the streets and in the suburbs, as well as those in hostels, hospitality centers, and processing offices from outside areas, there were only 15,432 individuals who reported themselves as having been in the area for more than a year, less than one-fourth the total.

The others did not match the records of the census registration. The question then, is whether their relatives had already reported them as having been absent from their home areas for at least one or more years, thus being absent from both rolls?

The Impact About To Hit the Household Registration System

The waves from the census do not limit themselves merely to arriving outsiders. The drifting population and resident/household discrepancies of Guangzhou Province and its cities may also have the veil of obscurity lifted.

Not too long ago, in reorganizing the resident system, Guangzhou discovered that there were over 53,000 individuals present without a local address, whereas there were 35,000 local residents who were absent. One street with only about 25,000 people had more than 2,748 phantom residents who were registered. Conversely, another neighborhood's residents registration committee reported no more than 1,000 residents out of 2,400 registered who were actually living there.

Why is there a "resident/household discrepancy"? There are, no doubt, three causes. First, many individuals, even whole families, have drifted into the cities, counties, township and other regions of the Zhujiang Delta. But while they were drawn there for better income, homes, and jobs, Guangzhou remains their "roots." They did not want to rashly discard the very meaningful "Guangzhou" registration. Second, while many have moved into newly booming suburban residential areas, they are reluctant to give up their city registration. According to the policy of "going to school nearby," many of the children of these newly moved households would not be able to register to test into the key elementary school and middle schools clustered in their old districts in the center of the city. Third, the city center has more organizations with cultural and social activities, but these are contingent on residence. Heads of households are worried that once they lose household registration in the city, they will correspondingly lose out on many advantages.

In order to avert the possibility that such a discrepancy would lead to duplicate reporting or nonreporting, Guangzhou has established a Census Information Exchange Center. Different areas that encounter discrepancies between registered and actual resident numbers and those who might run into duplicate or missed reports can exchange information. Once an individual is registered in one place, there would not be a second done elsewhere. According to reports, these exchanges have reached 400,000 within the city.

The Skepticism Is Not Limited to Excessive Births

Family planning is one of our basic national policies. It is vital to the survival of our people and to our nation. The census should tell us how well it is being carried out.

Even before the census had fully begun, there were some worrisome signs. Not long ago, a random sample test showed that there is serious incidence of nonreporting of births above the quota in Guangzhou. Some areas show that one-third to one-half of the number of births above the limit had not been reported. About 10 percent of new births in one city district were not reported.

If all the nonreported new births are looked at cumulatively, it would be a very large figure. A town in Conghua county had a total population of 34,000 or more, but 5,400 births were not reported over the last several years, 14 percent of the total number of residents. Obviously, the number of unreported births in the past several years has been considerable. If this category slips through the census reports, its quality and reliability would be seriously affected.

The underreporting on new births is related to the penalty for excessive birth. It also is related to the strict adherence demanded by basic level cadre of people to restrict births within the legal limit. Aside from that, some grassroots cadre, afraid of being accused of being lax and it affecting their performance record, cover up or make false reports. Some have even prohibited newly married women from moving into their households so as to reduce the birthrate. Thus, some newborn babies could not be registered.

No doubt, the anxieties, worries, and fears triggered by the census will not just stem from births exceeding the plan. If people are not psychologically reassured, there will be an impact upon accurate reporting. Therefore, the authorities concerned have reiterated that it would be go against national policy if births exceeding the plan are not reported and it would also be in violation of current laws. Accordingly, actions prohibiting registration of births exceeding the plan must be corrected. At the same time, however, all policies and laws concerning planned births must be strictly enforced. It was widely announced that the census results would not be used to evaluate cadre political performance and, if data that had been previously covered up were now truthfully reported, past rewards and cash awards, honors and banners would not be revoked.

But, once the census is over, will false reporting come back? This is worth considering.

New Rural Population Boom Causes Concern

90CE0390A Beijing ZHONGGUO NONGCUN JINGJI
[CHINA'S RURAL ECONOMY] in Chinese No 7, 20
Jul 90 pp 8-12

[Article by Xin Renzhou (6580 0088 0719) and Zhang Yuxian (1728 1342 6343), Human Resources Institute, State Planning Commission: "Causes of Rural Population Growth And Countermeasures"]

[Text] Since 1985, rural population has been increasing relentlessly even as agriculture stagnated, causing the imbalances in the two production proportions to worsen

again. Thus, a careful analysis of rural population growth since the introduction of economic structural reform in order to find a feasible practical way to control population growth is an essential part of the continued implementation of China's population policy.

A. Rural Population Growth Causes Concern

Since economic structural reform went under way, particularly in the past few years, China's birthrate has rebounded, its population having grown from 1,065,290,000 in 1986 to 1,111,910,000 in 1989. Net population increases were 14.85 million, 17.20 million, 15.43 million, and 15.77 million for 1986, 1987, 1988, and 1989, respectively. The nation's birthrate, which was 20.77 per thousand population in 1986, climbed to 23.26 the next year, slipped back to 20.78 in 1988, and rose again to 20.83 in 1989, all significantly higher than the birthrate of 19.18 per thousand population during the Sixth Five-Year Plan. The natural birthrate exceeded 14 per thousand population four years in a row. The birthrate and natural increase rate rose 0.05 and 0.11 per thousand population respectively in 1989 compared to 1988. The trend is for population growth to quicken.

The principal reason for the loss of control on population growth in China is the rural population explosion. According to the 0.2 percent sample survey on childbirth and birth control in 1988, the average birthrate in county-run villages was 2.84 between 1980 and 1987, 31.84 percent higher than the replacement rate. This shows that a majority of rural residents had three or more children and that only a minority had two. In 1988, the average rural family had 4.2 children. Based on the aggregate birthrate of 2.42 in 1986, hardly the highest in recent years, China's rural population will hit 1.025 billion in 2000. This means that even if we achieve zero population growth in the cities in future (which is practically impossible), the nation's total population will burst through the 1.3 billion mark (despite the goal of our population control drive to hold the line at 1.25 billion by the end of the century.) It can thus be seen that the loss of control on population growth in China today, especially rural population growth, is a very serious matter. How to further hold down population growth, particularly rural population growth, is a herculean task facing China in the days ahead.

B. Reasons for Rural Population Growth

There are various reasons behind China's rural population explosion. Simply put, it is in part a function of the current age structure of the nation's population. Since 1986, each year more than 10 million young women in the countryside have entered their peak child-bearing years, their most fertile period, almost double that in China's two previous baby booms after liberation. But even more significant, there has been a series of fundamental changes in rural social economic life since economic structural reform began, changes that have led to the disintegration and breakdown of population growth

control mechanisms in the rural areas. Hence, the runaway rural population growth.

1. Rural economic structural reform centered on the household responsibility system of linking remuneration to output has objectively reinforced rural family population increase mechanisms. Rural production and reproduction is essentially based on the household. Within the household, population growth mechanisms are determined by its childbirth need, the conditions for meeting such a need, and the relationship between the two. A family's childbirth need can be divided into noneconomic need and economic need. The former varies as economic conditions vary, but on the whole it is shaped by social, cultural, and moral conditions. The deep-rooted idea that the more sons one has, the more blessed one is, the idea of carrying on the family name, and the preference for boys over girls have dominated the noneconomic childbirth need of rural families over the millennia. Under the traditional system, the noneconomic need for children in the countryside was effectively controlled by administrative and economic means. After structural economic reform was introduced, traditional feudal customs reemerged and are reasserting themselves in some social economic activities. It has become a clear advantage to have a large family, especially one made up of male workers. The original administrative control mechanisms that accompanied the old order have been weakened or dismantled in the course of structural reform. At the same time, no new control mechanisms based on the new conditions have been created. This way, the noneconomic need for children became an important reason why we have lost control on rural population growth.

Rural economic structural reform has also heightened the economic need for childbirth. According to a 1987 World Bank survey on demographic and economic development conditions in 190 nations and regions, as long as a nation's or region's per capita income fails to reach a set level (estimated to be about \$800), the development of the economy will not only fail to cause the birthrate to drop, but will on the contrary make it rise as incomes increase. This is just about what is happening in the Chinese countryside today. Before 1987, what we had in most of China was a system of collective labor and equal distribution. The per capita income was only 120 yuan in the countryside. Under these circumstances, an increase in family size and the number of workers contributed little to a family's income. As an economic factor, an increase in family size was clearly insignificant. After reform, the Chinese peasant's production activities underwent fundamental changes. The peasant became a relatively independent producer and operator and his family became a production and operational unit. Given the low level of agricultural production at the moment, an abundance of labor makes it easier for a family to practice intensive agriculture on a relatively large tract of land, freeing some other family members to engage in nonagricultural economic pursuits and make

more money, thus enabling the family to become prosperous sooner. Economic structural reform not only intensifies the short-term economic need of a peasant family to increase its size, but also heightens its future economic need to do so. In the wake of economic structural reform, the elderly in many rural areas no longer enjoy the "five guarantees" (of food, clothing, medical care, housing, and burial, with expenses paid for by the people's commune) and have suffered a deterioration in their economic conditions. Since the rural economy is relatively backward and the family is the sole means of support for the elderly, people must fall back on having more children to make sure they will be provided for in their old age. In any case, it takes a mere 120 yuan to raise a child and turn him into a member of the labor force. Since the expenses are so small, most peasant households can afford to raise several children. Also, the existence of a large army of surplus workers in the countryside and the fact that older children in most families can look after their younger siblings offsets the costs of raising newborn infants to a large degree. As living conditions began to improve, there were real objective reasons for peasants who rode the first wave of economic structural reform to prosperity to think that they could "afford a few more kids."

2. Following rural economic structural reform, the original population control mechanisms and measures have lost their proper effectiveness. In the old order, all economic activities in the countryside, including production and distribution, were under the direct unified leadership and management of the commune, brigade, and production team. All, or almost all, of a peasant household's income was derived from the centralized distribution of a collective economy. Under these conditions, the government managed to control rural population growth effectively using a mix of administrative and economic tools. The various rewards and punishments worked as they should. This was the primary reason why rural population control mechanisms succeeded in curbing excessive growth under the old system. In the postreform era, the economic responsibility system was introduced in all its variations throughout the Chinese countryside. Production, distribution, accumulation, and other agricultural economic activities were broken down to be accomplished by individual households. The share of a peasant household's income derived from the collective economy declined from 73 percent in 1978 to 16 percent in 1987, or even zero in some places. Under the new situation, the economic link that the government used to check rural population growth was severed and has not been replaced by new population control mechanisms. The result is a gap between population control mechanisms under the old and new systems. In many places rich households have more children than allowed, undeterred by penalties, while poor households do so anyway and cannot be penalized. In other places, having a baby is something practically reserved for the rich, which is a bizarre situation.

3. Since rural economic structural reform began, there has been a large increase in the floating population made up of people who leave their hometowns in search of work or to engage in business or commerce. Excessive childbirth is a very serious problem among the floating population. Statistically, nationwide the permanent floating population already topped 50 million in 1989; there was a "floater" among every 22 people on the average. According to 1987 figures, as many as 10 million people were on the move each month in 23 large and midsized cities with at least 1 million people. In some places the floating population was equivalent to 25 percent of the permanent local population. Since the floating population is constantly on the move, the traditional family planning method which relies on a system of permanent residence registration no longer works, so these people feel free to have more children than allowed without any misgivings. Of babies born outside the plan in Zhejiang Province in 1987, for instance, 80 percent were born to the floating population. The departments involved figure that 1 million babies are born outside the plan by the nation's floating population every year.

4. The rural population is poorly educated. Early marriage and early childbirth are commonplace. The result is many births and early births. It has been estimated that there are four college graduates for every 10,000 people in the nation's rural labor force, of whom 35.9 percent are illiterates and semi-illiterates. The bulk of the nation's 220 million illiterates are found in the countryside. Of all women in the countryside, 150 million are illiterate. Rural couples in their child-bearing years have fewer than 4.8 years of education, less than that of agricultural workers in Japan back in 1907. The low level of education among the rural population has contributed to the high birthrate. According to the 1987 national survey on childbirth and birth control, the average college-educated couple had 1.1 children, compared to 2.95 for the illiterate couple. According to the one percent sample survey conducted by the State Statistics Bureau in July 1987, Chinese women married at the age of 21.01 on the average in 1987, down 1.79 years from the 1982 census. The situation was worse in the countryside. According to figures from Hebei, women in that province were getting married at the younger age of 18.6 on the average, slipping almost all the way back to the situation in 1949 (when the age of marriage for women was 18.57 nationwide.) According to the 1986 sample survey by the State Statistics Bureau, among women between the ages of 15 and 19, who were under the legal marriage age, 8.16 million already had one child. In 1986, the birthrate of women aged 15 to 19 who were already married was 18.85 per thousand, threefold that of their counterparts in 1982, which was 6.2 per thousand. It has been calculated that, of babies born in 1986, 1.16 million were born to women between the ages of 15 and 19. Early marriage not only facilitates early parenthood but also advances one's child-bearing years. According to calculations based on the current age structure of the nation's population, advancing women's child-bearing years by 1 year is equivalent to 20 million

women bearing children early. And right now the child-bearing age of rural women has been advanced three to four years. When women marry younger and enter their peak fertility years earlier, it becomes that much more difficult to control second births and avoid third births.

5. Another important factor for the population boom in recent years is the slackening of publicity and education work on limiting population growth and the neglect of the construction of the army of family planning workers at the grassroots. Comrade Deng Xiaoping once said, "The biggest failure of the decade was education. Here I refer mainly to ideological and political education, not simply school education and education for young people, but also education for the people in a broad sense." As a criticism of population control work, Comrade Deng Xiaoping's words are equally valid. There was a severe imbalance in two areas of production in recent years. We concentrated on pursuing economic growth and overlooked population growth control work. In family planning work, we merely followed the old methods of management, even using fines exclusively, while overlooking ideological education and the construction of the grassroots army. The sense of national concern has faded. During the past few years, many localities failed to tackle family planning on a regular basis, either dealing with population growth passively or taking a laissez-faire attitude. In some localities, the sacred mission of family planning workers at the grassroots enjoyed no respect or support from society at large and their difficulties were not addressed promptly. As their ranks became increasingly depleted, the organizational guarantee for population growth control work also was lost.

C. Rural Population Boom: Countermeasures and Proposals

The decade of economic structural reform was the time when China's economy grew fastest since liberation. Between 1979 and 1988, China's GNP expanded at an average annual rate of 9.6 percent. China catapulted to world leadership or near world leadership in the output of such major industrial products as coal and cement and some key agricultural products (for example, grain, meat, and cotton). Regrettably, because of the population boom, the achievements of reform found no expression in international comparisons of per capita GNP. The colossal achievements of 10 years of reform were all wiped out by an excessive population increase. According to World Bank statistics, for example, China's per capita GNP was ranked 108th among the world's 150 nations and regions in 1979. By 1985, we had slipped to 126th. At present we are hovering near the 130th position. According to calculations by departments concerned, the increase in population each year consumes about 20 percent of the gain in national income. Take agricultural production, for example. In 1987, 48.5 percent of the gain in grain output and 45.6 percent of the gain in meat output were swallowed up by the extra mouths born that year. To secure the achievements of reform, therefore, we must control population growth rigorously even as we develop the economy.

The thrust of China's drive to curb population growth now and in the future remains in the countryside. In controlling the rural population boom, the most urgent task is to reestablish the rural population growth control mechanisms. The original control mechanisms took shape and developed within the framework of the old economic system. Just as we cannot revert to old methods as we intensify rural economic structural reform, the reestablishment of population growth control mechanisms in the countryside cannot be a simple replication either. On the other hand, the history of rural population growth control using the old methods under the traditional system does have much to teach us as we seek to create and perfect control mechanisms in the new order. For the moment, we must accomplish the following if we are to control rural population growth and re-create rural population growth control mechanisms:

1. Strengthen control measures that are essentially administrative in nature. It is especially significant that we reemphasize administrative tools as a way of controlling population growth at a time when the Chinese economy is in a transitional stage. First of all, before social and economic activities overall are systematized and institutionalized, before the government is able to regulate and control people's reproductive behavior with other effective tools, and when family planning still encounters stubborn resistance from forces of tradition and inertia, administrative tools still work powerfully as a means of curbing the rural population explosion. Second, other measures to control population growth must also be guaranteed by and effected through administrative tools. Third, Chinese peasants have psychologically accepted the idea of population growth control through administrative measures. Fourth, the Chinese Government has powerful administrative machinery and is experienced in using administrative tools to control population growth effectively. Thus there is a solid social basis and social environment in China for the predominant use of administrative means to control population growth.

2. Formulate appropriate laws and regulations on population growth control so as to put population growth control on a legal footing. Many provisions relating to family planning have been written into the "Constitution of the People's Republic of China" adopted in December 1982. In the past few years, 21 provinces, autonomous regions, and municipalities directly administered by the central government have also promulgated local family planning regulations, which has helped implement the central government's policy to control excessive population growth. The new social economic situation combines with the loss of control of population growth to present a very grim picture and urgently requires us to come up with a set of special laws and regulations to control population growth. Not only are such laws and regulations essential to completing the socialist legal system, but they also legally guarantee that family planning workers at the grassroots level will implement the basic national policy. They are also a legal

weapon for the masses as they exercise the right to supervise government work in the area of population growth control.

3. Employ economic regulation and control measures in all forms and shapes and at all levels. First, at the macro level, the government must incorporate population growth planning into national economic development planning in earnest. Local family planning should be linked to the amount of poverty-relief funds and other funds in aid of agriculture to be allocated to a locality by the central government, as well as the way such funds are to be spent. Investments in rural education and intellectual development should be pegged to local population growth in a determined effort to break the vicious circle in impoverished areas—the poorer people are, the more children they have, and the more children they have, the poorer they become—and totally eliminate in those areas the phenomenon of low educational standard and population boom fueling each other. At the intermediate level, human production should be included in the objectives of the regional development strategy. An earnest effort should be made to tackle “two kinds of production” at the same time so that they perpetuate one another in a positive way. Also, population growth should be made an important criterion by which the performance of a local government is evaluated. At the micro level, economic control measures in a variety of forms should be introduced to hold the family responsible for economic losses it causes the state when it has more children than permitted. Apart from imposing a one-time fine on the culpable family, some localities today also require it to pay a fine each year until the child in question joins the labor force. Other areas stipulate explicitly that the child born outside the plan will not be allocated any responsibility land for a specified number of years. This is very significant for our drive to control childbirth outside the plan in the countryside and our effort to establish new population growth control mechanisms under the new conditions. Furthermore, family planning, industry and commerce, taxation, and public security agencies must work closely with one another to manage the family planning of the floating population successfully. A family planning permit system and regular inspections should be instituted for the rural floating population, who travel from place to place to find work or engage in business. Effective sanctions must be imposed on those who violate family planning rules.

4. Launch a vigorous campaign to publicize and educate the people about population growth control and beef up the army of family planning workers at the grassroots. Practice proves that publicity and education constitute a potent weapon in changing people's ideas about childbirth. Under the new historical circumstances, we must take publicity and educational

work very seriously. Publicize extensively the outstanding achievements of China's family planning work and the colossal economic benefits they have generated. Use patriotic and socialistic thinking to enlighten and inspire the masses. Enhance their initiative and conscientiousness to practice family planning. Publicize the need for and long-term nature of population growth control in light of the objectives of the nation's economic development strategy and the demographic situation. Intensify education on the state of the nation to strengthen the public's sense of crisis regarding the population. Step up the organizational construction of the army of family planning workers at the grassroots, solving the problems they encounter in their work in a timely way. Beef up the army of workers with principled cadres devoted to their work. Steadily improve their professional standards so that they truly become the “main force” in checking the population boom.

5. Gradually establish and improve a system in the countryside to provide for the elderly. To put an end to childbirth outside the plan, we must alter the current practice in the countryside of relying solely on one's children to take care of oneself in old age. The most urgent mission right now is to meet the need of the elderly and one-child families for basic means of livelihood and immediately revive the recently weakened or abolished “five guarantees” system. Localities with the necessary wherewithal should continue to build nursing homes for the elderly and homes of respect for the aged, gradually raise the degree of socialization and the guarantee of care for the elderly in the countryside, and establish a new system to provide for the elderly.

AGRICULTURE

Per Capita Income of Rural Households in 2d Quarter

*HK2808120390 Beijing CEI Database
in English 28 Aug 90*

[Text] Beijing (CEI)—Following is a list showing per capita cash income of rural households in the second quarter of 1990:

(unit: yuan)	4-6/90	4-6/89
Total	160.53	159.20
1. From collective production	9.25	10.30
2. From economic cooperative entity	0.38	0.68
3. From farm produce and by-products	73.70	72.52
4. Other non-production	16.59	16.00
5. From savings and loans	32.52	29.81

EAST REGION

Jiangsu Emphasizes Support for Servicemen's Families

90CM0377B Nanjing XINHUA RIBAO
in Chinese 31 Jul 90 pp 1-2

[Article by Ling Qihong (0407 0796 7703), vice governor, Jiangsu Province: "Carry Forward Fine Traditions for a Further Cementing of Relations Between the Armed Forces and the Government and Between the Armed Forces and the People"]

[Text] Support for the Army and preferential treatment for the families of revolutionary armymen, support for the government and cherishing the people, the unity of the armed forces and the people, and close cooperation between them are fine traditions that our party, our armed forces, and our people have shaped through long revolutionary struggle. During the war years, we relied on the unity of the armed forces and the people to triumph over powerful domestic and foreign enemies and to win victory in the new democratic revolution. After founding of New China, we adhered to the unity of the armed forces and the people, and the unity of the armed forces and the government, constantly winning new victories in the socialist revolution and construction. Practice has demonstrated repeatedly that close unity between the armed forces and the people is an important talisman for vanquishing the enemy, and a reliable support for realizing socialist modernization. The fine traditions of supporting the Army and giving preferential treatment to the families of revolutionary armymen, and of supporting the government and cherishing the people should be constantly enhanced and handed down from one generation to the next.

I

Jiangsu Province is located along the southeast coast of the motherland. It has a large population; its soil is fertile; it has abundant products; and its economy, culture, education, and science are fairly well developed. It is a natural gateway for the opening to the outside world, and it is a protective screen for the motherland in the southeast whose political, economic, and military strategic location is extremely important. During the long revolutionary war, the armed forces and the people performed as one, and the armed forces and the government performed as one, uniting and composing song after song of unity between the armed forces and the people. During the new era of reform and opening to the outside world, relations between the armed forces and the government and between the armed forces and the people face new situations. Jiangsu Province's rather well-developed economy, culture, and education have provided a definite material foundation, and have created the necessary conditions and a fine environment for all jurisdictions to do a good job of supporting the Army and giving preferential treatment to the families of revolutionary armymen. At the same time, changes in the development of the commodity economy and in

social trends of thought and ideological concepts also pose some new contradictions and problems for peacetime support for the Army and preferential treatment to the families of revolutionary armymen. How to meet the new situation, creating new forms and substances that meet the new situation in supporting the Army and giving preferential treatment to the families of revolutionary armymen has become a problem about which CPC Committees and governments at all levels are concerned, and one that is in urgent need of solution.

II

In the course of work during the past several years in supporting the Army and giving preferential treatment to the families of revolutionary armymen, Jiangsu Province has carried on and carried forward the fine tradition of supporting the Army and giving preferential treatment to the families of revolutionary armymen. It has bravely innovated in practice, conducting rich and varied service campaigns in keeping with differences in functions at all levels and changes in personnel, gradually shaping a service network for support of the Army and to give preferential treatment to the families of revolutionary armymen. This network links the top echelons to the bottom echelons, coordinates the armed forces and the civilian sector, unifies internal and external activities, and dovetails what has gone before with what comes after. It begins to follow a road in supporting the Army that is imbued with the distinctive flavor of Jiangsu. It is made up of the following several new forms and components:

Beginning with ideological education to improve the national defense concepts of all the people and to propagate a spirit of selfless contribution to the motherland. In recent year, Jiangsu Province has conducted an all-out national defense education campaign in conjunction with conscription work each year, and it has also made national defense education one of the major components of primary school ideological education. This work has produced rather good results. The broad masses of urban and rural youths have eagerly registered for recruitment. When recruiting soldiers, all jurisdictions have done painstaking work, making careful selections to ensure the quality of new soldiers. In the province there have been virtually no instances of soldiers being required to leave the army for political reasons, and units receiving soldiers have been quite satisfied.

Changes were made in the entry on duty of soldiers, a system put into effect over a period of time in which soldiers are "assigned before entry on duty" as a means of sustaining the group support of enterprises for the armed forces. In order to fire enthusiasm for joining the armed forces out of patriotism among youths facing recruitment, and to solve in a fundamental way the problem of preferential payments to the families of compulsory servicemen, the system of "assignment before entry on duty" that was first pioneered in Wuxi and Jingjiang Counties was applied. An entry-on-duty notice and a township and town enterprise employment

notice were sent out together. When a young person entered military service, he was also taken into a township and town enterprise unit having better than ordinary benefits. Following his discharge, he could go to work in the same plant on his own initiative. This system was in keeping with the character of economically developed areas. It took overall account of economic construction and the task of supporting the armed forces, and it also solved a social problem. It was outstandingly successful in some parts of southern and northern Jiangsu Province where it was applied. Each year, more than 50 percent of the new soldiers drafted into military service throughout the province were "assigned before entry on duty." In some places, where arrangements for such assignments were not yet complete, townships were responsible for overseeing the preferential payments, ensuring that preferential payments were made for each compulsory serviceman. The province annually paid more than 91 million yuan each year for this purpose.

Campaigns of "striving to be a good head of a family for an army made up of the sons of the people," and for being a "rear area political department" were launched in view of needs for soldier growth and development, and to help the armed forces produce outstanding talent. Follow-up services were also provided for servicemen of local origin. As modern political and economic life and the military environment have changed, military life has become an inseparable part of social life. How to create the fine external environment necessary for soldiers' growth, and how to bring into play the "second political instructor" role of the heads of soldiers' families became a new component in supporting the armed forces in the new era. To deal with this situation, Zhenjiang City launched widespread campaigns of "striving to be a good head of family for an army made up of the sons of the people," and for being a "rear area political department," so there would be "no letting go after the soldiers left home." The local government, the soldier's family head, and the armed forces worked together to educate and develop the soldier. The military camp and the soldier's hometown exchanged information with each other and coordinated closely. They kept a firm finger on the soldier's pulse, were able to know about and solve the soldier's family hardships at once, and helped the soldier's unit with ideological and political work to ensure that the soldier would be able to concentrate his energies on education and training.

The assignment of servicemen following their discharge from the armed forces provided impetus for the establishment of "exchanges for discharged servicemen having skills useful in both military and civilian life," thereby writing another chapter in armed forces reform. Sihong County set up the country's first "exchange for discharged servicemen having skills useful in both military and civilian life." The provincial people's government and the provincial military region used a summarization of experiences with such experiences gained in Huaiyin City as a basis for promoting this method. As a result, work in developing and using people who possess

skills useful in both military and civilian life moved one step forward throughout the province. Already 188,000 of the 230,000 people that the exchanges have accepted in recent years have been developed for employment.

In view of structural changes among basic-level cadres in the armed forces, "serviceman family service centers" were set up to help relieve servicemen of family worries. Establishment of the Nantong "serviceman family service center" pioneered a new road in the mobilization of forces throughout society. It did a good job of supporting the Army and giving preferential treatment to the families of revolutionary army men. The provincial people's government and the provincial military region immediately seized on this new model, rapidly promoting it throughout the province. During the past four years, the province has set up more than 6,100 serviceman family service centers and more than 4,100 service teams. They have handled numerous matters that servicemen and servicemen's families wanted to do, but found difficult to accomplish. This experience has evoked an intense echo throughout the armed forces and throughout the country.

In view of the problem of old and demobilized servicemen, and of wounded, ill, disabled, and discharged servicemen, "clinics to give special care to disabled servicemen, and to family members of revolutionary martyrs and servicemen," and "welfare depots for wounded, ill, disabled, and demobilized servicemen" were set up, making a contribution to social stability. In order to permit these demobilized and discharged servicemen to be as happy as ordinary people and to live out their last years in peace, attention was given to the generally existing problems of difficulty in getting treatment for their illnesses, and of living difficulties. First Yangzhou and then Huaiyin Prefecture set up "clinics to give special care to disabled servicemen and to family members of revolutionary martyrs and servicemen" and "welfare depots for wounded, ill, disabled, and demobilized servicemen." Their spread throughout the province narrowed the gap in living standards between wounded, ill, disabled, and discharged servicemen and the prospering general public. It both solved their real problems and provided them good opportunities to contribute to society.

It was out of consideration for the real difficulties faced by families of servicemen and martyrs in working to become prosperous that campaigns of "one assistance and five provisions" and "no soldier or civilian worries" were launched. These campaigns aimed at helping the families of martyrs and servicemen become wealthy as quickly as possible. The families of martyrs and servicemen found it very difficult to advance along the road toward prosperity because of their shortage of labor. In view of this real difficulty, governments at all levels mobilized young militiamen to set up countless plowing assistance teams and work assistance groups to perform voluntary services for needy families of servicemen and martyrs during the busy season in farming. In order to spread the assistance and support campaigns and to

regularize them, Suzhou City mobilized young militiamen to launch a "one assistance and five provisions" campaign that provided labor, funds, information, skills, and materials in order to help the families of servicemen and militiamen become prosperous. This was very popular with both servicemen and civilians. Over the course of three years, 75 percent of martyrs' and servicemen's families were put on the road to prosperity. Xuzhou City mobilized young militiamen throughout the city to become mutual assistance partners with local soldiers, signing agreements and contracting to produce prosperity. These new kinds of campaigns made a single person's difficulties and a single family's hardships everybody's responsibility. Everyone extended a helping hand to hasten martyrs' and servicemen's families along the road to prosperity.

In view of the large number of servicemen stationed in the province, joint military and civilian building was instituted, a widespread campaign was conducted to set up "dual-support cities" and "support-the-army counties," which enabled both the military and civilian sectors to form new friendships in the building of material civilization and spiritual civilization. Every jurisdiction in the province conducted a joint campaign with the armed forces for the building of civilized factories, villages, streets, and schools. In the process of learning from the PLA [People's Liberation Army], the public's willingness to support, protect, care for, and support the building of the PLA was heightened. In some cities, a fine impetus toward public support for the armed forces, and support of society for the armed forces has taken shape. Xuzhou and Jingjiang, which the provincial people's government and the provincial military region have dubbed a "dual-support city" and a "model county for support to the armed forces," have played a very model role, and a role as "seeds." We took this favorable opportunity to spread the experiences of these two places at once, thereby setting off a new upsurge in support for the armed forces throughout the province. Jurisdictions vied with each other to run "dual-support city" and "support-the-armed forces county" campaigns. These campaigns aroused to the full the enthusiasm of all strata for supporting the Army and giving preferential treatment to the families of the revolutionary armymen. They also resulted in a pooling of total effort and public strength.

III

A look at the form and content of the province's support for the Army and preferential treatment for the families of revolutionary armymen during the new era shows that, although it is not yet perfect, and some things in progress have this or that shortcoming or inadequacy, leaders of government at all levels must see clearly from the strategic heights of social stability and economic stability the importance of work in supporting the Army and giving preferential treatment to the families of revolutionary armymen. They must fully and enthusiastically support mass campaigns to support the armed forces out of a high sense of political responsibility, courageously take a stand on the front line of this task,

and provide careful direction so that such campaigns are steadily enriched and developed.

1. Enrichment and development of the form and substance of support for the Army and preferential treatment for the families of revolutionary armymen must be done in conjunction with the carrying forward of fine traditions. Jiangsu Province's work in supporting the Army and giving preferential treatment to the families of revolutionary armymen has always employed its own traditional methods, whether during the war years or during the period of socialist revolution and construction. Under the new circumstances, the continuation of fine traditions should serve as a basis for innovations in a melding of old traditions and new forms gained through practice for the formation of new experiences in supporting the armed forces. When studying and spreading new experiences, it is necessary to conduct education in the revolutionary tradition of supporting the Army and giving preferential treatment to the families of revolutionary armymen, drawing sustenance from it. In this way, the new forms can be steadily enriched, fleshed out, and improved to become increasingly perfect.

2. The enrichment and development of the substance and form of supporting the Army and giving preferential treatment to the families of the revolutionary armymen has to be gradually established in the legal system. The systematizing and establishment in law of support for the Army and preferential treatment to the families of revolutionary armymen is an urgent matter in Jiangsu Province. Governments at all levels have made some efforts in this regard, formulating laws and regulations such as "Temporary Methods for the Families of Compulsory Servicemen in Jiangsu Province To Enjoy Preferential Payments," "Punishment Regulations for Evasion or Refusal To Register and To Perform Military Service," and "Detailed Rules and Regulations for Placement of Demobilized Servicemen." These regulations consolidate the fine experiences and fine methods that the masses have created and from which effective results have continued to be obtained during the past several years. They represent an advance toward systemization that enables basic-level units and the mass of people to have a guide to follow and laws on which to depend in supporting the Army and giving preferential treatment to the families of revolutionary armymen.

3. Enrichment and development of the substance and form of supporting the Army and giving preferential treatment to the families of the revolutionary armymen must proceed from realities in each jurisdiction. A single model cannot be used. In Jiangsu Province there are very great differences north and south, and even in a single city or a single country situations are not entirely identical. In the work of supporting the Army and giving preferential treatment to the families of revolutionary armymen, it is necessary to proceed from local realities and to act as needed and as possible. There can be no headlong dash into mass action. It is very important and very effective when supporting the Army and giving preferential treatment to the families of revolutionary

armymen that all jurisdictions make sure to do real deeds and not strive to gain undeserved reputations. In the future, it is necessary to persevere in allowing each jurisdiction to act in its own distinctive way and use its own distinctive methods. There should be no forced uniformity and no effort to use a single form. Campaigns for support to the armed forces should be conducted through numerous channels, at many levels, and in different ways. This is the only way to infuse this work with more vitality and make it more effective.

4. Certain material conditions are necessary to support the enrichment and development of the form and content of support for the Army and preferential treatment to the families of revolutionary armymen. In order to solve this problem, all jurisdictions are now gradually moving away from temporary measures in the direction of providing substantive support for the armed forces. Throughout the province, People's Armed Police units at all levels have launched a campaign of "support for the military through labor," and civilian government agencies have set up welfare depots. Both lay a material foundation for supporting the Army and giving preferential treatment to the families of revolutionary armymen. These actions also share some of the local governments' burdens and relieve their anxieties, as well as increasing material wealth for the country, while solving real difficulties for those who are recipients of support and preferential treatment. It is truly a case of killing two birds with one stone. Thus, unswerving attention to "support for the military through labor," and "welfare depots for wounded, ill, disabled, and demobilized servicemen" is necessary even while improving the economic environment and restructuring the economic order and deepening reform. Such campaigns will better serve local economies and social public welfare.

The achievements that the province has made so far, and the problems that still exist show that a large amount of work remains to be done in carrying out the directives of the CPC Central Committee and the State Council. The new contents and forms that have been established require steady improvement and increase. They are a task that must be constantly attended to. So long as government at all levels and the broad masses of people raise high the banner of patriotic support for the armed forces, emphasize the overall situation and national security in practice, continue to adhere to the rich and varied experiences already gained, and constantly perfect them in practice, the provinces work in supporting the Army and giving preferential treatment to the families of the revolutionary armymen will continue to advance from its present foundation. It will gradually become more of a mass rather than individual character, become less temporary and more regular, less a family matter and more a social matter, and less singular and more comprehensive, thereby shaping a new situation in which everyone works together from top to bottom, and frontline and rear area services complement each other in supporting the Army and giving preferential treatment to the families of revolutionary armymen.

1990 Tasks of Nanjing Military Region Outlined

90CM0377A Nanjing XINHUA RIBAO
in Chinese 29 Jul 90 p 1

[Article by Sun Zhilin (1327 2535 2651) and Kong Dehong (1313 1795 1347): "New Groups To Do All Tasks in More Outstanding Manner"]

[Text] On the afternoon of 27 July Shen Daren [3088 6671 0086], provincial CPC Committee secretary, and Chen Huanyou, provincial CPC Committee deputy secretary and provincial governor, as well as people in responsible positions concerned, made a special visit to the provincial Military Region. Their main interest was in how to do a better job of building the Military Region's military units, militia, and reserves. They held earnest discussions with new provincial Military Region group members Zhang Zhaoxun [4545 2507 5651], Wei Changan [7614 7022 1344], Chen Kehou [7115 0668 0709], Chen Chungeng [7115 2504 5087], Zhang Minghui [4429 2494 6540], Geng Guangyi [5105 1639 5030], and Ling Guangye [0407 1639 2814], which embodied the spirit of speaking the truth, reporting the facts, and doing real deeds.

First, provincial Military Region commander Zhang Zhaoxun and others reported on the main work of the provincial Military Region during the first half of the year, tasks for the second half of the year, and various real problems existing in building the province's national defense reserve strength. Next, Comrade Huanyou conveyed holiday greetings to the officers and men of the provincial Military Region on behalf of the provincial CPC Committee and the provincial government. In addition, he briefed the provincial Military Region's new group on the main achievements made throughout the province during the first half of the year in improving the economic environment and restructuring the economic order and in the deepening of reform, as well as the main emphasis and moves to be made during the next phase of work. He also outlined some of the main problems in establishing the provincial National Defense Education Committee, better coast defense control, preparations to construct a People's Armed Police Cadre Training School, and improving reserve troop training facilities. On behalf of the provincial CPC Committee and the provincial government, he agreed with and supported the provincial Military Region's ideas. He also made specific suggestions about how to go about implementing these several matters.

At the meeting, Comrade Shen Daren made a speech. He said that the provincial military region has done a good job during the past several years. New achievements have been made and new experiences created both in political and ideological work, and in military and logistical work in the armed forces and the militia. In particular, very great contributions have been made in safeguarding stability and in taking part in the building of spiritual and material civilization throughout the province. The provincial CPC Committee, the provincial government, and the people throughout the province are satisfied. On

behalf of the provincial CPC Committee, he made five wishes to the provincial military region's new group: First is the need to provide more theoretical indoctrination to maintain a steadfast and correct political orientation. The new group should constantly improve its qualities, particularly its political quality. Second is to carry forward and pioneer an enterprising spirit for the further ushering in of a new situation in provincial military region work. It is necessary both to carry forward the fine experiences and fine traditions of the past, and also to have an innovative, courageous, and enterprising spirit, performing all the provincial military region's tasks in a more outstanding manner. Third is efforts to improve leadership style and work style. It is necessary to continue to carry forward the fine style of linking up with the masses. Leading cadres should regularly go to the grass-roots, and they should go among the soldiers to resolve problems and do real deeds. Fourth is further strengthening of unity between the armed forces and the government, and between the armed forces and the people. The new group should maintain and carry forward this tradition, doing more in the way of forging close local links. The provincial government will also have to show more active concern for the work of the provincial military region, supporting the building and reform of the provincial military region's troops. Fifth is adherence to democratic centralism, uniting as one to carry out tasks. First, it is necessary to firmly obey the directives of the CPC Central Committee and the Central Military Commission headed by Comrade Jiang Zemin, and to obey the directives of the Nanjing Military Region. Second is the need to persevere in collective leadership, collectively discussing major problems, and major events. Third is the need to do a good job of unifying the group internally. Principles must be adhered to, but work methods must be given attention, efforts devoted to producing complete unity and a harmonious atmosphere within the group.

Mayor Zhu Rongji Responds to Shanghai People

90P30083B Lanzhou GANSU RIBAO in Chinese
14 Jul 90 p 4

[Article by Long Nianwen (7893 1628 2429), reprinted from SHANGHAI TAN (SANDS OF SHANGHAI) No 1: "Mayor Zhu Rongji Reads Letters From the People"]

[Text] There is this award-winning picture: Once, at a filthy quay, in order to welcome Mayor Zhu Rongji's inspection, changes were hurriedly made so that everything was fresh and new. When Mayor Zhu went to this "decorated" place, however, someone in the crowd suddenly shouted, "Mayor Zhu, this is fake!"

Similarly, this mayor shouted out with feeling on television, "If in being mayor I cannot protect the environment and make life safe and good for the people, then I would rather die at my post." Not long ago, when the waters of the Huangpu River were near their highest level in 70 years and several hundred families in Pudong were suffering the effects of a flood, none other than Mayor Zhu Rongji slogged through the water into the

houses that were flooding, saying repeatedly, "I am sorry because our work was not done well." When meeting with the city people, that face which appears so cold and severe on the silver screen was suddenly very, very close at hand.

However, this affectionate link came into being precisely when Mayor Zhu Rongji began reading the letters he receives from the people. According to statistics, from January to September 1989 the city's office for letters and visits received 41,000 letters from the people, of which 21,000 were for Zhu Rongji. For this reason, the city's letter and visit office specially appointed and sent 10 diligent and responsible cadres to special deliver letters to Mayor Zhu. Last year, they selected more than 900 particularly important letters for Mayor Zhu. This just proves that Zhu Rongji reads an average of three or four letters from the people every day. On the day he read the most letters, 17 June, Mayor Zhu read and commented on 48 letters. He reads and makes comments; he dispatches relevant personnel to investigate and deal with the situations accordingly; and afterwards, he still investigates.

Some people have recommended that, since a person's energy is limited and since a mayor is a very busy person, he should not bother with these letters from the people as specifically as he does. Mayor Zhu replies, "I am setting an example for cadres at the lower levels. If the mayor reads them, why shouldn't regional and bureau heads read their letters?" Therefore, Mayor Zhu specifically ordered his secretary to pass on four suggestions to the city's letter and visit office: In regards to letters that bring up major proposals, expose great problems, answer special difficulties, or lend guidance to the nature of problems, these must be handled as important letters.

Actually, a considerable number of the letters are not mere blind grievance-venting to the mayor, but rather are exactly like barometers that acutely reflect all of the key points with which the city people are concerned. For example, one worker made it known that this factory had for many years consistently not completed its production task. However, throughout the time the factory leader made false reports to his superiors stating that the task had been completed. He fraudulantly got contract bonuses and an "advanced factory leader" award. The letter said that the enterprise was in incredible debt, that the workers did not receive bonuses, and that the factory leader was getting both fame and wealth. Moreover, this factory leader had been to the United States and West Germany several times and was planning on going to the United States again in the near future. Mayor Zhu wrote this on the letter, "Can this type of factory leader manage well an enterprise?" An investigation determined that, in the first half of last year, this factory leader falsely overreported the value of his products by 38 percent. After the truth came out, the factory leader was dismissed from his post, and, at the same time, his "advanced factory leader" designation was canceled, the bonus money was recovered, and the entire situation was circulated in a notice and criticized.

In numerous letters, however, there is not always this level of "common sense." There are some people who have been writing to complain to the leaders for many years, and they do not hesitate to write earnestly; sometimes it is hard to determine what connection they have with fact. A certain Shanghai teacher of higher education, "A," has written continuously to the concerned organs of the central government and the city since 1982. He has also applied for an audience with the higher authorities to air his views 40 or 50 times. He has traveled to Beijing with his petitions five times and has accused the leader of his school of having retaliated against him. After several examinations of the situation brought up by "A," it was unanimously decided that this "retaliation" did not exist. In 1988 after Mayor Zhu assumed office, "A" again wrote letters, sent cables, and came visiting. On August 12, 1989, Mayor Zhu wrote the following comments on "A"'s letter: "Comrade 'A,' you must believe in the party and the masses. Further, you must seek the cause of the problem in yourself, not in others. What good have the long drawn-out years and the endless accusations done for you or your country?" Deeply moved, "A" said, "The mayor is interested in me." We must "digest this well and diligently ponder it." The years of uninterrupted, reasonless appeals were finally brought to an end.

CENTRAL-SOUTH REGION

Assault Reported on Guangzhou-Hong Kong Train

HK1408073090 Hong Kong MING PAO
in Chinese 11 Aug 90 p 2

["Special dispatch": "Through Train From Guangzhou to Hong Kong and Another Train From Shenzhen to Guangzhou Are Attacked by Scoundrels With Stones in Shenzhen"]

[Text] According to our staff reporter and ZHONGGUO TONGXUN SHE, a through train from Guangzhou to Hong Kong and another train from Shenzhen to Guangzhou were attacked with stones by a group of scoundrels when passing a suburban area of Shenzhen yesterday evening. Windows were damaged in the assault, and two Hong Kong passengers and two mainlanders were injured. As it was such a serious incident, the Chinese public security has set about investigating the case.

This was the first time that the Hong Kong-Guangzhou through train has been attacked since it went into operation.

The train, No. 97, was the last one running from Guangzhou to Hong Kong that day. It departed from Guangzhou at 1030 GMT and had a smooth journey until 1145 GMT when a glass window, measuring 1.5 square meters, in the third compartment was broken suddenly as the train was passing a suburban area of Shenzhen. The damage was apparently caused by a stone. The impact was so strong that it left a hole of about 14 centimeters in diameter in the window.

As this happened, two male passengers who held seats No. 75 and No. 76 by the window had fortunately gone to the dining car for dinner and therefore escaped. But their neighbors, sitting in seats No. 73 and No. 74, suffered, and were wounded by the flying bits of broken glass. Luckily, the injuries were minor and needed no treatment.

As soon as the incident happened the attendants rushed to the site. They then reported it to the head of the train crew and stuck the broken glass together with adhesive tape to avoid danger. The crew head said that the locale of the incident was near a suburban area of Shenzhen, that they had obtained some clues, and that they would leave the case to public security for further investigation.

About 15 minutes before the through train was attacked, a domestic train from Shenzhen to Guangzhou had also been attacked, with five or six windows broken and two passengers injured, one of whom is a resident of Shenzhen and the other a traveler from Shantou.

According to ZHONGGUO TONGXUN SHE, a group of scoundrels, the number unknown, attacked a moving Guangzhou-Shenzhen train with stones, causing two injuries and damage to at least four compartments.

This happened at 1130 GMT yesterday evening. This train, No. 211, was traveling through an area 10 kilometers from Shenzhen when a shower of stones suddenly hailed upon it, banging loudly on many compartments and breaking five or six windows. Most passengers were panic-stricken but safe. Only two male passengers in the dining car were hit by the stones and, in no time, blood started streaming down their faces.

The lady in charge of the train crew said that the many cases of train vandalism that have recently been solved reveal that the culprits are mostly vagrants who have come to Shenzhen from other provinces.

Hubei Holds Telephone Meeting on Unhealthy Trends

HK2808035790 Wuhan Hubei Provincial Service
in Mandarin 1130 GMT 24 Aug 90

[Excerpts] After the State Council telephone meeting on strengthening clean government administration and correcting unhealthy trends in trades and businesses, the provincial government promptly held a telephone meeting to conscientiously study and make arrangements for implementing the spirit of the State Council telephone meeting. Provincial Governor Guo Shuyan attended and addressed the provincial telephone meeting. [passage omitted]

Governor Guo Shuyan aired several opinions on implementing the spirit of the State Council telephone meeting, strengthening clean government administration in our province, and correcting unhealthly trends in trades and businesses.

He said that, in recent years, our province has achieved results in promoting a clean government administration. This is a good beginning, but there are still some weak links. In particular, the problem of unhealthy trends in trades and businesses exists to varying degrees in some departments and trades. Sometimes the problem is very serious. Unhealthy trends in trades and businesses are corrupt phenomena. They have seriously affected the interests of the state, poisoned the general mood of society, discredited the party and the government, ruined the flesh-and-blood ties between the party and the masses, and harmed social stability. Whether we can truly rectify various kinds of malpractices, including unhealthy trends in trades and businesses, and thoroughly punish corruption is a matter of primary importance concerning the life or death of the party. Leading comrades of governments at all levels, departments, and trades and businesses must further enhance their understanding of the importance and necessity of correcting unhealthy trends in trades and businesses, and strengthening clean government administration.

Guo Shuyan continued to say relaxing efforts to carry out ideological reform, giving up the purpose of serving the people wholeheartedly, and the vicious growth of bourgeois individualism are the root causes of unhealthy trends in trades and businesses, such as abuse of power for private gain, handling matters in a partial way, and so on.

He pointed out that governments at all levels and various departments, trades, and businesses must adopt various methods to profoundly provide their party members and cadres with education in professional ethics and observation of discipline and law, so that they can develop a correct view on power and rights and become good civil servants of the party. Party members and cadres in various trades, businesses, and fields, leading cadres, and particularly those comrades who have real power, must exercise strict self-discipline, work hard for the people, and be honest in performing their official duties. Through their practical actions they must vigorously curb unhealthy trends in trades and businesses to promote the building of socialist spiritual civilization. [passage omitted]

Guo Shuyan also expressed his views on further promoting a clean government administration in terms of institutions. He said various localities and departments must strengthen ideological and political work and establish and improve the institutions responsible for management and self-discipline. They must give full play to the supervisory role of the People's Congress, the Chinese People's Political Consultative Conference, democratic parties, social organizations, and the masses. They must continue to popularize and persist in the system of

making known to the public in two aspects and supervision. They must integrate the work of strengthening inner self-discipline with outside supervision. They must publicize the system and procedure for handling affairs. They must tell the masses the results of their work and accept the supervision of the masses.

Guo Shuyan particularly stressed that various cases of violating law and discipline must be seriously investigated and dealt with in the interest of developing a major climate of punishing corruption. At present, our emphasis must be laid on investigating and handling major and important cases of violating law and discipline, such as abusing power by exchange power for money, using various means to gain illegal interests, refusing to execute orders or enforce bans, taking countermeasures to offset the policies of the higher authorities, making use of public funds to eat, drink, and present gifts, and so on. The province will investigate and handle a number of cases obviously involving unhealthy trends in trades and businesses.

In conclusion, Guo Shuyan emphasized that we must truly strengthen leadership over the work of correcting unhealthy trends. Main leading comrades in governments at all levels, various departments, and trades and businesses must make great efforts to grasp the work personally. We must implement a responsibility system at different levels and a responsibility system for administrative leaders to ensure that the work is grasped at all levels, so that it is taken care of in various trades and businesses. Procuratorate and auditing departments at all levels must conscientiously perform their duties to strengthen their investigation and supervision over various trades and businesses. Governments at all levels must support their work, and various departments must actively cooperate with them in work, so that they can fight together in coordination. Various departments directly under the provincial authorities must set a good example and properly grasp the work of correcting unhealthy trends in their units, promoting a clean government administration to improve the general moods of society.

Hubei Organizes Foreign Friendship Group

*HK0309101690 Wuhan Hubei Provincial Service
in Mandarin 1130 GMT 31 Aug 90*

[Excerpts] The Hubei Provincial People's Association for Friendship With Foreign Countries has played an important role in promoting the province's exchanges and cooperation with foreign countries as a result of implementing the reform and opening up policies and constantly promoting exchanges with foreign countries, it has received a large number of goodwill delegations and personages coming from other countries to our province. At the same time, it has organized people to visit Italy, the Soviet Union, Austria, Japan, Thailand, and Korea. Over the past 10 years, through efforts of friendly personages abroad, some cities under the direct

jurisdiction of the provincial government have established friendly ties and economic and technological cooperation with 12 states, counties, and cities in the United States, Japan, Australia, and some European nations, and have built up the friendship and exchanges with 14 cities, thus having begun to form a network of association with foreign countries. [passage omitted]

In order to further promote exchanges with nongovernmental organizations of other countries, with the approval of the provincial party committee and government, our province has officially set up a council of the provincial people's association for friendship with foreign countries. At a meeting held at Qingchuan Hotel yesterday, the council elected its new leaders, with Guan Guangfu, provincial party committee secretary, as its honorary chairman, Deng Ken as its chairman, and (Li Xuewen) and five others as vice chairmen. Yesterday afternoon, Guan Guangfu attended the meeting and received all the participants.

Changsha County Held Up as Rural Model

*HK2808062490 Changsha Hunan Provincial Service
in Mandarin 2200 GMT 24 Aug 90*

[Excerpts] Yesterday afternoon, provincial Vice Governor Zhou Kangning met with our station's reporter to express his important views on how to learn from Changsha County. He said: Now I am interviewed by your radio station. You have made a contribution to the work of propagating rural economic work. At present, our provincial CPC Committee and government have made a very important decision—to learn from Changsha County. [passage omitted]

Today, I would like to air three views on the decision.

1. How should prefectures, autonomous prefectures, cities, and counties learn from the county? They must enhance their understanding of the importance of the decision made by the provincial CPC Committee and government. They must understand why we should set up such a pacesetter. Our purpose in so doing is to sum up the experiences of reform and opening up over the past 10 years, of invigorating our agricultural economy, and of ensuring stable development. There are 108 units at the county level in our province. They have achieved development and scored successes in their reform. But Changsha County has achieved more complete experiences. The other purpose of setting up such a pacesetter is to mobilize the agricultural front and other relevant departments of the whole province to push our agriculture to a new level. Not long ago, Comrades Jiang Zemin, Li Peng, and Tian Jiyun attended and presided over a national forum on rural work. They stressed that our main efforts must be placed on rural work. Their instructions have become an important basis for our prefectures and counties to decide on their guiding principles and systems in work and the allocation of their cadres. Therefore, the decision of the provincial CPC Committee on learning from Changsha County must be put

on the important agendas of various prefectures, cities, and counties throughout the province.

2. We must integrate the decision with our practical reality, and practical conditions of our units at all levels, and summarize our own advanced experiences. Each and every locality has its own merits. It should sum up its good experiences and integrate them with those of Changsha County. [passage omitted]

3. The activities of emulating, learning from, catching up with, and helping [words indistinct] must be actively carried out. But the practice of rushing headlong into mass action must be avoided.

It is not enough to introduce the experience of Changsha County alone. We must organize comrades who are in charge of agriculture to analyze the conditions of their own counties and townships. With such a purpose in mind, they should compare themselves with Changsha County and see where they lag behind. When necessary, we can organize some comrades to visit the county to learn from its experience in doing leadership work, promoting coordination, and ensuring stable and all-around development. [passage omitted]

SOUTHWEST REGION

Sichuan Official Views Clean Government Building

*HK0109064490 Chengdu Sichuan Provincial Service
in Mandarin 0915 GMT 29 Aug 90*

[Excerpts] At the Sichuan Provincial Conference on the work of building a clean government and work of screening unreasonable burdens, which began today, Song Baorui, deputy secretary of the provincial party committee, talked about the progress of our provincial clean government building work in the preceding period and made arrangements for our clean government building work and work of straightening out malpractices in various trades and professions in the next period.

Comrade Song Baorui said that, thanks to the concerted efforts of the cadres and masses at all levels across the province, our province made much headway in building a clean government. As a result, a large number of clean units and honest individuals have emerged. Leaders at all levels have also greatly played their exemplary role in this regard. [passage omitted]

In his speech, Comrade Song Baorui talked mainly about clean government building work in the provincial organs. [passage omitted]

When commenting on clean government building work in the second half of this year, Comrade Song Baorui said that clean government building work in the second half of this year should center mainly on the following four aspects:

1. To grasp well the implementation of the following four documents: The temporary provisions on managing profits earned by the provincial organs; the temporary provisions on screening cases of cadres at provincial, departmental, and bureau levels who are living in larger houses or flats than officially allowed; the opinions on the system of handling discipline-violation cases involving relatives of provincial party, government, and judicial leading cadres at and above department and bureau levels; the report on investigations into certain problems of provincial social groups.
2. To grasp well the work of abolishing indiscriminate charges, apportionments, and fines, and resolutely put an end to malpractices in various trades and professions.
3. To tackle key and major problems and strengthen investigations and handling of major and serious cases. [passage omitted]
4. To quickly solve problems of the institutions engaged in the work of building a clean government and strengthen leadership over the work of building a clean government.

NORTH REGION

Beijing Peasant-Worker Party Marks 60th Anniversary

SK0109045790 Beijing BEIJING RIBAO
in Chinese 10 Aug 90 p 1

[Text] On the afternoon of 9 August, the Beijing municipal committee of the Chinese Peasants and Workers Democratic Party ceremoniously sponsored a meeting to mark the 60th anniversary of the party's founding.

As was learned, the municipal committee of the party has more than 2,500 party members. Of these members, nine are deputies to the National People's Congress and members of the National Chinese People's Political Consultative Conference [CPPCC] Committee, 24 are deputies to the municipal People's Congress and members of the municipal CPPCC Committee, 93 are deputies to the district or county People's Congresses and members of the district or county CPPCC Committees, and some are assuming the leading posts in the departments of the People's Congress Standing Committees, the CPPCC Committees, and the people's governments.

Shan Ke, vice chairman of the municipal committee of the party, presided over the commemoration meeting at which Zhu Zhanyu, chairman of the municipal committee of the party, delivered a congratulatory speech, in which he stated that the 60-year history of the Peasants and Workers Democratic Party is a 60-year course in which all members have joined in the patriotic and revolutionary movements. He urged all party members to continuously upgrade their political and professional quality, to better play the role of the party in participating in government and political affairs, and to make more contributions to the country and the people.

Wang Jialiu, deputy secretary of the municipal party committee, attended the meeting and delivered a congratulatory speech on behalf of the municipal CPC Committee, in which she stated that under the leadership of the central committee of the Chinese Peasants and Workers Democratic Party and the municipal CPC committee, the municipal committee of the Chinese Peasants and Workers Democratic Party had done a great deal of work in conducting reform, opening to the outside world, building the two civilizations, and in safeguarding the stable and unity situation in the capital by actively participating in the consultation of the municipality's major and important issues and by earnestly carrying out democratic supervision. She ardently hoped that the peasants and workers democratic party will cooperate as it did before with the CPC, assume the historic heavy tasks together with the CPC, develop or consolidate the patriotic united front, actively play its role of participating in government and political affairs, and continuously march forward in the socialist direction.

Attending the commemoration meeting were Bai Jiefu, chairman of the municipal CPPCC Committee, and responsible persons from various democratic parties and the industrial and commercial federation of the municipality, including Tan Yizhi, Pu Jiexiu, Shen Yifan, Chen Mingde, Su Xiuyu, Weng Zhaoqi, and Fu Jiantang.

Also attending the commemoration meeting were Fang Rongxin and Zhang Shiming, vice chairmen of the central committee of Chinese Peasants and Workers Democratic Party; and Liu Buqing, Huang Jifang, Zhou Zheng, Wu Tiejong, and Li Gengshao, vice chairmen of the municipal committee of the Chinese Peasants and Workers Democratic Party.

Political Stability Aids Beijing Tourism Outlook

OW3108140690 Beijing XINHUA in English
1344 GMT 31 Aug 90

[Text] Beijing, August 31 (XINHUA)—Bo Xicheng, director of the Beijing Tourism Administration Bureau, announced here today that Beijing has designated 1992 as "the year of tourism."

Bo said his confidence came from the fact that China is rich in tourism resources and the political situation is now stable.

Over the past seven months, he noted, Beijing received 553,000 tourists, 24 percent more than the same period last year. Deducting factors of exchange rate change, foreign exchange earnings showed a 28.6 percent increase over the same period last year.

He estimated that about 200,000 visitors will come to Beijing for the coming Asian Games scheduled to begin September 22.

Bo said his bureau has planned to provide new services, including an international beer festival, Japanese customs festival, big bell-striking and sun-rise watching activities, and Qigong tour and shopping tour.

In addition, "Yunju Temple", a noted Buddhist shrine in southwest suburbs of Beijing, and Great Wall of Simatai section will open to visitors. In some Sino-Japanese joint ventures, service will be given in Japanese.

Lu Bin, deputy director of the bureau added that Beijing will also give special preferential prices in lodging and transportation and communications.

"1992 will be the 20th anniversary of the normalization of Sino-Japanese diplomatic ties. We anticipate that 1.35 million overseas visitors will come to Beijing at that time," she added.

NORTHEAST REGION

Heilongjiang Meeting on Reducing Size of Organs

SK0109052790 Changchun Jilin Provincial Service
in Mandarin 0930 GMT 30 Aug 90

[Excerpts] The provincial work conference concerning the authorized size of organs was held in Changchun from 28 to 30 August. Wang Zhongyu, provincial governor and chairman of the provincial Economic Commission, stressed at the conference that it is necessary to further improve all management and reform measures, strive to fulfill the task concerning the authorized size of organs and make preparations for the structural reform of localities. Over the past few years, party committees and governments at all levels throughout the province have resolutely implemented the principle of strengthening control over the macroeconomy and actively readjusting and invigorating the microeconomy, realistically strengthened management over the size of organs and achieved very good results in this regard. [passage omitted]

Wang Zhongyu noted that party committees and governments at all levels throughout the province should further strictly control the expansion of the size of organs and actively carry out the work of reducing the size of organs. He said that, at present, the size of organs at all levels should be relatively stable. All party and government organs should stop the establishment of new organs or branch organs and should not expand the size of organs. Organs whose relations with the higher and lower levels are not well-coordinated should be partially readjusted. The report and approval procedures should be strictly implemented. Nonpermanent organs should be conscientiously screened and consolidated. In general, no more organs of this kind should be set up. Nonpermanent organs that have fulfilled their tasks or failed to display their normal functional role should be resolutely abolished. It is necessary to strictly control the increase in the size of staff and the number of posts for leading cadres. It is not allowed to fix the size of organs without

authorization or in addition to the size of organs set by the state and the province, to increase the number of posts for leading cadres by going beyond stipulations or to wantonly set up nonleading posts. It is necessary to strictly control the size of institutions and to make special efforts to strictly manage the size of organs in charge of financial allocation. He said that, in line with the state plan, we should conduct a conscientious inspection and appraisal of the size of party, government, and mass organs at all levels, the size of staff and leading posts before the end of this year, emphasize the screening and consolidation of institutions, including the screening of all sorts of centers, editorial departments of publications, and overlapping institutions, as well as all sorts of institutions in townships and towns. Localities whose sizes of organs are greater than normal and where there are many unauthorized organs should step up their efforts to formulate plans for reducing the size of organs and adopt the method of reducing the size of organs annually at a progressive rate and implementing it in all areas in an effort to realistically reduce the size of overstaffed organs. All localities throughout the province should strive to attain the goal of reducing the size of overstaffed organs by 10 percent within this year.

Wang Zhongyu said the structural reforms of localities will involve the readjustment of functions, rights, and interests, and the rearrangement of some cadres and will also involve many difficult tasks. The provincial party committee has decided to select Daan City and Dongfeng County, where conditions are comparatively ripe, and the provincial Environmental Protection Bureau to serve as leading structural reform pilot units, to explore experience and to promote the work in the whole province. Other cities and counties should act in line with the principles and demands of structural reforms, do a good job in investigation and study, and study and appraise the reform methods. [passage omitted]

NORTHWEST REGION

Xinjiang Centralizes Radio Administration

OW0209003690 Urumqi Xinjiang Television Network
in Mandarin 1300 GMT 1 Sep 90

[From the "Xinjiang News" program]

[Text] The Xinjiang Autonomous Regional Radio Administration Committee recently issued a circular setting guidelines for strengthening centralization of radio administration in order to regularize the use of radio frequencies. The circular set the following guidelines:

1. All units and individuals required to set up or use radio stations must receive approval from the Radio

Administration Committee before they purchase necessary equipment and must apply for a radio station license from the committee before setting up and operating radio stations.

2. After a radio station is set up and put into operation, responsible units should establish appropriate management systems and operate their stations strictly according to regulations set by the Radio Administration Committee.

3. Units and individuals planning to deal in radio and telecommunications equipment must receive approval

from the Radio Administration Committee, apply for a certificate from the committee, and register at the local industrial and commercial administration department before they begin operations.

In conclusion, the circular pointed out that radio frequencies belong to the state. Without approval and the payment of a fee, no department, unit, or individual is allowed to use them. All departments, units, and individuals using radio frequencies must pay radio administration fees in a timely manner according to established state and autonomous region regulations.

Impact of Taiwan's Investment in PRC Detailed

90CE0348A Hong Kong KAIFANG [OPEN] in Chinese
No 43, 15 Jul 90 pp 61-64

[Article by Hsu Hsing (6079 5887): "Enthusiasm and Cold Feet Regarding Taiwans' Investments in the Mainland"]

[Text] Taiwan's mainland investment craze was initiated by medium-sized and small enterprises, and encouragement by the government led to the high water mark of mainland investment activities—the Haicang project of Wang Yung-ch'ing [3769 3057 1987]. Mainland democracy activist Chen Yizi has thrown a bucket of cold water on this idea, dampening Wang's enthusiasm. What does this mean?

When Deng Xiaoping met with former West German Chancellor Helmut Schmidt, he said, "We don't care about sanctions. They won't have any effect. The Chinese Communists had been under sanctions for decades. From the founding of the nation in 1949 until 1972, we had been under sanctions for 23 years. We were under sanctions for a long time, but we just kept going even in isolation."

This kind of talk was either a necessary diplomatic posture or an Ah Q type [rationalizing one's own inadequacies] of psychological victory.

The isolation of the past is past. Long-term isolation was long-term backwardness. Now, after 12 years of opening up, renewed isolation would cause the whole economy to collapse. Deng Xiaoping, deeply ensconced in Zhongnanhai, can ignore the nation's troubles and spout brave words, but central government leaders and high officials in open coastal areas who have actual responsibility for economic and fiscal matters have long since become keenly aware that economic sanctions imposed by the West since the 4 June incident are too costly. Thus they are frantically seeking ways to persuade the West to eliminate the sanctions, resume loans, continue investing in China, and renew high-level official contacts.

Only under such conditions would several batches of democracy activists have been released, would Hou Teh-chien [0186 1795 0256] have been spirited back to Taiwan, would Fang Lizhi and his wife have been permitted to leave the U.S. Embassy for England, would Zhu Rongji [2612 3579 1015] have traveled to Hong Kong, Singapore, and the United States, or would Li Tieying have traveled to Japan.

Western economic sanctions against China and the reluctance of anyone in Hong Kong to invest in the mainland since the 4 June incident have had a large impact on efforts to revitalize the Chinese Communist economy, but just as these factors have been playing out, Taiwan's mainland investment craze has done a lot to lessen the mainland's isolation. In this respect, Taiwan's mainland investment craze has undeniably been a shot

in the arm for the sagging mainland economy. In an objective sense, Taiwan is rescuing the mainland.

Taiwan's Mainland Investment Craze Continually Intensifies

Taiwanese investment in the mainland began in 1982 or 1983. At that time it involved only 10 or 20 small enterprises, but investment grew by leaps and bounds, and by 1988 more than 200 firms had invested more than \$1 billion. However, it still involved mainly medium-sized and small enterprises engaged in simple processing activities. They manufactured shoes, purses, toys, metal fittings, and so on. According to statistics released by the Investment Bureau of Taiwan's Ministry of Economic Affairs, Taiwanese investors concluded agreements with the mainland for about \$400 million of investments last year, and actual investments reached \$200 million, while the SOUTH CHINA MORNING POST cited official Chinese Communist statistics which indicated that Taiwanese manufacturers had invested a total of \$10 billion in the mainland last year. It is understandable that Taiwan's statistics should differ from those of the mainland, because many Taiwanese firms invest covertly rather than overtly.

This year, investments by Taiwanese firms in the mainland have reached a new high. Many big Taiwanese capitalists have rushed to the mainland to study conditions. They have had contacts with Chinese Communist officials and expressed their willingness to invest. For instance, the kingpin of Formosa Plastics, Wang Yung-ch'ing, is involved in an investment project in Xiamen's Haicang. Ch'en Yu-hau of Taiwan's Tung Ti Shi Company is teaming up with the Indonesian magnate Liem Soei Liong and with Kim U-Chung of South Korea's Daewoo Group to set up an automobile assembly plant in Xiamen. Taiwan's Yutien Group plans to contract for the entire automobile industry project on Langqi Island, at the mouth of the Min Jiang in Fuzhou. Chiukwang Electronics Corporation's Wang Yi-jen [3769 1837 0086] is planning to develop two industrial zones in Hainan Island's Haikou and Qiongsan which will attract group investments by medium-sized and small Taiwanese enterprises.

In June, an endless stream of trade associations from Taiwan sent groups to study conditions in the mainland, including a textile association, a cement association, a clothing manufacturers association, a textile marketing association, a long fiber group, a cotton spinning association, a towel manufacturing association, a purse manufacturers association, and a plastic products association. In early July, six or eight listed enterprises from Taiwan, including Sheng Pao and Wei Chuan went to the mainland and talked about investment-related matters with ministers and provincial governors.

It appears that this mainland investment craze among Taiwan's businessmen is still on the upswing. Opinions

differ, though, as to whether this craze is a matter of "a swarm of bees gathering honey" or just "moths flying around a light bulb."

Wang Yung-ch'ing's Haicang Project

The most eye-catching aspect of Taiwan's mainland investment craze is Wang Yung-ch'ing's Haicang project. Wang Yung-ch'ing is Taiwan's biggest businessman. Investments by his petrochemicals enterprise, Formosa Plastics, accounted for 30 percent of total investments in Taiwan last year, so he occupies a decisive position in the Taiwanese economy. In recent years, however, business conditions in Taiwan have deteriorated because of rapid economic development. Wages are high and the New Taiwan dollar has appreciated, which has weakened the competitiveness of Formosa Plastics on the international market. In addition, after the government had already approved of Formosa Plastics' plan to build Naphtha Cracker No. 6, the project ran into resistance from environmentalists and local residents. The project was shelved and equipment which had already been imported was left lying around to rust. Wang Yung-ch'ing has been forced to find another outlet. He had considered other areas in Southeast Asia, but Taiwan's mainland investment craze steered him toward the mainland. After several trips to study conditions and make contacts in the mainland, Wang Yung-ch'ing chose Xiamen's Haicang as the base for his petrochemical investments in the mainland.

The Chinese Communists look upon investment by Wang Yung-ch'ing as if it were a gift of precious jewels. Deng Xiaoping has met with him personally and has instructed the relevant departments to give him all possible preferential treatment. To this end, the Chinese Communists have formulated "Project 901" to handle matters related to investment by Wang Yung-ch'ing. The project, in the hands of Li Peng himself, takes its name from the trip Wang made to the mainland from 11 January to 19 January 1990 to finalize his Haicang investment project. The project will undertake a comprehensive upgrading of basic infrastructure in Xiamen such as railroads, highways, seawalls, ports, water, and electricity in order to accommodate Wang's investment.

High-level officers in Formosa Plastics have revealed that Wang's Haicang investment project includes an upstream plant, a naphtha cracker, and downstream processing plants. It is a series of operations. A total of 36 plants are to be built, of which four are public infrastructure and 32 are production plants. It will take four years to build the factory, and it is estimated that it will take four or four and a half years to recoup the investment.

Wang Yung-ch'ing himself has revealed that the Chinese Communists gave him the standard conditions that are offered in the special economic zones [SEZ's], for example, a two-year tax exemption, a five-percent tax rate for three years, and a full tax rate (10 percent) beginning in the sixth year. Foreign exchange within the

SEZ's can be freely disposed of or transferred abroad with no questions asked by the Chinese Communists. Aftertax profits are exempt from income tax when transferred abroad and there is no double taxation. Most of the products will be exported. What is sold domestically will be paid for in renminbi and sales taxes will be paid.

Wages in the mainland are one-twentieth what they are in Taiwan, and even a 10 percent tax rate is not high. Added to that is the five-year preferential tax rate and the fact that profits can be transferred abroad. All of these conditions are very attractive to Wang Yung-ch'ing, but there are two things which worry him. One is that it is hard to get a good feel for the communist regime in the mainland. The other is how to get the Taiwanese people and the Taiwan Government to understand why he would do such a thing.

Deeper Issues of Investing in the Mainland

Wang Yung-ch'ing lives in Taiwan and has spent a long time shuttling between the United States and Taiwan. Although he has been to the mainland five times to deal with the Haicang project, has seen Deng Xiaoping and some of the Chinese Communist central leadership, and has had repeated contacts with Governor Wang Zhaoguo [3769 0340 0948] of Fujian and Xiamen's Mayor Zou Erjun [6760 1422 0971], his understanding of the communist regime in the mainland is, after all, limited. For this reason, on 13 April he specially invited a group of Chinese economists in the United States to his home in New Jersey to talk about the project. He asked these specialists to give him their views on whether big businessmen can or should invest in the mainland.

Wang revealed during the chat the Chinese Communists had promised to designate 10,000 hectares for him as an SEZ in which administrative affairs would be handled by the Chinese Communists, raw materials would be imported, and electric power would be provided by Formosa Plastics. Chen Yizi, the former head of the State Council's Economic Reform Institute and now in exile, was present at the talks and gave three opinions that went right to the heart of the current malaise in China. He advocated that 1) a committee composed of the central government, local government, and Formosa Plastics be set up to administer the special zone; 2) that Formosa Plastics set up its own bank; and 3) that Formosa Plastics establish cooperative contacts with the petrochemical industry in the mainland. Wang thought highly of Chen's suggestions. Chen Yizi used to be an economic policy adviser for Zhao Ziyang, and he knows the weaknesses of the Chinese Communist economic system like the back of his hand, so he was able to speak incisively on the issue.

Everyone who invests in the mainland encounters the following problem: Officially, all the conditions are very good, but a plethora of problems lurks behind the scenes. All these problems originate in the Chinese Communists' unique brand of bureaucratic system, communist ideas, and customary practices in a planned economy. Within

the communist system, even if they want to free up the economy, they have never been able to get used to the idea of submitting to the laws of the market economy, and the worst thing is that bureaucrats, set in their ways and concerned only with getting and using power, have always turned conditions which were originally laid out clearly into something complex and distorted.

To be specific, when foreign firms invest in the mainland, they have to overcome many obstacles. It is an exhausting, time-consuming, and expensive process. Even if you take your problems to the highest leaders (of course you cannot bother the highest leaders with everything that comes up) and you get special help and they pass down special orders to help you, there are still a lot of obstacles every step of the way. The larger framework of the policy of opening up and preferential treatment accorded the SEZ's will not easily change, but below the level of these large policies is a multitude of rules and regulations which are themselves subject to many different interpretations and modes of enforcement. It just depends on who does the interpreting and enforcing. Every aspect of the "rule by man, not by law" phenomenon is demonstrated at the level of local administration and enterprise regulation, and this interferes with the management and operation of enterprises. It goes without saying that when high officials are corrupt, cadres jealously seek their share of illicit profit.

Chen Yizi's three opinions went straight to the heart of the matter. What he had to say about administration and regulation of the special zone was especially important. The Chinese Communists have always jealously guarded their authority, so they want to keep regulation of the special zone within their own jurisdiction. They would never allow a single 20-hectare patch of land anywhere within the country's 9.6 million square kilometers of territory to slip outside their grip, or this 20-hectare patch would in effect become a foreign concession. However, among the mainland's SEZ's, Shekou is somewhat unique. Administration and regulation of the special zone there is handled by the unit that is in charge of business there. This is because it is the China Merchants Steam Navigation Company [CMSNC] that invested in Shekou, and CMSNC belongs to the Ministry of Communications, so this SEZ in reality is still within the Chinese Communists' jurisdiction. However, even this tiny difference gives Shekou an advantage over the other SEZ's. There are too many "old biddies" at higher levels keeping watch over the other SEZ's. The provinces have a hand in affairs. So does the central government. So do the various ministries. In Shekou, though, apart from CMSNC, no other "old biddies" can easily interfere directly in affairs there, so this SEZ has achieved a certain measure of independence. Wang Yung-ch'ing is obviously not comparable to CMSNC. It would be impossible for him to demand that the entire SEZ be placed under the regulation of the people running the business there, but if he were able to obtain a certain amount of control within the SEZ's administrative organ, it would not only provide a crucial element for the success of the

undertaking, but it would also set an example for new SEZ's which will have some foreign businessmen contract for development of parcels of land. Apart from Wang Yung-ch'ing's Haicang project, other land parcel projects under consideration include the Yangpu harbor project of the Japanese Kumagai group; the Langqi Island project in Fuzhou being planned by the Taiwan firm Yutien; and the industrial zone project in Haikou and Qionghshan on Hainan Island by Chiu Kwang Electronics of Taiwan.

The Strategy of Using Economics To Defeat Politics

The authorities in Taiwan have found it difficult to restrain the craze among Taiwanese businessmen for investing in the mainland, because this craze is the result of the worsening investment climate in Taiwan as well as political liberalization and the relaxation of foreign exchange controls in recent years.

After Li Teng-hui officially took office as president in March, he proposed a far-sighted plan for Taiwan's mainland policy which would attempt to use Taiwan's economic strength to defeat the political strength of the Chinese Communists. In his words, he would combine Taiwan's economic strength with the resources of the coastal resources of the mainland to promote economic development in the mainland. When the economic strength of southern mainland reaches the point where it can overwhelm the political strength of the north, reform in the mainland will surely move forward quickly and the day of unification will not be far off.

There are three countries in the world now split apart due to opposing systems: East and West Germany, North and South Korea, and Mainland China and Taiwan. The land area of the two Germanys and the two Koreas are roughly the same, so there can be no dispute over who is the central government and who is the local government. The land areas of Taiwan and the mainland are vastly different, so the Chinese Communists have always claimed to be the central government. The situation is different when one looks at economic strength, though. Taiwan, with a population of only 27 million, has more than \$70 billion in foreign exchange reserves, while the mainland, with a population of 1.1 billion, only has foreign exchange reserves of \$17 billion (as reported by Wang Bingqian [3769 0014 0051] in May; the real figure may be even lower). Thus, using Taiwan's economic advantages to spread a free market economy to coastal areas in the mainland would be sufficient to effect a silent change of environment which would transform the outlook of people in the mainland and the rigid mindset of Chinese Communist Party cadres. It would break the restrictive barriers of their planned economy, and lead to the rise of freedom, democracy, and human rights, after which time a legal system could be established.

This is an intelligent and rational strategy. It must be pursued with an eye to long-range results, not quick scores. In putting this strategy into effect, Li Teng-hui has appeared impatient at times. For example, when he

appeared on 25 April at a dinner hosted by business leaders in Taiwan, he expressed his hope that those intending to invest in the mainland would take advantage of future trips to the mainland to use their economic strength to apply pressure to high-level mainland officials and demand that the mainland implement a democratic system, refrain from sabotaging Taiwan diplomatically, to refrain from massing heavy troop concentrations in Fujian, and to refrain from smuggling illegal weapons into Taiwan. Li Teng-hui does not understand that no one who invests in the mainland could possibly use their own economic strength to directly apply pressure to high-level mainland officials. Economic infiltration is a subtle, silent process. To borrow Chinese Communist phraseology, this is called "digging away at the base of the wall," or "ants gnawing on a bone." It is not a matter of applying pressure, which would be equivalent to meeting force with force. That would evoke countermeasures.

The Things That Worry Authorities in Taiwan

When Wang Yung-ch'ing considers the Haicang investment project, he does so primarily from the standpoint of a businessman. He considers how the worsening investment climate in Taiwan hurts prospects for the survival and development of Formosa Plastics. He considers competition in the international market and the position of Formosa Plastics in the competition, as well as his company's future prospects. He considers the attractive conditions offered him if he invests in the mainland, and he considers the dangers of the unsystematic politics of the mainland. He naturally does not think about Li Teng-hui's strategy of using economic strength to overcome political strength, because this type of strategy is a matter for politicians, not businessmen.

Even from a strictly business standpoint, Wang Yung-ch'ing has his worries. For example, during the dinner at his home in New Jersey, someone told him, "If you want to invest successfully in the mainland, you have to rely on personal relationships, not on any system. If you have connections you can cut through the red tape." Wang Yung-ch'ing immediately responded, "If I have to rely on personal relationships, then I can't go." However, the present difficulties of Formosa Plastics and the attractive conditions offered by the mainland induced him to set aside his misgivings. More importantly, there are a lot of plastics processing industries in Taiwan which have already set up operations in the mainland, and they all have to buy their plastic from suppliers in other countries. This has made Wang all the more isolated.

As for Taiwan's government, although Li Teng-hui has put forward the idea of using economics to conquer politics, the government fears that once Formosa Plastics has invested in the mainland, it could spark investments of more than \$20 billion by midstream and downstream enterprises. If the investments fail, it would be a great loss to Taiwanese investors; if they do well, on the other hand, the center of gravity of Taiwan's entire petrochemical and plastics industries would surely shift

to the mainland, and what in theory was to have been a victory of economics over politics could end up, in reality, deepening Taiwan's economic crisis.

The world is like a chessboard. In real chess, there are few sure-fire strategies for victory. The outcome of a match is not usually apparent until it has been played out. In the *weiqi* match going on across the Taiwan Strait, the mainland, with its large land area and huge population, can afford to lose sometimes (and the mainland is in fact a frequent loser); but Taiwan, with a tiny land mass and population, cannot. Thus, Li Teng-hui in Taiwan must be ultra-cautious in everything he does. When he stepped on the brakes at the last moment in dealing with the "Goddess of Democracy," what he was worried about was that the incident could create a very tense situation on both sides of the strait. Perhaps what he is worried about with respect to Wang Yung-ch'ing is that Taiwan's economy could go into a tailspin. Currently, law and order in Taiwan is not good, the stock market is dropping like a lead weight, the public mood is very anxious, and there is a serious outflow of funds. If Wang Yung-ch'ing draws off \$7 billion and enterprises downstream from Formosa Plastics draw off another \$20 billion, the situation could not but worry people.

Li Teng-hui has taken a very cautious approach to the Wang Yung-ch'ing issue. When he met with reporters after taking office as president in May, he said, "Mr. Wang Yung-ch'ing is only thinking about investing in the mainland. He hasn't signed anything yet. He will understand that it would best not to go through with it unless relations between the two sides become closer and better, and we open up even more aggressively. The government has not yet come to the point for making a decision on this issue. We still have to see how the mainland responds to what I've recently called on them to do before we can talk about this issue."

From this it is apparent that investment in the mainland by Wang Yung-ch'ing is no longer a simple matter of a business investment. It impinges upon the evolution of relations between Taiwan and the mainland. After Li Teng-hui's speech at the swearing-in ceremony, the Chinese Communists, via New China News Agency, rejected Li Teng-hui's proposals. Later, Yang Shangkun stressed that Taiwan cannot enjoy equal status with the mainland, Jiang Zemin stated that the Chinese Communists would not relinquish the right to use military force against Taiwan, and the right to use military force against Taiwan, and the Chinese Communists' LIAOWANG [OUTLOOK] sharply criticized the "one country, two governments" proposal of Li Teng-hui. The authorities in Taiwan then worked to persuade Wang Yung-ch'ing to temporarily shelve his Haicang investment project, and Wang did not go to the mainland to sign the contract. After creating an uproar for several months, Wang Yung-ch'ing's westward-looking investment plans were put temporarily hold.

The mainland shares a common ethnicity and language with Taiwan, its wages are low, its tax rates are not high,

and it does not shun polluting industries and sunset industries. Even though Wang Yung-ch'ing has temporarily shelved his plans in response to political pressure, other businessmen from Taiwan will still be anxious to try the waters.

From the perspective of people in Hong Kong, this is a matter of some people growing old and returning to their roots, while others grow restless for a chance to do some business.

Taiwan Takes 'Precedence' in Mainland Policy

90P30083A Taipei TZULI WANPAO
in Chinese 15 Jul 90 p 12

[Article by Huang Tsungchou (7806 5115 3166)]

[Text] The Chinese Communist mouthpiece on Hong Kong, WEN HUI BAO, lashed out the other day in a commentary at the recently ended National Affairs Conference. WEN HUI BAO wrote, "The ruling party of Taiwan may in the future stir up trouble by using 'common knowledge' as an excuse to continue promoting its 'three no's' policy, playing its 'popular opinion card' against the mainland."

This WEN HUI BAO piece proves beyond a doubt that the Chinese Communists really do not understand the National Affairs Conference. This is so because, within the conference's topic of discussion, "Mainland Policy and Relations Between the Two Sides of the Taiwan Strait," was the recognition that "agreement on safety, reciprocity, equity, and dealing with concrete matters relating to work should be taken as the principle in academic, cultural, and scientific and technological exchanges between the two sides of the Taiwan Strait. Furthermore, in addition to exchanges, we should proceed onward to consideration of the possibilities for cooperation." This diverges widely from WEN HUI BAO's so-called "continued promotion of the three no's policy."

Even if the Taiwan people did not know that the Chinese Communists receive a very low rating in the world human rights report, this statement about "playing the 'popular opinion card' against the mainland" would show their antidemocratic nature and make the Taiwan people shake their heads. Taken together, the Taiwan people see very clearly that the Chinese Communist regime does not pass muster in human rights.

In Taiwan there have been several popular opinion polls on "unification or independence," and those who desired reunification with the mainland were almost nonexistent. This is common knowledge for the Taiwan people and something for which the Chinese Communists should write a self-criticism.

The sections of the National Affairs Conference discussion on "Mainland Policy and Relations Between the Two Sides of the Taiwan Strait" and the conference representatives were almost in unison in recognizing that

mainland policy should give the safety and good fortune of the people in the Taiwan region the highest consideration: "Relations between the two sides of the Taiwan Strait and our mainland policy must take the good fortune of the Taiwan people as the premise; consider objective factors such as the limits of the international situation, the character of the Chinese Communist regime, and the psychology of the mainland people; and within the scope of our capabilities, urge the mainland in the direction of democratic freedom and bring about the formulation of an open and safe phased mainland policy." There was very little controversy in the discussion process, with the result that discussion time was very short, because this is commonly recognized among the Taiwan people. The Taiwan people welcome this mainland policy in which Taiwan is given precedence.

Editorial Presses for Increased Domestic Investment

90CE0426A Taipei CHUNG YANG JIH PAO
in Chinese 1 Aug 90 p 3

[Editorial: "Promoting an Interest in Domestic Investment Is an Urgent Matter"]

[Text] The domestic economy this year has generally slowed down, and the call for countering the boom has turned into a blue light [landeng 4691 3597]. Not only have the stock and real estate markets gone into a slump, statistics show that the industrial production index for the first half of 1990 declined 2.66 percent compared to the same period in 1989, that the manufacturing industry production index declined 3.47 percent, and that exports declined 0.8 percent—with those to the United States declining as much as 7.7 percent and those to Japan 14.7 percent. These crucial indexes all point to negative growth and clearly indicate an economic recession.

During a recession, interest in domestic investment also goes into a downhill slide, with a great percentage of small and medium-sized enterprises not having investment plans. If the large-sized enterprises have an investment plan, they run into obstacles and are unable to put it into effect. Taiwan's economy originally was based on a structure in which imports led to high development; economic growth depended on the growth of exports, and export growth depended on the expansion of investment. At present, exports are in a state of negative growth and interest in investment is likewise listless. It is understandable then that the economy is in decline and even more understandable that the government and businessmen are worried!

The other side of the coin, with respect to the decline of interest in domestic investment, is businessmen going aboard to invest. In particular, the interest in going to the mainland to invest has greatly increased. There has been an upsurge of businessmen traveling to the mainland to see things first hand and enter into talks. However, no matter whether they go to Southeast Asia or the mainland to invest, even though this provides a partial outlet

for domestic funds, it does not directly aid the growth of our domestic economy. This is because these foreign investments are opening factories which produce goods that when sold abroad can very possibly compete with our domestic goods sold abroad. This could harm our domestic industry. Consequently, promoting an interest in domestic investment should be a basic means for eliminating a domestic recession.

Is the lack of interest in domestic investment likely to decline any further? Most people commonly attribute the reason for the decline to a worsening of the climate for domestic investment. However, there are many factors which have led to this. Economic factors include resistance stemming from increased awareness for the need for environmental protection, a manpower shortage, large wage increases, difficulty in obtaining land for industrial use, and lack of public facilities. Noneconomic factors include the deterioration in public safety and the popularity of money games. The former often imperils the lives and property of businessmen, and the latter leads to them becoming carried away with speculation and gambling while ignoring conventional production operations. These are indeed the principle causes of the deteriorating investment climate. However, if we take our analysis a step further, we find that there are even more fundamental causes. After incomes increased and our standard of living improved, an attitude emerged in society that was marked by a disregard for work and a love of leisure. As a result, workers lost their work ethic. They were no longer willing to work hard as they were in the past when they looked upon their factories in the same way they looked upon their families. Businessmen lost their enterprising spirit. They were no longer willing to take the risk of setting up businesses and developing markets as they were in the past. To put it more specifically, they lost their "aggressiveness" and their "drive." It was during this state of affairs that the domestic political situation became more relaxed. The legal process became paralyzed as a result of meaningless stands taken by public bodies at various levels or because of individuals showing off. This caused the public to lose confidence in the future political situation and even in the country's future. Competent people, one after another, made plans to go abroad. Businessmen looked for ways to move out their funds. And people left hoping to find a new life abroad. With all these various factors acting to exacerbate each other, is it any wonder that the interest in domestic investment has dropped off? This is what is leading us into an economic recession.

Actually, the conditions for domestic investment are still rather favorable. Not only are funds abundant, but foreign exchange is plentiful and the importation of production equipment is extremely convenient. Furthermore, there are vast opportunities to adjust the industrial mix by developing capital-intensive and technology-intensive industries. For example, developing a domestic

data communications industry could provide the necessary assistance to related industries both for hardware and software. All that is lacking is the interest in investment.

Promoting an interest in domestic investment is an urgent matter if we are to restore vitality to the economy and bring back its rapid rate of growth. We must adopt specific measures that are both negative and positive in approach. A negative approach would be eliminating various factors which impede investment. A positive approach would be creating inducements to attract sufficient investment.

We think the government should try to do the following to eliminate impediments to investment:

First, it should thoroughly rectify public order by getting rid of hoodlums, underworld societies, and lawless elements, by seizing the firearms of these underground societies, by stamping out smuggling and the peddling of drugs, and by eliminating robberies, kidnappings, and extortion, thereby preserving the lives and property of the law-abiding public. In this regard, the strict enforcement since Premier Hau took office gives us confidence that, within a short time, we are going to see immediate and substantial results.

Second, it should put into effect policies for the protection of the environment. In the past, during the process of development, we were unable to pay proper attention to the prevention of pollution. Environmentalists now use this as a pretext for their protests. To eliminate this obstacle, the government should first have publicly operated facilities do a proper job of preventing pollution and then demand that civilian operations do the same and help them do it.

Third, the government should use publicly owned land for the installation of new industrial sites and provide them to businessmen for setting up factories. This land should only be rented, not sold. This would reduce the costs to the businessmen. For example, it would be better to use the land on which Taiwan Sugar Company has installed an amusement park for an industrial site.

Fourth, the government should increase public facilities, especially in the newly opened industrial sites. Roads, communications, water and electricity, and warehouses should be installed beforehand. In addition, governmental housing, schools, and shopping and entertainment centers should also be planned beforehand for construction at the appropriate time.

Fifth, in order to increase confidence in the future political situation and the future of the country, we hope that the political parties as well as organizations within the Legislative Yuan will use reason and tolerance in their political activities without sacrificing the country and people's future to private interests and selfish desires, thereby enabling the country to take the road of legality and democracy.

With respect to increasing inducements for investment, we propose that the government allocate a certain amount of foreign exchange along with new Taiwan dollars to set up a "development fund." It could provide preferential funds for the development of high-risk, high-tech industries or for civilian joint ventures. If there are losses resulting from the risks, the fund could be used to partially reimburse them. Businesses that are founded which are a success can be completely transferred to civilian management. In addition, the fund could provide financial aid to civilians engaged in research and development work, if they have a potential for development. Those that are a success can assist in advancing production and developing markets. The fund could also cooperate with factories and businesses abroad to introduce advanced scientific and technological skills or to hire technicians to come to Taiwan to work.

If the double-barrelled approach of using both negative and positive measures is used, we are confident that it will not be difficult to gradually promote an interest in domestic investment. Once investment activity increases, economic vitality can be regained, a rapid growth rate can be restored, and targets to upgrade the economy can be easily reached.

County Legislators Rate DPP Magistrates' Performance

90CM0359A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 175, 22 Jul 90 pp 69-73

[Article by Hsu Ch'ing-yun (1776 7230 7189): "County Legislators Rate County Magistrate Performance"]

[Text] In the general election held at the end of 1989, the Democratic Progressive Party [DPP] took six county magistrate positions in one fell swoop. At the time, the Democratic Progressive Party announced that this was the beginning of "local encirclement of the central government," and the first step in the DPP's advance to take power. However, after half a year's trial, is Democratic Progressive Party government control in six counties any different from in the other counties and cities?

Little Difference in Annual Budget

Actually, though it is not fair to examine DPP county magistrates' performance after just six months, several Ilan County legislators have said that "Some of the county policies of incumbent county magistrate Yu Hsi-k'un [3266 6932 1024] are a continuation of the plans of former county magistrate Ch'en Ting-nan [7115 1353 0589]. Thus, to discuss heroes on the basis of a six-month showing is not objective. However, in order to find out a little bit about how well the DPP county magistrates are running the government, this magazine conducted a questionnaire survey among legislators in the six counties in which the Democratic Progressive Party holds power. It is hoped that this inquiry assays the administrative capabilities of the six DPP magistrates.

This questionnaire was given during the period 9 through 12 July. The effective sampling in order of precedence was as follows: Ilan County, 21 persons or 64 percent; Taipei County, 40 persons or 62 percent; Hsinchu County, 26 persons or 79 percent; Changhua County, 28 persons or 53 percent; Kaohsiung County, 32 persons or 62 percent; and Pingtung County, 23 persons or 43 percent. The grades that the legislators in these six counties gave for the county magistrate's performance in running the government were as follows: The highest grade of 7.7 went to the Pingtung County magistrate, Su Chen-ch'ang [5685 6297 2490]. The second-highest grade of 7.4 went to Hsinchu county magistrate Fan Chen-tung [5400 2182 1350]. Third was a grade of 7.1 for Kaohsiung county magistrate Yu Ch'en Yueh-ying [0151 7115 2588 3841]. Fourth was Ilan county magistrate Yu Hsi-k'un, with a grade of 6.5. Fifth was Taipei County magistrate Yu Ch'ing [1429 3237 0063] with a 5.4 grade; and sixth was Changhua County magistrate Chou Ch'ing-yu [0719 3237 3768] with a 4.3 grade.

Topic: Do you feel that percentages budgeted for each item in the budget that the Democratic Progressive Party county magistrate presented differed greatly from that of the last county magistrate?

Most of the county legislators replied "no difference" to this question—95.2 percent of those in Ilan County, 83.3 percent of those in Hsinchu County, and 52.5 percent of those in Taipei County. However, in Pingtung County and Changhua County, the percentage of legislators replying either "some difference" and "no difference" was the same—39.1 percent in Pingtung County, and 32.1 percent in Changhua County. Only in Kaohsiung County did many legislators reply "very great difference" at 40.6 percent.

Ilan Pays Close Attention to Local Culture

The above statistics show that it was only the budget prepared by the only one of the six county magistrates who had been reelected to office, Yu Ch'en Yueh-ying, that the Kaohsiung legislators said was "very different" from the budget that she presented the previous year. On the other hand, in Hsinchu, Taipei, and Pingtung Counties, where the Kuomintang lost, most legislators said that there was "no difference" between the budget presented by the Democratic Progressive Party magistrate and the Kuomintang.

Topic: What do you feel is special about the budget presented by the DPP magistrate?

The largest percentage of "nothing special" replies came from the Changhua County legislators at 64.7 percent. The legislators' reasons may be generally divided into two categories as follows: First, since the previous magistrate, Huang Shicheng [7806 4258 1004], was an independent, the new magistrate, Chou Ch'ing-yu, follows the established rule. The second reason given was that it

is Changhua County's politics, not the county government, that Chou Ch'ing-yu is trying to reform, so intentions about running the government are not discernible from the budget.

In addition, a majority of the county legislators from Taipei, Pingtung, and Hsinchu Counties believed that the budget that the Democratic Progressive Party presented was not special, the percentages for each being 52.5, 52.2, and 41.7. However, the Taipei County legislators included a qualification. Most of them pointed out that, "although there was nothing special about Yu Ch'ing's budget, there was no less money in the budget for items of a political nature such as the "28 February" memorial, the county bank, and the establishment of a traffic radio station. The reason that Pingtung County legislators gave for the budget not being special was that "the budget that Su Chen-ch'ang presented had something for everybody, so there was nothing special about it."

The Ilan and Kaohsiung county legislators believed that the budgets their magistrates presented were special. The most special thing about the budget that Yu Hsi-k'un presented was the budgeting for local culture. Most Ilan County legislators noted that Yu Hsi-k'un's attention to local culture is reflected not only in the budget, but that Yu Hsi-k'un devotes an extraordinary amount of attention to any campaign that has to do with promoting local culture.

Patronage Projects Arouse Criticism

Kaohsiung County legislators also felt that the budget that Yu Ch'en Yueh-ying presented was special, but the Kaohsiung County legislators said that "the budget that Yu Ch'en presented paid special attention to the small patronage projects that she wanted. The budgeting for projects scattered here and there was for Yu Ch'en's patronage; no distinction was made between party and government matters." Comparison of answers on this point with answers to the first question show that the county legislators feel that there is a great difference between the budget that Yu Ch'en Yueh-ying presented in 1990 and the one she presented in 1989, and some county legislators criticize this year's budget for having too many "patronage projects" in it. Possibly, they might explain that this is because, when Yu Ch'en Yueh-ying's present term as county magistrate is over, she will not be eligible to run for county magistrate again, so she has to show a little appreciation to those who elected her.

Topic: How do you feel relations are between the county magistrate and the legislature?

Of the six DPP county magistrates, Yu Ch'en Yueh-ying is succeeding herself in office; Yu Ch'ing was a member of the Legislative Yuan; Fan Chen-tsung and Chou Ch'ing-yu were members of the National Assembly; and Yu Hsi-k'un and Su Chen-ch'ang were members of the provincial legislature. They are all extraordinarily well-versed in official procedures and parliamentary rules.

Even though they have changed from being representatives of popular will to being paternalistic officials, they are more than equal to the rules of this game. Nevertheless, the results of this questionnaire survey show that there is a difference between facts and theories.

First, take Yu Ch'en Yueh-ying, who is succeeding herself in office, about whom 68.8 percent of legislators polled said her relations with legislators were "not good." This is because "legislators are suspicious about the intended uses of the social welfare fund, but Yu Ch'en refuses to provide an explanation," "the magistrate cares more about patronage projects than legislators," and "the magistrate and the legislators have clashes of interests: the leather factory belonging to the head of the legislature was fined by the magistrate."

Taipei and Changhua Take a Back Seat

Fan Chen-tsung and Chou Ch'ing-yu, who come from the National Assembly, fared entirely differently on this question: 58.3 percent of the Hsinchu County legislators polled said that relations between Fan Chen-tsung and the legislature were "very good." However, 64.3 percent of the Changhua County legislators polled believed that Chou Ch'ing-yu's relations with the legislature were "very poor." Former provincial legislature colleagues Yu Hsi-k'un and Su Chen-ch'ang had better relations with the county legislature; 81.8 percent of legislators polled in Ilan County said that relations between Yu Hsi-k'un and the legislature were "all right," and 65.2 percent of the legislators polled in Pingtung maintained that Sun Chen-ch'ang's relations with the legislature were "very good."

Topic: How do you feel about the county magistrate's leadership and coordination abilities?

On "leadership control," the ranking of the six county magistrates was as follows: (totals given for "very good" and "all right.")

1. Su Chen-ch'ang, 86.9 percent
2. Yu Ch'en Yueh-ying, 75.1 percent
3. Fan Chen-tsung, 75 percent
4. Yu Hsi-k'un, 59.1 percent
5. Yu Ch'ing, 20 percent
6. Chou Ch'ing-yu, 14.3 percent

On "coordination ability," the ranking of the six county magistrates was as follows: (totals given for "very good" and "all right.")

1. Fan Chen-tsung, 87.5 percent
2. Su Chen-ch'ang, 86.9 percent
3. Yu Hsi-k'un, 86.4 percent
4. Yu Ch'en Yueh-ying, 78.1 percent

5. Yu Ch'ing, 35 percent

6. Chou Ch'ing-yu, 3.6 percent

The standards that county legislators maintained in judging "leadership control" and "coordination capabilities" were mostly "adept at promoting mutual understanding," "mutual respect," and "amenable to reason." It was not possible to get a consensus on these two matters. The most frequent criticism of Yu Ch'ing was, "Yu Ch'ing can't accept other's views. He wants to be able to lay down the law; his views are the only ones," "Yu Ch'ing likes to quibble; he is fond of quarreling over matters of emotion rather than reason, but he is a county magistrate now, not a national legislator," and "he wants to do everything himself; he has no confidence in others."

Too Short a Time To Make Comparisons

Most of the the Changhua County legislators' criticism of Chou Ch'ing-yu was that "she is too subjective; she always feels that the legislature will not accept her," "she is narrow minded and will not accept other's views," and "her personality is extreme; she is not at all suited to being a politician."

Topic: Do you feel that the county magistrate is doing a pretty good job of running the government?

Actually, evaluating effectiveness in running the government after just half a year is not too objective, but when this question was put into the questionnaire, it was mostly for the purpose of getting county legislators' preliminary assessment of the county magistrate. Consequently, in Ilan, Pingtung, and Taipei Counties, a substantial percentage of legislators said "a comparison is impossible."

Nevertheless, it is worth mentioning that, although only half a year has passed, more than 40 percent of county legislators in Hsinchu and Kaohsiung Counties said "all right." However, 30 percent of the county legislators polled in Changhua said definitely that Chou Ch'ing's effectiveness in running the government is "not good."

Topic: In comparison with the last county magistrate, do you feel the county government is making progress?

In answering this question, Yu Ch'en Yueh-ying had to be compared with herself, and even though only a short half year's time has passed, 43.8 percent of the Kaohsiung County legislators polled felt that Yu Ch'en Yueh-ying "made some progress" during her present term. In all the other counties, no matter whether talking about Su Chen-ch'ang, who ranked first in "coordination ability," or Fan Chen-tsung, who ranked first in "leadership control," most county legislators still maintained that "a comparison is impossible to make." Even in the case of Chou Ch'ing-yu, who always placed last, 46.4 percent of the Changhua County legislators polled felt it "is still impossible to make a comparison."

Topic: Do you feel that, because they are of a different political party, that the Kuomintang legislators will be unwilling to cooperate with the county magistrate in carrying out government plans?

In the six counties in which the Democratic Progressive Party holds power, an overwhelming majority of the county legislators are Kuomintang members. Consequently, in answering this question, a rather high percentage of Kuomintang county legislators said "no." They would be willing to work with the county magistrate to carry out government plans. In Hsinchu County, for example, the percentage was 95.8, and in Changhua County it was 92.9 percent. The lowest percentage was in Kaohsiung County at 62.5 percent.

Plan To Avoid Suspicion; Deny Boycott

One might hypothesize that the reason for the high percentage of "no" answers to this question was because most of the county legislators are members of the Kuomintang, and that, in order to avoid suspicion, most Kuomintang legislators were told to select "no," showing that their personal position was one of detachment. However, analysis of basic data in replies to the questionnaire showed that a Kuomintang county legislator in Hsinchu who does not want to be identified and three independent county legislators in Ilan County said that "to say that the Kuomintang will not boycott is deceitful. It's only a matter of the degree to which they will boycott." Two DPP members in Kaohsiung County who were reelected, namely Wang Chin-hsiung [3769 6855 7160] and Chu T'ung-shu [2612 6894 2885], said on the basis of their long observations in the county legislature that "naturally the Kuomintang members will not want to cooperate."

Nevertheless, the interesting thing is that even though Democratic Progressive Party, independents, and even Kuomintang county legislators all said they would cooperate, a reelected Democratic Progressive Party county legislator in Hsinchu County, P'eng Yu-yuan [1756 2589 0955], and a reelected Democratic Progressive Party county legislator in Kaohsiung, Ts'ai Chien Mei-hsueh [5591 4675 5019 7185], said that "just because they are members of the Kuomintang does not mean that they would be unwilling to cooperate with a Democratic Progressive Party county magistrate." So, whether they will or won't, only the legislators themselves know for sure, it seems.

Topic: In terms of the various achievements of the county government, what do you feel is the Democratic Progressive Party's future ability to hold power in the central government?

Actually, the county government's achievements, whether good or bad, cannot prove anything about ability to hold power in the central government, much less the achievements of six Democratic Progressive Party county magistrates who began to move into county government only six months ago. Thus, data on this

topic is provided only as a matter of interest. Going from north to south, the ranking by highest percentage of answers is as follows:

1. Ilan: 50 percent said "average."
2. Taipei: 42.5 percent said "very poor."
3. Hsinchu: 62.5 percent said "refuse to answer."
4. Changhua: 32.1 percent said "no opinion."
5. Kaohsiung: 34.4 percent said "very poor"; 31.3 percent said "average."
6. Pingtung: 43.5 percent said "very poor."

Party Membership of County Legislators in the Six Counties in Which the Democratic Progressive Party Holds Power

County	Kuomintang	Democratic Progressive Party	Independent	Grand Total
Ilan	24	2	7+	33
Taipei	49	4	12	65
Hsinchu	25	2	2	29
Changhua	41	0	12	53
Kaohsiung	32	6	14*	52
Pingtung	45	3	6	54

Note: * indicates one Labor Party legislator included; + means one Youth Party legislator included.

Highest Mark for Pingtung County Magistrate

Topic: If it were up to you to summarize the county magistrate's performance in running the government to date, and the highest mark were 10 and the lowest mark 1, what score would you give the county magistrate?

1. Pingtung County: Su Chen-ch'ang, 7.4 points. Two county legislators said "quite satisfied" and gave a full 10 points to Su Chen-ch'ang.
2. Hsinchu County: Fan Chen-tung, 7.4 points. Re-elected Kuomintang legislator Wu Chun-hsiung [0702 0193 7160] gave a full 10 points.
3. Kaohsiung County: Yu Ch'en Yueh-ying, 7.1 points.
4. Ilan County: Yu Hsi-k'un, 6.5 points. Three Democratic Progressive Party legislators gave no grade. They believed it would not be proper to give a grade until after one year.
5. Taipei County: Yu Ch'ing, 5.4 points. Three legislators who refused to answer "insisted" that Yu Ch'ing should get 0 points. They maintained that, "for half a year, Yu Ch'ing has made a lot of gestures, but he has accomplished nothing, so he should get 0 points." On the other hand, two independent legislators said that Yu Chang frequently played his cards in unexpected ways, catching the Kuomintang unawares. He should be given a grade of 8 or 9.

6. Changhua County: Chou Ch'ing-yu, 4.3 points. As was the case with Yu Ch'ing, three legislators who refused to answer said that Chou Ch'ing-yu should get a 0 grade. "She should do a little self-examination." However, one re-elected Kuomintang county legislator said, "Obviously Chou Ch'ing-yu does her work extremely conscientiously; it is only right that she should be given 8 points.

In the entire questionnaire survey process, the six members of the county legislature offered both praise and censure. However, they sometimes "rationalized" the county magistrate's running of the government. Most county legislators also looked forward to the county magistrate being able to devote full efforts free of burdens. In 1989, DPP Central Party Headquarters Secretary Chang Chun-hung [1728 0193 1347] received 10 major planning awards for "local governments surrounding the central government." Currently, the Democratic Progressive Party has six local bases. Is it possible to detect from this questionnaire survey the capital that the Democratic Progressive Party possesses for local encirclement of the central government?

'Pragmatic Diplomacy' Under Fire

90CM0324B Taipei TZULI WANPAO
in Chinese 12 Jul 90 p 2

[Article by Chen Tsui-lien (7115 5050 5571): "Legislator Vigorously Attacks Bombshell Diplomacy; Huang Ho-ching Ridicules Ministry of Foreign Affairs Today for Using Sex To Conduct Diplomacy, Deputy Minister of Foreign Affairs Chin Shu-chi Vigorously Protests, Both Sides at Swords' Points"]

[Text] The atmosphere at the Legislative Yuan's Joint Committee on the Legal System, Diplomacy, and the Economy was explosive this morning over the issue of Sino-Saudi relations. Because legislator Huang Ho-ching [7806 3109 3237] sarcastically said the Ministry of Foreign Affairs could set up a "vice minister of breaking relations" and ridiculed the Ministry of Foreign Affairs over "bombshells"—using sex to conduct diplomacy; Chin Shu-chi [6855 2885 1015], vice minister of foreign affairs, who attended the meeting to answer questions, replied sternly; Huang Ho-ching flew into a rage and both sides were at swords' points.

The Legislative Yuan's Joint Committee on the Legal System, Diplomacy, and the Economy was originally scheduled to examine "Draft Revisions of Some Articles of the Organizational Law of the Ministry of Foreign Affairs" and "Draft Articles of Ministry of Foreign Affairs Consular Affairs Bureau Organization" this afternoon. However, the radical change that occurred in Sino-Saudi relations attracted the legislators' concern. Member Wu Yao-kuan [0702 5069 1401] pointed out that only recently the Ministry of Foreign Affairs had stressed that Sino-Saudi relations were friendly, yet unexpectedly a break in relations is now near at hand. "Is

it that the Ministry of Foreign Affairs didn't invest enough and reports only the good news and not the bad?"

Chairman Chang Tzu-yang [1728 1311 2254] demanded that the members present limit their remarks to the issue of adding a "Management and Trade Office" and not go beyond the topic, otherwise they would "talk for three days without finishing," but the members turned a deaf ear. When Huang Ho-ching reached the podium he demanded an impromptu question-and-answer session with Chin Shu-chi. Huang Ho-ching said sarcastically that his suggestions for the revision of the Ministry of Foreign Affairs organization law might as well be to establish two vice-ministerial posts, one to help the minister handle diplomacy and one to be the "vice minister of breaking off relations," an office exclusively for expediting breaking off diplomatic relations.

Chin Shu-chi replied sternly, "I have no objections if this body proposes establishing two vice-ministerial posts, but there is no 'vice ministry for breaking off relations' and I personally cannot accept member Huang's statement!" Huang Ho-ching promptly said, "The fact that you cannot accept the suggestion of creating a vice minister for breaking off relations means that there is still hope for China's diplomacy." He then asked in more detail, "Will Sino-Saudi relations be broken off?"

Chin Shu-chi explained that two years ago he had come to the Legislative Yuan prepared for inquiries on Sino-Saudi relations. But because the Chinese Communists had purchased a large amount of agricultural products from Saudi Arabia, provided Saudi Arabia with missiles and training personnel, and supported Saudi Arabia internationally, this had an impact on ROC-Saudi relations. Chin Shu-chi stressed that there are many international and external elements in diplomacy and there is no way to control the overall situation. "We did everything we could." He announced, "Because of our efforts, ROC-Saudi relations didn't break off two years ago!" But Chin Shu-chi said there was no way to predict whether there would be a break in Sino-Saudi relations in the next year or two.

Then Huang Ho-ching asked in a straightforward tone, since the Chinese Communists used "bombs" to attack, we could respond with "bombshells." He said that, according to reports, a few years ago we used one of our female stars, Pai Chia-li [4101 0857 5461], as bait to get on good terms with the Saudi Arabian king and obtain a continuing supply of petroleum. Huang Ho-ching playfully said, "We can still find a few attractive bombshells to use to counter the bombs"; "When the bombshells are gone we can use 'money bombs.' Not only can the Minister of Foreign Affairs Chien Fu [6929 1788] 'use chien [money] fu [to reestablish] diplomacy,' you, Deputy Minister Chin, can use 'chin [gold] diplomacy'..." He said, he didn't approve of using "money to buy foreign relations," but was willing to lend money to Saudi Arabia.

Although Huang Ho-ching's entertaining scolding set off an explosion of laughter in the assembly, Chin Shu-chi's expression was dignified, though he turned pale.

Chin Shu-chi replied with a solemn expression: "We pursue foreign affairs by all the normal means." He said that the unorthodox method of "sex" mentioned by Huang Ho-ching was a "joke." "We should consider the dignity of the nation, you cannot sully the Ministry of Foreign Affairs! Nor can you sully our nation!"

Unexpectedly, this infuriated Huang Ho-ching, who countered, saying, "Vice Minister Chin, you should not talk as though you were Confucius. You must realize that sex traps have been used in all times and all places without anyone sullyng anyone." Chin Shu-chi replied, "But we absolutely would not do this!" Outraged, Huang Ho-ching said frankly, "You can do it, but you can't talk about it. You shouldn't pull a long face, as long as you meet your diplomatic goals you can use any methods." Suddenly changing the topic, he protested that the Ministry of Foreign Affairs did not appoint native Taiwanese ambassadors: "Lin Chin-ching [2651 6855 5449] met the qualifications, but you did not appoint him as representative to Japan. Was it because you were afraid to put a native Taiwanese in charge of diplomacy?"

Chin Shu-chi replied that the Ministry of Foreign Affairs has heretofore considered only ability and reputation in personnel selection and has not considered the issue of provincial origins. But Huang Ho-ching did not accept his explanation and he pounded on his desk and shouted, "Do you mean that there is not one talented person among the 20 million native Taiwanese?" "That you still argue with me means that you are haunted by the idea of provincial origins!" The atmosphere in the committee was clearly very tense for a while.

Finally, Chin Shu-chi guaranteed that, even if China broke relations with Saudi Arabia, it would not have an impact on our future petroleum sources. "You have guaranteed that if there are problems in the future we will come looking for you," Huang Ho-ching sneeringly concluded.

Renowned Commentator Defines 'Political Garbage'

90CM0324A Taipei TZULI WANPAO
in Chinese 7 Jul 90 p 2

[Column by Wu Feng-shan: "Political Garbage"]

[Text] The National Affairs Conference convened to resolve the constitutional crisis and to once again elaborate on relations on both sides of the strait had just concluded a satisfactory session when a clamor to boycott reform arose. How unfortunate for the country; how painful and worrisome it is that, no matter how we try, political garbage cannot be swept away.

I

Ignorance has always been mankind's greatest enemy, and the ignorance of politicians in particular most readily obstructs overall progress. If it were not for the central government representatives who have not had to stand for reelection for a long time, who knows how far Taiwan would have progressed by now. If it were not for some old puritanical assemblymen in the National Assembly, we would not have to hold the National Affairs Conference. Their behavior this spring irritated the masses and, for a while, was an object of hatred. Before long, they fell back into their old ways for the sake of their selfish and improper interests and, not knowing how to cover up the fact that they are old and useless, they dart fierce looks of hate and, arms and legs akimbo, vainly attempt to obstruct the tide of reform. This really is the foulest political garbage in the history of mankind!

II

At the same time, relying on their "wisdom" or flapping their tiny little tongues or lifting their vicious pens, a small group of self-proclaimed high-level intellectual "scholars" and "newspaper people" also sang the counterreform tune. Feigning patriotism, they talked extravagantly about stability, and obstinately searched for a "theoretical foundation" that even ghosts wouldn't believe in. They are unaware that "evil wisdom" can destroy a country; this political garbage is an embarrassment to scholarship and has polluted the high character of the press.

III

The "lifelong assembly" is out of date and although this is hateful, it is natural. Every age has its "false intellectuals." But in every triennial election some members of the legislature who proclaim that they have a solid mass following and commend themselves as the cream of Taiwan society also play the antireform tune loudly; this really makes people angry and makes people want to get rid of them.

This kind of political garbage was in favor of convening the National Affairs Conference three months ago; yet, three months later they make a 180-degree turn and say that the National Affairs Conference is shit. This type of political garbage only does things for "face" and their own benefit, negating whatever others said. In addition to deceiving others, this political garbage may also deceive themselves and turn the votes bought, swindled, and allocated to them by the party into their own great "mass foundation" and then, standing on that pile of votes croaking like frogs from the head of state and the party chairman to the common people, condemn the mass interests that during the election they swore to defend with their lives.

IV

No one can resist the tide, especially the tide of reform. No one can make fools of others and at the same time

pursue prestige. No one can be called a political figure without the national interests at heart. And especially, no one can wallow in garbage and not be swept away by the masses!

Although it is hard for the evolution of human history to avoid being tortuous, great right and great wrong are entirely different. The clearest traces of political garbage in human history are mostly consumed by anger and all that is left is loneliness and insults!

'Li Teng-hui Complex' Discussed

90CM0360A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 174, 15 Jul 90 pp 60-63

[Article by Tung Ching-feng (4547 3237 1496): "Everyone Is Enamored With Li Teng-hui; What Other Impact does the 'Li Teng-hui Complex' Have?"]

[Text] Since the curtain fell on the state conference, many people have been saying that Li Teng-hui was the biggest winner, because most of the participants had unreservedly revealed a "Li Teng-hui complex" in their innermost beings. How could he not be a winner with so many people feeling this way about him?

The "Li Teng-hui complex" was particularly unequivocal in the Democratic Progressive Party and among overseas dissidents. As the honored chairman of the opposition party, Huang Hsin-chieh [7806 0207 0094] actually played a concurrent role as a "Li Teng-hui apologist." Kang Ning-hsiang [1660 1337 4382] also shook Li Teng-hui's hand at the closing ceremony and said "Everyone supports you, so just go ahead boldly with your work!" Even Hsu Hsin-liang [6079 0207 5328], who had spent a decade in exile overseas, drank several toasts to Li Teng-hui at the presidential banquet...

There were others, however, who held opposing views. For instance, Professor Hu Fo [5170 0154] felt that the state conference certainly could not be considered a success, because it was tainted by the "Li Teng-hui complex."

Although this "Li Teng-hui complex" is simply esteem for Li Teng-hui, why does it exist? What actions does it emanate from? What is this complex a sequel to? How could everyone have sincerely revealed such a complex?

When Li Teng-hui succeeded Chiang Ching-kuo to become the ROC's seventh president more than two years ago, the opposition party began to stop its mass campaign of crying "We want a time of freedom." This was because, as far as they were concerned, Li Teng-hui, as the first Taiwanese president of the ROC, had already allowed them to come out of the shadows of four decades of too strict rule.

Ever since that time, those in the opposition party have begun to reach a "tacit understanding" with Li Teng-hui. They have treated him as "one of theirs," protected him with great care, and feared that he might be hurt, not

venturing to speak even one word of criticism against him unless it was absolutely necessary. This has been poles apart from the freezing irony, burning satire, and unrelenting harshness with which they treated the two President Chiangs. Moreover, the opposition party has frequently stood up to defend Li Teng-hui against all challenges.

At the time of the presidential election at the beginning of the year, when a sharp struggle had broken out between the principal and nonprincipal factions in the KMT [Kuomintang] and Li Teng-hui was in imminent peril, while the Democratic Progressive Party appeared to be "standing back and watching the fight," it was actually backing Li Teng-hui secretly. Chen Shui-pien [7115 3055 2078], a member of the legislative committee of the Democratic Progressive Party, put pressure on Hau Pei-tsun [6787 2672 2625], cross-examining him as to whether he was involved in the struggle between the principal and nonprincipal KMT factions.

In the view of the opposition party, Li Teng-hui, as a Taiwanese president of the ROC, was basically a "weakling" in a superstructure in which people from other provinces in China held most of the power. He was surrounded by powerful enemies who, although he was president in name, would make things difficult for him in all respects and immediately obstruct any reforms that he might try to promote.

Chiu Yijen [6726 5030 0088], a key leader of new trends in the Democratic Progressive Party, pointed out that since the KMT members from other provinces would try to push aside any reforms that Li Teng-hui might wish to promote, the opposition party should and must support him. Fortunately, overseas dissident Yang Huangmei [2799 7806 5019] also indicated the unviability of not lending Li Teng-hui a helping hand in his difficulties.

In fact, the Li Teng-hui complex was evident everywhere in the opposition party.

When people such as Huang Hsin-chieh and Chang Chun-hung [1728 0193 1347], went to the presidential palace in March 1990 to present a petition, even though all of the petitioners in front of the presidential palace were unceremoniously carted off by the military police, from which even Huang Hsin-chieh, the most honored chairman of the opposition party, was not lucky enough to escape, he bore absolutely no ill will and, upon being received by Li Teng-hui shortly thereafter, not only did not mention old grievances, but even praised Li Teng-hui for being "very wise," and took no notice of the criticism which this aroused in the Democratic Progressive Party.

When Li Teng-hui's later nomination of Hau Pei-tsun for chief executive caused an uproar both in Taiwan and abroad, the only overseas dissident to side with Li Teng-hui was Peng Ming-min [1756 2694 2404], who very sympathetically stated in public that Li Teng-hui's nomination of Hau Pei-tsun for chief executive was absolutely forced on him by circumstances, and called on

everyone to trust in Li's sense of responsibility. This was naturally another manifestation of the Li Teng-hui complex.

This complex continued to brew further at the state conference.

The Democratic Progressive Party's proposal for a democratic constitution and a system that combines the president and the cabinet, was also considered to be a concrete manifestation of the Li Teng-hui complex. Hu Fo said that "This was a way of using the system to cooperate with President Li."

Fortunately, Yang Huang-mei also pointed out that, although its position was certainly not clear in this state conference at which the president had invited all sides to discuss national affairs, the opposition party had the courage to be indifferent to praise or blame, attend the conference, and "endorse" Li Teng-hui's reforms, despite the uncertainty of its position. She did not try to conceal that this was based on a Li Teng-hui complex. Fortunately, she stated positively that "If Li Teng-hui's drastic reforms ultimately benefit the people, then I will support him too."

How could the opposition party have such strong feelings for the chairman of the party in power? Chiu Yiren pointed out the two key factors that make up the Li Teng-hui complex, that is, that Li Teng-hui is Taiwanese and intends to push for reform.

Taiwan University Professor Hu Fo thinks that the "Li Teng-hui complex" is mostly a "Taiwan complex," in that previously suppressed Taiwanese sentiment has now completely distilled, been projected onto Li Teng-hui, and turned him into a symbol who they can trust to express their feelings.

In addition, Li Teng-hui's straightforward and good-natured exterior also makes it very easy for him to leave an excellent first impression. Chu Hai-yuan [2040 3189 3293], a research fellow at the Central Graduate School's Nationalities Institute, pointed out that Li Teng-hui's popularity was higher than 90 percent when he first took office, higher even than Chiang Ching-kuo's, and not without relation to his honest looks.

Chu Hai-yuan further pointed out that in face-to-face talks, Li Teng-hui's extensive learning had won an extremely favorable reception, made him feel that Li was sincere and, thus, won him over.

However, Chu Hai-yuan said that his experience indicated that this judgment was completely wrong, because Li Teng-hui was assuming a reform posture, despite his strong conservative leanings.

Although overseas dissident Chang Fu-mei [1728 1381 5019] denied feeling any Li Teng-hui complex, she thought that since he was a very honest person with aspirations, she would be happy to offer her services to

him if he needed help in eliminating resistance to reform. Moreover, she called on her compatriots to help him.

Wisconsin University Professor Tien Hung-mao [3944 1738 5399] also denied the existence of a Li Teng-hui complex, thought that it was created deliberately, and wondered why talk of a Li Teng-hui complex had appeared as soon as Taiwanese President Li Teng-hui came to power, when there had been no Chiang Ching-kuo complex when he was still alive.

Chiu Yiren pointed out that the opposition party's unbreakable Li Teng-hui complex had created the impression that if Li Teng-hui failed, it would not be his own fault, but rather would be completely due to hindrance by the leaders who had come from and supposedly represented other provinces.

Chiu Yiren thought that although the success or failure of reform was certainly not necessarily related to whether Li Teng-hui was Taiwanese or not, these issues had now become confused and created the wrong inference that those from other provinces were opposed to reform, while Taiwanese supported it. He felt that this was certainly not completely so, and that "this was entirely wishful thinking by and the subjective understanding of the opposition party."

Hu Fo, who has always been very skeptical about the existence of a Li Teng-hui complex, pointed out that, "Whereas temporary provisions were put into effect in the past in line with President Chiang Kai-shek's strongman style, the combined system of the president and the cabinet is being used now in cooperation with Li Teng-hui." He thinks that this is a totally unsystematic and artificial method, and asks "What kind of reform is this? It is a retreat." He asks anxiously, "Have not the many mistakes of past history taught us a lesson?"

During Reagan's eight-year term as president of the United States, since the United States had eaten humble pie in the international arena ever since Kennedy's time, Reagan's hardline methods, cordial bearing, and consummate acting talent immediately won him a good impression among the U.S. public, which had a tradition of hero-worship. This was what produced the "Reagan complex."

The U.S. public completely trusted Reagan's every action and categorically accepted his every word, even when they were nonsense. There was even a "Reagan complex" in the heretofore harshly critical U.S. political circles, which allowed him to gain a good reputation as a "teflon president" (who even mistakes would not stick to). It was only after Reagan finally got involved in the "Iran-Contra arms deal" that the "Reagan complex" began to subside. However, this was too late to keep it from causing great harm to the United States.

The government and public in the Soviet Union had similarly contracted a "Gorbachev complex" for some years. When the CPSU held its 27th party congress four years ago, the whole congress had risen and clapped a 10-plus-minute salute to him upon the completion of his speech, and his every word and deed both at home and abroad came to symbolize the "new Soviet Union." But today, just four short years later at the 28th CPSU Congress, Gorbachev was overwhelmed by a pincer attack from the party's "radical reformers" and "conservatives," which shows that the "Gorbachev complex" has gradually faded away.

In fact, the fate of the "Aquino complex" in the Philippines and the "Solidarity complex" in Poland has also proved that complexes die out sooner or later and, moreover, that these kinds of complexes are full of too many injustices or nondemocratic components, which are not necessarily advantageous to a nation's political situation.

Taking another interesting example, Li Teng-hui likes to refer to Argentina's national soccer champ, Maradona, who led Argentina's soccer team to a world cup championship four years ago. Although Argentina's people have experienced a "Maradona complex" for the last four years, his man-of-the-hour tide is finished and, four years later, Maradona has long lost his golden-boy halo. Just as heroes grow old and die, and there is no "knot" in the world that cannot be untied, the "Li Teng-hui complex" will "come unraveled" sooner or later. Why are people so dead set on being "tied" so deeply and tightly to reliance on one individual? There is, after all, a big distance between a "complex" and "democracy."

Attitudes Toward Emigration Discussed

90CM0355A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 247, 1 Aug 90 pp 70-71

[Article by Ho Li (0149 4539) in "Political Salon" section: "Is Hong Kong Concerned Exclusively About 'Those Who Will Emigrate' and Not About 'Those Who Must Stay?'"]

[Text] Most of the various public opinion polls taken in Hong Kong in recent years, and most group surveys of those in specific professions, such as doctors, accountants, engineers, and nurses in particular, have been concerned exclusively with people's confidence in Hong Kong's future and the emigration trend. The British abode scheme to take in 50,000 Hong Kong families has also intensified the sense of the approaching general restrictions. Is a certain "feeling that this is the end of their world" truly emerging in Hong Kong's public mentality? What differences of opinion exist among people from various social strata or age groups? Although these issues are certainly well worth exploring, very few studies of them have been made. In this issue of "Political Salon," Hong Kong's immediate political trends are being shelved, and an analysis of its public mentality is being presented. The following two figures from academic circles are making this analysis: Cheng Yu-shuo [6774 1342 4311], a man of letters from the Public School of Graduate Studies and president of the Humanities Institute, and Lu Tale [0712 1129 2867], a lecturer in the Sociology Department at the Chinese University of Hong Kong.

The Younger Generation Is the Main Force of "Those Who Must Stay"

Lu Tale said that Hong Kong is actually not necessarily experiencing an increasingly "end-of-the-world" public mentality. He discovered on a recent visit to Taiwan that Taipei is experiencing more of an "end-of-the-world" public mentality than Hong Kong, and Taipei residents seem to feel more desperate and that they are facing a worse future than Hong Kong people. Lu Tale analyzed this issue as follows: Many Hong Kong people feel that, although the general restrictions are approaching, society will still be able to function. People from different generations certainly have differing views on the issue that Hong Kong people have been discussing most in recent years, that is, whether to emigrate or stay. It has been observed from contacts that the younger generation, which is just a little over 20 years old, feels that, although people from 30-40 years of age may have an option as to whether to go or stay, it seems to them that people over 40, who are highly paid and hold important posts, have long since planned escape routes, while people from the younger generation, who have not yet started to work or are still in school, are not going to be able to leave. They not only think that they will have to stay, but also wonder about whether they will be able to settle down and get on with their lives in Hong Kong. Thus, their view of Hong Kong's future is not limited to 1997, but is of longer range. They hope that they will be

able to struggle on after 1997, and think that it will be best if they can continue to preserve their way of life through the so-called 50 years of no change until the year 2047. Although many of the people in the younger generation are still in college and have a very different viewpoint from those who are in their thirties or forties, no one is considering their views, and most current public policies seem to ignore them. For instance, the younger generation thinks that the British abode scheme is not their affair and is irrelevant to them.

Cheng Yushuo analyzed this issue as follows: The younger generation is not only the mainstay of Hong Kong's future society, but is actually also the main force of the group that is going to stay or "those who must stay." People in their forties and fifties who have the money are the most likely to emigrate, and can be called "those who will emigrate." Although most of the younger generation in their twenties will have relatively little chance of emigrating, they will certainly have good opportunities to move up in position since, as the older generation leaves, they will be promoted to fill their places. Moreover, they may also be the most enterprising group since, as those who want to leave will sell their possessions and businesses, they will try to buy them in order to earn money, since they cannot leave. People in the younger generation will certainly need the following coordinated policies: 1) As for education policy, ways should be found to give them more opportunity for graduate studies. However, most of the policies of the current Hong Kong government and certain organizations are very shortsighted, their objective being merely to reassure and enable those who will leave to earn more money before they go, while lacking corresponding policies to help the younger generation move up. Taking college policy as an example, the former system which granted leave for graduate study has been abolished and changed to one that gives more pay and allowances. While this undoubtedly helps some of the people who "are not enterprising" and who have already made plans to leave acquire certain funds, it certainly hinders the progress of those who wish to continue their graduate studies. 2) As for political policy, although the younger generation has great strength and is worth trying to win over, British Hong Kong is still training only a handful of outstanding people, and the CPC thinks only of winning over rich Hong Kong people, and neither is concerned about or trying to win over the younger generation, who will become the future pillars of society.

The Skepticism of "Those Who Must Stay"

As the main force of "those who must stay" is the younger generation, how can it be characterized?

Lu Tale analyzed this as follows: The younger generation of Hong Kong people also has a very complex and skeptical mentality. While some of them hope to be able to struggle on, predict that they will be able to communicate better with Mainland China in the future, or think that their work itself will require them to travel to the mainland and deal with mainland organizations, their

skepticism arises from the CPC rulers they will be faced with and whom they cannot reject. Thus, they have a skeptical mentality because they are going to be restrained against their wills. Hong Kong people are accustomed to a mindset that gives them the comfort of rallying and denouncing the CPC on "4 June," and then going back to work and getting on with their lives as usual the next day. They feel depressed that they will not be able to preserve this kind of lifestyle. The people who must stay, who are faced with the coming "great northern" rulers, a situation that is stronger than they are, and with no possibility of frontal resistance, are likely to feel quite uncommunicative and passive, and will probably even experience a certain amount of "introspection." This trend is most disturbing, because the reason Hong Kong society is so full of vitality is that people dare to speak out without taboos.

Cheng Yushuo analyzed this as follows: I would like to point out that it can be sensed from the results of certain polls that those who must stay are fairly "satisfied with the status quo" and have a philosophy of life of "not wanting to rock the boat." Certain polls show that people in the social stratum of low-income families are anxious about the following two things: 1) The approach of the "great northerners," and 2) The wave of emigration, because they feel that the departure of the rich will have an impact on their livelihoods. On the other hand, people in the high-income social stratum are certainly not as concerned about the wave of emigration, because they are likely to be part of it. If this "satisfaction with the status quo" turns into "introspection," Hong Kong society will lose its vitality. In addition, the "skepticism" of "those who must stay" is also evidence of Hong Kong's current critical "political vacuum" in which no one wants to tap the sociopolitical resources of "those who must stay," which is mostly the younger generation. Even though all of the younger generation of Hong Kong people are certainly receptive to the ideals of democracy and human rights, and are an enormous social force that could be tapped, no side, including Hong Kong's democratic parties, seems to be able to recognize their characteristics and potential.

The Shortsightedness of the Policy of Trying To Persuade "Those Who Will Emigrate" To Stay

Hong Kong society has, for some time, obviously focused too much on those who will go, while the opinions and needs of those who must stay have been relatively ignored. This has been creating increasingly serious discord between "those who will emigrate" and "those who must stay." Is Hong Kong's sociopolitical policy oriented mostly toward "those who will emigrate"? What problems has this favoritism engendered?

Cheng Yushuo analyzed these issues as follows: It is obviously "those who will emigrate" who have prevailed up to now in Hong Kong's sociopolitical orientation, because they hold the key posts, while "those who must stay," the younger generation in particular, still have no "spokesmen," and have not even been able to get anyone

to portray their plight. As to the outstanding people whom the Hong Kong government has promoted single-handedly, it looks as if Chief Executive Teng Lienju [6772 5571 1172], who has already won British honors and been admitted to the House of Lords, will move to the British political arena, and Chief Legislator Li Pengfei [2621 7720 7378] also said recently that he has not yet decided whether to go into business or government, and seems to be making plans to leave. As to the terms of service of the doctors from government hospitals who have recently been transferring to the Hospital Administration Bureau, the focus of what they are striving for is a calculated standard of the highest material benefits and, in fact, is the matter of how they will all be able to grab more money before the transition. This is precisely the focus of "those who will emigrate," that is, how to grab more money in a few short years. The policies of the authorities are focused mainly on how to keep "those who will emigrate" for a little longer.

Lu Tale analyzed these issues as follows: While many current policies are focused simply on persuading "those who will emigrate" to stay temporarily, many problems, which the authorities have certainly been completely unable to remedy, have arisen in other areas. For instance, the issue of medical service is not simply how to keep doctors who want to go, but more critically is the steady decline in quality of medical students, which is creating anxiety about the future qualifications of doctors. Moreover, while nurses are being lost on the one hand, increasingly fewer people are taking nursing training on the other. If this continues, there is certainly a danger that the medical service system will collapse. Police work is also experiencing the same problem, with it becoming increasingly difficult to recruit policemen, without which future maintenance of public order will also become a problem. Another issue is the lack and loss of social direction, which it seems that neither church groups, youth centers, nor political organizations are able to clearly provide. The skeptical younger generation are badly in need of someone to guide them and put an end to their unease. Society certainly should come up with relevant policies to guide the younger generation into taking positive cultural initiatives, without which negative things such as hedonism and moral collapse are quite likely to rear their ugly heads. However, it seems that these issues are still not receiving the attention that they deserve from various circles.

Pre-1997 Social Turmoil Beginning

90CM0202A Hong Kong CHUSHIH NIENTAI [THE NINETIES] in Chinese No 244, 1 May 90 pp 78-80

[Article by Li I (2621 1837): "Hong Kong: Is the Pre-1997 Stampede Beginning?"]

[Text] The four digits "97" [1997] and "64" [4 June] have seriously invaded the body of Hong Kong society like a virus. Hong Kong's physique is rapidly changing. It is like a ship sailing toward a volcanic island, and although the decision to stay or go was formerly a peaceful one, now the

passengers have begun to trample one another. In the process they could cause the ship to capsize.

A year ago, Hong Kong people were resigned about their fears for 1997 and emigration and were hesitant to leave. The reasons were quite simple: First, the income and living standards of the vast majority of people who had emigrated were lower after emigration than they had been in Hong Kong. Second, after emigrating, they missed the numerous friends and relatives with whom they could socialize and the cultural life that they were accustomed to, and could not adjust very well to a new place. Third, and most important, the crisis was not at all imminent. It was not at all like refugees during World War II, who were forced to flee in a panic as the war closed in on them. Instead, they were eluding a bad situation which might possibly occur in seven or eight years. Between now and 1997 anything could happen. In any case, would it not be easy to get a fatal disease after emigrating? So many people did not want to give up their present happy life because of possible insecurity in seven or eight years.

With respect to the three characteristics cited above, Hong Kong people who decided to emigrate because of their fears for 1997 were not unlike other waves of emigrants, whether ancient or modern, Chinese or foreign. Many of the latter left seeking a better life or perhaps left only when the crisis was imminent.

However, in the few months since 4 June, changes in Hong Kong society are causing quite a few people to develop the motivation to emigrate. Specifically, it was the four digits "97" and "64" which seriously invaded the body of Hong Kong society like a virus, and made the formerly healthy, vigorous, and energetic body quickly change. Many people want to emigrate, not only because of 1997, but because they find it hard to accept the changes and the trends in Hong Kong society, and also because they are concerned that Hong Kong will lose its ability to compete with other areas before 1997.

Has Hong Kong Society Degenerated?

In the past Hong Kong had a reputation for being law abiding, orderly, efficient, and having good service. Hong Kong capitalists, professional people, and managers had a reputation for being bold, courageous, and insightful, and quick-witted, realistic, and amenable to change. Hong Kong employees had a reputation for overcoming hardships and working hard, having professional ethics, and being rather well educated. Every foreign company that came to Hong Kong to open a business benefitted from these advantages. But in the past year these advantages have faded. Since 4 June, the qualitative changes in Hong Kong society have become more noticeable.

For example, formerly Hong Kong people attached great importance to their rights and interests, but they were inclined to seek legal means to obtain the rights and interests that were due them. For instance, the unified Stock Exchange mistakenly decided to close the market

for four days after the stock market disaster of 1987, which caused many citizens to sustain losses. The result was that the Hong Kong Government, assailed by public opinion, reorganized the exchange and improved relevant laws and regulations in order to resolve the problem and avoid heightened confrontation. In the past, Hong Kong people quite rarely used street demonstrations, strikes, or slowdowns in citizens' services to obtain rights and benefits. It certainly was not that they were not permitted to do this, but that they believed they could use another method to reach a reasonable solution. However, in the last few months protest methods such as demonstrations, strikes, marches, sitdown strikes, and even hunger strikes have become increasingly common. Almost every day there are one or two such items on the television news. One day the three leading television news stories were all about this type of thing, including a firefighters' hunger strike that caused widespread concern.

Costs Are Increasing, Product Quality Is Decreasing

In mid-April, the Hong Kong government's proposal to raise the salaries of government employees by 15 percent elicited extensive, strong reaction from government employees. They thought that the government's salary increases should be comparable with those of private organizations; according to statistics, salaries in private organizations increased by 17 percent between 1989 and 1990.

The Hong Kong Government's explanation was that last year inflation was only 10 percent, so a salary increase of 15 percent was no doubt adequate. Because the Hong Kong Government is the largest employer in Hong Kong, if government salary increases are too great, they could lead to inflation. At a lunch meeting on 17 April, the governor of Hong Kong pointed out that the number one problem facing the Hong Kong economy was inflation, so it was necessary to cut down on increased expenditures on government employees.

In the past when the Hong Kong Government raised the salaries of government employees, they always considered two figures: the inflation rate and the extent of raises in private organizations. When the Hong Kong Government proposed a 15 percent salary increase this time, it was higher than the rate of inflation, but lower than the rate of pay increases in private organizations. The problem is that in the past private organizations mainly considered the inflation rate when granting raises. Why were they 7 percent higher than the inflation rate this time?

The answer is that, if organizations did not do this, there would be no way for them to retain employees or maintain employee morale. Even with a large salary increase there was no way to stop the employee drain. So, some organizations that clearly only need two switchboard operators would hire three people, so that if one person leaves they are not suddenly without a replacement. Moreover, there are some fixed production jobs

that clearly only require four people, but they have to hire eight people. Thus there are four people taking turns loafing on the job.

Increases in wages and the number of employees leads to higher costs for products and services, and many organizations are forced to pass on the increased costs to customers. Inflation and a lesser quality of products or services naturally does great damage to the competitiveness of the Hong Kong economy.

The Tide of Emigrations Affects All the Trades and Professions

The main cause of the ever-increasing cost of wages is the tide of emigration. Hundreds of millions of dollars of our people's money goes overseas in the form of emigration investment, and several foreign countries select Hong Kong emigrants according to their own requirements. For example, if many men go, they can relax the immigration quotas for women; if many people from various levels of Hong Kong society go, they will relax the immigration quotas for supervisors, so that they can maintain their public order by having "Hong Kong people rule Hong Kong people." They do not want doctors, because several advanced countries already have a surplus of doctors. However, there is a shortage of nurses, so they give nurses immigration quotas. Radiation therapy technicians, who give cancer patients electrotherapy, are in short supply in all of the world's advanced nations. Because of this, around 90 Hong Kong radiation therapy technicians have been recruited by foreign hospitals. It is reported that a world-famous New York cancer treatment center has sent recruitment letters to over 60 Hong Kong radiation therapy technicians. Moreover, it is estimated that half of Hong Kong's radiation therapy technicians will emigrate this year.

Many people successively look into emigration if disaster is imminent. People are now even considering moving to countries that in the past they had only thought about when they were working on their stamp collections.

With talent constantly leaving, a number of large organizations have turned to hiring foreigners or personnel with foreign nationalities to come to Hong Kong and take up high positions. With regard to the foreign nurses on hand, their Hong Kong salaries are two or three times higher than their American salaries. Also, someone who has just received a bachelor's or master's degree can often be promoted to the management level in one jump.

Positions formerly held by local employees receiving rather low pay are now held by foreigners receiving over twice as much, and they even receive an added housing allowance. When local people take on a job, they are familiar with Hong Kong's conditions and are somewhat more capable of establishing an understanding with their subordinates. So, they are obviously more efficient. But because they do not have a foreign passport, under the threat of 4 June and 1997, they have no choice but go abroad and search for a job which pays less and is not as

suitable, while the Hong Kong job is given to a much less qualified foreigner at over twice the salary. This has an adverse effect on the company's continuity and relations between levels of management.

In professions where Hong Kong loses too many people and there is an excess of foreign talent, it can still hire people from abroad, like industrial and commercial managers, for example. In professions where there is a shortage world-wide, such as for nurses or electrotherapy technicians, or for positions such as police officers that can only be filled by local Hong Kong people, there is no way to resolve the drain of talent abroad. It is understood that 90 percent of those who pass the entrance examination for the Hong Kong Police Academy leave the job either before they complete their training or right after they complete it. Words cannot express what kind of a situation there will be when a society lacks police and faces unrest and upheaval. Departure has been decided for those who have already gone or are planning to go. In the past some believed that Hong Kong offered many opportunities, and that those who had left might still return after they had bought insurance (got a passport). Since 4 June, many people have changed their minds. They believe that very few of the people who have already emigrated or want to emigrate are thinking about coming back again.

People Have Become Greedy and Cruel

Those who for the time being are unable to go are creating an opportunity to go. Creating an opportunity actually means accumulating wealth by any means, without regard for the consequences. In the past, Hong Kong people generally had fairly good professional ethics. These professional ethics were based on a long-term view of their profession and institution. For example, their concern for their clients was in the hope that the client would patronize them later or recommend that their relatives and friends patronize them. However, in order to earn money as quickly as possible to invest in emigration, some people have cast aside this long-term view. For example, as long as there are patients at the door, some physicians collect excessive medical expenses without caring about whether the patient will come back after the visit or the surgery. After all, it is the first bite that counts.

This tendency exists in all trades and professions. They simply have no concern for the consequences or for the future, and do not care if the client returns, because their future days are numbered and the goal they seek is to accumulate enough money as quickly as possible.

Although we say that it is still seven years to 1997, nonetheless many people believe that if one wants to go, one cannot delay beyond 1995. This is because they worry that many matters are hard to predict as 1997 gets too close. So actually, they have only four or five years to earn money in Hong Kong. The money they earn in these four or five years must not only be invested in emigration, but also must be in preparation for when they

cannot find a job in the foreign country they have emigrated to. They must accumulate as much money as possible for the rest of their lives. Under these circumstances people become greedy. Because of their greed, they have no concern for professional ethics, and this can lead to taking risks, such as risking bigger investments or betting higher and higher stakes on horses. There is no way of knowing if the 13-percent increase in violent crime in 1989 was related to this.

In addition to becoming greedy, people have also become cruel. People who have been in love for a long time suddenly part company. There are those who seek someone with a foreign passport to marry, and those who send their old parents to a Hong Kong nursing home while the husband, wife, and children emigrate, and even those who cast off their mentally or physically handicapped children (because foreign countries will not accept this type of immigrant) and the whole family emigrates. Even more numerous are cases where being "spacemen" for a long time causes changes in marital affections and they start a new family. These tragedies all reflect the fact that 1997 and 4 June give Hong Kong people the panicky feeling of "each one flying in his own direction in the face of imminent disaster."

While Beijing officials assert that the vast majority of Hong Kong people express support for the Basic Law (according to Lu Ping [7627 1627]), at the end of February a Hong Kong market research agency published the results of a survey on the subject. This indicated that, if the level of confidence in the future of Hong Kong was 100 when the agreement was signed in 1985, it had fallen to 82 last year after 4 June, and this February, after the draft of the Basic Law passed, the level of confidence was 79.

The Future Is Unpredictable

Before 4 June, even though many people lacked confidence in the future of Hong Kong, they saw the Chinese mainland becoming more and more open, and it appeared that the trend toward reform and opening up was irreversible. So those who could not go, those who were not thinking of going, and those who could not bear to go all placed their hopes on the Chinese mainland changing for the better. The democracy movement before 4 June, especially when the party, government, and military cadres took to the streets in support of the students in the later stages of the movement, raised strong hopes in the Hong Kong people. These hopes certainly were shattered by the shots of 4 June.

What shocked Hong Kong people the most about 4 June was not just the cruel armed suppression itself, but mainly the cruel actions of the Chinese Communist authorities, which took many people greatly by surprise. Many people thought that the Chinese Communists would suppress the demonstration, but they never thought that they would send out tanks and machine guns to deal with unarmed students and people. The unpredictability of this policy action of the Chinese Communists was an even greater cause of the lack of confidence than the evil action itself.

From the unpredictability of 4 June, the Hong Kong people naturally thought of post-1997. The vast majority of Hong Kong people believe that the situation will become worse after 1997, but if they really knew how much worse it would become, they feel that they could still choose to stay. For example, if we really knew that at that time we would not have freedom of the press, could not speak indiscriminately, and would not have democracy, but would still retain other freedoms and human and civil rights, then I think that many people would still choose to stay. The problem is that nobody knows how it will change. A change for the better also cannot be completely ruled out. By the same token, although the possibility of the situation becoming as bad as the Khmer Rouge situation, where all city residents were driven into the countryside or to border areas, is slim, it certainly cannot be ruled out, just like the possibility of a change for the better cannot be ruled out.

Since there is no way of knowing for certain, people are not waiting until 1997 or even until 1995; if they can go early, they go early.

Hong Kong is much like a ship. After the joint communique was signed in 1984, it clearly wanted to sail toward a volcanic island. Although the volcano on this island was an active volcano, it had been dormant for a number of years before 4 June, and it looked as if the chance of eruption were not very great. Those who lacked confidence could quietly board small boats and leave the big ship Hong Kong. But the big ship still sailed steadily. We saw the volcano on the island erupt again on 4 June, and the extreme danger and the power to cause casualties scares people to death. So the passengers on the ship Hong Kong can no longer remain calm. Going or staying is not a peaceful decision. The passengers on the ship have begun to trample each other. Many who formerly were confident enough to stay onboard are concerned that this trampling might become so intense that the ship will not sail to the volcanic island, but may capsize because of the people on the ship.

These are the current realities in Hong Kong that cause people concern.

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