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GENERAL

U.S.-Japan-Europe Tripolar World Order Viewed

91CM0397A Beijing XIANDAI GUOJI GUANXI
[CONTEMPORARY INTERNATIONAL RELATIONS]
in Chinese No 29, 28 Feb 91 pp 3-8

[Article by Xi Runchang (6741 3387 2490): "The U.S.-Japan-Europe Tripolar World Order and Trend toward Multipolarization"]

[Excerpt] [passage omitted]

II.

Clearly, the end of the bipolar postwar order was symbolized by the U.S.-Soviet summit in Malta in December 1989, when the two countries moved from confrontation to friendly cooperation. The United States, Japan, and Western Europe have each since put forth their respective strategic ideas. For instance, some people in the United States and Japan have jointly proposed excluding China and the Soviet Union from the future tripolar U.S.-Japan-Europe world order, that is, a world order consisting of the United States, Japan, and Germany. In the past year, the United States, Japan, and Western Europe have all been refining their new strategic thinking even while they have been implementing their strategies.

It is now even clearer that with the collapse of the bipolar world order, the strategic ambition of the United States is to use the American continent as its base and expand its power across the two oceans, at the same time securing Europe and checking Japan to create a world dominated by itself. The idea of creating a so-called tripolar world consisting of the United States, Japan, and Germany, aimed at meeting the strategic challenge from Western Europe.

The U.S. strategy toward Europe seeks to prevent the European Community from establishing a so-called "Fortress Europe," on the one hand, and to continue to promote peaceful change in the Soviet Union on the other. For the moment it seems that the United States is trying to do both, while making the prevention of "Fortress Europe" its top priority. This is obvious from a series of measures it has taken in Europe.

Clearly, the guiding thought behind the United States' latest European strategy is epitomized by the "New Atlantic Doctrine" announced by Bush. On 4 December 1989, immediately after the Malta summit, President Bush unveiled his "New Atlantic Doctrine" in Brussels while briefing NATO heads of state on his meeting with Gorbachev. He said that the two sides of the Atlantic should immediately begin "building a structure to usher in a new era and a 'New Atlantic Doctrine.'" Thus the "New Atlantic Doctrine" was born amid the ruins of the bipolar world order. The key word here is "new." On 12 December 1989, U.S. Secretary of State James Baker

spelled out the "New Atlantic Doctrine" more systematically in Berlin. Briefly, the "New Atlantic Doctrine" means: First, from the U.S. standpoint, the Atlantic alliance is entering a so-called new era, these Western nations should come up with a new institution or "instrument of cooperation" to meet the new changes taking place in Europe. Second, the United States proposed that a "new Europe" be built on the basis of the "New Atlantic Doctrine," relying on two kinds of cooperation, namely cooperation between the United States and Western Europe and cooperation between the United States, Western Europe, and Eastern Europe. Third, the "New Atlantic Doctrine" makes no mention of a Soviet role in Europe, suggesting that there is no place for the Soviet Union in the Atlantic bi-coastal system as proposed by the United States. Fourth, the "New Atlantic Doctrine" supports the integration of Western Europe as long as the integrated Europe will not turn into a "Fortress Europe." Clearly, all this shows that the United States' "New Atlantic Doctrine" indeed embodies its strategic vision of Western Europe. No wonder the Paris publication Development Forum News had this to say in its commentary on Baker's speech in Berlin about the "New Atlantic Doctrine:" "We can see the emerging outline of the United States' new strategy in Europe." In fact, it has already emerged. Note that after the bipolar world collapsed, the first nation to make a move was the United States, which did so by introducing the "New Atlantic Doctrine," and the first region it focused on was Europe. We can thus see how important Europe is in the United States' new strategic chessboard. The United States has subsequently made a series of moves in Europe, all reflecting its "New Atlantic Doctrine" to varying degrees.

The United States' Japan strategy has two objectives. On the one hand, in the global arena, the United States hopes to draw Japan into a tripolar system consisting of Japan, Germany, and itself as the three poles, and aimed at counteracting a possible Fortress Europe. On the other hand, looking at its objective in the Asia-Pacific region, the United States wants to ensure Japan's strategic interests, even while it seeks to forcefully contain it.

Reportedly, the idea of building a tripolar system with the United States, Japan, and Europe as the three poles, instead a system with the United States, Japan, and Germany, originated with the Japanese. According to the Japanese Ministry of Foreign Affairs, Prime Minister Kaifu told Bush in a hand-written letter on 9 January 1990, "A new world order must be created consisting of Japan, the United States, and Europe as the three poles. The success or failure of the new order will depend on whether it can turn the international community of the 1990's into a more peaceful and prosperous world." A consensus was reached at the U.S.-Japan summit held from 2-3 March. It was later that Japanese scholars suggested replacing the U.S.-Japan-Europe tripolar system with one dominated by the United States, Japan, and Germany.

What prompted Japan to suggest creating a new tripolar world? That will be discussed below. The motive for the United States, however, is clear: to counterbalance Europe by joining forces with Japan or, to put it more

accurately, with the assistance of Japan. Zbigniew Brzezinski, a Democrat and foreign affairs adviser to George Bush when the latter was running for president, made no attempt to deny this. In an article "Europe, Japan, and the United States: the Pillars of the Future World Order" published in the 26 February 1990 Washington Post on the eve of Kaifu's visit to the United States, he expounded the idea forthrightly. He wrote, "The important lesson of the postwar order is that the balance of power between the powers and between regions has served to preserve peace." He added, "The end of the Cold War and the rise of Europe and Asia have shattered the old balance. Now, new pillars must be built to protect the new balance of power. And a conscious effort must be made to bind them together." Here Brzezinski made it clear that the United States intends to ally itself with Japan to act as a counterweight to Europe precisely because an "integrated Europe may become Fortress Europe, or at least a club that may discriminate against the United States and Japan." Thus Japan and the United States must stand together in dealing with Europe. Herein lies the truth behind the United States' effort to ally itself with Japan.

On the American continent, the United States, like Western Europe, has been pushing for economic regionalism with the creation of its own concentric circles to consolidate and tighten its grip on its own backyard in order to expand externally. Apparently the first ring of the concentric circle is the U.S.-Canada trade agreement. The second will link Mexico with the United States. The third ring will embrace the entire American continent, including Central and South America. On 27 June 1990, Bush proposed to Latin America that they create an "American enterprise," making his plan evident. He is telling the Europeans: You have your Europe, and we have our America. It has taken the United States just a little over half a year to hammer out its strategic plan centered on a tripolar world order. Similar strategic considerations can be detected in a series of recent measures taken by Washington, including the dispatch of hundreds of thousands of troops to the Persian Gulf.

Besides the United States, the EC and its member nations also realized in 1989 that the postwar bipolar world was collapsing. They seized the opportunity and acted decisively to revive Europe's former central position in the world.

As noted above, President Bush went to Brussels on 4 December 1989 to personally brief NATO leaders right after the U.S.-Soviet summit in Malta. At that time, NATO and EC member nations were already aware of the changes taking place in Europe and the world. Several days later, for instance, Jacques Delors, president of the EC's executive commission, said, "In view of the rapid developments in Europe, we must speed up the process of European integration." In his New Year message on 31 December 1989, President Mitterrand of France said, "Europe is no longer the Europe that we have known for the past half century. This is very natural. Yesterday it was still an appendage of the two

superpowers. They will return to their own history and regions, like returning to their own hands." Mitterrand was talking about the goal, namely rebuilding Europe as the center, while Delors was referring to the means that would achieve such a goal.

So far, the EC has taken a series of important measures to bring about the integration of Europe and build a European federation.

First, it has intensified the drive for economic and monetary union within the community to prepare for the establishment of a federation of Europe. Meeting in Strasbourg in December 1989, the EC adopted two resolutions, one on the creation of an "economic and monetary union" and the other on a "social charter." Later their leaders met in October 1990 and passed new resolutions setting 1 January 1994 as the starting date for the second phase of preparations for the monetary union and for laying down other relevant terms. This suggests that the EC has taken a major step, one which was unexpected and decisively important, on the road toward an economic and monetary union.

Second, the EC has decided that political integration and economic integration will be carried out together with both being completed on 1 January 1993. It is now known that this proposal was made in a jointly written statement by President Mitterrand and Chancellor Helmut Kohl of the Federal Republic of Germany on 19 April 1990 to Prime Minister Charles Haughey of Ireland, who was chairman of the EC council in the first half of 1990. On 25 June 1990, EC leaders met in Dublin and decided to table the issue for discussion at the Rome summit, held in early December 1990. No doubt the trend is irreversible.

Third, the EC has put forward the idea of a federation of greater Europe, that is, a Europe centered on the EC, with northern and eastern Europe on its periphery, and it has been working hard to realize it. The idea was first raised when President Mitterrand met with Chancellor Kohl on 4 January 1990. Later, at a meeting between the EC and the European Free Trade Association which ended in early April 1990, it was decided that the 18 member nations of these two organizations would set up "internal market relations" beginning on 1 January 1993, paving the way for the creation of an European economic zone into which Eastern European nations would gradually be admitted. The intent is clearly to set the stage for the establishment of a federation of greater Europe.

Faced with the collapse of the bipolar postwar world order, Japan's strategic objective is to grasp this favorable opportunity to become a world power and play a central role in world affairs.

As noted previously, on 9 January 1990, Prime Minister Kaifu wrote to President Bush proposing the creation of a tripolar system, with the three poles being the United States, Japan, and Europe. This proposal symbolized the crystallization of Japan's strategic thinking. Its strategy

is to exploit U.S. concerns about the possible rise of Fortress Europe and ally itself with Washington against Europe, thereby turning itself into a pole in world politics. The meeting between U.S. and Japanese leaders on 2-3 February 1990 suggests that the two have reached a tacit understanding.

To achieve its strategic objective, Japan has so far made a series of important moves, including the following:

First, it has quickly adjusted its foreign policy strategy, making the following its cardinal principles: preserve peace and security, respect freedom and democracy, ensure world prosperity under an open market system, and develop international relations based on dialogue and compromise. The linchpin of these principles remains U.S.-Japanese cooperation and the U.S.-Japanese security guarantee. It can thus be seen that the United States is still the senior partner and Japan the junior partner in the U.S.-Japan alliance in the tripolar system.

Second, Japan has launched a flurry of diplomatic activity to show its presence and project a big-power image in the international arena. During the past year, Japan's major initiatives were, first, participation in resolving the Cambodian issue, a test case of Japan's big-power diplomacy, and, second, frequent overseas trips by its leaders, particularly to various Southeast Asian nations, to improve bilateral relations.

Third, taking advantage of the Persian Gulf crisis, the Kaifu cabinet tried to get around the constraints imposed by Japan's peace constitution and send troops abroad to catapult Japan into the ranks of military powers capable of participating in major international events. As it turned out, its proposal to dispatch troops to the gulf was defeated, but it further exposed Japan's desire to be a power in world politics.

In short, soon after the postwar bipolar world order collapsed, the United States, Western Europe, and Japan moved quickly to formulate plans for the future world order. There were less than 40 days between Bush's unveiling of his "New Atlantic Doctrine" on 4 December 1989 and Kaifu's call for a tripolar world order on 9 January 1990. This gives us insight into the remarkable speed and decisiveness with which the politicians of the great powers make policies, as well as the intensity of big-power rivalry.

III.

After the bipolar system collapsed, the United States, Japan, and Europe scrambled to come up with strategic ideas to define the new world order, including the tripolar system. Given the rapidity with which they have moved to advance their respective strategic plans, the trend toward multipolarization in the 1990's is quickening all the time.

Two points must be clarified here. First, what constitutes a pole? This concept has been widely used in the past few

years, such as in "economic pole" and "military pole." In this article, "pole" is used politically. A so-called pole means a force that exerts a global influence, or a nation or group of nations capable of exerting such an influence. This kind of political force is a nation's or group of nations' overall strength, that is, a combination of scientific and technological, economic, military, and social forces, as well as material and non-material strategic and tactical forces that employ or advance such forces. Second, there are four major criteria that will determine whether a nation or group of nations will become a pole in the future multipolar world. They are: 1) The nation or group's international political status in the wake of the collapse of the bipolar world order, that is, whether or not the nation or group is on a equal footing with others competing to be a pole; 2) Does the nation or group of nations have a sense of international competition and an international competition strategy? 3) Scientific and technical, economic, military, and social forces 4) The geopolitical environment. In the current situation, the world's leading nations and regions are basically on an equal plane in international rivalry, which makes the second criterion particularly important.

Bearing in mind the above definition of "pole" and using the four major criteria to assess and compare the status of the United States, Japan, and Europe today, we can see that:

—The United States is still the most powerful nation in the world today and will remain so in the next few decades. Measured against the four criteria, the United States' weakness is mostly found in the fourth factor, namely its geographical distance from Europe and Asia, the centers of global rivalry today. However, U.S. power in all its facets has penetrated and taken hold in both continents since World War II. Moreover, the United States is enormously capable of expanding its power, which does a lot to neutralize this particular weakness. Thus the United States will remain the most powerful pillar of the new world order even though its position is declining relative to that of Western Europe and Japan.

—Western Europe will emerge as a pole in the new world order, a pole that has derived new strength from, instead of being weakened by, the unification of Germany.

—As for Japan, it is in an unfavorable position with respect to the second and fourth criteria. On the one hand, it is still hobbled by various restrictions at home and abroad, in its competition with other countries, a consequence of its defeat in World War II. That is why we say that the major powers operate on a basically level playing field, basically, but not totally. This is the price Japan is paying for its past wars of aggression. On the other hand, Japan has no close ally in the Asia-Pacific region, particularly in Asia, and this has hampered its advance in the region. However, Japan is aware of this problem and is making all the right moves diplomatically. It is still possible for Japan to

change its image in Asia in the future. Given its economic muscle and scientific and technical prowess, as well as ambitious diplomatic strategy calculated to turn it into a leading power, Japan will have little trouble emerging as a pole in the new world order.

Because of the decline in U.S. power relative to Japan and Western Europe, the tripolar world will no longer resemble the bipolar world in which the United States dominated and Europe and Japan played subordinate roles. Instead, it will be a relationship in which the three compete as well as compromise. In the process of competing, Europe and Japan will strengthen their positions and more and more become partners equal with the United States. The changes in the relations among the United States, Europe, and Japan are themselves a sign of the trend toward multipolarization. Moreover, in accordance with the above definition of a "pole" and Nixon's "five-pole theory," there are other "poles" in the world, such as China and the Soviet Union. Thus the world is moving in the direction of multipolarization. The bipolar order has collapsed and in 1990, the United States, Europe, and Japan all adopted strategies to shape the new world order according to their designs. The world is in the early stage of a radical change from the old order to the new order, which is expected to be formed by approximately 1995.

New International Order Plans Scored

91CM0398A Hong Kong CHENG MING
[CONTENDING] in Chinese No 162, 1 Apr 91
pp 13-15

[Article by Ai Kesi (5337 0344 1835) "Chinese Communists Propose 'New World Order' in Contest For Supremacy With the United States"]

[Text] Cold War Ends, But Conflicts Remain

In 1989, the United States and the USSR ended the cold war. Despite the Beijing 4 June incident, the entire international situation entered a new era. East Europe's "peaceful evolution" testifies to this. However, on 2 August 1990, Iraq invaded Kuwait, which set off the Persian Gulf War in January 1991. This caused a definite change in people's optimism about the world situation. Neither wealth nor science and technology can necessarily bring about peace, nor can they necessarily bring freedom and democracy. Problems that will have to be solved in order to move ahead in the era include how to build a harmonious new international order, and how to guarantee support for a new international order.

One topic discussed at the Cairo Conference and the Yalta Conference, held before the end of World War II, was how to build a new post-war international order. It was decided that the United Nations should be founded, with China, the United States, the USSR, the United Kingdom, and France as permanent member nations of the Security Council, each of them having veto power.

After World War II, however, because of the struggle between the socialist and capitalist camps, including hot wars (the Korean War and the Vietnam War), and a cold war conducted in various ways, the United Nations was unable to perform its functions completely, and even seemed powerless or "paralyzed" on certain issues. It was not until the reconciliation between the United States and the USSR in recent years, as well as China's embarking on a road of reform and opening to the outside world, that the UN has been able to break free from the biases of socialism or capitalism to gain a fairly unanimous consensus. Failing to realize this change, Iraq's Saddam Husayn sent troops to invade Kuwait, only to be left broken and bleeding.

Nevertheless, this does not mean that there will be no conflicts between the United States and the USSR, and even less does it mean that there will be no conflicts between China and the United States.

Mikhail Gorbachev's "capitulation" to the United States enabled the "peaceful evolution" of the communist countries of Eastern Europe. The hardline faction in the USSR, such as the military and the KGB, certainly hold dissenting views. Thus, the USSR's continued "capitulation" to the United States by supporting the allied forces' military action against Iraq in the Security Council while Iraq was the USSR's most important and virtually only ally in the Middle East, could not but have aroused the further displeasure of the hardline faction. Furthermore, the allied forces' bombing of Iraq border regions close to Turkey and Iran, which are territorially contiguous with the USSR, and with the aircraft being able to reach Soviet territory in less than half an hour, naturally became a pretext that the hardline faction used, to bring pressure to bear on Gorbachev. Consequently, the appearance of a USSR and Iraqi peace offensive before the beginning of the ground war in mid-February was not without reason. Moreover, when U.S. President Bush rejected negotiations, Gorbachev warned that US-USSR relations were still "fragile," showing that pressures coming from the hardline faction might force him to give up a policy of Soviet friendship and cooperation with the United States. The USSR's efforts at this time were made in hopes of building a new order in the Middle East after the war, and being able to retain some Soviet influence. Ideally, it wanted to retain the Saddam Husayn regime; however, it could not express open support for this regime.

In China, the hardline faction was in power; therefore, China did not want to see the United States become the hegemon and the promoter of a new international order in the Middle East. It wanted even less to see the United States promote a new international order in the name of the United Nations, thereby whipping up a greater tide of freedom and democracy in the world and making human rights an important goal of international politics. Therefore, during the Persian Gulf crisis and the Persian Gulf war, Beijing took advantage of America's preoccupation in the Middle East to mount a diplomatic campaign to win over allies. Between 21 February and 11

March, Foreign Minister Qian Qichen visited four countries in Africa and traveled to seven countries in Europe.

Qian Qichen Trots Out a "Beijing Brand" New International Order

In the four African countries (Ethiopia, Kenya, Uganda, and Tanzania), which are extremely poor third world countries, Beijing was consolidating its third world leadership. Four of the seven European countries (Spain, Portugal, Greece, and Malta) are poor countries in Western Europe. Beijing singled them out from developed countries in an effort to win them over. The three remaining countries, Poland, Hungary, and Bulgaria, are in the process of "peaceful evolution." Qian Qichen wanted to make a reliable evaluation of the extent of the "peaceful evolution," and he wanted to win and continue to maintain friendly relations with them so as to be able to exert a certain amount of influence so that they would not side completely with the Western countries.

Just when Qian Qichen was about to leave China on his travels, the allied forces launched the ground war and the situation became like a hot knife cutting through butter. Iraq was defeated and sued for peace, showing that the United States would very quickly control the overall situation. Faced with these circumstances, Qian Qichen hurriedly trotted out the "Beijing Brand" of the new international order during his visit to Spain on 26 February.

Qian Qichen said the following in a speech: "In a nutshell, the building of a new international order includes both a political order and an economic order whose guiding principles must be the five principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in internal affairs, equality and mutual benefits, and peaceful co-existence." He also said, "These five principles have withstood several decades of testing since they were first enunciated during the 1950s. They possess powerful vitality; they are in keeping with the fundamental rights and interests of the people of all countries; and they benefit world peace and development. We believe that by using this as a basis, the founding of a new international order is truly feasible."

Actually, these five principles were without any new significance, and Qian Qichen also acknowledged that they had been enunciated in the 1950s. Beijing's hurried rehash of this old merchandise was for no other purpose than to promote the Beijing brand of a new international order when a new one was being pursued in the wake of America's solution to Middle East problems. It expressed Beijing's rights and leadership position in contesting supremacy with the United States. Otherwise, there was no reason for Beijing not to have raised the new international order when Iraq invaded Kuwait, instead of bringing up this matter only after Iraq's aggression was smashed.

Qian Qichen's statement that the five principles "possess powerful vitality" was also just talk. Certainly the

United States interfered in the internal affairs of other countries since the 1950s, but have the USSR and China not interfered in other countries' internal affairs? Never mind the "world revolution," was not the Vietnam War a joint intervention in internal affairs on the part of these three countries? And are they not simultaneously interfering in Kampuchea's internal affairs right now? No one observes the five principles, so what "vitality" do they possess?

"Regrets" About Beijing's Opportunism

Everyone can repeat pretty slogans, but since international respect for a common standard is necessary, why not respect the existing UN charter? What need is there to go looking for the strange and the different, and to go fishing for fame and compliments, all the more since the United Nations charter seeks to establish a new international order? This order could not be implemented because of the open and concealed struggles among the great powers.

The UN's joint efforts to deal with Iraq's aggression was the beginning of the great powers' cooperation in support of the new international order, but Beijing abstained to everyone's surprise, thereby sheltering Iraq's aggression. Thus, Beijing's talk now about a new international order is nothing but a sham. In putting forward his five principles, Qian Qichen did not mention how members of the United Nations should be dealt with when they violate these principles. If there is no way to deal with them, never mind five principles; even 10 principles would have no significance at all. However, Beijing abstained when the UN Security Council decided to take strong action against Iraq for behavior that violated the United Nations' charter. So what value is there to speak of its "new international order?"

Beijing's unwillingness to hold the United Nations charter in high regard, and its willingness to go separately obviously stems from its fear that the UN Human Rights Commission might "interfere" in its transgressions of human rights according to the UN human rights charter.

In his speech, Qian Qichen said, "We deeply regret that the possibility for a peaceful solution to the recent crisis could not be realized." What is regrettable is that this possibility occurred after the allied forces launched air attacks against Iraq and before they began the ground war, but Beijing never approved [of the UN action]. Were it not for this military action, where would the "possibility for a peaceful solution to the crisis" come from? Furthermore, it was when the "possibility for a peaceful solution to the crisis" occurred that Li Peng refused the PLO's request that Beijing mediate the events of two days later, but at that time Beijing, or at least Li Peng, was not at all interested in Middle East peace. His sudden transformation into a lover of peace, and his donning of the laurels of peace, and his "deep regrets" at having lost an opportunity for peace seem too opportunistic, do they not?

In a conversation with Pakistan Prime Minister Sharif on 27 February, Li Peng said: "China's position on a solution to the Gulf crisis has been consistent, namely, first, that Iraq must unconditionally withdraw its forces from Kuwait. Now we see that Iraq's armed forces have and will withdraw entirely from Kuwait. We hope that the legal government of Kuwait will soon return to the exercise of its sovereignty. Second, we consistently advocated a peaceful solution to the Gulf conflict through political and diplomatic means."

For Li Peng to raise these two conflicting things actually makes people laugh at the imbecility of the Chinese premier. To be sure, if according to Li Peng's second point, China "consistently advocated a peaceful solution to the Gulf conflict through political and diplomatic means" and thus opposed the use of force, could he have made the first point of China's position being that "Iraq's armed forces will withdraw from Kuwait," and could he make his comment about the legal government of "Kuwait soon restored to the exercise of sovereignty?" The withdrawal of Iraq's armed forces and the legal government of Kuwait's restoration of the exercise of sovereignty were brought about entirely by military means.

There is no need to deny that relations between one country and another must be founded on strength. This is what is meant by "weak nations have no foreign policy." The establishment of a new international order will also require the use of power. To talk sense with a dictator is useless, as was the case with Saddam Husayn who viewed as a sign of weakness doing all that is humanly possible, as well as repeated entreaties and warnings. Only in the face of military force was he forced to withdraw, but still he boasted of "victory" as a front.

The Goal in Deprecating the UN While Going Off Separately

During a 12 March conversation with Djibouti President Hassan Gouled Aptidon, Li Peng once again pushed a new international order. He said that, "Although the easing of relations between the United States and the USSR has created a trend toward the solution of conflicts in some areas, the world is very unpeaceful; numerous conflicts exist of which the Gulf war was one example." His implication was that reconciliation between the United States and the USSR still will not do; a reconciliation between the United States and China is still required, otherwise conflicts will still occur in the world. Li Peng continued to preach the use of the five principles of peaceful co-existence in establishing a new international order. For a permanent member of the Security Council to deprecate the role of the United Nations and to want to go off separately is really beneath its dignity and suggests ulterior motives.

Likewise, in using force to maintain the international order, we naturally hope that democratic forces are used rather than the forces of dictators. When the Soviet army interfered in the internal affairs of Hungary in 1956, and

in the internal affairs of Czechoslovakia in 1968, both were uses of force to maintain the "order" there. At those times, the United States was unable to dispatch allied forces because the power of the socialist camp was then still very great. A lot of people were still blind. Had the United States sent troops, prevention of the outbreak of a world war could not have been guaranteed. Today the situation has changed. If it is possible to send troops to safeguard the international order, naturally troops should be sent. This "double standard" is decided by realities; it is not entirely an issue of rights and interests, because had Hungary and Czechoslovakia been able to evolve peacefully at that time, would that not have likewise been in the West's interests? Actually, during the Korean War, the United Nations did everything possible to safeguard the new post-war order. Had the United Nations not sent troops, South Korea would have been soon swallowed up by North Korea. When the American army withdrew from South Vietnam, was not South Vietnam forcibly "united" with North Vietnam?

Now it is far better to have the United States, since it is capable, serve as an "international policeman," under coordination by the United Nations, to safeguard the international order under the United Nations charter, than to have either the USSR or China promote a new international order. At least there will be no spread of the "dictatorship of the proletariat" and poverty to all the nations of the world. Of course this is not to say that everything the United States does is completely without fault. This is only relatively speaking. At least other countries that have a fairly sound democratic system and supervision by public opinion can prevent the appearance of careerists like Hitler and Stalin.

Contending With the United States To Prevent it From "Interfering in Internal Affairs."

Beijing's sudden efforts to sell its new international order today stem from the following two reasons: First, at a time when the USSR has suffered a crushing defeat in foreign affairs, Beijing comes forward to serve as a standard-bearer of contention with the United States, in order to gain the support and favor of dictatorial countries in the world. Second, Beijing is worried that the United States will use the prestige and influence it has gained from military victory to interfere in China's domestic affairs. It is worried that the United States may now want to "settle old scores." Therefore, it uses its own "new international order" to mobilize other countries to restrain the United States.

"Actually, were it not for the flagrant aggression and the practice of all kinds of evil, neither the United Nations nor the United States would be able to dispatch troops quickly since this, after all, is a circumstance that drains the treasury and wastes manpower. The United States must also be mindful of domestic popular opinion. Nevertheless, as a result of this campaign, careerists and expansionists in some countries will be forced to pull in their horns a little. For example, people like Qadhdhafi did not display such an arrogant attitude during and

after the war, nor did he take the initiative in inviting Saddam to take refuge in his country out of unsophisticated religious sentiment and class feeling. I believe that this will help gain a period of peace internationally."

As for the Chinese Communists, worrying about American "interference in internal affairs," is being too sensitive. Even if the United States were to interfere in internal Chinese affairs, it would not be with troops because its set policy since the Korean War has been "peaceful evolution." Unless the Chinese Communists themselves do not make a good showing, peaceful methods will be unable to subvert the Beijing regime, which possesses several million troops.

Nevertheless, Beijing has made a decision to contend with the United States for supremacy. Therefore, U.S. Secretary of State Baker is busy running around the Middle East in an effort to resolve further the conflict between the Israelis and the Palestinians in order to resolve the conflicts in the Middle East. While he was establishing a new order in the Middle East, on 14 March, Beijing hurriedly trotted out, through a Ministry

of Foreign Affairs spokesman, a five point proposal for resolving the Middle East problems and to confound American strategic plans. When Baker visited Moscow to further coordinate U.S.-Soviet relations, Beijing gave the USSR some goods that it could not sell from its warehouses in exchange for military equipment that the USSR was unable to sell. CPSU Deputy General Secretary Ivashko, Deputy Prime Minister Maslyukov, and Minister of National Defense Yazov visited Beijing one after another to express thanks for providing timely help. This was also clearly making use of the Soviet card to counter the United States.

In addition, literary hirelings at home and abroad like He Xin [0149 2450] and Han Suyin also preached on behalf of Beijing. Han Suyin used the shopworn anti-American slogans, and He Xin proposed that China and Japan link hands to counter the United States. In Hong Kong, some people also responded. As the writer said two issues ago, some people want to rebuild Hideki Tojo's "Greater East Asia Co-prosperity Sphere." You can bet that the slogans and the actions will grow louder in the future.

Article Views Masses' Loss of Faith in Socialism

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[Authored by Lu Jining (4151 0370 1380), of the Marxism-Leninism Institute, National Defense University, responsible editor is Li Zhong (2621 0022): "Reflections on Strengthening Masses' Faith in Socialism"; SHEHUI KEXUE is sponsored by the Shanghai Academy of Social Sciences]

[Text] I. Clarify the Major Significance of Certain Problems of Socialism

Although the triumph of socialism and its replacement of capitalism is a general trend in the development of history, socialism's historical course has not been smooth sailing. Because Western countries have relied on their economic, political, and military strengths and have long pursued a strategy of peaceful evolution with regard to socialist countries, and because fundamental errors have been committed in the line and policies of parties in certain socialist countries, since the second half of 1989 the political situation in some socialist countries has been turbulent. This has caused changes that negate the leadership of the Communist Party and the direction of development of the socialist system, thereby leading to some doubts and perplexities among China's masses. At the same time, because China has had several inundations of the ideological trend of bourgeois liberalization, particularly with the disturbances that occurred from spring to summer in 1989, and because of errors committed in our work in all periods, the masses have a certain amount of ideological confusion, and this needs to be cleared up. Circumstances in these two aspects have piled up on each other, and these circumstances urgently require that we constantly study and research certain basic problems of socialism. In particular, we must have strong grounds for our arguments and give clear-cut answers to the deep questions of whether the socialist system is, in the final analysis, superior and vital, and whether the red flag can forever fly over the great land of China, in order to strengthen the masses' faith in socialism.

Moreover, with the deepening of China's reform, new numerous problems constantly appear. They demand that we clarify certain basic problems of socialism, better integrate the upholding of scientific socialism with its development, reduce the number of ideological differences and the ideological confusion existing between cadres and masses, do better with reform and opening to the outside world, and further strengthen the masses' faith in socialism.

Focusing on some doubts and ideological confusion the masses have amid the current international and domestic situation, and clarifying certain basic problems of socialism in order to strengthen the masses' faith in socialism is currently both the central work on the political and ideological fronts and also a mass socialist study-and-education movement that has far-reaching

significance. Because our party has plentiful experience in opposing the two kinds of mistaken deviations—right and left—and because our method is correct (we mainly adopted the method of study, research, and discussion) and our goal clear (strengthening the masses' faith in socialism), the movement certainly can be conducted better and more extensively than was the Socialist Education Movement in the 1960's. It can certainly have a positive, far-reaching effect on China's cause of building socialism and on the international communist movement.

For 40 years, particularly during the 11 years of reform and opening to the outside world, China's tremendous successes in building socialism have been universally acknowledged. The great majority of the doubts and ideological confusion that appeared among the masses in recent years are problems of understanding. For example, because they do not understand the disparities between China before the founding of the People's Republic and Western countries in terms of economic, educational, and social development, they grumble about the fact that there are still very big disparities between China and developed Western countries. They cannot see why China cannot catch up with and overtake these countries within a short period. Because they do not understand the deep-rooted, antagonistic nature of economic problems and social contradictions in Western countries, and because of the one-sided propaganda in Western countries' research—research that lacks an analytical base—that gives praise underservedly, they mistakenly believe that the present reality and the future of these countries is bright. Because they lack a comprehensive, correct understanding of the basic situation in China's urban and rural areas (including party and political styles), they judge the entire situation by one aspect, and mistakenly think that the situation is terrible. Because they have an inadequate understanding of the arduous nature of the cause of reform in China, which is in the initial stage of developing socialism, they find it difficult to understand why certain complications occur during reform, or why certain dark or negative things accompany reform. ...With appropriate education about the national conditions, the situation, and on opposing bourgeois liberalization; with education on dialectical and historical viewpoints; and particularly by improving our work and doing it well, we can obtain very good solutions to these problems. None of these problems are problems of one's fundamental position. Many of them reflect the masses' urgent desire to practice socialism better and to build China into a richer, more powerful country. Only a tiny minority of people have had their faith in socialism truly shaken.

In brief, we should treat the masses' ideological problems in the manner of seeking truth from facts. We should neither deny that under the present circumstances in China and abroad the masses really have various kinds of doubts and ideological confusion, nor should we exaggerate the serious nature of the situation. Furthermore we should not become panic stricken. We must

believe that our party enjoys high prestige among the masses, and that the socialist system has taken root in the people's hearts. Provided we find out what the masses are thinking, including what youths and intellectuals think, then through painstaking ideological and political work we can certainly solve the masses' various problems of ideological understanding and further strengthen their faith in socialism.

Explaining situations and analyzing problems by seeking truth from facts is an indispensable link in effective ideological and political work. In the early 1960's China encountered enormous difficulties. Because the party and the government clearly explained the causes of the difficulties to the people and analyzed that the difficulties were both serious and possible to overcome, hundreds of millions of the masses united closely around the party and government. Material living conditions were extremely poor, but they united wholeheartedly with the party and government to overcome the difficulties. In the end China's national economy pulled through fairly quickly and entered a new stage of development. Although there are very big differences between the difficulties China now faces and those it faced in the early 1960's, we still need to explain the situation to the people and analyze problems by seeking truth from facts, so that we can help solve people's problems on a deeper level.

Comprehensively Understand the "One Center, Two Basic Points"

The Third Plenary Session of the 11th Central Committee made the strategic decision to switch the focus of the party's work to socialist modernization with economic construction at its center. The fundamental task of a socialist society is to develop the forces of production. Poverty is not socialism. The most fundamental way to strengthen the masses' faith in socialism is to vigorously develop society's forces of production. Marxism maintains that everything people struggle for is related to their interests. The proletariat and the laboring masses believe in scientific socialism and struggle for it, but they struggle for it because this theory points the way to liberation and brings them material benefits. Today we must make the masses strengthen their faith in socialism and make them unswervingly take the socialist path. Likewise, we must not depart from vigorously developing society's forces of production, so as to bring even more material benefits to the masses.

On the basis of the line of the Third Plenary Session of the 11th Central Committee, the 13th National Party Congress proposed the line, "one center, two basic points." A comprehensive understanding of this line is of guiding significance for strengthening the masses' faith in socialism. I think that there are two main points to each of these two basic points. The two main points of the political and ideological aspect are: first, uphold the four basic principles and oppose bourgeois liberalization, and second, persist in developing a socialist democracy and promoting the systematization and legalization

of democracy. The two main points of the economic aspect are: first, uphold the policy of reform and opening to the outside and revitalization, and second, resolutely crack down on illegal economic activities and establish and perfect economic laws and regulations. The line of the 13th National Party Congress is a unified whole, and the above two aspects and four main points are interrelated; none of them can be dispensed with. They are unified with the fundamental goal of building socialism with Chinese characteristics.

To strengthen the masses' faith in socialism, we must thoroughly initiate education on upholding the four basic principles and on clearly opposing bourgeois liberalization. People who are for bourgeois liberalization aim the spearhead of their attack at the party's leadership and the socialist system. They willfully obscure the line between right and wrong to delude the public, and do their utmost to spread dissent and discord within the party and a lack of confidence in the cause of socialism and communism. They disseminate views such as the "theory of total Westernization" and the "theory of the failure of socialism." If we allowed them to corrupt the people's spirit and will, then a considerable part of the masses, especially young people, would lose their bearings. This would cause social upheaval, and there would be no way to carry out reform and construction on a regular basis, which would adversely affect the future and destiny of the party and country. The several influxes of the ideological trend of bourgeois liberalization into China have greatly harmed China's reform and construction. We must certainly bear this lesson firmly in mind, and resolutely carry the struggle against bourgeois liberalization to the end.

Upholding the four basic principles and opposing bourgeois liberalization is the basic political and ideological policy that we must maintain and implement for a long time. This is mainly focusing on and opposing rightist deviation. To better uphold and implement this basic policy so that the socialist system takes deep root in the masses' hearts, and to resist and oppose the Western bourgeoisie—and some in China who go in for bourgeois liberalization—who use the worn-out bourgeois weapons of "democracy" and "freedom" to corrupt the masses, we must have a basic policy that focuses and opposes mainly "leftist" deviation, or a policy that upholds and develops a socialist democracy and that promotes the systemization and legalization of this democracy.

It is very necessary to uphold and develop a socialist democracy and uphold the four cardinal principles while opposing bourgeois liberalization. First, looking at the party's history, we see that before and after the success of the revolution the party committed many "leftist" mistakes, which caused 90 percent or more of veteran cadres and a considerable portion of the masses and intellectuals—none of whom had ever been disloyal to the party or socialism—to suffer from the "Left" and from an imperfect democratic system. This fact calls for deep thought. It tells us that not only must we uphold the four cardinal principles, but also we must have a complete set of

measures and systems that protect people inside and outside the party who uphold, support, and never oppose the four cardinal principles. In this way our cause can flourish and grow. The correct line must not only be to guard against the Right and oppose the Right, but also to guard against the "Left" and oppose the "Left." The policy of guarding against and opposing the Right and of guarding against and opposing the "Left" are always related to each other, complement each other, and facilitate each other. Second, Comrade Deng Xiaoping not only put maximum emphasis on the issue of opposing bourgeois liberalization, he also placed maximum emphasis on developing a socialist democracy. In 1985, when receiving foreign guests, he pointed out, "On the basis of summing up experiences, the Third Plenary Session of the 11th Central Committee proposed a series of new policies. The two most important domestic policies were to develop democracy in political affairs and to implement reform in economic affairs, while at the same time carrying out reform in other areas of society." Since Comrade Deng Xiaoping listed the development of democracy in political affairs as one of the two important new policies proposed by the Third Plenary Session, we definitely should not overlook its importance. We should accurately regard it as a main part of the line since the Third Plenary Session. Third, the goal of democratic development that we stress and the goal of bourgeois liberalization that some people advocate are fundamentally different. Also, the ways and means of developing democracy are fundamentally different. We advocate that democracy be developed gradually and that its systematization and legalization be promoted under the party's leadership and in a political environment of stability and unity. Therefore, the idea that there is absolutely no need to worry about upholding the policy of developing a socialist democracy is used by people who are for bourgeois liberalization. While opposing one mistaken deviation we must make a point of opposing another mistaken deviation. Only by doing so will we raise the party's prestige, win the people's hearts further, and enhance socialism's appeal and vitality.

Upholding reform, opening to the outside, and revitalization are basic policies that we must uphold and implement for a long time. Their effect and significance in promoting the development of the forces of production and accelerating China's four modernizations is increasingly understood by the entire party and all people in China. However, it focuses and opposes mainly "leftist" deviations. To uphold and implement this basic policy better, and to further develop the forces of production and maintain the socialist direction of China's economy, we must have a basic policy that focuses and opposes mainly rightist deviations. This entails cracking down resolutely on criminal economic activities, and establishing and perfecting economic laws and regulations.

As everybody knows, as early as 1982 Comrade Deng Xiaoping had pointed out many times, "We must persist

in opening to the outside world and revitalizing the domestic economy. However... at the same time we must must take another action, which is to crack down on criminal economic activities. Without this action there will be no restraint." This would mean the failure of the policy of opening to the outside world and revitalizing the domestic economy. Although these words were spoken nine years ago, they still apply today. In reality, the broad masses wholeheartedly support the policy of reform, opening to the outside world, and revitalization (if there were no reform, the development of China's economy would be held up and would not advance, and there would be no prospects for improving the masses' lives), but they abhor criminal economic activities and all sorts of unhealthy economic trends. They wholeheartedly support punishment of criminal economic activities and rectification of unhealthy economic trends. However they are dissatisfied when such problems occur and there are not yet any established or perfected laws and regulations that effectively restrain and punish criminal economic activities and unhealthy economic trends. We should understand and conform to this justified psychology of the masses and try to work well in this area in order to enhance the masses' love for and attraction to socialism.

Vigorously Pursue the "Two Styles," Strengthen the Masses' Faith in Socialism

Having a good party style and getting a good grip on building an honest government are essential conditions for strengthening the masses' faith in socialism. The party is good, and we must uphold this basic estimation in the manner of seeking truth from facts. Otherwise, we would be standing on the side of people who oppose the party's leadership and are for bourgeois liberalization. However, we also should admit, in the manner of seeking truth from facts, that with the competition for power and money, there have been distressing changes in the ideology and work style of many responsible cadres in the party and the government. One reason that people who were for bourgeois liberalization could stir up trouble on several occasions was that the emergence of many corrupt phenomena caused some of the masses to lose confidence in the party and government. Last year Comrade Deng Xiaoping pointed out that "This party of ours must take charge; it will not do to not take charge." In order to fundamentally eradicate the reactionary political influence of people who are for bourgeois liberalization and who vilify the party and socialism among the masses; to strengthen the masses' faith in the party and socialism; and to ensure that the party and country does not change its color, we must root out corruption, tightly handle party style, and get a handle on building an honest government. Provided we do not become separated from the masses from start to finish, and always maintain flesh-and-blood ties with them, there will be no difficulty we cannot overcome.

Overcoming unhealthy trends in trades, managing orderly control and work discipline, and establishing new social customs are important for strengthening the

masses' faith in socialism. Many of the masses benefited politically and economically from socialism, and they have completely accepted scientific socialism ideologically. It should be said that they are the party's grassroots masses and that they have profound feelings about socialism. However, once they encounter real problems in society, for example, serious cases of seeking private gains at public expense (or cases where someone feathers the nest of a small community), more of them become concerned and put a stop to these problems. Again, if they suffer losses or wrongs when buying things, traveling by train or bus, or seeing a doctor, or if they suffer unfair treatment, they often begin to doubt whether socialism can work in the end. Some of the aforementioned problems are caused by the poor quality of individual personnel and individual cadres and their dereliction of duty. More of the problems are related to unhealthy business trends, violations of discipline in communities, slack work discipline, and to leaders who allow the problems to exist. We certainly must not belittle such problems, which in reality affect and relate to whether socialism is practiced well and to the masses' confidence in socialism. Solving this type of problem is an extremely difficult and complex task. In a certain sense, it can be 10 or a hundred times harder than eliminating the effect and pernicious influence of prominent figures who are for bourgeois liberalization. The true solution to this type of problem awaits the great

development of socialism's forces of production. However, if this type of problem cannot be solved, the development of these forces and the consolidation of the socialist system will be adversely affected and hindered. Therefore, we must certainly take the resolution of this type of problem seriously and work hard to solve it, and we certainly must establish new customs of socialism that are good. In all trades and professions, education on professional ethics must be enhanced (this is a basic, minimum requirement). Among the masses and youths, education on the ideology and ethics of socialism and communism must be enhanced. Party members and cadres at all levels must be strict with themselves and dare to struggle against unhealthy social tendencies in order to set an example for establishing socialist customs.

The party Central Committee has time and again called on the entire party to learn Marxist philosophy well. Provided we conscientiously study and master the position, viewpoints, and methods of Marxism; guide the masses to see clearly by seeking truth from facts, and see the tremendous successes and existing problems in socialism's development; clarify that the future of China and the world lies in taking the socialist path; and do well in unifying the masses and summing up experiences and lessons, then by integrating these with practice, we can certainly clarify socialism's basic problems and find a bright path that suits China's national conditions and the building of a modern, powerful, socialist country.

NATIONAL AFFAIRS, POLICY

Commentator Article on Following Deng's Instructions

91CE0576A Beijing JINGJI RIBAO in Chinese
26 Apr 91 p 1

[Commentator article: "Emphasis on Seeking Truth From Facts Is Still Necessary"]

[Text] In carrying out the 10-Year Program and the Eighth Five-Year Plan for developing the national economy and society, and in accomplishing the second stage of strategic goals, there are heavy tasks and a long road ahead. We must work really hard and effectively. It is even more necessary for us to adhere to the party's ideological line of seeking truth from facts, so as to continuously explore and advance the reform and opening to the outside.

Seeking truth from facts is our party's fine tradition as well as having been our party's consistent ideological line since the Third Plenary Session of the 11th Central Committee. The 10-Year Program and the Eighth Five-Year Plan are the products of adhering to the ideological line of seeking truth from facts. The series of socio-economic development targets included in the 10-Year Program were all proposed on the basis of reality and the state of the nation, after detailed investigation, study, and careful calculation. All represent targets that can be achieved with effort. The policy measures proposed in "the outline" are also all realistic and feasible. All departments and regions are now formulating their own 10-year programs and five-year plans in accordance with the spirit of "the outline." How to do this well and how to motivate the masses effectively instead of superficially are questions that should not be ignored.

First, this should not be regarded only as a process of breaking down the targets. Only by relating the spirit of "the outline" to local realities will it be possible to effectively carry out "the outline" in localities and departments. In view of past experience and lessons, it is especially necessary to pay attention to avoiding "expansion at each level" when formulating plans. It often happens that a target that is realistic from a national perspective changes from being realistic to unrealistic during implementation because of inflation and heat at all levels from top to bottom. The "expansion" and heating at each level can result either from a desire to accelerate local or departmental development, or from an intention to demonstrate cadres' performance and courage. However, the results are all harmful and do not help accomplish our policy goals.

We should also note another tendency, "keeping up with each other." In this vast country of ours, localities have different conditions and bases as well as different strengths for sustaining development. Therefore, when deciding development directions, speeds, and priority industries, localities must proceed from reality, accommodate local realities, and proceed according to their

own strengths. If the mind disregards objective realities and concentrates on competition for investments, on growth rates, and on speed, such competition can only push the targets up to ever higher levels, with the possibility of achieving them growing ever smaller.

When formulating policies and goals on the basis of seeking truth from facts, the precondition is to grasp reality. To put it simply, it is necessary to have a "numerical figure" in mind. It is not easy to "have a figure in mind." The contents of the figure require study. In some places, a simple figure can be presented in various ways. For instance, in one region there could be one set of data used for summing up experience and another set used for demanding preferential policies. To cater to the preferences of their superiors, some localities keep several "account books" in their pockets, and report whatever the superior wants, acting according to the facial expression of their superiors; as long as it is needed by the superiors, any figure can be reported. There are bound to be problems if decisions are made based on such false information. Although such situations are not widespread, they still should alert us. The grand building that we want to construct when advancing towards the new century should in no way be constructed on loose soil. Leading cadres at all levels must not stay high up, commenting and satisfying themselves with hearing reports and issuing instructions. They must go to the grassroots, to the masses, and deepen understanding on the state of the nation, the province, and the county. In the process of thorough investigation and study, they must formulate scientific, rational goals and realistic policies and measures on the basis of scientific understanding. Cadres should all act in accordance with Comrade Deng Xiaoping's instruction: "We must restore and develop further the fine tradition and style of seeking truth from facts that was established for the party by Chairman Mao. To be an honest person, to speak and act honestly, are the minimum standards for a communist."

The adherence to the principle of seeking truth from facts is not only a question of ideological method, it also directly concerns how to bring forth the masses' enthusiasm. To accomplish second-stage strategic goals, it is imperative to rely on and motivate the masses, and to carry out propaganda among the masses, thereby gathering the broad masses' enthusiasm, wisdom, and power for constructing the socialist modernization. This will create tremendous aggregate power for promoting the great cause of the four modernizations. The masses adhere most to the principle of seeking truth from facts, and deeply detest such practices as "telling falsehoods, big talk, and empty words," "putting on a great posture," subjectivism, and formalism. The basis of all these is divorced from reality, and not only can they not arouse the masses' drive and enthusiasm, but they would greatly dampen the masses' enthusiasm. We have had several such lessons in the history. Only by proceeding from reality and adhering to the principle of seeking truth from facts will it be possible for the masses and us to

have one mind and work in the same direction. Only then can we truly unite the masses around the party in a common struggle for the grand goals.

In short, to turn the blueprint into reality, we must have a strong fighting will as well as a clear head. We must have enthusiasm as well as a scientific attitude. We must base ourselves on reality, take charge effectively, make real efforts, speak honestly, arouse real enthusiasm, do real work, and achieve real results. At the moment, we must pay special attention to preventing hotheadedness and economic overheating under relatively good situations. The better the situation, the more necessary it is to emphasize seeking truth from facts, so as to effectively facilitate the sustained, steady, and coordinated development of the national economy.

Zhejiang City Uses Joint-Stock Enterprises' Contract System

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0614 GMT 5 Jun 91*

[Text] Hangzhou, June 5 (XINHUA)—The contract responsibility system for factory directors and managers which is now widely practised in the country's state enterprises has been most successful in joint-stock enterprises in Wenzhou, east China's Zhejiang Province.

Joint-stock enterprises first appeared in Wenzhou during the 1980s.

In 1988, Wu Zuzhong, a former chemistry teacher at a rural middle school in Cangnan County, Wenzhou, signed a contract with the Board of Directors of the Qiaodunmen Brewery and assumed the position as company director.

Wu, who is also a stockholder in the brewery, and eight other major stockholders formed a property mortgage group and each of them provided a 20,000 yuan mortgage guarantee.

The contract stipulated that each year the mortgage group pay the board of directors 120,000 yuan in profits and guarantee the brewery's 120 workers an annual per capita income of at least 1,500 yuan.

The contract also stipulated that surplus profits would be divided at a 4:6 ratio between the mortgage group and the board of directors. Any losses incurred by the brewery, however, were the responsibility of the mortgage group.

At the beginning of this year, the brewery recorded a loss of over 140,000 yuan due to improper use of raw materials, and the nine members of the mortgage group were required to invest an additional 10,000 yuan each.

"Because of the high risks involved in production, we are determined to put forth every effort possible to manage the factory well," said Wu.

Recent statistics show that Wenzhou is now home to over 200,000 stock-holders involved in 15,000 joint-stock enterprises.

At present, every joint-stock enterprise in Wenzhou has organized general stockholders meetings which are attended by all stock-holders in the respective enterprise.

During the general meeting, which are usually held once each year, the stock-holders discuss and draft regulations involving the distribution of dividends and profits, the annual work report, assets and liabilities, and work stoppages.

A local government official in charge of joint-stock enterprises said that during a general meeting several stockholders will be elected to sit on the board of directors. Both members in the general meeting and members of the board of directors involve in production activities of their enterprise.

The board of directors, who serve a three year term, are responsible for drafting production and development plans for the enterprises, as well as for making decisions regarding expansion, and changing the enterprise's production procedures.

Daily production matters of an enterprise are the responsibility of the enterprise directors.

Like Wu Zuzhong, many other directors of joint-stock enterprises are also stockholders. However, changes are taking place in a number of Wenzhou's joint-stock enterprises.

For example, the Ouhai County Stationery Company was opened in 1985 by a group of 19 farmers who invested 78,000 yuan. At present, the company employs over 2,700 workers, and has fixed assets and circulating funds of over 25 million yuan.

The annual production capacity of the company's ten subsidiaries exceeds 80 million yuan, and their products have been exported to 18 countries in Europe, the United States and the Middle East.

Since 1988, the company has invited some 58 senior engineers and technical and management personnel to assume important posts in the company, and these professionals have played a vital role in the development of the company.

Meanwhile, in Wenzhou most stockholders in the joint-stock enterprises are working at the forefront of production in their respective enterprise.

Li Linqing, 22, used to be a stockholder in a joint-stock enterprise in Ruian City, Zhejiang Province. Now, however, he is a mechanic at the enterprise.

Li said that while "a joint-stock enterprise should belong to the stockholders, only talented people can help it to earn more profits, and consequently they should manage the enterprise."

An economist in Wenzhou pointed out that the division between the owner and user of funds reflects that the state of mind of farmers in Wenzhou has changed greatly.

PROVINCIAL

Hebei Reports Economic Development

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in Chinese 21 Apr 91 pp 2-3

[Statistical communique on Hebei Province's social and economic development during the Seventh Five-Year Plan, issued by the provincial statistical bureau on 17 April 1991]

[Text] During the Seventh Five-Year Plan (1986-1990), under the correct leadership of the provincial party committee and the provincial government, the people throughout the province conscientiously implemented the general principle of invigorating the domestic economy and opening to the outside world, worked hard to overcome numerous difficulties, and positively implemented a series of measures with regard to overall regulation and control. Thus they scored new achievements in social and economic development. At the same time, economic strength continued to increase, production and construction developed in a sustained manner, domestic trade and the market were brisk, foreign economic relations developed in a relatively rapid manner, financial revenues increased, people's living standards improved further, and new progress was made in science and technology, education, culture, public health, and sports. During the Seventh Five-Year Plan, the gross national product [GNP] registered an average annual increase of 7.6 percent, fulfilling the first task of doubling GNP two years ahead of schedule; the national income registered an average annual increase of 6.7 percent; the total social product registered an average annual increase of 9.7 percent; and the gross value of industrial and agricultural output [GVIAO] registered an average annual increase of 10.7 percent. All of these exceeded the demands of the Seventh Five-Year Plan. Major problems in economic operation during this period were: Economic development experienced notable fluctuations, overheated growth, and relatively notable inflation; the readjustment of the product structure proceeded slowly; there was still a very conspicuous decline in economic efficiency; and some new problems emerged in economic rectification. All these problems need gradual solution during the Eighth Five-Year Plan.

1. Agriculture

Agriculture, forestry, animal husbandry, sideline production, and fisheries increased overall, basically fulfilling the targets stipulated by the plan. In 1990, the gross value of agricultural output [GVAO] was 35.1 billion yuan, an increase of 20.3 percent over 1985, or showing an average annual increase of 3.8 percent, approaching the planned target of 4 percent. Of this,

output value of the cropping was 23.36 billion yuan, showing an average annual increase of 2.1 percent; that of forestry was 940 million yuan, an average annual increase of 1.3 percent; that of animal husbandry was 8.02 billion yuan, an average annual increase of 8.2 percent; that of sideline production was 1.63 billion yuan, an average annual increase of 12.7 percent; and that of fisheries was 1.15 billion yuan, an average annual increase of 20.4 percent.

Cropping continued to develop based on the achievements of the Sixth Five-Year Plan. In the middle of the Seventh Five-Year Plan, by further strengthening agriculture as the basic foundation, thanks to the relatively good weather, grain production stagnated in the first two years but set high records in the succeeding three years, with output starting from a level of 20 million tons and reaching 22.769 million tons in 1990, an increase of 15.8 percent over the 1985 figure. This surpassed the planned increase target of 6.8 percent and registered an average annual increase of 3.0 percent. Output of cotton and oil-bearing crops extricated itself from protracted stagnation. In 1990, total cotton output was 571,000 tons, and that of oil-bearing crops 749,000 tons, both showing increased outputs. However, only 84.6 percent of the cotton output target was fulfilled. During the Seventh Five-Year Plan, the average annual output of major agricultural products showed a substantial increase, except for cotton, beets, and silkworm cocoons.

The average yearly output of major agricultural products was as follows:

Product	1986-1990	1981-1985	Increase from 1986-1990 to 1981-1985 (%)
Grain	20.507 million tons	18.127 million tons	13.1
Cotton	564,000 tons	607,000 tons	-5.5
Oil-bearing crops	654,000 tons	590,000 tons	10.8
Beets	88,000 tons	119,000 tons	-26.1
Jute, ambary hemp	21,000 tons	17,000 tons	29.4
Cured tobacco	8,000 tons	4,000 tons	100.0
Silkworm cocoons	4.377 million tons	7.947 million tons	-44.9
Fruits	1.916 million tons	1.272 million tons	50.6

New achievements were made in forestry as the quality of afforestation improved. During the Seventh Five-Year Plan, 17.531 million mu were afforested (excluding fruit growing areas). The project for afforestation in plain areas was well fulfilled. Of the province's 94 plain counties, 64 attained the standards for afforestation in plain areas in 1990, and four completely reached the standards. The project for planting trees and growing grass around the capital was fulfilled ahead of the schedule.

Steady progress was made in animal husbandry. During the Seventh Five-Year Plan, the number of hogs slaughtered and that of hogs in stock increased; the output of meat, poultry, eggs, and milk comprehensively increased; and the number of herbivores steadily increased.

The output of major animal products and livestock was as follows:

Product	1986-1990	1981-1985	Increase Over 1981-1985 (%)
Pork, beef, mutton	1,058,000 tons	614,000 tons	72.3
Milk	102,000 tons	46,000 tons	121.7
Sheep wool	11,000 tons	7,000 tons	57.1
Eggs	425,000 tons	219,000 tons	94.1
Hogs slaughtered	12,565,000	8,146,000	54.2
Hogs in stock (year-end figure)	14,413,000	12,497,000	15.3
Sheep and goats in stock (year-end figure)	10,234,000	8,041,000	27.3
Large animals in stock	5,042,000	3,814,000	32.2

New improvements were ceaselessly made in fishery production. The output of aquatic products increased for consecutive years. The output of aquatic products in 1990 was 219,000 tons, an increase of 71.5 percent over 1985 and an average annual increase of 11.4 percent. Of this, the output of seawater products increased by 9.5 percent annually; that of fresh water products increased by 18.5 percent. Measures for "rejuvenating agriculture with science and education" brought their functions into play. Gratifying progress was made in popularizing agricultural science and technology. Better results were made in large-scale applications of such agricultural scientific and technological achievements as plastic sheet mulching, improved crop varieties, model cultivation methods, and applying fertilizers according to prescriptions. Through the reproduction of fine-breed livestock, scientific breeding, and the popularization of compound feed technique, livestock and poultry production techniques were upgraded.

There was improvement in the conditions for agricultural production. By the end of 1990, the aggregate power of the province's farm machinery was 28.223 million kw, an increase of 41.5 percent over 1985 and an average annual increase of 7.2 percent. Of this, the total power capacity of irrigation and drainage equipment rose from 5.8 percent annually in the Sixth Five-Year Plan to 6.7 percent annually in the Seventh Five-Year Plan. A total of 63.74 million mu of farmland were cultivated with farm machines, an increase of 52.2 percent over 1985. The areas sown and harvested with farm machines increased by 98.5 percent and 2.7 times respectively over 1985. A new pattern where the state, collectives, and individuals collected funds and jointly developed water conservancy projects took shape. By the

end of 1990, there were 735,000 power-pumped wells across the province, an increase of 104,000 over 1985. A total of 56.38 million mu of farmland were effectively irrigated across the province, 2.79 million mu more than that of 1985. During the Seventh Five-Year Plan, 540 million yuan were invested in developing and improving Haihe plain on a large scale, transforming 5,109,500 mu of low- and middle-yield farmland, and making 4,605,100 mu of farmland become effectively irrigated.

However, the agricultural foundation was still weak, and overall agricultural production capacity was comparatively low. There still existed the situation where planted areas decreased, soil eroded, and farmland was desertified and alkalized. The province was still weak in fighting against natural disasters. The agricultural social service system should further be improved.

The rural economy developed steadily. The total output of the rural society in 1990 was 87.3 billion yuan, an increase of 78.4 percent over 1985. Of this, the GVIO in rural areas doubled; in the building industry, it rose 21.4 percent; in transportation trade, 1.7 times; and in the catering trade, 9.7 percent. The proportion of the non-agricultural output value rose from 47.9 percent in 1985 to 59.0 percent in 1990.

2. Industry

Industrial production increased fairly rapidly, but there was also a fairly large fluctuation. In 1990 the GVIO reached 111.6 billion yuan, an increase of 83.1 percent over 1985, showing an average annual increase of 12.8 percent and surpassing the planned growth target of 7.5 percent. This was the fourth period of rapid growth after the First Five-Year Plan, the "three-year readjustment" period, and the Third Five-Year Plan. The average annual output value of state-owned industrial units increased by 8.1 percent, and the average annual increase in output value of collective industrial units was 13 percent; state-owned and collective units at and above the township level contribution to the total value of industrial output dropped from 81.6 percent in 1985 to 69.6 percent in 1990. Viewed from various stages, development was very unstable, showing fairly large fluctuations. The previous three years of economic development was overheated. Industrial production showed an average annual increase of 16.3 percent. The last two years, after improvement and rectification, the industrial production rate slowed noticeably. The average annual increase was 7.9 percent, thus basically realizing the goal of appropriate growth.

During the Seventh Five-Year Plan, the output value of light industry showed an average annual increase of 12.9 percent; and the output value of heavy industry showed an average annual increase of 12.8 percent. The ratio between the light and heavy industries was stable, and the ratio between basic industry and processing industry also improved; the energy industry developed slightly, but its growth rate was still lower than the level of all industries. Metallurgical, textile, building materials and

energy industries were the province's potential industries, and their output values accounted for 48.3 percent of the GVIO. Certain achievements were made in readjusting the product mix. Of the 20 industrial products listed in the Seventh Five-Year Plan, the output plans of 12 types of products were fulfilled or overfulfilled. During the Seventh Five-Year Plan, the average annual output of major energy, raw materials, and agriculture-oriented products, including power generation, pig iron, steel, finished steel products, plate glass, soda ash, yarn, and chemical fertilizers, and light industrial products related to the people's livelihood increased at varying degrees. The production of products for investment purposes, machine-processed goods and high-grade durable consumer goods was cut back by varying degrees.

The average annual output of major industrial products was as follows:

Product	Seventh Five-year Plan	Sixth Five-year Plan	Increase over Sixth Five-Year Plan (%)
yarn	303,000 tons	223,000 tons	35.7
cloth (m)	1.23 billion	1.02 billion	20.6
machine-made papers and paper boards	745,000 tons	358,000 tons	107.9
match boxes	1.613 million	1.455 million	10.9
cigarettes (cartons)	995,000	634,000	57.1
raw salt (tons)	2.256 million	2.215 million	1.9
TV sets	310,000	176,000	76.0
chemicals	15,700 tons	9,600 tons	63.5
35mm film (m)	9700	9800	-1.0
raw coal (tons)	63.331 million	55.556 million	14.0
crude oil (tons)	7.151 million	10.921 million	-34.5
electricity (kwh)	33.72 billion	22.51 billion	49.8
pig iron (tons)	4.105 million	2.447 million	67.8
steel (tons)	3.20 million	2.127 million	50.5
rolled steel (tons)	2.51 million	1.574 million	59.4
pure chemical fertilizers (tons)	1.249 million	999,000	25.0
cement (tons)	12.951 million	6.948 million	86.4
plate glass (cases)	9.669 million	5.276 million	83.3
motor vehicles	4,722	3,174.4	48.8

The production capacity of industry increased, and the technological level was enhanced. By the end of 1990, the original value of fixed assets owned by the province's industrial enterprises that were at or above the township level and that exercised independent accounting amounted to 68.94 billion yuan, an increase of 120

percent over 1985. The completion and commission of a number of important basic industrial facilities and construction projects added momentum to economic development. The technological and installation level of industrial production improved greatly, and the quality of manufactured products improved somewhat. During the Seventh Five-Year Plan, the province's manufactured products won 51 state-level quality product prizes, nine of which were gold prizes, and 42 of which were silver prizes. At the same time, the province won 2,665 provincial-level quality product prizes.

Enterprise reform witnessed some results. By the end of 1990, of the 4,695 industrial enterprises at or above the county (district) level, 98.6 percent carried out the contract system, and most of them carried out the factory director responsibility system, the factory director tenure responsibility system, and the system of auditing the factory director's performance at the expiration of his tenure. Enterprise mergers maintained the trend of continued development, construction of enterprise associations witnessed new progress, and enterprises' organizational structure was optimized, thus promoting the reorganization of specialization and accelerating the formation of the economies of scale.

However, the structural imbalance in various industries was not improved thoroughly, and the decline in economic efficiency remained a conspicuous problem. Comparing 1990 to 1985, the profits—including taxes to be paid to the state—gained from each 100 yuan of original value of fixed assets of state-run industrial enterprises exercising independent accounting dropped from 18.5 yuan to 8.1 yuan. The profits and taxes gained from each 100 yuan of capital dropped from 20.3 yuan to 7.9 yuan, and the profits and taxes gained from each 100 yuan of sales income dropped from 20.1 yuan to 8.6 yuan.

3. Investment in Fixed Assets, and Construction

Investment in fixed assets increased. During the Seventh Five-Year Plan, completed investments in fixed assets in the province was 86.43 billion yuan, surpassing the planned target, and 46.33 billion yuan more than during the Sixth Five-Year Plan. This was an average rate of increase of 15.3 percent per year. The investment of state-owned units was 48.62 billion yuan, 26.40 billion yuan more than during the Sixth Five-Year Plan; that of urban collective units was 3.37 billion yuan, an increase of 2.34 billion yuan; and that of rural collective units was 11.32 billion yuan, an increase of 5.62 billion yuan. In addition, investment by urban individuals was 850 million yuan, an increase of 730 million yuan; and that of rural individuals was 22.28 billion yuan, an increase of 11.24 billion yuan. Of the investment in the state-owned fixed assets, the investment in capital construction was 27.51 billion yuan, increasing at an average annual rate of 16.0 percent. The investment in technological renovation and transformation projects was 17.89 billion yuan, an average annual increase of 25.4 percent.

The investment structure was adjusted, and the proportion of investment in energy resources, raw materials, and technological renovation and transformation projects rose. During the Seventh Five-Year Plan, investment in building agriculture, forestry, animal husbandry, fisheries, and water conservancy was 620 million yuan, 290 million yuan less than during the Sixth Five-Year Plan, and its share in the total investment dropped from 6.8 percent during the Sixth Five-Year Plan to 2.3 percent during the Seventh Five-Year Plan. Investment in constructing energy projects was 9.23 billion yuan, an increase of 3.31 billion yuan, and its share in total investment rose from 29.3 percent to 33.5 percent. Investment in constructing raw materials projects was 9.01 billion yuan, an increase of 6.23 billion yuan, and its share in total investment rose from 20.7 percent to 32.7 percent. Investment in transportation, post, and telecommunications was 2.70 billion yuan, an increase of 1.30 billion yuan, and its share in total investment dropped from 10.5 percent to 9.8 percent. The proportion of investment in technological renovation and transformation to total investment in the state-owned fixed assets rose from 29.0 percent to 36.7 percent. Of the investment in the state-owned technological renovation and transformation projects, the proportion of investment in tapping potential and expanding reproduction rose, and that in expanding the scale of production dropped.

New achievements were made in key construction projects. During the Seventh Five-Year Plan, 7,215 capital construction projects were completed and commissioned adding fixed assets worth 21.05 billion yuan. A total of 1,076 projects on equipment replacement and technological renovation were completed and commissioned, adding fixed assets worth 3.50 billion yuan. The completed investment in the nine projects enjoying state priority totalled 7 billion yuan; 24 large- and medium-sized key capital construction projects and 78 single-item projects were completed. These mainly included: the expansion of Huabei Pharmaceutical Plant, the second- and third-phases of the Qinghuangdao coal wharf project, the Tangshan soda plant, Tangshan Qianjiaying coal mine, No. 604 Baoding paper mill, Shijiazhuang Shangan power plant, Handan thermo power plant, the fourth-phase of the Xingtai power plant expansion, the expansion of the Baoding transformer plant during the Seventh Five-Year Plan, the Jidong Petroleum Prospecting and Development Company, the Lincheng coal mine, and the Tangshan Iron Plant. All of these projects were completed and commissioned one after another.

Capital construction, equipment replacement, and technological renovation projects of state-owned units and the collective investment projects in cities and towns formed an array of production capacities or efficiencies, which help increase momentum for economic development. During the Seventh Five-Year Plan, the whole province overall added the following major capacities: 9.02 million tons of iron ore mining, 2.797 million tons of iron smelting, 1.09 million tons of coking, 865,000 tons of steel-smelting, 2.337 million kw of installed

power capacity, 2,468 km of power transmission lines, 6.05 million kilovolt-amperes [kva] of power transforming equipment, 7.096 million tons of coal mining, 6.44 million tons of coal washing, 649,000 tons of soda ash, 105,000 tons of caustic soda, 197,000 tons of chemical fertilizers (pure), 11,000 tons of chemical insecticides, 4.338 million tons of cement, 5.206 million weight cases of plate glass, 1.221 million cotton spindles, 250,000 tons of machine-made paper, 32.75 million tons of port handling capacity, and 774 km of newly-built highways.

The construction power of the building industry was strengthened and the technological level improved. In 1990, state-owned construction enterprises had 216,000 workers, up 22.7 percent over 1985. During the Seventh Five-Year Plan, the completed output value of construction enterprises totalled 10.11 billion yuan, up 95.9 percent over the Sixth Five-Year Plan. However, due to the fact that the scope of investment in fixed assets was curtailed during the last Seventh Five-Year Plan, many construction enterprises were running under capacity, which resulted in declining profits, increasing deficits, and poor economic efficiency.

New achievements were made in geological surveying and prospecting work. During the Seventh Five-Year Plan, units under the provincial geological and mining bureau discovered or newly verified 17 mineral-producing areas with deposits of industrial value, including 12 gold mines, one silver mine, and two iron mines; the completed amount of drilling work was 581,000 meters. The newly verified reserves of four mineral products listed in the state plan, including iron, lead, zinc, and copper, increased by a large margin. During the past five years, 248 copies of geological reports were submitted to the state. Hebei was named China's outstanding mineral deposits discovery province by the Ministry of Geology and Mineral Resources.

4. Transport, Post, and Telecommunications

During the Seventh Five-Year Plan, Hebei's transportation infrastructure facilities and transport capacity were strengthened. In 1990, the province's railway lines extended to 5,312.8 km, with 3,320.8 km already in operation, an increase of 660.5 km and 315.2 km respectively over 1985. By the end of 1990, the province's trunk lines were basically double-tracked. Two electrified railways, including the Beijing-Qinhuangdao and Datong-Qinhuangdao lines, were added. The quality of highways was enhanced. In 1990, the total length of highways across the province reached 43,600 km, of which 25,000 km had high-grade or next to high-grade road surface, ranking first in the whole country. We also began to build expressways.

The transportation structure was readjusted, and the transportation volume was comprehensively increased. The volume of transportation by various means was as follows:

Type of Transport	Unit	1990	1985	Increase Over 1985 (%)
Cargo (Excluding pipeline transport)	100 million ton-km	1,520.8	1,163.4	30.7
Railway	100 million ton-km	1,256.8	967.1	30.0
Highway	100 million ton-km	215.4	168.0	28.2
Waterway	100 million ton-km	48.6	28.4	71.1
Pipelines	100 million ton-km	25.7	—	—
Passengers	100 million person-km	358.1	278.4	28.6
Railway	100 million person-km	249.4	226.8	9.9
Highway	100 million person-km	108.4	51.6	110.1

The volume of cargo handled at seaports reached 69.601 million tons in 1990, an increase of 57.5 percent over 1985. Of this, Qinhuangdao port handled 69.451 million tons, an increase of 57.2 percent; and Huanghua port handled 150,000 tons. Qinhuangdao port has 36 berths at present. Qinhuangdao ranks second among all China's ports in annual loading and unloading capacity.

Civil aviation service was further developed. By the end of 1990, the civil aviation administration of Hebei Province successively pioneered 11 air routes from Hebei to Beijing, Shanghai, Guangzhou, Nanjing, and Hohhot. Eight of these air routes had regularly service, and the passenger occupancy rate of the major air routes reached 100 percent. To suit the needs of opening the province to the outside world, the Qinhuangdao aviation station was formally put into operation in June 1989.

Fairly rapid progress was made in post and telecommunications service, with business transactions in 1990 totalling 280 million yuan, an increase of 1.2 times over 1985 and an average annual increase of 16.6 percent. Some fast, accurate, and lifelike telecommunications services became more commonly received. The transaction volume of fast postal services, express delivery service, faxes, postal savings, and stamp collection increased by a large margin. The number of telephones installed in urban areas increased by 103,000 in the Seventh Five-Year Plan, a 1.1-fold increase over the figure in the Sixth Five-Year Plan. The number of telephones installed in rural areas increased by 15,000, an increase of 65.5 percent. The telecommunications capacity was strengthened, and the telecommunications networks became more automatic. In 1990, 52 counties and cities across the province entered the nationwide long-distance automation networks, and all cities and counties entered the nationwide automatic telegram transmission networks.

5. Commerce, Commodity Prices, Supply, and Marketing

In the Seventh Five-Year Plan, rapid changes were made in the urban and rural markets. The market sales greatly increased in the first three years. Characterized by a sluggish situation, the market gradually became normalized in the last two years of the Seventh Five-Year Plan. The volume of retail sales of commodities in 1990 reached 38.08 billion yuan, an increase of 86.3 percent over 1985 and an average annual increase of 13.3 percent. If price hikes are factored in, the real increase was 3.2 percent. Of the total volume of retail sales of commodities, the volume of retail sales of consumer goods increased by 12.7 percent yearly. Of this, the volume of retail sales of consumer goods sold to households increased by 12.8 percent annually, and that sold to institutions increased by 11.0 percent. The volume of retail sales of agricultural capital goods increased by 15.9 percent annually.

Compared with 1985, the commodity retail sales of state units rose by 92.6 percent in 1990, and their proportion in society's total retail sales increased from 41.2 to 42.6 percent; retail sales of supply and marketing cooperatives rose by 60.6 percent, and their proportion declined from 21.7 to 18.7 percent; retail sales of other collective units rose by 49.0 percent, and their proportion declined from 15.7 to 12.5 percent; retail sales of individual units rose by 115.7 percent, and their proportion increased from 16.5 to 19.1 percent; and retail sales by peasants to non-agricultural residents rose by 162.8 percent, and their proportion increased from 4.9 to 6.9 percent.

The 1990 purchasing volume of commodities totaled 28.25 billion yuan, a 110-percent increase over 1985. Of the total, the purchasing volume of industrial goods rose 150 percent, and that of farm and sideline products by 64.5 percent. Commodities transferred outside the province totaled 4 billion yuan, increasing by 100 percent over 1985; and commodities transferred in from other provinces totaled 7.53 billion yuan, increasing by 59.2 percent. Commodities stockpiled in commercial units totaled 14.7 billion yuan, increasing by 92.6 percent.

Commercial reform was deepened continuously, and the management of commercial units further improved. State commercial units formulated "opinions on further improving the contracted managerial responsibility system" and standards for contracts. By 1990, 3,548 state commercial units enforced the contract system, accounting for 65.7 percent. Other units also enforced the multifarm managerial responsibility system. Meanwhile, the preliminary "outlines of standards for enterprise management" were also worked out for sales of wholesale industrial goods, retail sales of industrial goods, retail sales of nonstaple foods, industrial units run by commercial units, and large- and medium-sized hotels. Supply and marketing cooperatives cooperated with 198 scientific research units within and outside the province to establish 865 contract groups. They signed 16,000 contracts, disseminated 1,059 scientific and technological

achievements, and created 610 million yuan in social benefits. By the end of 1990, 121 county-level service centers, 2,161 grassroots service centers, and 7,853 township and village service stations had been set up.

Market prices rose sharply in the first four years of the plan, but became relatively stable in 1990 thanks to effective measures.

Price changes in the various years of the Seventh Five-Year Plan (calculated by taking the price of the preceding year as 100) were as follows:

Index	1986	1987	1988	1989	1990
General cost of living index	105.7	107.8	118.0	118.7	100.6
Urban areas	106.0	108.2	118.3	115.9	101.2
Rural areas	105.4	107.4	117.8	122.2	99.9
General retail price index	105.2	108.3	118.1	118.4	99.9
Urban areas	105.7	108.3	119.0	115.8	99.9
Rural areas	104.8	108.2	117.5	120.8	100.0

Good results were achieved in the reform of the material supply system. By the end of 1990, all of the province's 1,300 material enterprises had adopted the multiform contracted managerial responsibility system, and established in initial form multi-purpose and open markets for means of production. They established lateral ties with more than 4,000 production, circulation, scientific research, banking, and transportation departments in and outside the province. Throughout the province, 14 material trade centers were established, and their annual transactions totaled 860 million yuan. In addition, 12 rolled steel markets and 2,909 urban and rural material units were established. The scope of market regulation was expanded, and the proportion of materials allocated according to state plans decreased. The proportion of rolled steel allocated according to state plan in the total volume of distribution dropped from 73.8 percent in 1985 to 31.7 percent in 1990; that of coal from 81.1 to 57.1 percent; that of timber from 57.3 to 29.8 percent; and that of cement from 74.5 to 43.0 percent.

6. Foreign Economic Relations, Trade, and Tourism

Foreign export trade expanded continuously. In 1990, the province's total volume of export commodities reached \$1.74 billion, an increase of 33.7 percent over 1985, showing an average annual increase of 6 percent. Of this, exports of commodities of ordinary trades and of "the three forms of partially or wholly foreign-owned enterprises" totalled \$1.26 billion, representing an average annual increase of 15 percent. The import and export commodity structures improved. Among the export commodities, the proportion of finished manufactured goods was noticeably higher than in the Sixth Five-Year Plan. The commodities were marketed on five continents, including more than 120 countries and regions.

We made a big step forward in opening to the outside world and promoted the development of the export-oriented economy. The number of open economic development zones increased from one—Qinhuangdao City—during the Sixth Five-Year Plan, to three cities and 12 counties in 1988, thus forming the Qinhuangdao-Tangshan-Cangzhou economic open zone around the Bohai Bay. The development of the export-oriented economy had already begun. During the Seventh Five-Year Plan, the whole province used \$280 million in foreign capital, which was twice the total amount used before 1985; we established 312 "partially or wholly foreign-owned enterprises," which was 5.6 times the total number in 1985. The importation of technological equipment by means of spot exchange increased by a large margin. Fairly good achievements were also made in contracting for more construction projects and labor services abroad.

The international tourist industry developed steadily. During the Seventh Five-Year Plan, 238,000 international tourists were received, up 100 percent over the Sixth Five-Year Plan. The foreign exchange earnings from tourism reached \$27.87 million, an increase of 570 percent. The domestic tourist industry was just unfolding and was being vigorously developed. In 1990, the number of tourists reached 15.37 million and the revenues they generated totalled 225 million yuan, showing a fairly big increase over 1985.

7. Finance, Banking, and Insurance

Financial revenues increased. In 1990, completed local financial revenues totalled 8.12 billion yuan, up 79.7 percent over 1985, representing an average annual increase of 12.4 percent, or an increase of 6 percentage points over the plan. Of this, the average annual increase of industrial and commercial tax revenues was 12.0 percent, and that of agricultural taxes, 13.6 percent. Local financial expenditures totalled 8.73 billion, up 110 percent over 1985, representing an average annual increase of 15.9 percent. Of this, capital construction expenditures dropped by 43.6 percent from 1985; expenditures for supporting rural production and all sorts of agricultural working funds showed an average annual increase of 20.3 percent; expenditures for cultural, educational, and public health undertakings showed an average annual increase of 15 percent; expenditures for administrative and management funds showed an average annual increase of 13.8 percent; and expenditures for price subsidies showed an average annual increase of 29.7 percent. During the Seventh Five-Year Plan, because of the fairly big fluctuation in economic performance, the problems of production set-up and economic efficiency remained prominent, and the difficult financial situation showed no signs of remarkable improvement.

The role of macroeconomic regulation and control of banking departments was further strengthened, which supported economic development. By the end of 1990, the savings deposits of the industrial, commercial, agricultural, construction, and China banks totalled 55.42 billion yuan, up 35.86 billion yuan over 1985; the total amount of various bank loans totalled 63.13 billion, up 36.51 billion yuan. Banks' cash income totalled 83.23 billion yuan, up 250 percent over 1985; their cash expenditures equalled 82.52 billion yuan, up 240 percent; after revenues are offset by expenditures, the net amount of currency withdrawn from circulation was 710 million yuan.

The insurance business was rapidly developed and the scope of business was further expanded. By 1990, the number of domestic and foreign insurance categories had risen to more than 120, up from 57 in 1985. During the Seventh Five-Year Plan, a total of 520,000 domestic property insurance compensation cases were handled, and more than 700 million yuan in compensation funds were paid. Life insurance compensation was given to more than 700,000 persons, involving a total sum of more than 270 million yuan. During the end of 1990, insurance companies across the province prepared a total of 660 million yuan of compensation funds for paying clients joint property and life insurance programs. This helped enhance the capacity to pay clients in the province.

8. Science and Technology

The number of scientific and technological personnel grew. In 1990, the province's state-run units had 831,000 professionals and technicians in various categories, an increase of 57.5 percent over 1985. Of this number, 344,000 had natural sciences specialties, an increase of 31.5 percent, and 487,000 had social sciences specialties, an increase of 83.1 percent. There were 148 state-owned independent research and development institutions at or above the county level, with a total staff of 12,000, 4,675 of whom were scientists and engineers. Some 28,000 people were engaged in scientific and technical activities in institutions of higher learning, 24,000 of whom were scientists and engineers. The province already established 3,243 popular science associations run by townships and towns, and 386 scientific associations in industrial and mining enterprises, with 780,000 members.

New progress was made in scientific and technological undertakings. During the Seventh Five-Year Plan, the province made 6,801 major scientific and technological achievements. Of these, 244 reached or approached the international level, and 1,513 earned provincial-level awards, an increase of approximately 100 percent over the Sixth Five-Year Plan. The province also earned 54 state invention prizes, prizes for progress in science and technology, spark prizes, and natural science prizes. This number of prizes is among the best in the country for one province. At the second international exhibition on patent technologies and new products, 20 products from

Hebei Province were on display, and 12 of them—or 60 percent—won prizes. At the Fifth National Invention Exhibition, 34 products from the province were displayed, and 18—52.9 percent—won prizes. Gratifying results were also scored in social scientific research.

Scientific and technological research achievements were applied, and notable results were achieved. During the Seventh Five-Year Plan, the province applied and popularized 6,247 scientific and technological achievements, increasing direct economic efficiency by 1.97 billion yuan. Among the 3,322 research tasks covered by the Spark Plan from 1986 to 1988, through the appraisals and acceptance tests for 922 tasks, 70 percent witnessed achievements at the present stage, and realized 1.59 billion yuan in economic efficiency. The province popularized the application of 200 mature and applied technologies, including planting and cultivating fine varieties of crops, technological development of mountain areas, preventing and curing epidemic diseases among animals, poultry, and shrimp. The province planted new varieties of wheat on 19.21 million mu of farmland over three years, increasing wheat output by 600 million kg. The progressive high-speed freezing equipment for aquatic foodstuffs, bearings for the 4500-type rolling mill, the new-type cooling device used in large transformers and some subsidiary products, and the ZR-U [expansion unknown] type electric cable, which prevents burning and is used in mining, filled gaps in China and reached the level of the advance world. In addition, the new craft of baking glazed tiles, materials for artificial bone, the 400 MA three-phase transformer, the GG-22F micro-computer electronics track scale, the No. 425 steel dregs cement, research in reasonable regulation, control, utilization of water resources in water-deficient and salinized coastal areas in Huang-Huai-Hai Plain, research into the quality of wheat seeds, research into the choline chloride mechanism for increasing crop output, and research into the trend of weather changes in Hebei Province in the year 2000 reached an advanced world level.

New progress was made in the reform of scientific and technological structure. By 1990, of the 148 independent scientific research institutions in the province, 143 carried out the director responsibility system, and 70 percent carried out the contract management system and the tenure responsibility system. At the same time, these institutions carried out the contract management system and the personal responsibility system for solving problems. The number of scientific and technological achievements scored during the Seventh Five-Year Plan was much greater than the number scored during the Sixth Five-Year Plan. Some 30 percent of scientific research institutions in the province organized more than 300 scientific research-production integrations and initiated 120 technological and economic entities together with enterprises.

New achievements were made in rejuvenating agriculture with science and technology. An entire social service system was developed in the rural areas. A total of 1,099

scientific and technological service organizations were organized with 12,000 persons transferred from county-level scientific, technological, and administrative departments. More than 2,000 township-level technological and economic service entities were organized with about 30,000 persons. There were more than 10,000 village-level technological service stations, and more than 600 scientific and technological demonstration villages and some 600,000 scientific and technological demonstration households were developed. There were 2,612 technological contract groups with 31,000 science professionals and technicians. They contracted for 26.42 million mu of grain- and cotton-growing areas, 2.499 million mu of land growing forest products, and 25.383 million head of livestock and poultry. The contract groups became the key means for popularizing advanced applicable technologies on a large scale, and they had noticeable economic results and social effects.

The patent system steadily developed, and the technology market was brisk. Service organizations for the technology market increased at a rapid rate, totalling 8,610 at the end of 1990, a 21.8-fold increase over 1985. These organizations employed 48,000 people full-time, a 31.2-fold increase over 1985. In the Seventh Five-Year Plan, 4,979 patent applications were handled, and 1,908 of them were approved. Some 22,000 technological contracts were signed, with a transaction volume of 490 million yuan, and a higher increase was registered. A number of patent items were applied and better economic results were made.

Enterprises further strengthened technological development. Of the province's 576 large- and medium-sized industrial enterprises, 403 had special technological development organizations, an increase of 193 over 1985. In 1990, there were 2,094 technological development items that each involved more than 10,000 yuan. There were 25,000 persons engaged in technological development, and 440 million yuan was spent on technological developments, registering great increases over 1985. Through the implementation of the "Spark Plan," the province made noticeable achievements in rejuvenating the rural economy. In the course of implementing the "Spark Plan," the province held higher-level training classes on 8,992 occasions to educate 411,000 people. Meanwhile, the province also tried every possible means to bring in technologies and skilled people. In the past five years, the province conducted international scientific and technological exchanges and cooperation with more than 30 foreign countries, sent 1,464 science professionals and technicians to foreign countries, invited 1,885 foreign specialists, tackled 639 major technological problems, made 175 scientific and technological findings by applying and assimilating advanced foreign technologies, developed 134 new products, and sent some of its products to the international markets.

More scientific and technological methods were applied in economic construction and in the management of social activities. In the Seventh Five-Year Plan, the

provincial standardization and measurement department arbitrated the quality examination of 577 local products, 3,747 visitors and incoming letters from the masses were received and handled, and 3,565 cases violating the standardization and measurement law were handled. The environmental protection, earthquake, and mapping departments played a positive role in economic construction and social activities.

9. Education and Culture

Enrollment in colleges and universities increased, and the educational structure was readjusted. In 1990, there were 226 postgraduates (including students in doctoral courses) enrolled, a drop of 105 from 1985. There were 698 graduate students, an increase of 171; and 285 graduate students were graduated, an increase of 215. Regular colleges and universities enrolled 24,000 undergraduates and students in special courses, enrollment in regular colleges and universities equalled 76,000 students, and 23,000 students graduated from these colleges and universities; these were increases of 9.6 percent, 30.5 percent, and 89 percent respectively.

Secondary education developed steadily. In 1990, secondary specialized schools enrolled 36,000 students (excluding those in technical schools), an increase of 6.1 percent over 1985. Total enrollment was 108,000 students, an increase of 47.2 percent, and 31,000 students graduated, an increase of 11.9 percent. Agricultural, vocational, and technical schools recruited 41,600 students, a drop of 5.2 percent. Ordinary senior middle schools enrolled 108,100 students, a drop of 2.2 percent.

Elementary education was made universal province-wide, and the conditions for instruction and learning improved notably. In 1990, the province's junior middle schools enrolled 649,700 students, down 6.7 percent from 1985. The primary school attendance rate of school-age children rose from 97.7 percent in 1985 to 99.0 percent in 1990. The number of kindergartens and nurseries increased to 2,031 and accommodated 1.252 million children, an increase of 51.3 percent over 1985. New development was also made in special education for mentally retarded and handicapped children. The conditions for instruction and learning at various categories of schools improved. However, there were still students who dropped out of primary and middle schools in some rural localities.

Adult education developed in the process of rectification. In 1990, institutions of adult higher education took in 162,000 new students, down 43 percent from 1985. There were 92,000 students in adult secondary specialized schools, up 76.3 percent, 1.569 million students in adult technical training schools, and 59,000 students in adult middle schools.

New progress was made in educational reform. Educational reform deepened continuously during the Seventh Five-Year Plan. The province actively tried to popularize the school master responsibility system, experiment with the reform of the management system in some

selected universities and primary and middle schools, and adopted the system of fixed quotas for annual budgetary wages and the system of public invitation for the employment of teachers. The province also achieved new development in establishing an operating mechanism so that schools of higher education served economic construction. The "compulsory education law" was enforced continuously. By 1990, elementary education was made universal in all of the province's 139 counties (cities). Of these, eight counties (cities) met the requirements for the nine-year compulsory education. In rural areas, 12 counties were selected to experiment with education reform.

The people's educational level was raised. According to the census data, the number of the people per 100,000 that had a university education or higher rose from 438 in 1982 to 955 in 1990; the number with a high school education declined from 7,528 to 7,429, and the number with a junior high school education rose from 19,259 to 24,689. The proportion of illiterate and semi-illiterate people in the total population of the province declined from 22.2 percent to 15.2 percent.

Notable achievements were scored in cultural undertakings, thanks to efforts to rectify them while making them flourish. During the Seventh Five-Year Plan, the province produced two movies, 18 science education films in 29 parts, 114 television dramas in 395 parts, and 43 radio dramas in 106 parts. It released 982 new films. A considerable number of the aforementioned films and dramas were praised for both their quantity and quality. The television drama "Bright World" won a special prize for outstanding television drama series, "The Common People," and "The Voiceless World," won second prize for outstanding television drama series, and "January" won third prize for outstanding television drama. In 1989, the province sponsored the Second Wuqiao International Acrobatic Art Festival and the Second Hebei Provincial Opera Festival, in which not only were many programs introduced, but their artistic levels also improved. Compared with 1985, the numbers of movie units and artistic groups declined in 1990 due to the development of television. Other cultural and artistic units and facilities developed in varying degrees. The number of public libraries increased by 17, that of museums by 10, that of radio stations by 51, that of television stations by 31, and that of television transmission and relay stations by 294. In 1990, radio coverage reached 73.1 percent of the population, and television coverage reached 83.1 percent; both showed substantial increases over 1985. In 1990, more books, pictures, and magazines were published than in 1985.

10. Public Health and Sports

Public health undertakings developed steadily and medical conditions improved continuously. By the end of 1990, the province's medical organs had 146,000 hospital beds, an increase of 25,000 beds over 1985. There were 181,000 specialized health and technical personnel, an increase of 27,000 persons. Among them, 87,000

persons were doctors, up 22,000, and 39,000 persons were senior nurses and nurses, up 13,000. During the Seventh Five-Year Plan, new progress was made in the prevention and control of all sorts of infectious, chronic, and epidemic diseases. The number of incidences of disease and the total number of deaths dropped compared with the Sixth Five-Year Plan. At the same time, public health supervisory and monitoring work was strengthened, the medical service quality was further enhanced, and maternity and child-care work further improved.

Sports undertakings developed fairly rapidly and new achievements were made unceasingly. During the Seventh Five-Year Plan, in the major domestic and foreign sports competitions, one of our provincial athletes broke a world record, and 19 athletes broke 23 Asian records on 24 occasions, 81 broke 100 national records on 110 occasions. We captured 293 gold medals, 295 silver medals, and 279 bronze medals. During the 24th summer Olympic Games, our provincial athletes captured one silver medal and three bronze medals, and won China's only plaque for the Asian track and field events. At the second national youth sports games, Hebei ranked seventh in overall score, and won a total of eight gold medals. At the 11th Asian Games, our provincial athletes also made great achievements. Four persons broke six Asian records and two Asian Games records. We captured 10 gold medals, 8 silver medals, and 4 bronze medals. Mass sports activities developed vigorously. At present, 17 counties across the province have been evaluated as national advanced sports counties, and 4.64 million persons attained the state standards for sports training.

11. The People's Standard of Living

The income of urban and rural residents increased continuously, and their livelihood improved gradually. According to a sample survey, the average per capita income for living expenses of urban residents during 1990 reached 1,397.4 yuan, up 766.6 yuan over 1985, representing an average annual net increase of 6.8 percent. The average per capita net income of peasants was 621.7 yuan, showing an average annual actual increase of 3.4 percent. The ratio of high-income residents in urban and rural areas increased yearly. In 1990, the number of better-off households with an average per capita net income of 1,000 yuan or more rose by 12.7 percent; 60 percent of peasant households attained a wealthy level.

Urban employment was further expanded. During the Seventh Five-Year Plan, our province made job arrangements for 1.698 million persons, an increase of 248,000 persons over the Sixth Five-Year Plan. Among the new employees, 717,000 persons had been jobless persons. The number of workers across the province increased by 976,000. Among them, the number of contract workers in state-owned units increased by 521,000 and that of self-employed workers in cities and towns increased by 36,000 persons.

Wages for staff and workers continued to grow. The total bill for wages in 1990 was 12.93 billion yuan, up 122.8 percent from 1985. When allowing for price rises, the actual increase was 40.0 percent. The per capita cash wages of staff and workers was 2,019 yuan, up 87.8 percent, or 18.0 percent when allowing for price rises.

Savings deposits scored large gains in both urban and rural areas. By the end of 1990, the value of savings deposits by urban and rural people totaled 50.46 billion yuan, up 40.17 billion yuan, or 390 percent, from 1985. Of the total, urban savings deposits came to 31.61 billion yuan, up 510 percent, and rural savings deposits were 18.85 billion yuan, up 270 percent.

The living conditions of urban and rural people continue to improve. In 1990, the per capita living space of urban people totaled 9.2 square meters and that of rural people totaled 17.3 square meters, up 2.1 square meters and 3.3 square meters, respectively, from 1985.

Social welfare continued to develop. By the end of the Seventh Five-Year Plan, there were 48,000 beds in social welfare institutions of various types in the province, with 32,000 clients, an increase of 93.3 and 85.9 percent respectively over the Sixth Five-Year Plan. A total of 70,000 childless old people, handicapped people, and orphans were supported by collectives, up 5.0 percent. A total of 319 towns and townships throughout the province established the rural social security system. Urban community service network also developed rapidly, with 5,937 community service facilities established. The conditions for the study and employment of handicapped people continued to improve, and new progress was made in relief and aid-for-the-poor work.

12. Population

According to sample surveys of population changes, the province's 1990 birth rate was 20.46 permillage, the death rate was 6.82 permillage, and the natural population growth 13.64 permillage, increases of 3.36, 1.52, and 1.84 permillage respectively over 1985. By the end of 1990, the province's population totaled 61,588,800, an increase of 6,113,600 over the figure at the end of 1985, and an average annual increase of 1,222,700.

Notes 1. Except for GNP, national income, total product of society, industrial output value, and agricultural output value, all figures in this communique are from the statistics of annual reports.

2. Values of gross output quoted in the communique are at current prices, whereas growth rates are at comparable prices.

3. Base year figures are from the official statistics of the *Hebei Economic and Statistical Yearbook* except for the population figures, which were adjusted according to 1990 population census.

Hebei Economic Zone Targets Overseas Investment

OW0806033591 Beijing XINHUA in English
0105 GMT 8 Jun 91

[Text] Shijiazhuang, June 8 (XINHUA)—North China's Hebei Province plans to attract over 117.8 million U.S. dollars this year involving 108 projects, up 17.9 percent over last year, according to a provincial government official.

The planned projects, which include 34 projects involving foreign loans and 74 foreign-invested projects, will be located in over sixty counties and cities in the province, mainly in the Qinhuangdao-Tangshan-Cangzhou open economic zone.

The zone, which was established in 1988 after receiving approval from the central government, lies in the eastern part of the province near Bohai Bay, and covers 16,900 square kilometers.

During the Eighth Five-Year Period (1991-1995), the province will continue to build ports and other infrastructures in Qinhuangdao, Tanshan City and Cangzhou Prefecture.

The province also plans to construct or expand airports in Shijiazhuang, Qinhuangdao and Tangshan, to further provide links with foreign countries.

In addition, the province plans to turn 80-100 enterprises into export commodity production centers each year, and export commodities valued at over 1.7 billion U.S. dollars by 1995.

The provincial government estimates that by 1995 the province will attract foreign investments of over 600 million U.S. dollars.

Heilongjiang Reports Open Policy Economic Achievements

SK1106041591 Harbin Heilongjiang People's Radio
Network in Mandarin 2100 GMT 10 Jun 91

[Text] By seizing the opportunity for rapid development in Sino-Soviet economic relations and trade, our province has vigorously enforced the economic strategy of setting up economic and technical associations with provinces in the south and of opening itself to the northern foreign countries and has initially formed such an economic pattern. In opening to the Soviet Union over the past two years, the province's eight ports, including Heihe, Suifenhe, Tongjiang, Harbin, Jiamusi, and Xunke, have realized 1.5 billion Swiss francs in their trade volume, which makes the province second in the border trade in the country. The first national economic and trade talks held in Harbin city last summer with the Soviet Union and the eastern European countries pushed the mutual-supplementary economic relation between the PRC and the Soviet Union to a new stage. As of the beginning of 1991, the number of contracts

signed and honored by both sides on economic and technical cooperation reached more than 380. The province's rapid development in its border trade with the Soviet Union has promoted the lateral associations established by the province with the coastal advanced regions. The number of cities across the country, which has set up their offices in the province's border ports, has reached more than 100 and that of economic and technical cooperative projects has reached more than 3,000, which have involved in (¥1.26 billion yuan) of funds and in which more than 2,000 new products have come out and more than 600 economic associations have been established. Through these associations, the province has realized more than 6 billion yuan in its newly increased output value and 1 billion yuan in its newly increased taxes and profits.

Shandong Economic Development Report

SK1406031191 Jinan DAZHONG RIBAO in Chinese
29 Apr 91 pp 2, 3

[Report on the implementation of the 1990 plan for national economic and social development and the draft 1991 plan given by Wang Yuyan, chairman of the Shandong Provincial Planning Commission, at the fourth session of the seventh Shandong Provincial People's Congress on 16 April 1991]

[Text] Fellow deputies:

In line with the proposals of the CPC Central Committee on the formulation of the 10-Year Program for national economic and economic development and the Eighth Five-Year Plan and the spirit of the sixth enlarged plenary session of the fifth Shandong Provincial CPC Committee, the Shandong Provincial government also drew up the 1991 draft plan for national economic and social development while formulating the draft outlines of the Shandong Provincial 10-Year Program for national economic and social development and of the Eighth Five-Year Plan. Entrusted by the provincial government, now I submit a report on the implementation of the province's 1990 plan for national economic and social development and on the proposals for the arrangements of the draft 1991 plan to the present session for discussion.

1. Implementation of the 1990 Plan

The year 1990 was the last year for the comprehensive implementation of the Seventh Five-Year Plan and a year for further carrying out economic improvement and rectification and for deepening the reforms. In line with the 1990 plan for national economic and social development approved by the third session of the seventh provincial People's Congress, governments at all levels acted in close connections with the two major tasks of stabilizing the situation and developing the economy, strived to implement the policy measures for controlling the overall economic balance, appropriately readjusting and cutting back the economic dynamics, and actively

readjusting the structures. Fairly remarkable results were achieved in production and in all sorts of social undertakings. The entire economic situation was developing towards a good direction in the course of economic improvement and rectification. The GNP reached 130.7 billion yuan, up 5.3 percent over the previous year; the national income reached 111.8 billion yuan, up 5 percent. Most of the plans for other targets were fulfilled or overfulfilled in a fairly good manner.

A. There were bumper harvests in agriculture and the rural economy was comprehensively developed. Last year, because the governments at all levels paid further attention to strengthening agriculture, and increased the input of financial and material resources as well as science and technology and because of the fairly abundant rainfalls, all industries, including agriculture, forestry, animal husbandry, sideline production and fisheries witnessed a comprehensive growth. The whole province's agricultural output value totaled 64.75 billion yuan, which was 102.6 percent of the plan. If calculated in terms of the 1980 constant prices, the increase was 5.6 percent over the previous year. The grain output totaled 35.7 million tons, which was 108.2 percent of the plan, an increase of 3.2 million tons; the output of peanuts reached 2.107 million tons, which was 105.4 percent of the plan, an increase of 624,000 tons; the output of cotton was 1,027,500 tons, which was 85.6 percent of the plan, an increase of 2,500 tons; the output of meat was 2.216 million tons, which was 110.8 percent of the plan, showing an increase of 245,000 tons; the afforested areas reached 1.85 million mu, which was 74 percent of the plan, an increase of 125,000 mu. We witnessed a good trend of development in township enterprises in the course of economic improvement and rectification. The total output value of rural, building, transport, commercial and catering industries reached 112.25 billion yuan, an increase of 19.8 percent over the previous year. The input of agricultural funds, reached 1.5 billion yuan according to plan. Actually, 1.52 billion yuan of agricultural funds were used.

B. The industrial sector overcame all sorts of difficulties and maintained a steady growth. The province's total industrial output value reached 219.77 billion yuan, which was 103 percent of the plan. If calculated in terms of the 1980 constant prices, the increase was 13.4 percent over the preceding year. Of this, the output value of industrial enterprises at and above the township level reached 157.34 billion yuan, up 9.2 percent. The development of light and heavy industries were basically harmonious and the basic industries were strengthened. Owing to the changes of market demands, the output of some of the major industrial products increased over the previous year, and some dropped from the previous year. The output of energy and raw materials increased steadily. The output of raw coal reached 59.954 million tons, up 5.3 percent; that of crude oil, 33.506 million tons, up 0.5 percent; that of electricity, 44.64 billion kwh, up 6.3 percent; that of steel, 2.27 million tons, up 7.9 percent; that of soda ash, 766,000 tons, up 53.3

percent; and that of raw salt, 3.084 million tons, a decline of 44.1 percent because of the spells of rainy weather.

The production of most industrial goods for agricultural use and readily marketable consumer goods maintained an upturn. The output of plastic sheets for agricultural use totaled 38,000 tons, up 27 percent; that of chemical insecticides 14,400 tons, up 22 percent; and that of chemical fertilizer 1.429 million tons, basically the same as in the preceding year. The production of stockpiled consumer goods and the consumer goods lesser in demand was limited, and the output of sewing machines, bicycles and tape recorders declined by 10 to 30 percent. Economic and technological norms showed some improvement, and the stable quality improvement rate of products reached 92 percent. A total of 45 products won the state gold and silver medals for fine-quality products, 883 products were named as fine-quality products of the products, more than 4,300 new products were developed, the overall energy consumption per 10,000 yuan of output value dropped by 2.8 percent, and the per-capita productivity of state industrial enterprises which enforced the independent accounting system increased by 2.8 percent. The strained situation in communication and transportation was eased. The local cargo transportation volume was 334 million tons, down slightly from the preceding year, and post and telecommunications transactions totaled 394 million yuan, up 22.5 percent.

C. Investment in fixed assets rose despite the retrenchment policy, and the investment pattern was adjusted. Reducing the scope of investment was an important measure for the economic improvement and rectification. The 1989 investment was reduced by 16.7 percent from that of the preceding year. The 1990 investment was planned to be the same as in 1989. In the process of implementing the plan, however, minor measures were adopted to properly relax the control over the scope of investment in order to invigorate the market, increase demands and support industrial production. As a result, the investment made by the entire society in fixed assets totaled 33.56 billion yuan, up 9.8 percent from the preceding year. Of the total, local investment was 24.83 billion yuan, up 14.3 percent. In the investment made by state units in capital construction, the investment in energy, raw material, cultural, educational and public health undertakings maintained an upturn, with the investment in coal projects rising by 13.2 percent, that in power projects by 6.6 percent, and that in cultural, educational and public health undertakings by 12.3 percent. In the investment made by state units in technical transformation, the investment in energy conservation and product quality improvement projects increased by 65 percent. Key construction projects proceeded fairly rapidly, and the investment in them was implemented fairly successfully. The investment in 67 large- and medium-sized projects under construction totaled 5.73 billion yuan, accounting for 98.4 percent of the annual target, and that in the 12 state key projects

organized by the state to be completed within a reasonably defined construction span totaled 3.1 billion yuan, fulfilling the target. A group of key energy, transportation and telecommunications projects were completed and commissioned one after another, and new production capacity took shape, including 1.92 million tons of coal mining, 1.5 million tons of crude oil extraction, 660,000 kw of power generation, 600,000 tons of soda ash, 1.3 million tons of cement, 21.5 million tons of cargo handling capacity of ports, 989 km of highways, 57,000 local telephone circuits, and 1,810 long-distance telephone lines.

D. Exports grew substantially, and new progress was made in opening to the outside world. The province's volume of commodities purchased for exports totaled 11.29 billion yuan, accounting for 113.4 percent of the plan, and rising by 12.6 percent over the preceding year. Foreign exchange earned from exports totaled \$3.48 billion, accounting for 119.6 percent of the target, and increasing by 13.5 percent. Of the total, the foreign exchange earned from the commodities of local units exported on a contract basis was \$2.09 billion, up 8.9 percent. In the total volume of exports, the proportion of industrial manufactured goods, excluding petroleum, rose from 61 percent in the preceding year to 65 percent. The scope of foreign capital utilization was further expanded. In the year, 691 new contracts for utilization of foreign capital (including the loans of international monetary organizations and the international commercial loans) were signed, the contracted foreign capital totaled \$642 million, and the actual amount of foreign capital used totaled \$390 million. The foreign exchange earned from tourism increased by 43.5 percent.

E. The financial revenues and expenditures were balanced and savings deposits and bank loans increased. The province's financial revenues reached 11.57 billion yuan, which was 100.05 percent of the plan, showing an increase of 6.88 percent over the previous year. The financial expenditures reached 13.029 billion yuan, which was 100.05 percent of the plan, showing an increase of 8.32 percent over the previous year. The province realized a balance between revenues and expenditures. But in the localities, some had a small surplus and some had deficits. The banking departments actively organized savings deposits, and increased loans serving as circulating funds for invigorating the market and for promoting economic upturn. By the end of the year, the total balance of savings deposits amounted to 93.41 billion yuan, an increase of 20.99 billion yuan over that of the beginning of the year. Of this, the savings deposits of urban and rural residents totaled 57.55 billion yuan, an increase of 14.64 billion yuan. By the end of the year, the total amount of loans reached 116.77 billion yuan, an increase of 15.76 billion yuan over that of the beginning of the year. Of this, the loans serving as circulating funds totalled 86.77 billion yuan, an increase of 15.76 billion yuan over that of the beginning of the year. During the year, banks granted 4.05 billion yuan of loans for enterprises to clear up debts, accounting for 31.2 percent of the loans which banks newly added as circulating funds.

F. Market prices were stable and the people's livelihood improved. Commodities were in ample supply. During the first half of the year, the market was sluggish, but after entering the fourth quarter of the year, the sales began to pick up gradually. The total social retail sales of commodities during the year were valued at 57.04 billion yuan, which was 93.5 percent of the plan, showing an increase of 5.4 percent over the previous year. Owing to the noticeable improvements in societal supply and demand, the commodity price rise declined fairly greatly after experiencing vast increases. The general level of retail commodity prices of the whole province rose by 1.8 percent. The actual income of both the urban and rural people increased. The average per-capita income for living expenses of residents in cities and towns reached 1,408 yuan, up 12.3 percent over the previous year; and the average per-capita net income of peasants reached 680.2 yuan, up 7.9 percent.

G. Scientific, technological, educational and all social undertakings developed to a further extent. During the year, we made arrangements for implementing 1,500 scientific and technological development plans, 263 "spark plans," 69 "torch plans," and 14 industrial experimental projects. A total of 2,112 scientific and technological achievements were made, of which 150 attained the international advanced level, 1,148 attained the domestic level, 26 received national scientific and technological progress award, and 11 received the national invention award. We popularized and applied 100 major scientific and technological achievements. In educational undertakings, continued efforts were made to readjust the structure of various areas of learning, and improve teaching conditions. The total student body of ordinary higher educational schools reached 105,800 persons, an increase of 1,900 persons over the previous year; the number of students in all sorts of secondary vocational and technical schools totalled 499,500 persons, an increase of 41,000 persons over the previous year; the school entrance rate of school-aged children across the province reached 98.6 percent, up 0.3 percentage point over the previous year. The public health and medical conditions continued to improve and the number of hospital beds increased by 4,300 to reach 159,600 beds; the specialized health and technical personnel increased by 7,000-odd persons to reach 241,100 persons. Mass sports activities were extensively carried out. Thirty three counties in the whole province were named national sports advanced counties. The radio and television coverage reached 86 percent and 82 percent respectively. The province's natural population growth rate was 11.25 per thousand, which was lower than the national average. But, we still failed to meet the planned demand. The fourth census was smoothly carried out.

Fellow deputies:

The year 1990 was a year marked by many difficulties and fairly great pressure. The achievements we got in national economic and social development were the results of the supervision and support given by the

People's Congresses at all levels and their Standing Committees, as well as the arduous efforts made by the people across the province.

Last year, we emphasized the following work: (1) We correctly handled the relationship between economic improvement and rectification and economic development. Last year was a crucial year for economic improvement and rectification. Based on the tasks of economic improvement and rectification and the conditions for economic development, the provincial party committee and government put forward the principle that we should both maintain stability and give encouragement, should both exercise control and achieve development, and should concentrate efforts to promote the national economy. While making persistent efforts to control the total supply and total demand, we strengthened agriculture, which was the foundation, and stepped up structural adjustment. In this way, we not only fulfilled the tasks of the economic improvement and rectification fairly successfully but also facilitated the economic development of the province. (2) We persistently placed stability above everything else, strengthened ideological and political work, and give full play to subjective initiative. In view of the many difficulties we encountered last year, we stressed efforts to prevent a downturn in ideology despite the downturn in production, and to prevent weakness in spirit despite the weakness in the market. All levels, all departments and most enterprises maintained a good mental attitude, made active efforts to overcome difficulties, and thus enabled the economy to pick up gradually. (3) We tackled major contradictions in an effort to gain the initiative in work. In view of the downturn in industrial production and economic efficiency, the provincial party committee and government regarded the effort to maintain steady growth in industry as the key to economic work, and mobilized forces from all quarters to fight and win a victory in the general war for industrial production by finding out the reasons for the downturn, adjusting the structure, upgrading the level and increasing the efficiency of enterprises. All pertinent departments strengthened the management of production, and all leaders went deep into the grass roots to help enterprises resolve their misgivings and difficulties. This played an important role in stabilizing the enterprises and the economy. (4) We conducted in-depth investigations and study, and strengthened specific guidance. Leading persons at all levels conscientiously implemented the guidelines of the sixth plenary session of the party Central Committee, changed their work styles, and maintained close ties with the masses. The province logged more than 32,000 cadre-visits to plants, rural areas and the grass-roots levels to understand the situation and solve problems. Meanwhile, led by leading comrades of the province, groups were sent to other provinces and municipalities east, south, and north of the province to learn from their advanced experiences. Regarding the work to invigorate the market and the circulation of goods, deepen reform, and open to the outside world, the province formulated a series of policy measures in a timely manner in line with the actual

conditions, and summarized and disseminated some advanced experiences. This played a positive role in guiding the work in various fields. (5) We organized and arranged economic work and, keeping in view the entire process of social reproduction, paid attention to the relationship among the various links of production, distribution, exchange, and consumption, which conditioned one another, and attached importance to both production and circulation. In view of the specific problem of market sluggishness, we improved efforts to control the total supply and total demand by starting with the endeavor to increase the ultimate demand, actively guided consumption, and strove to invigorate and open up the market. In this way, we gradually eased the contradiction that social production was impeded in the links of circulation and consumption, and facilitated circulation in the economy.

In general, the economic improvement and rectification already yielded notable results, and the entire economic situation was good. However, deep-seated contradictions had yet to be fundamentally resolved, and the national economy had yet to be brought to a steady course upwards. Many problems still existed in economic work and the implementation of the plan. Major ones were as follows: (1) Although there was a fairly good harvest in agriculture last year, the foundation of agriculture remained weak, and the capacity to resist natural disasters poor. We must not, in the slightest degree, slacken our efforts in agriculture. (2) The market was sluggish, and too many funds were tied up in stockpiled goods. Last year, the growth rate of commodity retail sales was eight percentage points lower than the growth rate of industrial production. As much as 5.92 billion yuan of funds were tied up in the stockpiled products and manufactured goods of budgetary state industrial enterprises, showing an increase of 32.1 percent over the figure registered early last year. A considerable amount of the newly increased loans to be used as circulating funds were tied up in stockpiled products, manufactured goods and commodities, which caused a shortage of funds. (3) Industrial production rose unevenly after a fall. The production of collective industries and town and township industries rose at a fairly rapid speed. But, the production of state-owned industries, the main body of industry and the major source of the state revenues, increased by only 4.8 percent. In particular, large- and medium-sized enterprises, with many difficulties and without vitality, failed to fundamentally change their passive situation. (4) The structural readjustment was under slow progress. Particularly, the tertiary industry was stagnant, the circulation channels were blocked, and market information feedback was slow. The poor-quality and low-standing products of some enterprises did not suit the demands of consumers at various levels or could not be improved in a timely manner. (5) Enterprises' economic results were reduced. Factored by the external environment and the internal management, the cost of comparable products rose, the profits and taxes were reduced, and the deficits of enterprises increased. The profits and taxes realized by the local budgetary state-owned industrial enterprises were reduced by 17.45 percent from the previous year. (6) Construction funds were insufficient.

Unemployment brought great pressure on society. Restricted by the strained financial situation, departments at various levels could not but defer carrying out their work although they had a lot of things to do.

It is hard to completely avoid creating the aforementioned problems in the course of alleviating inflation. Fundamentally speaking, these problems were, in principle, reflected from the uneven balance between total supply and total demand, the unreasonable structures, the imperfect operational mechanism, and the low quality of enterprises in the past few years. Under the situation where changes took place in the economic environment, there were no sufficient means for readjusting and controlling the macroeconomy, problems were not solved in a timely manner or forcefully, and the economic work did not suit the newly changed situation. We should further promote the improvement of the economic environment, the rectification of the economic order, and the deepening of reforms, and adopt overall coordinated measures for solving problems in a step-by-step manner.

2. Major Tasks and Targets Arranged in the 1991 Plan

The draft outlines of the 10-year program and the Eighth Five-Year Plan of the province sum up the experiences in construction and reforms gained over the past decade; and put forward the major tasks, guiding ideology, strategic goals, and policy measures for economic and social development in the next decade. So, the outlines are principles for guiding us to realize the second-step strategic goal. The year 1991 is the first year to implement the Eighth Five-Year Plan as well as a key year to continuously promote the improvement of the economic environment, the rectification of the economic order, and the deepening of reforms. In line with the ideologies for guiding economic construction, and the tasks and targets as defined in the draft outlines, and the requirements for improving the economic environment, rectifying the economic order, and deepening reforms, this year the province should generally attend to the economic work tasks as follows: We should continuously implement the principle of improving the economic environment, rectifying the economic order, and deepening reforms; take the economic construction as a key link; fully arouse various positive factors; strive to pioneer and invigorate the market, promote technological progress, accelerate the readjustment of structures, expand the scale of opening the province to the outside world; make the national economy gradually embark on the path of sustained, steady, and coordinated development; and make a good start in economic construction in the Eighth Five-Year Plan period and in the next 10 years. To realize the above requirements, we should concentrate our efforts on handling four great matters relating to the arrangement of the plan. First, we should mobilize all forces to further strengthen agriculture.

Based on the 1990 bumper harvests, we should strive to reap a good harvest this year. Second, we should launch, in a down-to-earth manner, the campaign of fixing 1991 as the year of quality, variety, and efficiency; strive to enliven large- and medium-sized enterprises; and concentrate energy on promoting the development of the economy. Third, we should vigorously develop the export-oriented economy, further expand the scale of exports and foreign exchange earnings, and strive to make new achievements in opening the province to the outside world. Fourth, we should accelerate the development of tertiary industry, attach importance to the construction of infrastructural facilities, and further expand and enliven the circulation sphere.

The following are the major targets defined in the 1991 draft plan:

We should adopt every means to raise economic efficiency, and maintain steady growth in the economy. According to the arrangements of the plan, the GNP will increase by 7 percent, national income 6.5 percent, agricultural output value 4 percent, and industrial output value 10 percent.

We should persist in and improve the control over the total supply and total demand, and maintain appropriate growth in the scope of investment and the consumer demand. According to the arrangements of the plan, local investment in fixed assets will be 23.5 billion yuan, up 16.1 percent from the planned figure decided on early last year, and the consumption level of urban and rural people will continue to rise.

We should maintain a basic balance in the receipts and payments of revenues and credit, and control price rises. According to the arrangements of the plan, revenues will increase by 5 percent, bank credit will be kept within the state planned quota, and the increase in the general retail price index will be kept within 6 percent.

We should actively use foreign capital, and strive to expand exports to earn more foreign exchange. According to the arrangements of the plan, the foreign exchange earned from exports will rise by 6 percent, and the amount of foreign capital used will be \$596 million.

We should strictly control population growth. The natural population growth will be kept within 11.5 permillage.

We should further develop science and technology, education and other social undertakings, and intensify efforts to build a spiritual civilization.

3. Major Topics and Work Objectives Outlined in the 1991 Plan

A. We should continue to greatly strengthen agriculture.

Steady growth in agriculture is the foundation for the sustained, stable and coordinated development in the national economy. We should attach great importance to and greatly strengthen agriculture, and combat disasters

to win a bumper harvest. In view of the fairly great harvest last year, we consider this year an average year when working out the plan, but will strive for a new increase when carrying out the plan, and will make particular efforts to ensure an increase in grain, cotton, and oil-bearing seed production to achieve comprehensive agricultural development. In planting, we should stabilize the acreage, and increase the total output with the efforts concentrated on increasing per-unit yields. According to the arrangements of the plan, 121 million mu of grain will be planted and the total output 34.5 million tons; 21 million mu of cotton will be planted and the total output 1.2 million tons; 11 million mu of peanuts will be planted and the total output 2.1 million tons; and the output of fruits will be 3 million tons. Our failure to fulfill the cotton production targets for many years in succession has become a conspicuous contradiction in the current economic activities. We must expand our measures this year to fulfill the planting target. In forestry, we should mobilize all the people to plant trees. This year marks the 10th anniversary of the nationwide voluntary tree planting activities, and we should make a new step forward in the development of forestry. We should earnestly learn from the good experiences of Guangdong and other provinces and municipalities to afford the vast land of Shandong, improve the ecological environment, and benefit the coming generations. The plan arranges that 2.5 million mu of land will be afforested. In animal husbandry, we should optimize the mix of animals and poultry, increase plant-eating animals and poultry, and develop the optimal-scale management. According to the plan, meat output will be 2.1 million tons. In fisheries, we should regard the development of the abundant marine resources of our province as a new field of our agricultural development, actively develop aquaculture and deep-sea fishing, and greatly improve the quality of our aquatic products. The plan arranges the output of aquatic products as 1.7 million tons. In sideline production, we should actively encourage and guide peasants to develop diverse production to increase income. According to the plan, the following measures will be adopted to strengthen agriculture.

1. We should increase the input of funds, attend to comprehensive development, and strengthen the momentum for agricultural development. Under the plan, the input of agricultural funds is 1.6 billion yuan, an increase of 100 million yuan over last year's plan. The agriculture-oriented funds and the agricultural credit funds should also be increased. The city, prefectural, county and township departments at all levels should continue to increase agricultural input. At the same time, we should give guidance to peasants and help them control nonproductive expenditures and divert more funds to agricultural production. In the input of agricultural funds, we plan to use 1 billion yuan for agricultural development, accounting for more than 60 percent. This fund should be mainly used for the development of

Huanghe-Huaihe-Heihe Plain, and Huang He delta; agricultural development experiments in Dongying; comprehensive agricultural development with World Bank loans; and development of poor mountainous areas and Huang He beach areas, and of fishing along coastal areas. At the same time, arrangements will be made for the construction of a group of agricultural and sideline production bases, and township enterprises serving as bases for making agriculture to serve industry and foreign trade. In agricultural development, we must pay attention to efficiency, focus the work on increasing the output of grain, cotton, oil-bearing crops, and meat, keep eyes on raising the comprehensive production capacity, conduct comprehensive economic rectification, combine economic efficiency with social and ecological benefits, and give priority to arranging for key projects aimed at transforming agricultural infrastructural facilities and key items aiming at raising the agricultural comprehensive production capacity.

2. We should vigorously carry out capital construction of farmland and water conservancy projects, and improve the agricultural production conditions. We should unswervingly grasp the work of combating drought and floods and transforming medium- and low-yield fields, and actively build farming areas which give stable and high yields irrespective of drought or waterlogging. First of all, we should attend to the maintenance of the existing projects and building supporting facilities, solve the problems of the outdated water conservancy projects which have long been out of repair, and fully display the efficiency of the existing projects. Meanwhile, we should arrange a batch of new projects badly needed for combating drought and waterlogging, and further raise our capacity to combat natural disasters. The provincial authorities plan to build 48 key water conservancy projects, including 29 water diversion irrigation projects such as the project of the Lijiaan irrigated area with water diverting from Huanghe, and the project of the Bashan Reservoir irrigated area, eight projects for preventing flood and draining waterlogged fields such as the projects in Liangji canal, Qinkou He, and Dawen He, and 11 projects to reinforce large- and medium-sized reservoirs, such as the Xiashan reservoir, Andi reservoir, and Bailang He reservoir. In construction of farmland and water conservancy projects, apart from state investment, we should mainly rely on mobilizing the broad masses of peasants to participate in labor. In the arrangement of funds, we should allocate funds according to the order of priorities, use funds in a concentrated manner and strive to accomplish a few major affairs in a year.

3. We should adhere to the principle of developing agriculture with science and technology, and develop agriculture both in quality and range. We should give emphasis to breeding fine strains, improving cultivation and breeding techniques, and raising the per unit area yield and should organize multilayered and various disciplines of agricultural scientific and technological development projects to tackle scientific and technological problems, and accelerate the popularization and

application of scientific and technological achievements. We should establish and perfect the rural scientific and technological service system and strive to basically build five major scientific and technological popularization and service systems in counties within this year. Continued efforts should be made to grasp the implementation of the "bumperharvest plan," the "Spark Plan," and "the prairie plan," actively promote and perfect various forms of the technical contract responsibility systems, and fully display the role of science and technology in increasing agricultural production.

4. We should successfully carry out production of agriculture-oriented industry and do a good job in the supply of agricultural capital goods. Under the arrangement of the plan, the output of chemical fertilizers is 145,200 tons, an increase of 1.6 percent, that of agricultural chemicals, 14,500 tons, an increase of 0.7 percent, and that of agricultural plastic sheeting, 40,000 tons, an increase of 5.6 percent. We should arrange \$255 million of foreign exchange for the import of materials for agricultural use, an increase of \$54 million over last year's plan. It is necessary to further improve the method of placing agricultural capital goods under exclusive control, and conscientiously solve the problems concerning storing up goods for seasonal use and fixing the wholesale prices and seasonal variations in price. We should enable the newly built and commissioned Jinan nitric acid and phosphate fertilizer plant, and the Ningyang Timiewei agricultural chemicals plant to reach normal production and designed capacity as soon as possible.

We should continue to firmly attend to the construction of the second-phase reconstruction project for the Lunan chemical fertilizer plant and the project for improving the variety of small chemical fertilizer products. We should firmly attend to the pre-phase preparatory work for building the Shandong compound fertilizer plant, and strive to gain state approval for starting the construction as soon as possible. Meanwhile, we should arrange, according to plans, special funds to develop the power industry in rural areas, and strive to further upgrade the electricity consumption level of the rural areas.

5. We should give instructions to and support town and township enterprises, and promote an overall development of the rural economy. The total productivity of towns and townships is planned to increase 12 percent. Of this, total industrial output is expected to increase 13 percent. According to the principle of "positive support, reasonable planning, accurate guidance, and good management," we should ensure a sound development of town and township enterprises. Positive support should be given to the enterprises engaged in the production of foreign exchange-creating products, the products in short supply, energy resources, and key raw materials. It is necessary to not only develop but also improve town and township enterprises. The localities with a better foundation should appropriately develop town and township enterprises with the focus on improving the existing

ones. Town and township enterprises in these localities should concentrate efforts on strengthening management, readjusting structures, and upgrading their quality. The localities that make a late start in developing town and township enterprises should accurately select the orientation of development and accelerate the development of town and township enterprises in line with the industrial policies, market demands, and different actual conditions. We should realistically strengthen leadership over town and township enterprises; pay prominent attention to upgrading their quality, standing, and levels; have them upgrade their economic results on a large scale; and guide and support them to develop themselves to a higher level. At the time of developing industries, the rural areas should pay full attention to protecting cultivated areas, strictly enforce the land examination and approval system, and strive to reduce the occupation of cultivated areas to the minimum and not to occupy good farmland. Urban and rural construction should be controlled within 370,000 mu and the land development is planned to be 430,000 mu. We should ensure there is no decrease in cultivated areas.

B. We should maintain a stable increase in industrial and communications production.

In organizing this year's industrial and communications production, we should put the increase in economic results and the improvement in the quality of enterprises in the first place, strive to make noticeable improvements in major economic targets, and strive to make the quality and variety targets reach or surpass the historical peak levels. The total industrial output value is planned to increase 10 percent. Of this, the total output value realized by the industries at or above the township level is planned to increase 8 percent; and that by local budgetary state-owned industries, 5 percent. The output of major products is as follows: The output of raw coal is planned to be 60 million tons, an increase of 0.1 percent; that of crude oil is 33.60 million tons, an increase of 0.3 percent; the power generation volume is 48.5 billion kwh, an increase of 8.6 percent; the production of steel products is 1.70 million tons, an increase of 10.3 percent; that of soda ash is 819,000 tons, an increase of 6.9 percent; that of salt is 4.30 million tons, an increase of 39.4 percent; and that of yarn is 415,000 tons, maintaining the 1990 planned level. The transportation of freight by localities is planned to be 338 million tons, an increase of 1.2 percent; and the postal and telecommunications transaction volume is 452 million yuan, an increase of 14.7 percent. We should concentratively attend to the following few work tasks:

1. We should further pioneer markets and expand the marketing scale. All levels should realistically strengthen the organizational leadership over the marketing work, conduct market investigations, and ensure the production quotas and promote production according to the marketing situation. We should carry out the marketing responsibility system, fully and vividly implement the policies on encouraging the marketing, and adopt more

flexible measures for encouraging industrial and commercial departments to strengthen cooperation, organize marketing associations, and carry out cooperative management and cooperative marketing. We should adopt preferential measures to encouraging the wholesale sales of goods, further improve service forms, and intensify service in the marketing sphere. We should pioneer in-province markets with the focus on the rural areas, and positively expand domestic markets with the focus on Northeast China, Northwest China, and North China. Commercial and supply and marketing departments should study the laws and characteristics of the rural market supply, organize and send industrial products to the rural areas, and serve the towns and villages. Industrial departments should develop the products that are readily marketable in the rural areas so as to better satisfy the demands of the rural markets.

2. We should strengthen the management and tap the potential of enterprises. We should make more efforts to improve enterprise management in order to improve the quality, increase the variety and raise the efficiency of products. We should establish and improve the regulations and systems for production management, quality control, cost control, financial and material management, rules of production measures, and management of market development to raise our management to a new level. Product quality is the life of enterprises. To improve the product quality of our province, we should set strict demands on enterprises. The provincial government has worked out eight regulations to "expose" low quality products, to circulate notices of criticism of the enterprises found to be unqualified during spot checks, and to cancel the advanced title of the advanced enterprises whose quality declines due to relaxed management and which do not meet qualifications after two successive spot checks. We should also organize the enterprises in which product quality is good to help those in which product quality is poor in order to improve quality. At present, many enterprises encounter a shortage of funds. An important way to solve the problem of funds lies in efforts to greatly tap the potential for fund supplies, reduce funds tied up in stockpiled products and manufactured goods, and with money that should have been collected for distributed commodities, make inventory of warehouse stocks, accelerate fund turnover, and raise the fund-use efficiency. We should conscientiously attend to enterprises' conservation of energy resources and material consumption, strengthen the management of fixed quotas, standards, and measurements, strictly appraise the material consumption norms, and strive to reduce our material consumption to the lowest level we have ever achieved. We should pay close attention to the work for enterprises to reduce deficits and increase profits, and set a time limit for large deficit-making enterprises to reduce and put an end to their deficits. Regarding those that had deficits over a long period of time and are unable to terminate those deficits within the time limit, we should actively encourage them to merge or cooperate with others or, in a few cases, close them down, suspend their production, incorporate them

with others and change their production lines, and should never leave them as they are. We should strengthen the management of the funds owned by enterprises, and their wages, bonuses, subsidies and other expenses, and correct the phenomenon that some enterprises are overtly making money but covertly suffering deficits.

3. We should do a good job in the technical transformation of enterprises, and expedite their technological progress. The plan arranges the investment made by local state units in technical transformation as 3.84 billion yuan, up 16.4 percent, or 540 million yuan, from the planned quota determined early last year. We should strengthen management of technical transformation, and further improve the use of funds. In making investment in technical transformation, we should give priority to the projects of high technology content, mainly the projects designed to conserve energy resources and material consumption, achieve comprehensive utilization, earn and conserve foreign exchange, improve product quality, and develop brand-name and good-quality products. We plan to arrange 120 key technical transformation projects this year. Funds and materials should be mustered to ensure their implementation. In the future, we should also conduct consultation and appraisal for technical transformation projects, use as much new measures, technology, equipment, and materials as possible, and never expand production based on a low level on various excuses. We should do a good job in making scientific research units, and colleges and universities cooperate with enterprises, and develop the scientific research achievements "new in four aspects" so as to facilitate the technological progress of enterprises.

4. We should actively promote the adjustment of the industrial structure, and strive to make a significant step forward. We should continue the adjustment of product mix, which should be conducted in line with the state industrial policy, with the guidance of market demand, and for the purpose of adaptability and development. We should make great efforts to improve the quality and increase the variety of products, and improve their properties. Aiming at catching up with and surpassing the advanced levels of the country and the world, we should greatly develop the products of high technology content and high value added which earn great amounts of foreign exchange, and consume small amounts of energy resources and materials so that our products can be upgraded and updated earlier. We should increase the production of energy resources, important raw materials, agriculture-oriented products, foreign exchange-earning products, and readily marketable consumer goods, limit and reduce the production of the products using low level technologies which consume large amounts of materials and have a limited market, and stop the production of overstocked goods so that our products can comply with the market demand and the multi-level consumption structure.

We should attend to the readjustment of enterprises' organizational structure, promote the lateral and specialized cooperation between enterprises and the development of enterprise associations, and promote the reasonable circulation of production factors and the optimum distribution of natural resources. At the time of consolidating, developing, and improving the existing enterprise associations, more than 100 in total, we should place in the lead advantageous products and backbone enterprises. In the forms of amalgamation, cooperation, contract, and paid transfer of possession, we should organize and establish a number of new enterprise associations, guide increasingly more small- and medium-sized enterprises to develop themselves along with the orbit of specialized cooperation, and upgrade their economic results. Departments at various levels should link the programs for structural readjustment with the requirements as defined in the Eighth Five-Year Plan and the 10-year program.

C. We should reasonably arrange the investment scale and the investment structure, and realistically strengthen the construction of key projects.

The scale of the investment in fixed assets of localities arranged by the state in the beginning of this year is 23.5 billion yuan, an increase of 16.1 percent over the planned figure of last year. Of this, the investment in fixed assets of state-owned units is 8.74 billion yuan, that of collective units is 7.75 billion yuan, and that of individual units is 7 billion yuan. Of the investment in local state-owned units, the investment in capital construction is 2.97 billion yuan, that in technological transformation is 3.84 billion yuan, that in building commodity houses is 1.35 billion yuan, and that in other aspects is 580 million yuan, all showing increases. To further improve the proportion of basic industries and infrastructural facilities in relation to processing industries, we should appropriately concentrate the investment orientation on the development of agricultural, energy resources, transportation, communications, and key raw materials projects, and some export and foreign exchange-creating projects. In regard to the arrangement of projects, we should give first priority to winding-up projects that have been put into operation, or on-going projects. We should concentrate energy on ensuring that the on-going projects which started in the Seventh Five-Year Plan period be completed and put into operation as soon as possible to create beneficial results. Emphasis should be laid on arranging the new projects that conform to the state industrial policies, and have construction conditions and financial guarantees. The coal industry front should focus its efforts on managing the construction of 29 pairs of pits that are under construction, such as the No. 2 Jining coal mine, Dizhen coal mine, and Liangjia coal mine; and start the construction of three pairs of pits, such as the No. 3 Jining coal mine and Baizhuang coal mine. The power industry front should focus its efforts on grasping the construction of such on-going projects as Dezhou Huanglu, Heze, Weifang, Liaocheng, and Linyi power plants and the power

plant in Shengli Oil Field; and increasing 875,000 kw of installed capacity. The raw material industrial front should concentrate its efforts on grasping the reconstruction and expansion of such projects as Jinan polyester fiber plant, Zibo acrylic fiber plant, Qilu ceramic building materials plant, Lunan chemical fertilizer plant, and the Laiwu iron and steel area. The transport and communications front should accelerate the construction of the Jinan-Qingdao highway, Jinan Yaoqiang Airport, and the automatic switching telephone projects of eight cities and prefectures; and start the construction of a bridge over Huang He in Dongming, the Taocun-Weihai railway line, and the Qingdao urban telephone project.

The investment in capital construction of local state-owned units is determined to be 2.97 billion yuan. Of this, the investment in capital construction covered in the provincial budget should be concentrated on such projects as agricultural, forestry, water conservancy, scientific, education, cultural, public health, and urban infrastructural facilities, and some other urgently-needed projects. The province plans to arrange 1 billion yuan of funds for capital construction. Continuously in line with the principle that special funds should be used for special purposes, we should concentrate the capital construction funds on developing energy resources, transportation, and key raw materials projects. According to the requirements for making the poverty-stricken counties extricate themselves from poverty as soon as possible and become financially self-sufficient, as defined in the 10-year program, from this year, the province shall yearly allocate special funds to these counties to help conduct technological transformation and develop new projects among enterprises so as to increase their revenues. To ensure the smooth progress of key projects, we should continue to implement the measures for collecting funds as defined by the provincial government. Meanwhile, we should increase some bank loans and issue some key construction bonds to make up for the deficiency in construction funds.

This year, our province will organize the construction of 12 key projects enjoying top state priority, and 30 provincial key projects which involve a total investment of 4.15 billion yuan. Our construction tasks are fairly heavy. We hope that the departments concerned will maintain close coordination with various cities and prefectures, exert joint efforts, create good conditions for key construction projects and guarantee the fulfillment of the tasks.

We should pay great attention to environmental protection. In urban or rural areas, we must strictly observe the environmental protection law while running plants or carrying out construction projects, persist in "paying simultaneous attention to three aspects of environmental protection," and implement the environmental protection measures for capital construction; in the technological transformation of old enterprises, we must consider improvement of environment and pollution as an important task. The urban polluted water disposal projects

arranged in the plan must be carried out according to plans and efforts must be made to guarantee their completion on time.

We should conscientiously rectify the construction order, raise the investment returns, further strengthen management over capital construction projects, and manage things strictly according to procedures. We must approve and plan the projects after scientific consultation, evaluation, and appraisal. After the approval of projects, we must carry them out strictly according to the approved designs and budgetary estimate. The adjustment of the budgetary estimate must be approved by the principal investment party and be reexamined by the original unit that approves the estimate. After starting the projects, we should concentrate efforts on fighting a good battle and strive to shorten the construction period. We must appropriately arrange investment for construction, and ensure that all projects will be completed and commissioned on time. In the course of construction, we should strengthen inspection and supervision, promptly conduct auditing and monitoring evaluation work, resolutely overcome the phenomenon of sparing neither labor nor money, engaging in extravagance and waste, and spending money in an unrestricted manner. We should consolidate the construction market, resolutely check the illegal acts of recontracting the projects to seek profits, strengthen management over the building of houses sold as commodities in the urban areas and control the construction cost in an effort to facilitate the housing system reform.

D. We should strive to expand foreign exchange earnings through export and accelerate the pace of opening to the outside world.

Under the plan, the total purchasing value of export commodities should increase by 10 percent. If calculated in terms of prices listed in the new plan, the total value should reach 14.8 billion yuan; the foreign exchange earnings from exports should increase 6 percent and should reach \$3.68 billion. We should further emancipate minds, expand measures and strive to achieve new progress in opening to the outside world.

1. We should reform the foreign trade system and expand exports to earn more foreign exchange. This year the state has reformed the foreign trade system, and implemented the new system of "unified policies, competition on an equal basis, independent operation and assuming sole responsibility for one's own profits and losses." This has set higher demands on the foreign export trade business. Foreign trade enterprises should further improve operation and management, formulate an implementation program and support measures for the new round of contracts, strengthen economic accounting, lower operational expenses, and resolutely shift foreign trade business to the new mechanism of assuming sole responsibility for one's profits and losses. We should further readjust the export product mix, expand the export of light textile, machinery, electric,

chemical, and building material industries's manufactured goods, intensive-processed products, and products of additional value, and increase the export of staple commodities, including corn, peanuts, meat, aquatic products, cement, and soda ash. In line with the demands of the international markets, we should try our best to organize the three categories of products arranged independently by the localities for export. We should actively support export enterprise groups as well as large- and medium-sized enterprises. Enterprise groups and large- and medium-sized enterprises with good conditions for earning foreign exchange, great potential for export, and prospects for development must strive to obtain independent export rights from the state and be supported in terms of funds, materials, and foreign exchange so that they will become a new force for creating foreign exchange through export within a short period of time. We should strengthen cooperation between the foreign trade departments and production enterprises, do a good job in information feed-back, strengthen the development of products and the work of promoting the sales of export goods, and actively open up new international markets. Meanwhile, we should actively develop tourism and the export of labor services, and expand foreign exchange earnings from sources other than trade.

2. We should actively use foreign capital. We should strengthen management of the flow of foreign capital, and channel the investment of foreign capital to energy and transportation projects, infrastructural facilities, important raw material production, agriculture, and other industries to be developed on a priority basis. We should establish more enterprises that adopt advanced technology and earn foreign exchange through exports. We should accelerate the technical transformation of old enterprises to promote the technological progress of the traditional industries of our products, and to upgrade and update our products. Projects developed with foreign capital should be arranged on a priority basis. All the projects that are compatible with the industrial policy, and are provided with necessary construction conditions and guaranteed supplies of funds should be included in the fixed asset investment plans at various levels. The plan arranges the total amount of foreign capital to be used as \$596 million. We should make active efforts to successfully operate the existing enterprises in the "three forms of ventures," implement the state and the provincial policies on these enterprises, and enable them to carry out production and management according to international practice. We should support the construction of economic and technological development zones, and give full play to their role as a gateway and model. We should further improve the investment climate, simplify the procedures for screening and approving foreign-funded projects, and raise our work efficiency and service level.

3. We should manage and use local foreign exchange well. Receipt and payment of foreign exchange should be strictly managed according to plan, and its use should be

arranged in such a way that some surplus can be achieved. While ensuring the repayment of the foreign debts that should be repaid this year, we should ensure the imports of agriculture-oriented materials and the raw materials in a short supply on a priority basis, ensure the foreign exchange to be used in technology imports, and continue to strictly limit the imports of ordinary electronic and machinery products and consumer goods that can be produced domestically. The plan arranges the province's foreign exchange expenses to increase by 6 percent over last year. Of the total, the foreign exchange to be used in servicing foreign debts and interest will increase by 17.4 percent, that to be used in importing agriculture-oriented materials by 26.9 percent, and that to be used in importing new technology, equipment and instruments by 100 percent; the foreign exchange to be used in importing undersupplied raw materials for industrial production will increase slightly; and that to be used in importing the goods for market supply will be reduced by 11.2 percent.

Opening to the outside world is an important strategic principle for the modernization drive. Our province has achieved great results in opening to the outside world, but is still lagging notably behind advanced coastal provinces. The provincial government urges all trades and professions to enhance the sense of opening up as a whole, coordinate their own development with the development of the export-oriented economy, and pool their efforts to create a new situation in the multi-layered and all-directional opening of the province.

E. We should strive to achieve a financial balance and invigorate credit funds.

According to the plan, revenues will increase by 5 percent, and a balance between the revenues and expenditures of the year will be achieved. The basis for increasing revenues lies in the efforts to develop production, raise efficiency, and help enterprises, especially large and medium-sized ones, strengthen economic accounting and financial management and increase profits. Meanwhile, we should strengthen the collection and management of taxes, and turn over to higher authorities in a timely manner all the revenues that should be turned over. The retrenchment policy should be applied to expenditures continuously, and the expenditure pattern should be adjusted, with the investment in agriculture, science and technology, and education properly increased, the growth of departments, staff, wages, bonuses, and institutional purchases strictly controlled, and the principle of building up all our undertakings through hard work and thrift adhered to.

The focus of monetary work should be placed on using the available credit funds fully and successfully, accelerating the turnover the funds, raising the efficiency in the use of funds, and invigorating the use of the available funds. According to the plan, the value of savings deposits will reach 111.9 billion yuan by the end of the year, up 18.5 billion yuan from the figure registered early

this year, and the savings of urban and rural people will reach 70.65 billion yuan, up 13.1 billion yuan.

The year-end loans are balanced at 137.4 billion yuan, an increase of 20.6 billion yuan. We should continue to readjust the credit structure, optimize the fund input orientation, ensure there be funds for purchasing farm and sideline products and commodities exported through foreign trade, support the development of such basic industries as energy resources, transportation, and raw materials industries, and support the production of readily marketable products. We should continuously pay firm attention to taking stock of debt chains; comprehensively apply administrative, economic, and legal means to speed up the pace of clearing debts; and strive to make enterprises eliminate their obstacles brought about by debt chains.

F. Markets are brisk, prices are stable, and good arrangements should be made for the people's livelihood and employment.

Along with the new situation where markets tend to be booming and there are increasingly higher demands of goods, we should conscientiously organize the production and supply of the people's daily necessities, and increase the production and sales of foodstuffs for urban dwellers. According to the state unified plan, we should, in a planned manner, readjust the market price structure. The general index of retail sale price increases should be controlled within 6 percent. The 0.5 percentage increase in goods prices as defined by the state for the province should be concentrated on solving prominent problems relating to unreasonable goods prices. We should strengthen the management of market prices and stop the phenomena of arbitrarily raising prices and collecting charges. On the basis of developing production and stabilizing goods prices, we should improve the people's livelihood and strive to further increase the real income of urban and rural dwellers. The wage bills of local state-owned units' staff members and workers is planned to increase 8.1 percent, and the per capita income of the peasants, 8 percent.

This year, the province should arrange jobs for 710,000 people. To maintain social stability, we should regard the proper arrangement of jobs for people awaiting jobs as a great matter and pay attention to it. We should further expand the employment spheres; comprehensively implement the principle of linking job introduction by labor departments with voluntarily organized employment and self-employment, we should vigorously develop labor intensive trades, private economy, and individual sector of the economy; run labor service companies at various levels; and expand the employment capacity. Through various forms, the province should strive to arrange jobs for 400,000 people. To alleviate the pressure on urban employment, we should strictly prevent rural laborers from entering urban areas and strictly stop changing the rural residence registration into an urban one. This year, the state assigns our province to change 110,000 rural dwellers' residence

registration into an urban one. Thus, we must strictly implement the state-assigned target.

G. We should accelerate the development of tertiary industry, and further expand and enliven the circulation sphere.

Although the province has made great headway in tertiary industry since it started to carry out reform and open-up work, the tertiary industry is still a weak link of the national economy. The blocked circulation channels, the imperfect production and service systems, and the low degrees of socialized services are not suitable to the demands of the economic and social development. We must adopt effective measures to attend to the development of the tertiary industry just as what we do to attend to the primary and secondary industries. We should make a unified plan and overall arrangements to develop the tertiary industry. In line with various actual conditions, the province and various localities should firmly attend to the formulation of plans for developing the tertiary industry, bring the development into line with the national economic and social development plan, and conscientiously organize forces to implement them.

We should start with solving the problems relating to the economic development and the problems of severe need relating to the people's livelihood, and gradually develop the tertiary industry among different levels. At present, we should take the circulation of commodities, transport, and postal and telecommunications service as key links; and pay particular attention to enlivening the circulation sphere. First, we should further clear the circulation channels. We should bring into full play the state-owned commercial enterprises, supply enterprises, and supply and marketing cooperatives' role as the main circulation channels, and collective and individual commercial enterprises' key role into better play so as to ensure a smooth circulation of goods between urban and rural areas.

The grass-roots supply and marketing cooperatives should strengthen and expand their service functions, and gradually develop themselves into centers and leading organs of rural socialized service. Second, we should actively cultivate and develop all sorts of markets. In line with the demands of the development of urban and rural commodity economy, central cities and important cities and towns should coordinate the development of comprehensive markets, wholesale markets, specialized markets and agricultural-product markets, and strive to establish a market system marked by a strong radiation power and broad coverage. Third, we should strengthen the building of facilities for the circulation of goods, and gradually end the situation of insufficient and outdated facilities and backward methods. We should include to our plan the building of state depots for grain storage and circulation, and guarantee their construction. Fourth, we should accelerate the building of commercial, catering and service networks, and solve the problems of inconveniences in the

people's livelihood. Meanwhile, we should also accelerate the construction of communications, telecommunications, medical, health, and infrastructural facilities in cities, and actively develop the banking insurance industry in an effort to intensify the comprehensive service functions and enhance the level of socialized service.

In order to promote the development of the tertiary industry, we must adopt positive supporting measures: (1) We must deepen reform, relax policy restrictions, and strengthen the self-accumulation and self-development capacity of the tertiary industry. (2) We should uphold the principle of pooling the efforts of the state, collectives and individuals, broaden the sources of funds, increase investment in the tertiary industry through various channels, and establish funds for the development of tertiary industry such as communications, telecommunications, and commercial networks. The investment in tertiary industry should account for about 35 percent of the state-owned capital construction investment. Within the total scope of loans for technological transformation projects, we should arrange 15 percent for the construction of commercial, catering and service networks each year. (3) We should appropriately readjust the standard of prices and charges of the tertiary industry, expand the scope of fixing the prices by units engaging in tertiary industry, encourage enterprises and units to gear their service facilities to the needs of society, and carry out paid service. (4) We should strengthen organizational leadership over tertiary industry, concentrate financial and material resources on doing several practical things each year. It is necessary to strengthen media guidance, enhance the understanding of the whole society in the development of tertiary industry, and encourage more manpower to participate in the tertiary industry. The industrial and commercial management departments, and the financial, taxation, banking, pricing and urban construction departments should maintain close coordination and actively support the development of tertiary industry.

H. We should further develop scientific, technological, educational and all sorts of social undertakings.

We should more closely combine scientific and technological work with economic development and rely on scientific and technological progress to enhance the technical level of agricultural production. We should expand measures for promoting scientific and technological progress, and complete a batch of projects to tackle scientific and technical problems, and a number of industrial experimental items. Under the planned arrangement, we will carry out 1,380 scientific and technological development projects, 100 "torch plan" projects, 250 "spark plan" projects, 1,200 industrial development projects, and 10 major projects to tackle scientific and technological problems and key industrial experimental projects, and popularize and apply 150 major scientific and technological achievements that yield good efficiency and quick benefits. We should fully mobilize and use the scientific and technical forces of

various sectors, particularly the scientific research forces of scientific research organs and institutions of higher learning at and above the provincial level, organize forces to study high new-technology ahead of schedule, actively carry out projects to tackle major scientific and technical problems, and accelerate the development of high new-technology and the building of five new high-technology development zones in Weihai, Jinan, Qingdao, Yantai and Zaozhuang. Continued efforts should be made to properly arrange for scientific and technological funds and strengthen the building of key scientific research institute, laboratories, and ranks of scientific research personnel. We should arrange 224 million yuan for carrying out "three scientific and technological projects," scientific and technological undertakings and scientific and technological capital construction projects, an increase of 5.15 percent over last year. In addition, according to the provincial plan, we will arrange 10 million yuan of special loans for the development of industrial experimental projects. All sectors should also increase their scientific and technological input.

We should continue to develop all sorts of education at all levels, strengthen elementary education and vocational technical education, further promote nine-year compulsory education, and do a good job in grasping the work of eliminating illiterates who are young or in the prime of life. In ordinary higher education and secondary specialized education, we should further enhance teaching quality, readjust the structure of discipline, adhere to the socialist teaching orientation, and enroll students in line with social needs. In workers' education, we should give emphasis to on-the-job training, and carry out rotational training in a planned manner. This year, the provincial-level higher educational schools plan to enroll 26,200 students, an increase of 2.4 percent; ordinary secondary specialized schools plan to enroll 47,000 students, an increase of 5.1 percent; skilled workers' schools plan to enroll 34,000 students, an increase of 3 percent. In order to alleviate the urban employment pressure, we must pay attention to controlling students from the rural areas in line with the plan. We should continue to rely on social efforts, increase educational input through various channels and forms, and improve teaching conditions. Under the planned arrangements, the province's budgetary investment in educational capital construction is 95.07 million yuan, an increase of 2.1 percent; in the financial expenditure, the educational working fund is 2.238 million yuan, an increase of 5.95 percent. In order to solve the housing problems of young and middle-aged teachers, we add to our plan investment in residential construction for schools.

At present, our province is in the third population peak period. The task of population control is very arduous. In light of the exposed problems in census, we should further implement the family planning policies, grasp the family planning work at grass roots and in backward areas, strictly implement the system of responsibility for

attaining certain population targets, strictly control second births, forbid multiple births, actively provide essential material conditions for the people, and strive to control the natural population growth rate within 11.5 per thousand.

We should extensively carry out mass sports activities, raise all sports level and make good preparations for attending the seventh national games. In medical and health undertakings, we should place emphasis in prevention and rural medical and health care, effectively control epidemic and infectious diseases that seriously harm the health of the people. Cultural, press, publication, radio, and television departments should continue to unswervingly uphold the party's basic line and the correct media guidance, and create and produce more and better intellectual products to enrich the cultural life of the people and to promote the building of a socialist spiritual civilization.

1. We should extensively and deeply conduct "quality, variety, efficiency year" activities.

The seventh plenary session of the 13th party Central Committee proposed that in 1991 we should realistically shift economic work to the orbit of raising economic efficiency, and should try all-out efforts to noticeably improve the production quality, variety and efficiency. The State Council has decided to launch a province-wide "quality, variety, efficiency year" activity this year. The provincial government has made an overall planning, and called on the whole province, from the higher to the lower levels, and all trades and professions to take active action and to tackle the most difficult problems in the course of improving quality, variety and efficiency in an effort to lay a good foundation for fulfilling all plans of this year.

1. We should deeply and extensively mobilize the masses to unify thinking and enhance understanding. It is necessary to actively organize propaganda and mobilization work, adopt meticulous measures to mobilize the people ideologically, educate the broad masses of cadres and the people to deeply understand the major significance of launching the "quality, variety, efficiency year" activity during the first year of the Eighth Five-Year Plan implementation period, boost their sense of being masters of their own affairs and their devotion to work for socialist construction, enhance their consciousness and sense of urgency of the "quality, variety, efficiency year" activity, enable this activity to be realistically carried out in the grass roots and be translated into actual action of all cadres and the masses.

2. We should work out fighting goals and guarantee measures, and ensure the implementation of the goals and measures at each level. The major targets for launching the "quality, variety, and efficiency year" campaign are as follows:

In the aspect of product quality, the quality standards of more than 92 percent of products should be steadily upgraded, 85 percent of the products should pass the

state quality control standards and examinations, the high-quality products should amount to 23 percent of the total products, 600 enterprises at or above the county level should basically attain the overall quality management requirements, and the construction enterprises at or above the county level should eliminate unqualified projects.

In the aspect of varieties of products, we should develop 4,000 new products, produce 2,000 products to fill the province's gap, and ensure that over 80 percent of the newly developed products are put into production.

In the aspect of efficiency, the profits and taxes realized and handed over to higher levels by industrial enterprises should increase by 6 percent, their capital profit and tax rate should increase by 15 percent, the amount of deficits suffered by industrial and commercial enterprises due to poor management should be reduced by 50 percent, the capital used by the finished products of industrial enterprises should be reduced by 30 percent, the turnover of the fixed-quota working funds of industrial and commercial enterprises should be accelerated by more than 10 percent, the content of two charges for per 100-yuan sales income of industrial enterprises and the circulation charges of commercial enterprises should be reduced by 2 percent, the material consumption of industrial enterprises should be reduced by 2 percent, and the energy consumption for producing per 10,000 yuan worth of output value should be reduced by 3.5 percent, and the per capita labor productivity should increase by 2.5 percent.

All departments and units should compare their current performances with their historical peak levels, the advanced levels of the same trades, and the leading levels at home and abroad to find out their weak links and where they lag behind, to define fighting goals, and to assign the goals to each and every workshop, work team, and individual, and to work out realistic and feasible auxiliary measures to ensure the fulfillment of all targets on schedule.

3. Departments and trades should define main work directions closely in line with actual conditions. Agricultural departments should pay prominent attention to popularizing fine varieties of products, the scientific application of fertilizers, and the utilization of agricultural chemicals; and reduce the production cost. Industrial departments should pay prominent attention to increasing the varieties of products, improving the quality of products, and increasing economic results. Transportation, postal, and telecommunications departments should pay prominent attention to accurate, timely, smooth, and safe services. We should fully tap the potential of various transportation means, reduce links and cost, and comprehensively upgrade the transportation capacity. Commerce and service trade should pay prominent attention to improving their management style and upgrading their service quality, and strive to improve the supply of commodities. Construction departments should pay prominent attention to the

quality of construction projects, shorten the construction periods, reduce the construction cost, and strive to create first-class projects. State organs should pay prominent attention to improving their work style, strengthen the improvement of administrative honesty, upgrade work efficiency, persistently handle administrative affairs according to laws, be geared to the needs of the grass roots, and render good services to the people.

Fourth, we should realistically strengthen organizational leadership, carefully make organizations, and firmly attend to the implementation of the work. The provincial government urges that leading cadres at various levels should take the lead in going deep to the grass roots, give specific guidance, timely sum up and popularize good experiences and good methods, and solve problems, if discovered, in a timely manner. Organizational and auditing departments should audit the economic results of enterprises so as to promote a smooth progress of the campaign of fixing 1991 as year of "quality, variety, and efficiency."

J. We should positively perfect and deepen reforms.

In line with the requirements for setting up an operational mechanism of linking planned economy with market regulation, we should strengthen the leadership over reforms, arrange the reform work in a unified and coordinated manner, and make efforts to promote the progress of reforms.

It is necessary to continuously stabilize the rural reforms, to perfect the system of contracted responsibility on a household basis with payment linked to output, to stabilize land contracts, to perfect the contract systems, and to further define the relation between rights and obligations. We should perfect the system of linking centralized management with decentralized management, positively develop the socialized service system, gradually expand the strength of the collective economy, better link the superiority of centralized management with the enthusiasm of the households engaged in contracted management, give full scope to their strong points and avoid the weakness, and make the collective economy and individual economy promote each other. We should continue to reform the system of circulating farm products, develop, in a well-planned manner, farm products wholesale markets, gradually develop futures trade, promote a direct connection between production and marketing, and further encourage and guide the peasants to enter the circulation sphere.

We should make active efforts to build the service entities that coordinate industrial and agricultural production with foreign trade, and that integrate production, supply, and marketing in a coordinated process so that the commodity production carried out by thousands upon thousands of units can be channeled into the track of the planned commodity economy. We should gradually establish integrated and coordinated service networks with county-level service units as the guide, with service units at town and township level as the backbone,

and with village-level service units and the service units run by peasants as the main body. We should truly relax those restrictions that have been relaxed on the businesses that produce farm and sideline products, and we should strictly prohibit regional barriers so as to provide a good market environment for the development of the rural economy.

In enterprise reform, we should continue to invigorate enterprises, especially state large- and medium-sized enterprises. The provincial party committee and government have formulated a 20-article regulation on invigorating large- and medium-sized enterprises, calling for efforts to unfailingly enforce the "enterprise law" and give full autonomy to enterprises. We should examine the various powers that the state and the province have granted enterprises, immediately return to them the powers that have been recalled or withheld, and grant them the powers that have not been given. We should further improve the enterprise management mechanism and deepen the coordinated reforms within enterprises. We should persist in the contracted managerial responsibility system and the director (manager) responsibility system, improve the economic responsibility system within enterprises, intensify efforts to improve the leading bodies and the contingent of staff and workers of enterprises, and improve the system for staff and workers to exercise democratic management. We should adopt positive and effective policy measures to enhance enterprises' ability for self-development. We should properly raise the fixed asset depreciation rate of some selected enterprises; continue the method of giving loans only after the former loans have been recalled and giving more loans to the units that repay with regard to technical transformation loans; improve the system for supplementing the circulating funds of enterprises; further reduce the scope of mandatory plans; and properly give more power for enterprises to fix prices by themselves so as to increase their vitality and vigor. We should continue to support state large- and medium-sized enterprises with the supplies of energy resources, raw materials, funds, and foreign exchange. We should continue the policy of encouraging large- and medium-sized enterprises to tap potential and increase income. We should do a good job in the circulation of capital and in having each unit make up the other's deficiency from its own surplus. All levels and all departments should provide good service in the development of large- and medium-sized enterprises, and they should further improve the business conditions and external environment for enterprises.

We should resolutely check the unauthorized collection of fares, fines, and donations in order to reduce the burden on enterprises and the masses and to protect their legal rights and interests. Based on the requirements of the State Council and the guidelines of the resolution of the provincial People's Congress standing committee, the provincial government has made a decision and organized a special department to straighten out the unauthorized collection. All the fares, fines, and

donations that do not conform to state regulations will be canceled group after group within a definite time.

In the reform of the macromanagement system, we should gradually establish a macroeconomic regulation and control system that is based mainly on state plans and coordinated with economic, administrative, and legal means. We should further rectify the relationship among planning, financial, banking, and other economic departments, and give play to the role of planning departments in carrying out overall balancing, implementing the state industrial policy, and balancing and coordinating economic levers. Meanwhile, we should do a better job in the experiment with deepened reform in selected units. In the housing reform, we should expand the experiment, summarize the experiences, and popularize them gradually. We should also do a good job in the experiment with the reforms in the social security system and other fields, and make explorations actively.

Deputies!

Three and a half months have already passed this year, and implementation of the plan has been fairly good. Market sales continue to rise, industrial production registers overall growth, exports also continue to increase, and an upsurge in spring production has been created in rural areas. Such a good trend shows that the economy as a whole is developing in a good direction. Although we still face many difficulties, and the tasks of this year's economic improvement and rectification and economic development remain very arduous, we believe that under the leadership of the provincial party committee, and with the supervision and support of People's Congresses at all levels and their standing committees, we will be able to comprehensively fulfill the 1991 economic and social development plan if we carry out all fields of work in a down-to-earth manner, rely on the people throughout the province, and work hard with all-out efforts.

Vice Mayor Gu Chuanxun Maps Out Shanghai Development Plan

*OW0605021891 Beijing XINHUA in English
0155 GMT 6 May 91*

[Text] Shanghai, May 6(XINHUA)—Shanghai, China's largest municipality, will continue its economic policy of opening to the outside world and will strive for even greater local economic achievements.

During the Ninth Municipal People's Congress, which was held here late last month, vice mayor Gu Chuanxun outlined Shanghai's plan for economic development during 1991.

Gu said the city will put forth even greater effort to expand exports and the utilization of foreign capital. New trade channels will be explored, and more enterprises will be granted the right to undertake foreign trade.

Statistics show that over the past decade the city has exported commodities valued at over 40.7 billion U.S. dollars, and has attracted over 3.11 billion U.S. dollars of foreign loans—both amounts are greater than any decade in the city's history.

A large number of advanced technology enterprises have been set up in the Minhang, Hongqiao, and Caohejing areas. Preparations are now underway for developing the Pudong area—on the eastern bank of the Huangpu River.

Shanghai is expected to export commodities valued at over 5 billion U.S. dollars during 1991, thereby maintaining the 1990 level, according to Gu.

The investment focus for the year will continue to the Pudong area, he added.

The 1991 industrial output value is expected to increase by 4 percent.

Gu said that industrial production will coincide more closely with market demand. Production of major products, such as chemical fertilizers, color television sets and refrigerators, are expected to increase from 11 to 23 percent. In addition, production of the locally produced Santana automobile will be increased to 30,000 units, a significant 61.8 percent increase.

In 1991, the government will also strive to narrow the gap between revenue and expenditures, and the city revenue is expected to experience a mild 1.4 percent increase and reach 16.5 billion yuan.

Concerning agriculture, the vice mayor said the government will allocate additional funds to achieve a steady increase in the production of grain, vegetables and side-line products.

In a bid to improve the livelihood of its residents, the Shanghai Government is also planning to invest more to resolve problems related to housing, the gas supply, transport and price controls.

FINANCE, BANKING

Shanghai Branch of Japanese-Based Bank Opens for Business

*OW0106020391 Beijing XINHUA in English
0120 GMT 1 Jun 91*

[Text] Shanghai, June 1 (XINHUA)—The Shanghai branch of the Sanwa Bank Ltd., a Japanese-based bank, opened for business earlier this week.

The branch, which opened Tuesday, is the first foreign-funded bank branch established in Shanghai, China's largest industrial city. It is also the first Japanese bank branch to be set up in a mainland area other than the special economic zones.

Sources from the new bank branch said that the branch is expected to promote the development of foreign-funded enterprises, especially the Japanese-funded enterprises in Shanghai, and Shanghai's local enterprises.

The establishment of the Japanese bank branch was approved by the People's Bank of China on 13 April.

Bank of China Says Nation Able To Pay Debts

HK1006101891 Hong Kong AFP in English 1015 GMT 10 Jun 91

[Text] Basle, Switzerland, June 10 (AFP)—China continues to borrow heavily but has the full confidence of creditors because it is able to honour its commitments, the deputy governor of the central People's Bank of China, Chen Yuan, said here on Monday.

"Our borrowings climbed quickly last year despite restrictions imposed by the G7 (Group of Seven) countries," he said outside the general meeting of the Bank for International Settlements (BIS).

The G7 groups Britain, Japan, France, the United States, Germany, Italy and Canada.

Most western countries suspended their economic aid to China in response to the massacre of demonstrators in Tiananmen Square in Beijing in June 1989. But the measures were lifted progressively in 1990 and at the beginning of 1991.

China has foreign debts of about 50 billion dollars, and the servicing of the debt accounts for less than 15 percent of gross national product, he said. On the basis that servicing may account for 20 percent or 25 percent of gross national product, China is still well within its borrowing capacity, he said.

"I believe that China is one of the best borrowers," in the Third World he said. "We have an excellent reputation and we are sure that we shall honour our financial commitments scrupulously."

There was no question of China seeking a reduction of its debt.

But "we understand the special situation of Poland and of Egypt" which recently obtained an unprecedented reduction of 50 percent of their public debt, he said.

Other such reductions would have to be made for other Third World countries in Africa, and Latin America, and for India and Bangladesh, he said.

Experts Prove Southeast Rich in Mineral Resources

OW2106043491 Beijing XINHUA in English 0119 GMT 21 Jun 91

[Text] Beijing, June 21 (XINHUA)—Chinese experts have proved that the southeastern part of China is rich in mineral resources within two mineral belts.

The first belt is rich in silver, lead, zinc, and tin minerals in the coastal areas of Zhejiang, Fujian, and Guangdong provinces, while the second abounds in gold and copper resources in the central part of Zhejiang and the western part of Fujian.

Now, a number of mines, including the Shanghang Gold and Copper Mine in Fujian and the Houpyou Tin Mine in Guangdong have been proved very promising.

The conclusion was made by scientists of the Nanjing Mineral and Geology Institute and other 23 related departments after five years of work.

China's southeast continent, covering an area of 150,000 square kilometers, has also been proved to be rich in nonmetal minerals. The proved varieties of nonmetal minerals have reached 49, 54 percent [as received] of the total in the country.

Ranking among the first five places in the country are 25 nonmetal minerals including pyrophyllite, alumstone, zeolite, fluorite, kaolin, and glass sand.

INDUSTRY

Japanese Computer Firm Begins Production in Dalian

OW1005091091 Beijing XINHUA in English 0808 GMT 10 May 91

[Text] Dalian, May 10 (XINHUA)—The Star Micronics Manufacturing (Dalian) Co, Ltd, a solely Japanese funded computer firm recently began production in Dalian, a northeastern coastal city in Liaoning Province.

The company, which is the largest company of its kind in China with sole Japanese investment, is also the third overseas enterprises formed by Japanese Star Micronics Co Ltd, following other enterprises in Britain and South Korea.

The company, which required a total investment of over 13 million U.S. dollars, now has six production lines producing mainly computer dot matrix printers, and some related parts. The company's designed annual output is 600,000 printers.

Star Micronics products will be sold mainly in Japan, the United States and European markets and annual exports are expected to surpass 73 million U.S. dollars.

Sato Seiiche, company president, said that the contracted term of operation in China is 30 years, and the company will soon expand production activities.

Technology Aids Guizhou's Chemical Industry

OW0106015991 Beijing XINHUA in English
0116 GMT 1 Jun 91

[Text] Beijing, June 1 (XINHUA)—The output value of the chemical industry in Guizhou Province, southwest China, increased at an average annual rate of 10.9 percent to 417 million yuan during the Seventh Five-Year Plan period (1986-1990).

The Guizhou Chemical Industry has now developed into a mainstay of the province's industries since it began to adopt new and advanced technology. The industry completed 68 key technological projects from 1986 to 1990.

At present, all of the province's 104 chemical enterprises have formed either special technological organizations, research institutes or technological development centers.

Statistics show that the per capita labor productivity of the industry's over 60,000 employees increased from 13,387 yuan in 1985 to 18,000 yuan last year.

Construction of Zhengzhou Hi-Tech Zone Underway

OW0306085891 Beijing XINHUA in English
0640 GMT 3 Jun 91

[Text] Zhengzhou, June 3 (XINHUA)—A number of experts from universities and institutes recently met in Zhengzhou, the capital of Henan Province, to discuss the establishment of 74 ventures in the city's hi-tech industrial zone.

The Zhengzhou Hi-tech Development Zone, which was recently approved as a national hi-tech zone by the State Council, is the first of its kind in the province. Construction of the zone, which is part of the Zhengzhou Economic Development Zone, began in late 1988.

Infrastructure construction, including highways, and telecommunications, and water-supply projects, have been completed on 20 hectares over the past two years.

Thus far, 26 projects have been approved for the zone, and five are currently under construction.

Shanghai's Industrial Output Continues To Rise in May

OW0406175791 Beijing XINHUA in English
1438 GMT 4 Jun 91

[Text] Shanghai, June 4 (XINHUA)—Last month Shanghai generated 16.779 billion yuan in industrial output value, an increase of 1.7 percent over the previous month and 9.8 percent over the same month last year, according to statistics released today by the municipal statistics bureau.

The city's industrial output value has kept increasing in the past few months. From January to May this year, it generated 77.641 billion yuan of industrial output value, marking a 11.3 percent increase over the same period last year.

The city's large and middle-sized enterprises have tided over the difficult time, and are recovering under the direction of a series of state economic policies.

A significant factor contributing to the industrial increase was a timely readjustment of product mix. The city's output of bicycles, watches, color TV sets, electric fans, air conditioners, beer, dairy products, cement, tractors and computers has all grown by 10 percent each in May.

Guizhou's Industrial Production Increases Steadily

HK1006123291 Guiyang Guizhou People's Radio
Network in Mandarin 2200 GMT 6 Jun 91

[Text] In May, our province's industrial production increased steadily. Industrial production output above township level in the province reached 1.882 billion yuan, an increase of five percent over April, and up 6.8 percent over the corresponding period last year. The January-May accumulated industrial production output value was 8.32 billion yuan, an 8.1 percent increase over the same period last year.

Since this year, industries under ownership by the whole people have been steadily increasing their production around the quality, variety, and efficiency year activities, so that industrial production this year can be improved markedly. In particular, large and medium enterprises have played their role as a main force.

In the face of various difficulties currently facing industrial enterprises, enterprises including Guiyang Vehicle Plant under the Ministry of Railways, Guiyang [words indistinct] Factory, Guiyang (Hongxing) Tractors Plant, (Tiesheng) Machine Tools Plant, Guozhou Cement Plant, and others neither wait for the assistance of others, nor rely on the state. With a lofty sense of responsibility, they make great efforts to improve themselves, and tap their own internal potentials to open up markets to explore ways for invigorating enterprises. They have contributed to the eight percent increase maintained by industry in our province.

At present, the main problems arising in our province's industrial production are still product overstocking, decline of efficiency, and strains on funds. The overstocking of cigarettes, knitting wool, gunny bags, [words indistinct], crude coal, coke, pig iron, aluminium, phosphate fertilizer, phosphate rocks, and others is comparatively serious. There is a tendency of increase with regard to funds held up by them. Product overstocking has aggravated the shortage of funds and curbed the development of production. The departments concerned should pay close attention to all this.

Guangdong Sees Industrial Growth First 5 Months

HK1006135291 Guangzhou Guangdong People's Radio Network in Mandarin 0400 GMT 7 Jun 91

[Text] Figures provided by the provincial statistics bureau show that during the first five months of this year, provincial industrial enterprises have gradually improved their economic performance while maintaining sustained growth.

According to the statistics, the gross industrial output value of industrial enterprises at the township level and above for the first five months hit 77.835 billion yuan, showing an increase of 27.1 percent over the same period last year.

The gross output value of export commodities amounted to 21.995 billion yuan, increasing 27.2 percent.

With the drive to make 1991 a year of quality, variety, and efficiency proceeding in depth, the provincial industrial enterprises have begun to improve their economic performance. In the four months from January to April, the budgeted profits and taxes realized by provincial industrial enterprises reached 2.020 billion yuan, an increase of 31.9 percent over the same period last year with losses declining 16.3 percent.

Sino-Belgian Textile Hi-Tech Meeting Opens in Hangzhou

OW0906210391 Hangzhou Zhejiang People's Radio Network in Mandarin 0900 GMT 8 Jun 91

[Text] A Sino-Belgian textile industrial meeting to exchange advanced new technology opened in Hangzhou on 8 June. Initiated by Belgium's [Estili] Corporation, the meeting was organized by the China Textile Machinery and Technical Import and Export Corporation. The meeting participants will concentrate on exploring and discussing new techniques, technology, and development trends for international woolen textile equipment, and at the same time will negotiate an agreement on the establishment of a center for the importation and repair of woolen textile equipment in Hangzhou by the Belgian [Estili] Corporation.

The textile trade is one of our province's major industries included in the plan for technical transformation. An all-round international competition in high technology is under way in the world. Belgium is the world's most advanced country in manufacturing woolen textile equipment. The Hangzhou No. 1 Woolen Textile Plant has imported equipment from the [Estili] Corporation to promote its technical transformation.

The Belgian ambassador to China and his wife, the manager of the Belgian [Estili] Corporation, other foreign guests, and Vice Governor Chai Songyue attended the opening ceremony of the meeting.

Industrial Production Experiences Steady Growth

OW0806142391 Beijing XINHUA in English
1256 GMT 8 Jun 91

[Text] Beijing, June 8 (XINHUA)—China's industrial output increased by 13.3 percent to 915.2 billion yuan during the first five months of this year, the State Statistics Bureau announced here today.

Statistics show that the output of the state-owned sector increased by 8.9 percent, the collective sector by 19 percent and rural industry by 31.6 percent from January to May.

In May, the average daily production output value stood 6.78 billion yuan, with the monthly output totaling 203.4 billion yuan, up 13.3 percent over the previous month.

Industrial officials said that electrical machinery production was up thanks to the recovering investment demands. However, they warned that the industry was still in the recovery stage. Steel, pig iron, rolled steel and other products grew at lower rate than other industrial products, they said.

The consumer goods market has returned to normal with the stable production of light and textile products. In the first five months, the production of bikes increased by 19.1 percent, color TV sets by 47.9 percent, recorders by 14.5 percent and electrical fans by 12.2 percent, according to the statistics.

The first four months saw a 32 percent increase in the sale of agricultural machinery.

Analysts said that the industrial growth of the past five months is higher than the average growth rate of the past few years, but noted that market sales are still weak compared with industrial growth.

Construction of High-Tech Zone in Shaanxi Begins

OW1106084291 Beijing XINHUA in English
0700 GMT 11 Jun 91

[Text] Xian, June 11 (XINHUA)—Construction of a development zone geared to the production of new and high technology broke ground this week in Xian, capital of northwest China's Shaanxi Province.

This is one of 26 new and high-tech development zones approved by the State Council.

The zone, covering 16 sq km in the southern suburbs of Xian, will be divided into two parts. The eastern part, which is 20 ha in area, will house the zone's energy supply, services, management and production centers. Meanwhile, a number of scientific research institutions and an electronics production center will be located on the western side.

The zone will cost an estimated investment of one billion yuan. Plans for the first phase construction for both the eastern and western parts have been drawn up.

Construction on the energy supply center, some factory workshops with a total floor space of 30,000 sq m, a residential quarter and other auxiliary facilities will begin this year and be completed by the end of 1993.

Chemical Industry Target Met in First 5 Months

HK1306030991 Beijing CHINA DAILY in English
13 Jun 91 p 2

[By staff reporter Xu Yuanchao]

[Text] The petrochemical industry, one of the mainstays of China's national economy, has fulfilled the State plan for pre-tax profits, earning 7.84 billion yuan (\$1.5 billion) in the first five months of this year.

A spokesman from the China Petrochemical Corporation (sinopec) said the industrial output value had totalled 29.1 billion yuan (\$5.6 billion) by the end of May, a near six percent increase over the same period last year.

He said the industry refined 40.26 million tons of crude oil. The output of petrol, kerosene, diesel oil and lubricating oil reached 19.45 million tons, nearly the same as last year.

In the production of chemical fibres, output of 13 major products had reached or outstripped State targets.

Of all chemical products, production of synthetic rubber, methanol and alkylbenzol had fulfilled the State plan with about 30 days to spare.

The output of ethylene in May was the highest for the past five months, during which the industry had turned out 682,000 tons, a 13.4 percent rise over the same period last year. Production of plastics was up by 24 percent to 677,000 tons, the spokesman said.

Chemical fertilizer production was maintained at the level of last year. From January to May, the industry produced 1.3 million tons of synthetic ammonia and 2 million tons of urea.

The corporation, which has 69 enterprises and subsidiary organizations throughout the country, expects a five percent increase in industrial output value this year, to reach 46.4 billion yuan.

Output of Textiles in May

HK1706105291 Beijing CEI Database in English
17 Jun 91

[Text] Beijing (CEI)—Following is a list of the output of major textiles in May 1991, released by the China State Statistical Bureau:

Item	Unit	5/91	5/90
Yarn	10,000t	43.24	38.95
Yarn	10,000pc	241	217
Cloth	100m.m	15.64	15.41
of: pure cotton	100m.m	9.14	8.87
chemical fiber	100m.m	1.69	1.76
Silk	10,000t	0.47	0.41
Silk fabric	100m.m	1.47	1.36
Woolen fabric	10,000m	2313	2181
Knitting wool	10,000t	1.63	1.53
Gunnysack	10,000pc	5729	6266
Garment	100m. pc	2.07	1.81

Notes: m.m—million meter, pc—piece, t—ton, m. pc—million piece.

Light Industrial Value by Area in May

HK1806105291 Beijing CEI Database in English
18 Jun 91

[Text] Beijing (CEI)—Following is a list of the light industrial value by area in China in May 1991, released by the State Statistical Bureau:

Area	(Unit: 100 million yuan)	
	5/91	Change over 5/90 (PC)
Total	979.83	15.6
Beijing	27.42	8.4
Tianjin	26.54	-3.1
Hebei	35.93	12.6
Shanxi	10.84	8.7
Inner Mongolia	8.97	0.9
Liaoning	38.86	6.6
Jilin	19.18	2.5
Heilongjiang	23.85	6.4
Shanghai	79.57	8.3
Jiangsu	129.99	20.8
Zhejiang	77.82	28.6
Anhui	28.63	15.6
Fujian	25.48	17.0
Jiangxi	16.95	14.5
Shandong	83.71	10.8
Henan	36.25	16.9
Hubei	42.32	13.5
Hunan	28.05	11.0
Guangdong	115.36	27.4
Guangxi	15.24	11.8
Hainan	2.31	16.1
Sichuan	49.69	31.8
Guizhou	7.16	1.4

Area	(Unit: 100 million yuan)	
	5/91	Change over 5/90 (PC)
Total	979.83	15.6
Yunnan	15.05	11.2
Tibet		
Shaanxi	16.75	18.4
Gansu	6.64	5.9
Qinghai	1.67	16.0
Ningxia	1.44	0.7
Xinjiang	8.13	17.7

Note: Industrial output value is measured in 1990's constant yuan.

Textile Industry Opens Key Projects for Foreign Input

HK1606034091 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 16 Jun 91 p 1

[By staff reporter An Weihong]

[Text] China's textile industry will use foreign technology and capital to speed up production of chemical fibre in the coming five to 10 years.

Ji Guobiao, Vice-Minister of the textile industry, told BUSINESS WEEKLY during an exclusive interview last week that during the country's Eighth Five-Year Plan (1991-95) the ministry would open many of its key chemical fibre production projects to overseas cooperation in terms of technology, equipment and investment.

The key projects include the expansion of large- and medium-sized raw material plants, the construction of five acrylic fibre projects in Fushun, Zibo, Qinghuangdao, Maoming and Ningbo, with a combined production capacity of 165,000 tons of acrylic fibre a year, and several polyester projects.

The second-stage construction of the Liaoyang petrochemical complex and the third-stage construction of the Yizheng chemical fibre corporation are among the most important items on the industry's development list.

The capacity for the Liaoyang project is expected to be 225,000 tons of purified terephthalic acid (PTA) and 200,000 tons of polyester fibre a year. For the Yizheng project the goal is 250,000 tons of PTA, 60,000 tons of polyester and 20,000 tons of polyester filaments a year.

Cooperation with big foreign companies is already under way, Ji said, giving the Guangzhou Yamei Polyester Corporation and the Anqing Acrylic Fibre Corporation in Anhui Province as examples.

The Guangzhou project, a joint venture between three Guangzhou corporations, the Chemtex International Corporation of the United States and the Marubeni Corporation of Japan, will introduce the technology of Japan's Toray Lit and equipment from the United States' Du Pont Company.

The project, which has just been agreed, has a designated capacity of 60,000 tons of polyester a year, with a total investment of \$600,000.

The Anqing project, set up with a credit loan of \$100 million from the Asian Development Bank, has a capacity of 50,000 tons of acrylic fibre a year.

Ji said the industry had imported more than \$3 billion worth of technology and equipment since the 1970s and the effort would be intensified in the future.

The completion of all these projects would boost the industry's capacity from the present rate of 70 percent to 80 percent in 1995, Ji said.

The industry now depends on imports for one-fourth of its chemical fibre supply, with an average of \$2 billion spent every year during the past five years.

However, Ji said, the industry would continue to import raw materials to meet the fast-growing domestic demand.

China's chemical fibre output stood at 1.65 million tons last year, amounting to 30 percent of the total fibres (chemical and natural) it produced.

The general output of chemical fibre, as the newest and most energetic component of the country's textile industry, is expected to reach two million tons in 1995 and 2.6 million tons in the year 2000.

Apart from the expansion of polyester fibre production, the industry is making every effort to speed up development of new and high-technology products, Ji said.

More eucalyptus would be planted in southern Guangxi and Guangdong provinces to replace white pine in the production of viscose fibre, he said.

Also, the coal chemical industry would be promoted so that more useful chemicals such as coal tar would be used to produce benzene as a key raw material for making nylon.

The industry would also manufacture more acetate and polypropylene to replace the considerable amount of imports now needed to keep the production of cigarette filters going.

Research into and production of heat-resistant and durable materials such as carbon fibre and arcomite would be encouraged, Ji concluded.

CONSTRUCTION

Housing Reform on Mainland

91CE0371B Hong Kong CHIU SHIH NIEN TAI [THE NINETIES] in Chinese No 2, 1 Feb 91 p 41

[Article by Hu Deqian (5170 1795 0051): "Capsulated News on Mainland Housing Reform"]

[Text] I. A new system called "New Housing" was implemented at the end of 1989 in Chengdu, Sichuan. 1. The subsidies for the new rent are accompanied by sales of new housing. The new rent runs from 1.40 to 1.80 yuan per square meter of living area. The subsidies are computed at 20 to 25 percent of a tenant's standard salary in 1988. Sales, on the other hand, are transacted at standard prices. People have the option to rent or buy new housing. 2. One can rent housing by making a security deposit. A tenant makes a security deposit of 20 to 50 yuan, depending on the area, in addition to paying a monthly rent based on 0.20 to 0.30 yuan per square meter, with no subsidies. 3. The rent may be computed on the basis of maintenance expenses, which generally fall between 0.20 to 0.50 yuan per square meter. No subsidies will be provided. 4. Funds may be raised for housing construction. An individual may put up 3,000 to 5,000 yuan. He or she may also acquire ownership of the property by bearing all construction costs, or a person can bear 45 percent of the construction cost for a property that will be jointly owned by the individual and the work unit; the unit makes up the balance. If an individual pays only one-third or one-fourth of the cost, ownership of the property goes to the work unit, and the individual only has usage rights. 5. Housing cooperatives may be set up and funded by members. Construction fees may range between 50 to 450 yuan per square meter.

II. According to a report in the NANFANG RIBAO last year, a certain county in Guangdong Province worked out concrete measures to deal with leading cadres who tried to acquire housing by using their authority. (1) Leading cadres who moved into new single-household units after housing reform started in 6 March 1988 must all move out of the new housing. There will be no exceptions. (2) Cadres who built private housing while at the same time occupying public housing must be given a deadline for moving out of public housing. If they do not, their private housing will be purchased by the government. (3) The single-household units evacuated by those cadres will be converted from single-household units to multi-household units, and then assigned to eligible cadres and staff. At the same time, it is stipulated that no more single-household units will ever be constructed. 4. For those who purchased public housing under the housing reform, and then built private housing afterwards, their private housing will be purchased and disposed of by the government, whether it is completed or not. 5. Those who embezzled public funds to outfit their housing beyond the criteria shall themselves pay all expenses that exceed the criteria.

III. Shanghai plans to build 4.5 million square meters of housing this year, 5 million square meters next year, and a total of 25 million square meters during the Eighth Five-Year Plan. The final objective is to build 50 million square meters in the next 10 years. Shanghai mayor Zhu Rongji recently said that all housing built in Shanghai must have a warranty lasting for one year after the tenants have moved in. The quality of construction cannot be guaranteed without implementing the warranty system.

In addition, the government will have the People's Bank of China increase its loans by 2 billion yuan this year, to be used for construction under housing reform. The establishment of a large, nationwide real estate development group has also been authorized by the State Systems Reform Commission in Beijing.

FOREIGN TRADE, INVESTMENT

Liaoning Provincial Foreign Trade Bureau Reorganized

SK0904033291 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 8 Apr 91

[Text] In order to improve our province's foreign trade management system and to strengthen opening up and the work on foreign economic relations and trade, the Liaoning Provincial Foreign Trade Bureau was reorganized in Dalian on 8 April. The reorganized Liaoning Provincial Foreign Trade Bureau will undertake all foreign trade affairs and work of the provincial government. It is under the management of the Liaoning Provincial Commission of Foreign Economic Relations and Trade. The Liaoning Provincial Foreign Trade Group Company will be retained and replaced under the leadership of the provincial Foreign Trade Bureau.

Foreign-Funded Enterprises Expanding Exports

OW0405090891 Beijing XINHUA in English 0658 GMT 4 May 91

[Text] Guangzhou, May 4 (XINHUA)—Foreign-funded enterprises sold 133 million U.S. dollars of goods at the 69th Chinese Export Commodities Fair closed here this week, becoming an important exporter in China.

175 foreign-funded enterprises taking part in the fair, offering nearly 10,000 specifications of goods and many varieties were sold out within days, said Qin Renshu, secretary-general of the contingent.

In 1983, when the first foreign-funded enterprises delegation to the fair was formed, only 14 businesses joined. It brought to the fair less than 100 specifications of goods, and sales were below one million U.S. dollars, Qin recalled.

Qin explained that the high quality of goods and high percentage of contracts honored are the main reasons for their brisk business. There have been no quality complaints from clients so far, Qin added.

Statistics show that China approved the setting up of 2,000 enterprises with foreign investment in the first quarter of this year, bringing the total number of such enterprises to more than 30,000.

In 1987 such enterprises exported goods valued at 1.2 billion U.S. dollars. The figure more than doubled in 1988 and re-doubled one year later. Last year the total of

such exports amounted to 7.8 billion U.S. dollars, accounting for more than 15 percent of the country's total exports.

Total Value of Foreign Trade in First Quarter

HK0605120391 Beijing CEI Database in English
6 May 91

[Text] Beijing (CEI)—Following is a list showing the total value of China's foreign trade in the first quarter of 1991, released by General Administration of Customs:

Trade Type	1-3, 1991	1-3, 1990	Change (percent)
Total	245.28	207.61	+18.1
Export	133.93	107.86	+24.1
Import	111.36	99.74	+11.7
Balance	+22.57	+8.12 Unit: 100 million U.S. dollars	

LABOR

Urban Unemployment Causes, Countermeasures

91CE0577A Beijing GONGREN RIBAO in Chinese
19 Apr 91 p 3

[Article by Yang Yiyong (2799 1355 0516): "Causes of the Rise in Urban Unemployment, and Possible Remedies"]

[Text] China's present unemployment situation is extremely grim. Urban unemployment is increasing greatly, and the unemployment rate is rising. It rose from a constant rate of 2 percent during the five years from 1984 on to 2.6 percent by 1989, and it is estimated to be 3 percent in 1990. According to forecasts by departments concerned, the urban unemployment rate continues to show an upward trend this year. This requires earnest study and analysis. Only by adopting vigorous and effective measures can we keep the unemployment rate below 3 percent.

There are many factors causing the rise in the unemployment rate during the last two years. We consider the following to be the most important:

1. Prior to the Seventh Five-Year Plan, the shift of labor from agricultural to nonagricultural work went unchecked, creating huge employment pressures in urban areas. In the four years prior to the Seventh Five-Year Plan, the total shift of labor from agriculture to nonagriculture amounted to 19.24 million people: 5.49 million in 1986, 4.76 million in 1987, 4.78 million in 1988, and in 1989, when the state issued controls, the number was still 4.21 million. So far, estimates for 1990 place the figure around 3 million. During the Seventh Five-Year Plan, around one-third of all persons placed in jobs were laborers that had shifted from agricultural to nonagricultural work. The reason for the rise in the

urban unemployment rate was mainly an excessive population shift from agricultural to nonagricultural work, and too fast an increase in the urban labor supply.

2. Large numbers of farm laborers entered the cities and seized employment opportunities there. Over 10 million people from China's rural labor force presently work in cities as domestics, casual labor, or workers outside the plan in some units. They constitute more than twice the number of urban unemployed. During the improvement and rectification of the last two years, the state emphatically demanded the elimination, retirement, and reduction of workers outside the plan. Although there has been some success, on the whole not only it was impossible to check the "huge flood" of farm laborers rushing into the cities, but this flood even tended to grow increasingly more frantic. It is a problem requiring our serious attention.

3. From a macroeconomic viewpoint, we see that during improvement and rectification investments were curtailed, the industrial structure was readjusted, some enterprises were closed, temporarily shut down, merged, or restructured, the economic growth rate slowed, and overall demand for social labor was consequently diminished.

4. From a microeconomic viewpoint, we first see that when salaries and wages were linked with economic returns, many enterprises began to look at their economic returns as the critical factor of operations, and tried to reduce the amount of labor they employed. They not only were disinclined to add personnel, but turned back and rejected personnel hiring norms which planning departments issued to them. Second, some enterprises that were unprofitable the last few years stopped work, and part of their labor force became unemployed. When a unit cannot fully absorb all its present staff, taking on responsibility for some social employment difficulties is out of the question.

5. During improvement and rectification, controls were also imposed on urban individual business operations, a stricter taxing system was instituted, and illegal activities were severely suppressed. This was a large and beneficial action, but it objectively caused a shift in the numbers of people employed in urban individual enterprises. There was a shift from the rapid increase in the years before 1988 to a state of comparative stability and of relatively declining ability to absorb labor.

6. It was both difficult to find employment for the urban unemployed and difficult to fill posts in certain trades and enterprises. The main reason for this phenomenon was that some people were under the influence of traditional employment concepts and were too fastidious in choosing jobs, insisting on working only under best conditions and with high pay. Some refused to go to units that were not part of enterprises run by the whole people. The result was a structural unemployment situation where some people had no work and some jobs had no workers. This was a man-made difficulty that created

the work of placing people in jobs. In addition, there were some people who lacked the required qualifications and therefore could not be placed in available jobs.

To cope with the above-mentioned crucial problems, we suggest the following remedial measures be adopted:

1. Cities must continue strictly controlling increases in population shifts from agricultural to nonagricultural work, and efforts in this direction must by all means be successfully accomplished. Practice has proven that there is a close relationship between the smooth resolution of the urban employment problem and the rate at which the rural population drifts into cities. To remedy the employment pressure in cities, it is necessary to restrain the size of the shift from agricultural to nonagricultural work, to institute a strict approval system for the shift from agricultural to nonagricultural work, and to achieve a consistent coordination between policy control and target control.

2. We must institute a system of "work permits" and strengthen planned guidance and overall management of farm laborers entering cities. We must continue to eliminate and reduce workers outside the plan, with particular emphasis on eliminating and reducing workers coming from the countryside. At the same time that we maintain the stable development of the employment situation in cities, we must organize a rational circulation of urban and rural labor in a planned manner.

3. During the Eighth Five-Year Plan, we must appropriately increase investment in capital construction and, on the premise of ensuring continuously rising economic returns and higher social productivity, we must gradually enlarge the overall demand for social labor. Without social benefits, there are no economic benefits. Economic returns promote larger social benefits, and thus in the employment question we must pay equal attention to economic returns and social benefits.

4. We must revitalize large- and medium-sized key enterprises, which will also help the development of medium- and small-sized enterprises. On the basis of having perfected the system linking salaries and wages with economic returns, and under conditions of an ensured continuous rise in economic returns and productivity in enterprises, and also in keeping with expanded reproduction in enterprises, enterprises must bear a rational measure of responsibility for labor employment.

5. There must be continued implementation of the "three-in-one combination" employment policy, fully utilizing the role of urban collectives, the individual economy, and the private economy in labor employment. We must energetically develop tertiary and labor-intensive industries, and bring the role of expanded employment in these economic departments and industrial sectors into play. We must enhance the establishment of labor service companies and increasingly concentrate social idle and scattered funds on creating economic entities, organize the provision of work as the

substitute for relief, expand labor exports, and launch employment activities in a planned way, using a multiplicity of channels and at all various levels.

6. We must strengthen employment guidance for the urban unemployed and educate them on how to choose jobs. We must give them a clear understanding of the employment situation and turn their thinking around, so as to foster in them an active enterprising spirit, an urge to explore new ways, and a new concept of relying on one's own strength to resolve employment problems. We must stimulate them to act independently in seeking employment, and promote their initiative in planning for their own employment. At the same time, we should develop career training centers and short-term training classes to combine training and raising job qualifications of the urban unemployed with efforts to arrange employment. This will have training support the work of finding employment.

7. We must further reform the urban labor employment system, promote the labor contract system for all personnel, and gradually establish a new employment system that combines planned management with market regulation and considers both economic returns and social benefits. At the same time we must do a good job of carrying out supplementary reforms that support labor employment, perfect a social security system, perfect a social security organization, and create an excellent social environment for the rational circulation of urban labor.

TRANSPORTATION

Government Improves Railway Signal Systems

*OW1006114991 Beijing XINHUA in English
0742 GMT 10 Jun 91*

[Text] Beijing, June 10 (XINHUA)—China's railway signal systems have been upgraded to the world early 1980's advanced standard level in the past decade.

According to sources from the Ministry of Railways, in late 1970's most of the country's railway signal systems were at the 1950's standard level. Now, most controlling devices have been replaced by electronic equipment.

With the improvement of signaling systems, many rail sections have a greater throughway capacity. Moreover, traffic accidents have been greatly reduced.

At present, there are 3,500 electrified railway stations, accounting for about 60 percent of the country's total. In addition, automatic open and close rails have been extended to over 10,000 km of track, about 78 percent of the country's double lines.

Advanced signal systems have also been installed on more than 11,000 locomotives and 50,000 km of railway track.

First Electric Railway in East Opens to Traffic

*OW1606124891 Beijing XINHUA in English
1206 GMT 16 Jun 91*

[Text] Fuzhou, June 16 (XINHUA)—The first electric railway in east China opened to traffic today.

The 513-kilometer electric railway, part of the Yingtan-Xiamen Railway built in the 1950s, runs from Yingtan City in Jiangxi Province to Zhangping in Fujian Province.

As one of the key projects of China's Seventh Five-Year Plan (1986-90), electrification of the railway started in 1986, with a total investment of 770 million yuan.

The electrification project will help to boost the railway's transport capacity by 74 percent, easing transport pressure on Fujian Province, experts said.

Electrification of the rest 192-kilometer section of Yingtan-Xiamen Railway—from Zhangping to Xiamen City on the coast, will start next year and be completed in 1993.

Meanwhile, it is learned that by the end of this year, 473 kilometers of new railway lines will be completed and 740 kilometers of existing railways double-tracked in east China, boosting the rail transport capacity in the region by 40 percent.

Air China Opens New Air Route to Jakarta 18 Jun

*OW1806202491 Beijing XINHUA in English
1337 GMT 18 Jun 91*

[Text] Xiamen, June 18 (XINHUA)—A new air route from Beijing to Jakarta, capital of Indonesia, via Xiamen, a port city in south China's Fujian Province, was opened today, officials with the Air China Company declared.

This is the first air route China has opened to Indonesia since the two countries normalized their diplomatic relations in 1990.

According to the officials, Boeing 767 passenger planes will be used on the route. The flights will leave Beijing every Tuesday and Friday morning (takeoff at 10:55 a.m. Beijing summer time) and arrive in Jakarta at 18:30 local time.

The planes will return to Beijing via the same route, the officials added.

AGRICULTURE

State Council Report on Farm Machine Management

91CE0495A Beijing NONGYE JIXIE [FARM MACHINERY] in Chinese No 2, 18 Feb 91 pp 4-6

[Report to the State Council by the Ministries of Agriculture, Machine Building and Electronics, and Water

Resources, dated 3 Dec 1990: "Report on Strengthening the Production and Management of the Use of Farm Machinery"]

[Text] State Council:

Since the Eleventh Plenary Session of the Third National People's Congress, along with the promotion of agricultural reforms, the work of producing farm machinery and managing its use has entered a new developmental phase in China, with obvious achievements. By the end of 1989, overall farm machinery power totalled 280 million kw, 2.1-fold more than in 1979; there were 7.38 million tractors in use on farms, 3.2-fold more than in 1979; agricultural trucks in use totalled 66,000, a 5.2-fold increase over 1979; irrigation and drainage power machinery was 66.354 million kw, a 29 percent increase since 1979. By the end of 1989, the total value of rural agricultural equipment (original value) was nearly 90 billion yuan. Nationally there was 577 kw of tractor power per 10,000 mu of cultivated land. Nationally, the land area cultivated by machine was 690 million mu, 48.1 percent of the total area under cultivation; 280 million mu of land had been sown by machine, 13.0 percent of the total sown area; 130 million mu had been harvested by machine, 6.0 percent of the total area sown; 400 million mu had been electromechanically irrigated, 56 percent of the effectively irrigated area. Plantings were mechanically protected over 170 million mu of land area.

The widespread application of machinery in agricultural production has raised the level of agricultural equipment and the level of production ability in China, and strengthened the technological foundation for the progressive development of Chinese agriculture, giving an impetus to the process of agricultural modernization. The development of agricultural modernization has, to a considerable degree, accelerated the pace of peasant prosperity. For ten years now, the peasants have enthusiastically purchased and used farm machinery, reflecting what is intrinsically required for societal progress and peasant prosperity. Along with massive increases in machinery for processing agricultural by-products, for raising livestock and poultry, for processing fodder, for the fishing industry and for transport in the rural villages, the peasants have been engaged in opening up a variety of ways of operating, creating the conditions for structural adjustment of the various agricultural industries of farming, forestry, husbandry, by-products and fishing, as well as improving the overall operational efficiency of agricultural machinery.

In the developmental process of agricultural machinery, China has formed a comprehensive system for engineering, managing and servicing the machinery. The agricultural machinery industry has attained a definite scale: it has more than 2,300 manufacturing enterprises, over 1.2 million workers, fixed assets in excess of 13 billion yuan and the ability to manufacture more than 3,200 kinds of agricultural machinery products. In the past 40 years, it has supplied agriculture with a grand

total of over 120 billion yuan's worth of machinery. Nationally, there are at various levels more than 2,600 agricultural machinery companies, forming a network for management, supply, maintenance, training, safety inspection, technical popularization and technical servicing of agricultural machinery. There is a contingent of 25 million people making the best possible use of agricultural machinery, fulfilling an important guarantor function to agricultural production. Consolidating and strengthening the agricultural machinery industry and the agricultural machinery management system will be of the utmost significance for sustaining agricultural production.

While totally affirming the agricultural machinery industry's achievements, and concurrently making an accurate appraisal of machinery's role in agricultural production, we must note also that there are still a great many problems and troubles with the developmental process of agricultural mechanization. These are, chiefly:

One, the use of machinery in agricultural production has yet to be fully maximized. Since rural reform, there has been a massive increase in the quantity of China's agricultural machinery; and yet, overall, there are still some very serious problems with farmland operational implements' peripheral equipment. The ratio of peripherals for large- and medium-sized tractors and farm implements dropped from 1.97 in 1979 to 1.18 in 1989. The lack of peripheral equipment, after the household contracts were added in, meant socialized services could not keep up and less land came under cultivation, which made it difficult to attain normal full operation of agricultural machinery in field operations.

Two, the agricultural machinery industry lacks vitality due to inappropriate pricing of agricultural machinery products. In order to assist agriculture, China has on ten occasions lowered the cost of agricultural machinery products, so that the cost of these has clearly been lower than that of consumer mechanical products. The prices of agricultural machinery products have gotten so low it has lowered the enthusiasm of enterprises for producing them. Some enterprises have changed to producing other things. The agricultural machinery industry is so lacking in vitality that there is inadequate production of those farm implements which are urgently needed. In addition, a lack of funds has seriously weakened agricultural machinery enterprises' ability to develop new products and transform themselves technologically.

Three, agricultural machinery and electromechanical irrigation equipment have aged seriously. China's agricultural machinery, especially large- and medium-sized farm tractors and their peripheral equipment, grow older daily; of 847,000 tractor units, 200,000 had exceeded the 15 year age limit on their use. One-fourth of the nation's electromechanical irrigation and drainage equipment, that's more than 15,000 mW, are aging, bringing with it defective operation, multiple accidents, high energy

costs and low efficiency, all of which lower the area irrigated. Aging agricultural machinery affects food production to a certain extent.

Four, diesel fuel for agricultural use is in short supply. In recent years, diesel-powered agricultural machinery has increased steadily, as have the goals and quantity of agricultural machinery operations. From 1980 to 1989, diesel-powered agricultural machinery increased from 85.29 million kw to over 1 billion kw. Moreover, the amount of diesel fuel supplied at parity has continuously fluctuated between 7 and 8 million tons. Especially in recent years, when it has not been possible to fulfill the diesel fuel plan, the gap between supply and demand has steadily grown larger, exacerbating the critical diesel fuel supply situation.

Five, agricultural machinery service organizations are weak. The object of agricultural machinery service is agricultural production; it has been difficult to achieve normal economic efficiency by service activities, and a sizable number of agricultural machinery service organizations have found it extremely difficult to develop. This has chiefly been manifested in: a lack of basic facilities, simple and crude equipment, and backward servicing measures; few service projects and services which are too narrow in scope; a low level of operations management, and too little economic vigor; and unstable agricultural machinery contingents.

China's agricultural machinery foundation is weak, and there is too little development of reserve strength. One of the principal reasons for this is that our agricultural production measures are relatively backward, and machine quality low. To raise the level of agricultural machinery productive forces, assure the continued stable development of agriculture, and accelerate the conversion from traditional to modern agriculture, we must vigorously advance the process of agricultural mechanization. To this end, we make the following recommendations:

One, steadily strengthen leadership in agricultural machinery work. We must fully value and utilize the agricultural machinery we have now, bring it into full play in agriculture, and adopt powerful measures to steadily raise the level of agricultural mechanization. We must conscientiously summarize our past experiences with agricultural machinery, with a complete understanding of the position and role of this machinery in agricultural production, putting it in a place of importance on our agenda, earnestly giving it our close and careful attention. We should conscientiously formulate a plan for advancing agricultural machinery business, giving close attention to resolving its developmental difficulties and problems, and coordinate it well with relevant departments. At the same time, we should strengthen the work of managing agricultural machinery applications, technical supervision, safety inspections, etc. Formulate and implement various policies and regulations to further the steady development of the agricultural machinery industry.

Two, based on what is appropriate locally, select those localities for developing agricultural machinery. Starting out of necessity from our national characteristics, study the specific situations of different areas, put into effect the principles of doing that which is practical and realistic, directing by categories, making key breakthroughs, with absolute reliability and acting according to our capabilities. Make decisions on the strategy, steps, focus and implementation measures for developing agricultural machinery. The pace can be accelerated in those economically developed regions and in the areas around larger cities, where such state-run agricultural activities as farming, forestry, livestock and fisheries have realized the conditions which are more favorable to agricultural mechanization. In those areas where food production is concentrated, and where the need for mechanizing agriculture is more pressing, there should be vigorous development of food production machinery. In other areas, select local developmental measures which center upon the production of farming, forestry, husbandry, secondary and fishery industries in those areas, plus what those areas require for their rural economic development. For the present and future, we should emphasize raising the level of agricultural planting machinery. We should focus on such things as the comprehensive development of agriculture, basic construction of irrigation and water conservancy, basic commercial construction, etc., organizing the various work projects for agricultural machinery. In the process of developing agricultural machinery, we should guard against the tendency of lax leadership, and of letting things just take their natural course. And we must also avoid concentrating solely on the speed of development, and neglecting results.

Three, strengthen the agricultural machinery industry, to supply the best quality equipment for agricultural production. We must choose measures which effectively strengthen our support for the agricultural machinery industry and give priority to assuring a supply of the energy and raw materials which are needed to produce agricultural machinery. In the raw material allocation plan, supply these at a price which is in accord with state regulations, with annual increases that are in keeping with the resource situation. Commodity and metal enterprises should supply goods in keeping with contractual stipulations regarding variety, quantity and time periods. Both central authorities and localities should increase their financial investments in agricultural machinery enterprises. Along with the adjustment of agricultural commodity prices, steadily put in order the pricing of agricultural machine products. Continue the preferential appreciation taxation policies for agricultural machinery products and peripherals. Strengthen overall planning and macroeconomic management of the industry. For appropriate specialization and large-scale production, through reform and merging of enterprises, maximize efficiencies of scale to guard against duplication of construction and manufacturing. According to the state plan and the needs of the market, strengthen the technological transformation of enterprises, regulate the product mix, make appropriate increases in the sales

channels for products, raise the quality of products, and eliminate inferior products that consume a high amount of energy and resources. There should be coordinated development of mobile machinery as well as its complementary farm implements, of the principal machines and peripherals, to raise the level of compatibility and the process of "standardization, interchangeability and seriation." There must be deeper reform of the farm machinery manufacturing industry, continuing in the direction of support for agriculture, strengthening of operational management and raising economic benefits.

Four, strengthen scientific research on farm machinery and expand the development of new farm machine products and technologies. Pay close attention to the changeover to newer farm machine products, with a stress on development of products that fill pressing gaps in the product line, products that save on energy or use renewable energy sources, products that are exportable or can substitute for imports, etc. Especially in need of development are: equipment compatible with machinery throughout the entire process of producing the three great crops of wheat, rice and corn; "food basket processing" compatible equipment; fodder processing equipment and irrigation and drainage machinery which saves on water and energy. Vigorously develop transport vehicles for agricultural use, progressively replacing tractors with long-distance transport. Vigorously develop food storing equipment, to decrease spoilage. According to the needs of agricultural production, strongly promote those new agricultural machinery technologies that have already attained obvious results in increasing foodstuffs and agricultural by-products, organically linking farm machinery and agronomy. We recommend that the operating expenses of the Agricultural Machinery (Chemical) Research Institute be implemented with the same contractual methods of the Agricultural Research Institute, also according to developmental needs, with annual increments. To advance the development of agricultural machinery, and expand this work, according to fiscal capabilities, progressively build the Agricultural Machinery Chemical Research Institute, with new products and expanded funding.

Five, plan for carrying out even newer conversion of agricultural machinery and electromechanical irrigation and drainage equipment. The conversion of even newer agricultural machinery and electromechanical irrigation and drainage equipment must be put into plans at every level, and a more up-to-date system established for discarding worn-out equipment. Concerned departments will formulate standards which prohibit the use and discarding of agricultural machinery, and more up-to-date policies on agricultural machinery and electromechanical irrigation and drainage equipment. Establish and perfect a system for raising and collecting basic funding for the depreciation and overhaul of agricultural machinery and electromechanical irrigation and drainage facilities. This newer funding should be concentrated on state-operated agriculture, forestry, husbandry,

fisheries and farming, on rural collectives and household self-funding, with the state providing appropriate support. Agricultural banks should increase newer funding for agricultural machine equipment. Fiscal departments at every level will as far as possible arrange for some funding, used as newer funding for credit discounts or one-time supplements. There should be continued encouragement and support for the use of newer funding chiefly in agricultural machine equipment and electromechanical irrigation equipment for food production, comprehensive development of agricultural machinery and basic construction of water conservancy works.

Six, implement a system of multiple ownership of agricultural equipment, with multiple forms of operation. We must vigorously implement the principle of integrating the multiple economic composition forms of state-operated, collectively and cooperatively managed economic organizations with peasant households, for cooperative development. In the long run, the production and management activities of businesses providing farm machinery for ownership and use by peasant households will match the actual needs of village household operations. There must be protection of peasant households' legal rights to own and operate farm machinery, encouraging and inspiring them to increase their enthusiasm for the use of machinery in farming, while strengthening management. Ownership and operation of farm machinery by collectives will benefit group agriculture's machine production, while rectifying the contradiction of having large equipment on small plots of land, and probably also have a positive effect on management and replacement. Ownership and operation of farm machinery by state-run agricultural operations is an important form in China's development of agricultural machinery, and we should bring its superiority into full play. Along with the development of the rural economy, there could be new increases in the ownership of farm machinery by cooperative economic groups. This should be influenced and vigorously developed.

Seven, strengthen the building of a farm machinery service system, opening and expanding socialized service. Every farm machinery supply, training, maintenance and technical popularization service organization, along with state-operated and collective farm machine service station (contingent), electromechanical irrigation and drainage station, must implement the principle of "focus on agriculture, with comprehensive operation, compensated service and strengthened vitality," to give timely, good quality, and effective socialized service. At the same time, they should perfect their operations, raise economic benefits, and strengthen their self-development activities. All areas must find ways to steadily resolve the problems they have with compensating township (town) farm machinery personnel, replenishing and strengthening the levels of farm machinery contingents. Farm machine repair work must be improved, by building maintenance networks and raising the quality of maintenance. Farm machinery marketing firms at every level should bring into full play the function of the principle channels for supply of farm machinery products and materials, cutting down on middlemen, and showing initiative in

post-marketing services. Continue the current favorable policies on operation of farm machines, use of petroleum products on farms and transport of farm machinery, which decrease or eliminate business taxes, specific methods handed down from the state administration of taxation bureau. The sites, buildings, equipment, funding and materials for farm machinery management service organizations will not be assigned indiscriminately on a basis of equalitarianism, compressed together or shifted around among them.

Eight, put more money and materials into agricultural machinery. Establish a multilevel, multichannel system for investing in agricultural machinery. Through such means as credit and financial subsidies, the state should provide financial support sufficient for purchase of farm machinery, focusing on state farms, rural collectives, cooperative economic organizations and rural household self-funding. Central and local financial departments should increase their financial investment in agricultural machinery. Investment in such agricultural projects as comprehensive agricultural development, building agricultural product bases, economic development of poverty-stricken areas and bumper harvest plans should earmark a certain amount for development of agricultural machinery. We must establish a system for amassing agricultural machinery internal funds; this way, every locality can, in accordance with current regulations, meet their machinery operating expenses and put accumulated funds to use in building service systems and spreading technology.

All must be in accordance with the actual needs of agricultural development, increasing the supply of diesel fuel for farm use, electric power, and maintenance parts and materials. Continue to carry out planned management of agricultural diesel fuel, with allocation the responsibility of agricultural (farm machinery) departments, with marketing departments above the county level responsible for supply according to plan, and marketing below that level handled according to the articles of "Marketing Plan (1990) No 1009" of the state statistical bureau's department No 3. These should be summarized with experiences gained through spreading achievements, to guarantee that agricultural diesel fuel will be used in agriculture. There must be guarantees that plan supply quotas will be fulfilled. Further perfect the management methods for linking diesel fuel with grain and cotton, to guarantee that the use of diesel fuel will be constant, giving priority to peasants priority in this regard, so that diesel fuel can actually be applied to agricultural production. Continue the cost priorities peasants currently enjoy for electricity used in electromechanical irrigation and drainage. Materials and farm machinery departments everywhere must improve their service, doing the best job they can of providing materials and parts for farm machine maintenance. There must be vigorous efforts to disseminate energy-saving technologies and develop a mass energy conservation movement. The work of conserving agricultural machinery, irrigation equipment fuel, and energy must

be made a part of the national plans for technological improvement, and given special financial support.

Nine, do the best possible work of training in the agricultural machine industry, to raise the quality of those working in this field. Find ways of increasing our investment in education, doing our best at higher and middle-level agricultural machine (or mechanization) education, with planned farm machinery manufacturing enterprises, research institutes, farm machine schools, and machine management departments at every level. Machinery technical service departments at the county level, especially, should be provided with manpower. There must be full utilization of the agricultural technical schools and senior middle schools we have now, offering special courses of study or training classes in agricultural machinery, in accordance with local requirements. We must do a good job of training workers for their posts, and of the various categories of education, to raise their vocational and technical level. Agricultural machinery schools (or training classes) at every level are technical schools training farm machine manpower as tractor drivers, mechanics, managers, etc.; this has already been formally put into state adult education channels. Management departments at every level must strengthen their leadership, so that everything is done in a practical manner. We must, through various ways, do our utmost to spread technical education of farm machinery among the peasants, in order to constantly raise the quality and strength of the overall farm machinery work force.

If this report is acceptable, please disseminate it in every area, and to all concerned departments.

Ministry of Agriculture. Ministry of Machine Building and Electronics. Ministry of Water Resources.

3 December 1990.

Ningxia 1990 Agricultural Statistics

91P30151F Yinchuan NINGXIA RIBAO in Chinese
1 Apr 91 p 2

[Summary] In 1990 the agricultural output value in Ningxia was 2.469 billion yuan, a 4.28 percent increase over 1989.

The output of major farm products is listed below:

	1990	Percentage Increase Over 1989
Grain	1.917 billion kilograms	8.6
summer grain	831 million kilograms	7.4
autumn grain	1.086 billion kilograms	9.5
Oil Crops	62,400 tons	1.2
Beets	477,900 tons	4.0
Fruit	55,200 tons	-1.6
Sugar	43,500 tons	5.0

In 1990 450,000 mu was afforested, exceeding the plan by 12 percent.

The output of major animal by-products and the number of animals in stock are listed below:

	1990	Percentage Increase Over 1989
Meat Output	68,545 tons	10.6
pork, beef, lamb	62,791 tons	9.0
Eggs	21,846 tons	20.4
Milk	40,704 tons	21.1
Wool	3,780 tons	1.6
Sheep sold and slaughtered	1,047,000	0.5
Pigs slaughtered	591,000	9.8
Number of Pigs at Year-end	660,000	0.9
Number of Sheep at Year-end	3,176,000	-9.4
Number of Draught Animals at Year-end	743,000	1.1

The annual output of aquatic products was 10,217 tons, a 10.1 percent increase.

By the end of 1990, the aggregate power of farm machinery was 1.911 billion watts, an 8.4 percent increase. There were 5,966 large- and medium-sized tractors, a 29.5 percent increase; 83,934 small and walking tractors, an 11.2 percent increase; irrigation and drainage equipment with a total power capacity of 147 million watts, a 14.6 percent increase; 116,600 tons of fertilizer were applied, a 5.3 percent increase; and in rural areas 385,700,000 kilowatt hours of electricity were used. The irrigated area increased by 160,000 mu.

In 1990 agricultural investment totaled 103 million yuan, a 35.2 percent increase over 1989.

Peasants' per capita net income was 569.78 yuan, a 5.85 percent increase over 1990.

Henan 1990 Agricultural Statistics

91P30151G Zhengzhou HENAN RIBAO in Chinese
9 Apr 91 p 2

[Summary] In 1990 the agricultural output value in Henan was 50.201 billion yuan, a 7.8 percent increase over 1989.

The output of major farm products is listed below:

	1990	Percentage Increase Over 1989
Grain	33,036,600 tons	4.9
summer grain	16,664,600 tons	-3.4
autumn grain	16,372,000 tons	14.9
Cotton	676,100 tons	28.2
Oil Crops	1,522,900 tons	28.5
rapeseed	318,700 tons	40.9
Tobacco	408,600 tons	-9.9
Hemp	176,600 tons	10.1
Fruit	639,200 tons	-16.7
Vegetables	9,132,100 tons	2.2

In 1990 2,450,000 mu was afforested.

The output of major animal by-products and the number of animals in stock are listed below:

	1990	Percentage Increase Over 1989
Meat Output	1,349,000 tons	11.1
Pork, beef, lamb	974,500 tons	10.6
Milk Products	74,100 tons	6.3
Wool	6,745 tons	-2.9
Pigs slaughtered	11,824,400	11.4
Number of Pigs at Yearend	17,503,200	4.2
Number of Sheep at Yearend	12,795,100	-6.7
Number of Draught Animals at Yearend	11,163,300	0.4

The annual output of aquatic products was 105,000 tons, an increase of 6,700 tons over 1989.

By the end of 1990, the aggregate power of farm machinery was 22.64 billion watts, a 5.1 percent increase. There were 822,000 small and walking tractors, a 16.5 percent increase; irrigation and drainage equipment with a total power capacity of 6.096 billion watts, a 0.7 percent increase; 2,132,000 tons of fertilizer were applied, a 15.7 percent increase; and in rural areas 4.693 billion kilowatt hours of electricity were used, a 3.8 percent increase. The effective irrigated area was 53,250,000 mu.

In 1990 agricultural, forestry, and water conservancy investment totaled 481 million yuan.

Peasants' per capita net income was 482 yuan, a 5.5 percent increase over 1990.

Jiangxi Rural Savings

91P30151E Nanchang JIANGXI RIBAO in Chinese
27 Apr 91 p 1

[Summary] In the first quarter of 1991, rural saving deposits in Jiangxi Province totaled 6.8 billion yuan, a

net increase of 780 million yuan over the beginning of the year, and a 49.2 percent increase over the same period in 1990. Jiangxi has fulfilled 86 percent of the assigned task for the year.

Guangdong 1995 Grain Estimates

91P30156B Guangzhou GUANGDONG NONGYE
KEXUE in Chinese No 2, Apr 91 p 2

[Summary] In 1995 the planned grain area in Guangdong Province is 56 million mu, per mu yield 358 kilograms, and gross output 20 billion kilograms.

Henan Farmer Income Increases

91P30142F Beijing ZHONGGUO TONGJI XINXIBAO
in Chinese 16 May 91 p 1

[Summary] According to a survey of 4,200 rural households in Henan Province, per capita cash income in the first quarter of 1991 was 146 yuan, a 12.3 percent increase over the same period in 1990.

National Rice Prices

91P30156A Beijing ZHONGGUO NONGCUN JINGJI
in Chinese No 5, 20 May 91 p 25

[Summary] At present the price for contracted purchases of late rice is 22.80 yuan per 100 jin, the price for negotiated purchases is 35.5 yuan per 100 jin, and the state sales price is 9.5 yuan per 100 jin.

Funds for Grain Production Increase

91P30151D Beijing JINGJI CANKAO BAO in Chinese
24 May 91 p 1

[Summary] Of the 23.456 billion yuan budgeted for agriculture in 1991, about 11 billion yuan will be used for grain production. Agricultural funds this year have increased 9.2 percent over the 1990 budget of 21.48 billion yuan.

Heilongjiang Rural Savings

91P30151C Beijing JINGJI RIBAO in Chinese
29 May 91 p 2

[Summary] As of 20 May, rural savings in Heilongjiang Province totaled 10.2 billion yuan, a 15.4 percent increase over the beginning of the year, and a 17.2 percent increase over the end of 1990.

Tianjin Wheat Harvest Expected To Rise 10 Percent

OW2306081691 Beijing XINHUA Domestic Service
in Chinese 0824 GMT 22 Jun 91

[By reporter Du Jichang (2629 4949 2490)]

[Text] Tianjin, 22 Jun (XINHUA)—As a result of the great efforts of the cadres and peasants in suburban counties, Tianjin Municipality's summer grain production this year hit an all-time high, with the total output expected to be 10 percent higher than last year's bumper harvest. As of 21 June, the 2.18 million mu of wheat crops in Tianjin had been gathered in the main. At

present, the peasants and cadres are threshing day and night to ensure a good harvest.

Sichuan Farmers Benefit From Cooperative Fund

*OW2406121091 Beijing XINHUA in English
0713 GMT 24 Jun 91*

[Text] Chengdu, June 24 (XINHUA)—A new cooperative organization first appeared in the countryside of southwest Sichuan Province has been showing great vitality.

The organization, called the "farm cooperative fund," has provided more than 300 million yuan for farmers to buy farm production materials in the spring this year. Farmers in Sichuan have felt the convenience and benefit from the organization.

First appeared in 1987, it is a voluntary, mutual-benefit and share-holding financial organization in the Sichuan countryside. The fund mainly comes from the accumulated collective funds, deposits and accumulation fund, compensation for requisition of collective farmlands, and part of financial aids from the township enterprises.

The organization usually invests its fund on purchasing collective fixed assets, on capital construction of farmland and on developing collective enterprises. For those collective and individual share-holders, the organization will distribute the dividend and profits which are more than that from the bank deposits each year end.

According to statistics, the organization has developed rapidly since 1987 with its funds increased many folds. Now there are some 5,000 such funds throughout Sichuan Province, with a total fund of more than one billion yuan, of which 150 million yuan are farmers own money.

Last year, the organization allocated some 1.2 billion yuan, accounting for about 85 percent of all financial investment from governments at all levels in the province.

Sichuan is China's largest agricultural province, with a population of some 87 million farmers, and is one of the first provinces to carry out economic reforms in agriculture. Now other provinces have begun to follow suit in this field.

Analysis of Dropout, Grade-Repeating Trends

91CM0386A Beijing JIAOYU YANJIU
[EDUCATIONAL RESEARCH] in Chinese No 134,
Mar 91 pp 45-57

[Article by Yang Nianlu (2799 1819 7627) and Han Min (7281 3046): "An Analysis of Dropout, Grade Repeating in Primary, Junior High Schools"]

[Excerpts] *This article is based on an abridgment of the China State Report A Regional Study of Education Waste submitted to the UNESCO Asian-Pacific Regional Office. [passage omitted]*

I. Objectives and Methods of Study

Student dropout and grade-repeating problems have gotten so bad that they are now affecting the efficiency with which primary and junior high schools are being operated and even the implementation of compulsory education. To understand why primary and junior high students are dropping out or being held back, beginning in April 1989, we researched this problem in depth and completed these studies:

1. In nine provinces and autonomous regions, including Hebei, Liaoning, Zhejiang, Fujian, Shandong, Guangdong, Guangxi, Sichuan, and Gansu, 60 counties (including municipalities and districts at the county level) were selected as the site of a general survey on dropping out and grade repeating.

2. A questionnaire survey was conducted using random sampling methods in seven of the nine provinces mentioned above. The objective was to find out the family, social, and economic background of the students who dropped out or repeated a grade, their academic status, and the reasons why they dropped out or were held back. Parents, guardians, and teachers as well as the students themselves were interviewed.

3. In each of these nine provinces, one or two typical counties were selected for a case study where in-depth research was carried out.

4. Seminars were held to examine the causes behind student dropout and grade repeating, their social and economic background, and corrective measures.

According to regulations by the agency concerned in the State Education Commission, dropouts include students a) who terminate their schooling for reasons other than health; b) who withdraw from school; c) who complete transfer procedures but who subsequently fail to attend school; and d) all other students who suspend their education without going through the required formalities. Excluded are students who terminate their studies because of illness or death.

Based on this definition, the annual dropout rate is calculated in accordance with the following formula: dropout rate for a given school year is equal to $(a + b + c$

$+ d)$ divided by the number of students enrolled at the beginning of the school year, times 100 percent.

This formula was used to calculate the dropout rate in the 60 sample counties. Excluded were students in category (c).

The sample survey's primary school and middle school dropout rates were both lower than the results calculated by the state educational administrative departments. This is primarily because in the educational administrative departments calculations, dropouts include the difference between students transferring in and students transferring out. (When the transfers out exceeded the transfers in, this difference was calculated in the dropout figures. In 1989, the number of primary and middle school students transferring out nationwide was 3.772 million, while the number transferring in was 2.183 million, the difference being 1.589 million. This number represents 22.9 percent of the entire nation's primary and middle school dropouts for that year.) However, for the sample counties, this number could have transferred to other districts, and so should not be counted among the "dropouts."

Grade-repeating rates were calculated in accordance with the following formula:

The grade-repeating rate for x grade in school year N is equal to the number of repeaters in x grade in school year N + 1 divided by the number of students enrolled at beginning of school year N, times 100 percent.

In calculating the rate of grade repeats, the denominator represents the number of people who did not participate in tests for that school year, which is to say, the denominator in actuality has had the dropout population for that school year deducted already. We have used the above calculation formula in order to facilitate reflecting the relation between the student dropout rate, the grade repeat rate, and the grade advance rate.

II. Dropouts and Grade Repeating**A. Dropouts****1. The Extent of the Problem**

In 1989 the national net enrollment rate at the primary school level reached 97.4 percent, up 1.5 percentage points over 1985 and 4.4 percentage points over 1980. Among boys, the enrollment rate was 99.3 percent; among girls, 95.38 percent. But even as the enrollment rate climbed steadily, some students quit going to school for a variety of reasons. Nationally, the dropout rate in primary schools in 1989 was 3.2 percent, down 0.1 percentage point from 1988. Yet, among the 30 provinces, municipalities, and autonomous regions (not including Taiwan) in the nation, the dropout rate declined in only 13 jurisdictions, or 43.3 percent, but rose in 16 jurisdictions, or 53.3 percent. (See Table 1). We can thus see that the dropout problem in primary schools has not been brought under control in many areas.

Table 1. Dropout Rates Among Primary and Junior High Students (%)

	Primary			Junior High		
	1988	1989	1988/89	1988	1989	1988/1989
Nationwide	3.3	3.2	-0.1	6.7	7.3	0.6
Beijing	0.7	0.3	-0.4	5.0	3.8	-1.2
Tianjin	1.4	0.8	-0.6	8.6	9.9	1.2
Hebei	2.0	2.0	0.0	6.0	6.9	0.3
Shanxi	1.0	1.7	0.7	3.8	5.0	1.2
Inner Mongolia	2.4	2.8	0.4	5.2	6.5	1.3
Liaoning	1.2	1.5	0.3	6.5	7.7	1.2
Jilin	1.7	2.7	1.0	6.1	12.7	6.6
Heilongjiang	2.6	2.6	0.0	9.8	11.3	1.5
Shanghai	0.7	0.4	-0.4	4.6	4.0	-0.6
Jiangsu	1.3	0.9	-0.4	7.7	6.5	-1.2
Zhejiang	1.0	0.7	-0.3	8.2	6.7	-1.5
Anhui	3.5	3.2	-0.3	6.1	7.2	1.1
Fujian	2.7	1.8	-0.9	14.1	12.5	-1.6
Jiangxi	4.2	3.5	-0.7	8.2	8.2	0.0
Shandong	1.8	2.0	-0.2	2.9	3.3	0.9
Henan	2.6	2.4	-0.2	7.7	7.6	-0.1
Hubei	3.6	4.3	0.7	7.2	9.6	2.4
Hunan	4.0	2.7	-1.3	8.7	8.0	-0.7
Guangdong	2.5	2.0	-0.5	7.4	6.9	-0.5
Hainan	4.8	6.3	1.5	7.7	11.7	4.0
Guangxi	5.2	3.8	-1.4	5.2	5.3	0.1
Sichuan	4.8	3.6	-1.2	9.2	9.7	0.5
Tibet	1.61	18.9	7.3	1.4	3.5	2.1
Shaanxi	2.7	3.5	0.8	4.7	5.5	0.8
Gansu	4.7	5.7	1.0	3.5	6.0	2.5
Qinghai	5.1	6.2	1.1	5.3	6.6	1.3
Ningxia	3.8	4.5	0.7	1.2	3.4	2.3
Xinjiang	2.6	4.2	1.6	4.3	5.4	1.2

Source: Comprehensive tables on universal education for the various school years concerned from the statistics section of the Planning and Construction Office, State Education Commission.

2. Characteristics of Dropouts

What are the regional, grade, and sex characteristics of students who drop out? Our statistical analysis of the 60 sample counties turns up the following characteristics:

a) Rural students drop out at a higher rate than urban students at both the primary school and the junior high levels.

b) The dropout rate is in inverse proportion to an area's level of economic development, a fact also reflected in the changes in the dropout rate in Table 1. For example, areas that saw a decline in the dropout rate in 1989 compared to 1988 were mainly those municipalities directly administered by the central government and other areas in eastern and southern China where the

level of social and economic development and educational standards are fairly high. In contrast, most of the provinces that experienced an increase in dropout rate in primary schools are in the northwest and southwest where the level of social and economic development and educational standards are quite low and where the dropout rate was quite high to begin with.

The relationship between the dropout of junior high students and the economic development level of the area in question is different from that at the primary school level. At the junior high level, the dropout rate is highest in moderately developed areas, followed by economically backward areas. It is lowest in economically developed areas. This characteristic—moderately developed

areas having the highest dropout rate, flanked by economically developed areas and economically backward areas—can be gleaned from Table 1. For instance, areas with a relatively low level of social and economic development, such as Guangxi, Tibet, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, all reported a junior high dropout rate lower than the national level in the 1988-89 school year.

c) Sex distribution. At the primary school level, the dropout rate is higher among girls than among boys. At the high school level, just the opposite is true, with boys dropping out in greater numbers than girls.

d) Grade distribution. Primary school students drop out at a higher rate in fourth and fifth grades. This shows that as they advance in age and grade, students also are more likely to drop out. One reason is that, as they get older, their families are more likely to need them as a supplementary source of labor.

Among junior high students, the dropout rate is highest among second-year student, followed by first-year students. The dropout rate is notably lower among third-year students.

e) Age distribution. The higher the grade, the greater the percentage of those over-age among primary school dropouts. To a large extent, this shows that dropout and grade repeating are related up to a point. At the junior high level, over-agers account for a smaller portion of dropouts. There is nothing to suggest that at this level over-agers are more likely to drop out than their younger counterparts.

Whether in primary school or junior high, the dropout rate of over-agers is far higher than that of regular age students.

f) [passage omitted] In the countryside, most primary school dropouts took up farming. The next largest group remained at home. In urban areas, most dropouts remained at home.

As at the primary school level, more junior high students took up farming than any other activity, but proportionally far fewer of them remained idle at home. In contrast, a much higher percentage did odd jobs, were recruited as workers, or went into business than among primary school dropouts. If we compare urban junior high dropouts with urban primary school dropouts, a smaller percentage remained idle at home while a notably higher percentage were recruited as workers or went into business. This shows that the external reasons outside the school that cause the two groups to drop out are not completely the same.

In addition, what students do after dropping out also varies according to the level of economic development of the geographical area in question. According to a study in Zhongshan, Guangdong, in 1989, a city with a fairly developed commodity economy, 59.7 percent of primary school dropouts and 72.5 percent of junior high dropouts

entered factories or went into business. Where economic conditions are less favorable, however, most dropouts took up farming or remained idle at home. In Conghua County for instance, 100 percent of the dropouts of Qudong Middle School stayed home to work the land.¹

B. Grade Repeating

1. The Extent of Grade Repeating

In the last couple of years, the rate at which primary school and junior high students were required to repeat a grade has declined year after year. (In 1987-88, it was 7.6 percent in primary schools, 3.7 percent in junior high schools. The corresponding figures for 1988-89 were 6.4 percent and 2.5 percent, respectively.) However, the rate varies significantly from region to region. As with dropouts, primary school students are being held back at a higher rate in provinces with a lower level of social and economic development, such as Guangxi, Hainan, Guizhou, Gansu, Qinghai, and Ningxia, than in provinces that are socially and economically more developed, such as Beijing, Liaoning, and Zhejiang. Provinces with the highest grade-repeating rates in junior high schools are also concentrated in underdeveloped areas.

Unlike dropping out, the rate at which primary school students are held back is markedly higher than its counterpart at the junior high level. (See Table 2.)

2. The Characteristics of Students Being Held Back

a) Among primary school students, the lower the grade, the greater the percentage of students made to repeat their grade. It is particularly striking that first graders are held back at a higher rate than at other grades. The situation is different at the junior high level. There, second-year students are being held back at the highest rate, third-year students at the lowest.

b) As with dropouts, students in both primary schools and junior high schools are being held back at a higher rate in rural areas than in cities. Within the countryside itself, the grade-repeating rate is higher in economically and socially underdeveloped areas than in developed ones.

c) Sex distribution. Boys are held back at a higher rate than girls, be they in primary school or junior high.

3. Educational Waste Caused by Dropping Out and Grade-Repeating

If we look at the educational process as a production process with a beginning (investment) and an end (output), then the more qualified graduates we train with a given amount of inputs in a given period of time, the better the performance of education and the less the waste. In this sense, students dropping out or being held back constitute a waste of the educational resources already expended. This is true because a dropout takes up educational resources (classroom, the labor of teachers, public expenses, and teaching time) without achieving the expected goal. If a qualified graduate is a

standard product of the educational process, then the dropout is a semi-finished product. As for the repeater, he too is wasteful because he consumes new educational

resources by repeating one year of study. This kind of waste resembles the "reworking" in the production process.

Table 2. Grade-Repeating Rates in Primary and Junior High Schools, 1988-89 (%)

	Primary Schools							Junior High Schools			
	Av.	G-1	G-2	G-3	G-4	G-5	G-6	Av.	G-1	G-2	G-3
Nation	6.4	13.1	7.0	5.9	5.2	2.3	0.5	2.5	3.2	3.5	0.6
Beijing	1.8	2.6	1.7	1.8	1.6	2.6	0.3	2.3	3.5	3.5	0.2
Tianjin	4.1	5.4	3.9	4.2	3.9	5.0	1.4	2.8	3.3	4.0	0.9
Hebei	6.0	11.9	6.2	5.2	4.6	3.0	0.6	2.9	3.8	3.6	1.2
Shanxi	15.0	14.9	16.0	14.4	15.5	3.9	4.2	2.8	3.7	3.4	1.1
Inner Mongolia	5.8	11.6	5.7	5.1	4.7	1.6	0.9	2.2	2.5	2.9	1.1
Liaoning	1.6	3.8	1.6	1.3	1.1	1.1	0.3	0.6	0.6	0.8	0.3
Jilin	2.5	5.6	2.6	2.3	1.7	1.6	0.2	1.2	1.5	1.6	0.2
Heilongjiang	4.1	10.4	4.8	3.5	2.7	1.9	0.6	2.0	3.2	2.4	0.0
Shanghai	3.1	4.4	2.6	3.3	3.4	3.2	0.9	2.8	3.6	3.7	0.7
Jiangsu	5.5	10.1	6.4	5.9	5.2	2.4	0.2	2.5	2.9	4.1	0.0
Zhejiang	2.6	6.7	3.1	2.1	1.6	0.3	0.0	1.1	1.0	2.1	0.1
Anhui	7.1	10.6	7.7	7.6	6.9	1.3	0.7	3.0	3.4	4.3	1.2
Fujian	7.6	14.6	8.0	7.1	6.8	2.4	0.2	3.7	4.6	4.9	0.8
Jiangxi	9.5	18.4	10.8	9.0	8.0	1.5	1.4	3.3	3.7	5.1	0.5
Shandong	4.1	7.7	4.8	4.0	3.5	0.7	0.2	1.0	1.5	1.6	0.0
Henan	7.5	15.0	7.1	6.1	6.3	1.4	0.5	3.9	5.3	4.7	1.1
Hubei	6.6	14.3	6.5	5.7	4.7	3.2	0.8	2.4	2.9	3.7	0.5
Hunan	3.7	7.4	4.3	3.7	3.3	2.6	0.5	2.2	2.5	3.3	0.5
Guangdong	6.2	12.6	6.5	5.6	4.7	3.1	0.1	1.7	2.0	2.7	0.2
Hainan	10.1	19.3	10.8	8.6	6.8	2.5	0.8	3.3	4.2	4.8	0.5
Guangxi	13.3	18.7	10.4	8.6	6.9	1.5	1.1	1.8	2.6	2.5	0.0
Sichuan	2.5	5.5	3.3	2.7	2.4	1.7	0.0	1.2	1.2	2.1	0.2
Guizhou	9.4	15.1	10.1	8.4	7.5	6.0	1.9	4.6	5.9	5.8	2.2
Yunnan	8.0	16.6	8.4	6.7	5.9	2.5	0.3	2.6	3.2	4.2	0.3
Tibet	6.1	6.0	5.4	5.8	7.7	6.3	9.4	4.4	4.7	4.7	3.7
Shaanxi	8.3	16.3	8.4	6.7	6.0	4.6	0.8	5.1	7.4	6.2	1.7
Gansu	19.1	37.7	17.4	14.5	11.9	3.3	1.1	5.6	7.5	7.4	1.6
Qinghai	13.3	23.1	12.7	11.3	9.7	4.2	1.0	4.1	6.0	5.3	1.0
Ningxia	15.5	30.5	15.1	11.1	8.4	3.3	2.0	3.3	4.7	4.3	0.7
Xinjiang	7.7	15.9	7.9	6.4	4.9	2.6	2.2	5.0	6.7	6.1	2.2

Source: Same as Table 1

Is the above kind of educational waste measurable? So far, it must be said, we have not yet devised a simple and reliable set of indicators and method of calculation. Nevertheless, there do exist some methods that can give us a crude idea of the dimensions of waste. In this study, we used the "student

mobility analysis model software," which is part of the "student mobility analysis method" developed by statistical experts at UNESCO, to do a preliminary analysis of the educational waste caused by primary and junior high students dropping out or made to repeat a grade.

Table 3. Educational Waste in the Class of 1989

	Student Years Wasted for Every 1,000 Students		Student Years per Graduate	Efficiency Coefficient (%)
	Due to repeating	Due to dropout		
National	342	750	6.3	78.9
Beijing	105	68	5.2	96.6
Tianjin	233	58	5.3	94.5
Hebei	320	395	5.8	86.5
Shanxi	873	143	6.0	83.8
Inner Mongolia	298	703	6.2	80.8
Liaoning	87	298	5.4	92.4
Jilin	137	345	5.8	86.5
Heilongjiang	244	155	5.8	85.5
Shanghai	176	105	5.1	98.6
Jiangsu	321	338	5.7	88.0
Zhejiang	144	189	5.3	93.6
Anhui	307	896	6.8	73.4
Fujian	422	699	6.3	79.8
Jiangxi	513	866	6.7	75.0
Shandong	211	541	5.9	85.4
Henan	375	563	6.1	82.1
Hubei	354	1,000	6.8	73.9
Hunan	214	026	6.0	84.0
Guangdong	346	712	6.2	80.7
Hainan	508	711	6.9	72.5
Guangxi	637	316	7.8	64.2
Sichuan	153	369	6.1	81.9
Guizhou	399	1,717	9.9	50.7
Yunnan	389	1,275	7.7	64.7
Tibet	168	2,168	23.4	21.4
Shaanxi	429	6,773	7.7	65.2
Gansu	968	1,341	8.9	56.0
Qinghai	551	1,37(aspublished)	8.7	57.2(aspublished)
Ningxia	714	1,146	7.8	64.1
Xinjiang	385	817	6.5	76.4

Source: Calculated in accordance with educational statistics for 1988, 1989.

The underlying principle of the method is as follows. There are three ways a student can go: he may drop out, be held back, or move on to the next higher grade. Thus we can work out the promotion rate, repeating rate, and dropout rate of a particular class provided we have the enrolment figures, the number of students held back, and the number of graduates for all grades for 2 consecutive school years. Suppose these several rates or percentages remain constant over a period of several years (in reality they change very year), then we can come up with a mathematical model that simulates student mobility.

From this mathematical model, we can derive some data that indicate the educational waste for a particular class of students: 1) the average study time expended for each graduate in any one given graduating class (unit: student year, that is, the time a student spends in school in 1 year); 2) consolidation rate; 3) efficiency coefficient (a comprehensive index that measures the efficiency with which a school is run). By taking into account three factors—dropping out, grade repeating, and graduation, it reflects the level of waste in education. The higher the coefficient, the smaller the waste.

Using the mathematical model above, we have worked out the educational waste in primary schools caused by students dropping out or being held back (based on a 5-year system), as indicated in Table 3.

From the table, we see that for the class of 1989, the waste caused by dropouts was 750 student years for every 1,000 students. If we break it down by province, this kind of educational waste is most extensive in Tibet, followed by Guizhou, Gansu, and Shaanxi, in that order.

Nationwide, the waste caused by students being held back was 343 student years for every 1,000 students. To put it differently, because some students were held back, we had to finance 342 extra student years in order to turn out 1,000 5-year primary school graduates. Repeaters caused the most extensive waste in Gansu, followed by Shanxi, Ningxia, Hainan, and Qinghai.

From the analysis above, we can see that in terms of student years alone, provinces with an otherwise similar major waste problem differ in the extent they suffer from dropout-caused waste and repeating-caused waste. In Gansu and Qinghai, both types of waste are extensive. In contrast, in Shaanxi, Guizhou, and Tibet, dropouts cause more waste than repeaters. In Guangxi, Ningxia, and Hainan, on the other hand, repeaters are a greater source of waste than dropouts.

In terms of the study time actually expended, five-year primary school graduates took 6.3 years (including students who entered the sixth grade in 6-year primary schools) on the average. In other words, because of students dropping out or being made to repeat a grade, an extra 1.3 years were needed to train one primary school graduate.

The seriousness of the dropout and repeating problems can also be gleaned from the on-time promotion rate. As Table 4 shows, the on-time promotion rate for the primary school classes of 1989 and 1990 were 69.4 percent and 70.2 percent, respectively. In other words, 37 percent and 36 percent of these two classes, respectively, were not promoted to the fifth grade either because they dropped out or because they were held back.

When students drop out or are required to repeat a grade, the consequences are grave:

1. Educational resources are wasted. According to an analysis of five sample counties in Fujian province, about 411,400 yuan were wasted in the 1988-89 school year because of the dropout problem in primary schools. At the junior high level, dropouts resulted in a waste of 990,900 yuan.² Because some primary school students were made to repeat a grade, Zhejiang had to spend an additional 26.18 million yuan on education.³ The extra educational spending in Hebei was 24,229,000 yuan.⁴

Table 4. Five-Year On-time Promotion Rate of Primary School Students in 1989, 1990

	Class of 1989	Class of 1990
National	69.4	70.2
Beijing	98.8	98.1
Tianjin	95.1	94.4
Hebei	77.1	76.9
Shanxi	81.6	80.2
Inner Mongolia	74.1	75.3
Liaoning	91.7	91.8
Jilin	86.0	88.3
Heilongjiang	80.0	80.8
Shanghai	93.9	94.5
Jiangsu	77.5	81.0
Zhejiang	86.6	89.2
Anhui	55.6	55.6
Fujian	60.3	64.9
Jiangxi	61.4	63.7
Shandong	77.9	79.3
Henan	69.4	69.6
Hubei	71.3	70.2
Hunan	80.9	89.4
Guangdong	63.6	65.8
Guangxi	61.5	60.6
Sichuan	79.9	79.9
Guizhou	48.2	47.6
Yunnan	48.5	51.4
Tibet	18.9	19.5
Shaanxi	63.6	64.3
Gansu	44.9	42.0
Qinghai	41.3	41.6
Ningxia	46.5	46.2
Xinjiang	67.6	68.2

Source: Calculations based on data from the Educational Statistical Yearbook from 1984 through 1989.

2. The universalization of compulsory primary education is badly hampered. In Gansu, 91.37 percent of school-age children were in elementary school in 1986. By late 1989, however, the universalization of compulsory primary education provincewide was only 77.15 percent.⁵ The wide gap between the universalization rate and enrolment rate among primary school students was mainly caused by a high dropout rate. After dropping out, these students very likely became new illiterates or semi-illiterates. Not only would this set back the universalization of compulsory education, but it would also complicate the campaign to eradicate illiteracy.

3. In places already ill-equipped to provide education, a high dropout rate has made things worse. When primary

school students are held back, particularly when first graders are held back in large numbers, it magnifies the problem of large class size created by an excessive number of over-age school children and other factors. According to our field studies, some first grade classes in the countryside have as many as 80 to 90 pupils. Not only does this result in overcrowded classrooms and a shortage of desks and chairs, but it will also unavoidably add to the teachers' teaching load and affect the quality of instruction. When first grade education is of a low quality, it would produce a large crop of repeaters, setting up a vicious circle.

Needless to say, in emphasizing that it is a waste of educational inputs when students drop out or are made to repeat a grade, we mean to say that it is not cost-effective. Not for a minute are we suggesting that China's total educational spending has exceeded the level of demand. On the contrary, the country's current investment in compulsory education is far from satisfying demand. The fact of the matter is that in many areas students drop out or are made to repeat a grade precisely because of insufficient educational investments. Since educational funding has long been inadequate, many areas, particularly those in the countryside, are ill-equipped to provide schooling. A few schools even fail to meet the minimum standard: "one absence and two presences." Raising the standard of the teachers is also difficult. Such being the conditions in which schooling must be provided, how can we ensure the quality of education? Areas with serious dropout problems often are precisely those that already are short of educational funding to begin with, including many counties that need government subsidies. In other words, the problem of students dropping out or being made to repeat a grade has made what are limited educational resources even more scarce, thus complicating the effort in some areas to implement universal compulsory education.

III. Why Students Drop Out or Have To Repeat a Grade

Students drop out or are made to repeat a grade for a variety of complex reasons, some outside the school and some within, with the two often interacting each other.

A. Why Students Drop Out

1. Factors Outside the School

a) In economically backward areas, particularly rural areas where the level of productive forces is low and where keeping the people fed and clothed is still a problem, cultural knowledge is not yet a precondition for a peasant's livelihood and production. Hence peasants do not fully appreciate the significance of education. In addition, some peasant households, hard pressed to

make a living, depend on their children to do supplementary labor and cannot afford to send their children to school. This is the main reason why children in this kind of areas drop out.

In economically, educationally, and culturally backward areas, feudal thought, traditional concepts, old customs and habits, and religion also have a lot to do with the dropout problem, as demonstrated in the following ways. First, there is a widespread tendency to regard boys as superior to girls. When a household is barely eking out a living or needs supplementary labor, the parents would first consider withdrawing their daughter from school. This is the leading reason why girls are dropping out at a higher rate than boys in primary schools. Second, contentment with the status quo, a disdain for education, and other outdated ideas are still prevalent. Illiterate or semi-illiterate parents, in particular, are limited by their own life experiences, fail to encourage their children to pursue an education, and even force them to drop out. According to our questionnaire survey, 36.4 percent of the primary school dropouts had an illiterate parent, while 20 percent had both an illiterate mother and an illiterate father. Asked what change in circumstances at the beginning would have stopped them from dropping out, 30.7 percent (the largest group) of the primary school dropouts and 13.8 percent of the junior high dropouts cited more support from their parents. The findings of the questionnaire survey also make it clear that in 47.1 percent of the dropout cases among primary school students, the parents made the decision. We can thus see that parental attitudes play a most important part in a dropout decision. Third, a number of studies show that in certain areas inhabited by minority nationalities, religion is also a major factor.

b) Unfavorable natural geographical conditions constitute another reason why some students drop out. In some geographically complex areas where the population is sparse and widely scattered, the long trip to school makes it difficult for children to pursue an education. Some parents, worried about their children's safety, are forced to make them drop out. In some areas, frequent natural disasters, the result of unfavorable geographical conditions, are another reason why some students drop out.

c) Where the commodity economy is beginning to develop, students drop out to enter the labor force or go into business. In areas with a budding commodity economy, productive activities do not yet require a high level of scientific and technical expertise on the part of workers. In addition, management loopholes enable some township and town enterprises and self-employed individuals to break the law and hire child labor. Dropping out to join the labor force or go into business is highly tempting to parents eager to shake off poverty or concerned only with immediate interests or to students lacking an interest in studies. In the preceding paragraphs we noted that the dropout rate among junior high students is highest in moderately developed areas. This probably has more to do with such social temptations as going into business or entering the labor force than

anything else. Moreover, in recent years society has completely reversed the value of mental labor and manual labor. Knowledge has depreciated. Such anomalies too have influenced students directly and indirectly.

2. Factors Outside the School

a) Because of a severe lack of educational funding, some rural areas are poorly equipped to provide schooling. Some schools do not even meet the minimum requirement of "one absence and two presences." Some school buildings are dilapidated, the classrooms are overcrowded, facilities basic to school life, such as water and toilet, are inadequate, so on and so forth. Lacking the necessary teaching equipment and facilities as well as qualified teachers, some schools cannot offer the courses in the syllabus, not to mention extracurricular activities. Not only does this make schooling less appealing, but it has also seriously affected the quality of instruction. According to a survey on 15 counties in Hebei Province, the dropout rate at Daimao Junior High, which was poorly funded and equipped, was 29.1 percent in 1989, compared 19.1 percent at the county-run junior high, which was better endowed.⁶ The wide gap between the two is mainly a function of their disparate resources.

b) The content of teaching tends to be too difficult and too extensive and, to a certain extent, too removed from local reality. Traditionally basic education in China served the purpose of enabling students to move on to junior high or senior high. Many schools still make that their sole objective. Consequently, once students or their parents realize they will not have a chance to enter junior high or senior high, they conclude that there is no point in staying in school just to "keep their classmates company." According to our questionnaire survey on dropouts, 10.7 percent of the primary school dropouts and 20.4 percent of the junior high dropouts quit school because they felt they had no chance of proceeding onto junior or senior high. (See Table 7).

c) The caliber of teachers is poor and their methods of teaching inappropriate. When teachers use the wrong teaching method, some students cannot keep up. Over time they lose interest in studies, become weary of learning, and ultimately drop out.

d) The effect of internal school factors on a student's decision to drop out is strikingly reflected in his academic performance. According to our questionnaire survey, a considerably large portion (26.4 percent at the primary school level, 37.1 percent at the junior high level) of the respondents had dropped out because they "could not keep up academically." (See Table 6) The questionnaire survey on the parents and teachers of dropouts turns up similar findings; 49.1 percent of the parents and 33.7 percent of the teachers said that their children or students dropped out because of poor academic results. The questionnaire survey also shows that

among primary school dropouts, 44.3 percent failed both language and mathematics, and 29.3 percent failed either one subject.

Poor academic performance in itself does not necessarily cause a student to drop out. In combination with other factors, however, it will easily lead a student to do just that. In any case, when a student's academic performance does not meet the requirements, that in itself is a waste of educational resources even if the student does not drop out or is made to repeat a grade.

Poor academic performance is often the immediate cause of a student dropping out. But, at a deeper level, what causes poor academic performance? It certainly has something to do with the students' own attitudes toward studying, how much effort he puts in, and his family circumstances. Nevertheless, we believe that the principal cause of poor academic performance can be found in a school and in teachers. Errors in the guiding thought of a school, the low caliber of teachers, inappropriate syllabus and teaching methods, the absence of individual guidance tailor-made to suit a particular student... all this may affect the academic performance of a student.

To sum up, broadly speaking the main external reason that causes students to drop out is family economic difficulties, while the main internal reason is the students' poor performance. But these two factors carry different weight at the junior high level and at the primary school level. Statistics on dropping out and grade-repeating in primary schools and junior high schools nationwide in 1989 are presented in Table 7. They show that proportionally more primary school students than junior high students drop out because of economic difficulties and vice versa in the case of poor academic results. The same conclusion holds in individual provinces.

B. Why students are held back

Compared to dropping-out, students are held back for fewer and simpler reasons. In a majority of cases, students have to repeat a grade because of poor academic results. And the reason why some students perform poorly academically can mainly be found inside the school.

First of all, as far as the student himself is concerned, lower intelligence, poor health, wrong attitude toward learning, lack of self-confidence and perseverance all may affect his academic performance and cause him to repeat a grade. But these are not the main reasons. The key is how the school and teachers seek to develop his intelligence, change his negative attitude, and enhance his interest and confidence in learning.

In addition to the factors cited above in connection with the dropout problem, from the schools' point of view these are the main reasons why students are held back:

1. Lack of preschool education in some rural areas. As a result, some freshmen cannot adjust to classroom learning instantly or keep up academically. This is mainly why proportionally more first graders repeat their grade than at any other level.

2. Changes in and the complexity of the syllabus make it hard for students to adapt. If we compare the materials at the second grade to those at first grade in junior high, the former is much more difficult than the latter and demands of the student's ability to think abstractly, making it harder to master.

3. Teachers are of a low caliber and their teaching methods are out-dated. In particular, they lack the

patience to give individual students guidance tailor-made to suit their needs. According to our questionnaire survey, 28.5 percent of primary school dropouts and 27.6 percent of junior high dropouts made to repeat a grade thought they would not have been held back had there been better individual guidance from their teachers. (See Table 5).

4. In some areas schools make their students repeat a grade artificially. In pursuit of so-called "high graduation rates" and "high promotion rates," some schools and teachers hold back those students with little hope of moving on to junior or senior high one year before they graduate, artificially increasing the number of repeaters. Also, some parents themselves ask that their children be held back, assuming that such a move would help them master what they have learned. [passage omitted]

Table 5. Preventing Students From Dropping Out, Repeating a Grade (%)

	Dropout		Grade-Repeating	
	Primary	Junior High	Primary	Junior High
Eliminate fees or provide financial assistant-ships	4.2	9.60		
Make content of teaching more more relevant to local production, lifestyled	6.40	15.60	1.20	6.50
Make schools better equipped	1.40	5.40	5.20	5.70
More individual guidance	4.30	9.00	28.50	27.60
More flexible school hours	2.10	1.20		
Easy access	4.30	3.60		
Improve family economic circumstances	20.00	11.40	5.20	6.50
More support from parents	30.70	13.80	16.90	5.70
Lessen burden on students	6.4	12.00	12.20	15.40
Improve academic performance	10.00	15.60	23.80	24.40
Others	10.90	2.00	7.00	5.00

Source: Based on a questionnaire survey on 319 dropouts and 293 students made to repeat their grade.

Table 6. Reasons for Dropping Out, Repeating a Grade (%)

	Dropout		Grade Repeating	
	Primary	Junior High	Primary	Junior High
Overage	8.6	1.8	6.0	4.1
Low intelligence	4.3	0.6	8.7	
Poor grades, learning difficulties	26.4	37.1	66.3	69.9
No chance of moving into junior/senior high	10.7	20.4	0.6	2.4
Parental influence	12.9	7.2	2.9	0.8
Family difficulties	25.7	20.4	4.6	5.7
Being recruited as worker, going to banzais	0.7	4.2		
Academic burden too heavy			5.2	8.1
Others	7.1	6.6	9.9	7.3

Source: Same as Table 5

Table 7. Reasons Primary School, Junior High Students Dropped Out in 1989 (%)

	Illness		Family		Poor Grades		Other Hardships	
	Primary	Junior High	Primary	Junior High	Primary	Junior High	Primary	Junior High
	14.4	12.7	47.4	35.6	25.9	35.6	12.3	16.1
Beijing	39.8	16.5	14.4	21.3	27.0	46.4	18.7	15.8
Tianjin	35.5	10.1	26.6	30.0	28.7	42.3	9.2	17.6
Hebei	22.4	15.9	35.1	35.9	31.5	36.2	11.1	12.0
Shanxi	30.2	17.5	36.1	39.4	25.4	32.1	8.3	11.0
Inner Mon- golia	29.9	20.9	44.5	38.3	19.6	30.6	6.0	10.2
Liaoning	39.1	14.2	34.3	33.5	18.3	41.1	8.3	11.2
Jilin	36.0	16.2	25.9	21.5	19.5	25.5	18.6	36.8
Heilongjiang	35.3	14.0	23.4	24.9	18.6	23.1	22.6	37.9
Shanghai	42.2	9.7	5.7	5.1	29.9	47.1	22.2	38.2
Jiangsu	26.8	12.3	31.5	21.8	32.8	42.7	8.9	23.1
Zhejiang	24.4	9.4	35.4	22.3	28.3	50.6	11.9	17.6
Anhui	13.7	12.0	40.1	35.3	29.4	39.8	16.8	12.9
Fujian	15.7	9.8	33.7	29.5	33.4	41.2	17.1	19.4
Jiangxi	11.8	11.0	54.3	40.0	24.1	33.3	9.7	15.6
Shandong	13.7	11.0	36.6	40.4	40.8	43.9	9.0	4.6
Henan	15.2	13.7	41.1	24.5	35.4	38.2	8.3	13.6
Hubei	18.1	11.8	54.6	48.1	21.9	29.0	5.4	11.1
Hunan	15.7	13.4	51.2	46.1	27.8	33.8	5.3	6.7
Guangdong	12.4	8.1	43.6	35.6	23.6	30.5	20.4	25.9
Hainan	6.1	8.9	55.5	48.4	31.2	34.4	7.2	8.3
Guangxi	10.6	7.5	48.5	41.7	27.6	39.0	13.3	11.9
Sichuan	13.1	11.9	50.6	42.6	25.0	33.5	11.3	11.9
Guizhou	6.9	11.3	65.9	52.8	17.2	22.9	10.0	13.0
Yunnan	8.5	12.3	43.4	27.6	16.6	19.8	31.5	40.3
Tibet	13.0	8.0	48.3	75.7	38.7	10.2	0.0	6.1
Shaanxi	18.6	18.2	51.6	41.3	27.2	36.8	2.5	3.7
Gansu	14.9	21.3	52.3	37.9	25.5	31.5	7.3	9.3
Qinghai	9.3	14.6	46.1	43.3	15.3	21.0	29.1	21.1
Ningxia	10.5	13.5	51.0	37.8	12.7	41.6	25.8	7.2
Xinjiang	43.0	17.2	37.0	38.4	12.7	31.3	7.3	13.1

Source: Same as Table 1

Note: As we were making final revisions to this article, we obtained dropout and grade repeating data at both primary and junior high levels for the 1989-90 school year from the educational statistics department. The new data show that the dropout rate in primary schools and junior high schools was notably lower than a year ago. Nationwide primary school students dropped out at the rate of 2.37 percent on the average, down 0.82 percentage points from a school year ago. The dropout rate among junior high students was 4.84 percent, down 2.5 percentage points. Broken down by province, the data show that the dropout rate in both primary schools and junior high schools has fallen in almost every province,

municipality, and autonomous region, sharply in some provinces. Certainly this is a gratifying development and may have something to do with the "five supervisory inspections" launched across the nation last year. However, as our analysis indicates, primary school students and junior high students drop out in most cases because of economic backwardness (which usually takes the form of family economic difficulties and a lack of school funding) and poor educational quality (as demonstrated in the students' poor academic performance.) This situation cannot be improved in a couple of years. In this sense, administrative actions can have only limited effects and will not be able to solve the dropout problem

at its source. For this reason, therefore, we cannot be blindly optimistic. It will be a long-term mission to ameliorate and solve the dropout and grade-repeating problems.

Footnotes

1. *Research Report on Dropout and Grade Repeating in the Compulsory Education Stage*, Compulsory Education Office, Department of Education, Guangdong Province.
2. *Research Report on Dropout and Grade Repeating in the Compulsory Education Stage in Sample Areas in Fujian Province*, Supervision and Guidance Office, Education Commission, Fujian Province.
3. *Containing the Dropout and Grade-Repeating Problem Among Students as an Important Way To Improve Educational Efficiency*, Universal Education Office, Education Commission, Zhejiang Province.
4. *Comprehensive Report on a Survey on Dropout and Grade Repeating in Primary and Junior High Schools in Hebei Province*, Policy Research Office, Education Commission, Hebei.
5. *Research Report on Dropout and Grade Repeating in the Compulsory Education Stage in Gansu Province*, Universal Education Office, Education Commission, Gansu Province.
6. See Footnote 4.

Lawlessness in Rural Areas Explained

91CM0413A Shanghai SHEHUI [SOCIETY]
in Chinese No 74, 20 Mar 91 pp 40-43

[Article by Jiang Jixing (1203 4949 5281): "Rural Puzzlement Over Current Laws—A Survey Report From Villages in Qinhuangdao Municipality"]

[Excerpts] [passage omitted] **There Are No Laws To Rely Upon**

First, family planning legislation has seriously stagnated. [passage omitted] Presently, except for local "family planning regulations," the Constitution mentions the principle of family planning in only one sentence, and there is still no corresponding law to ensure that it is well implemented. This creates great headaches for rural cadres. Because their economic methods are ineffective and ideological work is powerless, they quite often adopt administrative methods, even resorting to confiscating property and tearing down houses. These practices not only place family planning activities in a predicament, but also arouse intense discontent among peasants, leading to worsening relations between cadres and masses. A great many rural cadres say, "We are using illegal means to accomplish a legal task. If a procedural law is administered and we act in this way again, the masses will take us to court. Regardless of the fact that we are now Communist cadres doing Communist Party work, there is no telling whether we might not one day sit

in a Communist Party jail. Without more family planning legislation, we have no way of carrying it out."

Second, there are no abiding laws for rural cooperative economic organization and there is no law determining the status of legal persons. Thus it is difficult to fully implement their functions. Since 1984, documents from the Central Committee and speeches by Central Committee leaders have time and again brought up the need to establish a sound rural regional cooperative economic organization. Because we lack a complete set of laws and regulations, to date there has been no way to determine and achieve the social status of cooperative economic organizations or the qualifications of legal persons, and thus it is difficult to fully implement their functions. This results in a hard situation where foreign exports go nowhere, bank loans cannot be transacted, and we are powerless to resolve disputes over economic agreements. [passage omitted]

Third, rural economic activities urgently need rural economic contract management laws and regulations to complement them. Since the responsibility contract system linked to production was implemented in the countryside, rural areas generally established combined, dual-level, centralized and decentralized management systems. To ensure that both collective and individual rights and duties were realized, contractors and those issuing contracts signed numerous contractual agreements. But when one side broke the contract, there was no reliable way to legally force them to totally honor their obligations. Although we now have an Economic Agreement Law, that law is mainly related to enterprises' economic activities. There are no specific clauses related to rural economic activities. When peasants have economic contract disputes with legal persons, they can only consult the law's implementation, they cannot implement their own laws. [passage omitted]

Fourth, we still lack a complete set of laws and regulations protecting rural collective resources and compensating for their use. Since the overall contract system was implemented in the countryside, the issue of protection and compensated use of collectively owned resources, such as land, mountains and forests, water resources, and mineral resources, has become increasingly prominent. In several rural areas there is now constant and arbitrary occupation, cutting, excavation, and extraction of resources. [passage omitted] Although current applicable laws have standards for protecting state resources such as land, forests, pastures, and mines, there are no specific standards for the protection and compensated use of collective resources. Even though a few provisions have been proposed, they are too general and there is no way that they can work. [passage omitted]

It Is Difficult To Rely on Laws

First, charges are unclear, punishment is unsuitable, and judgments tend to be lenient. According to relevant stipulations of Article 34 of the Forestry Law, and Article 22 of the Detailed Regulations for Implementing

the Forestry Law, which concerns the illegal cutting of forest wood, if one cuts over one cubic meter of wood or over 50 young trees in a forest region, or over one-half a cubic meter or over 20 young trees in a non-forest region, in addition to being ordered to compensate for the loss of the trees and for reseeding, one is only fined five to 10 times one's illegal income. But there is no provision clearly stipulating what degree of denuding is a punishable offense. There is only Article 128 of the Penal Code, which stipulates that "Anyone violating forest protection laws and regulations by illegally cutting and seriously denuding forests or other woods will be sentenced to three years or less of imprisonment or forced labor, and possibly fined in addition, or just simply fined." What degree is actually considered "serious" has never been clearly stipulated. [passage omitted]

Second, the laws are unworkable. Article 13 of the Land Management Law stipulates that "Disputes over land ownership and usage rights will be resolved through consultation by the parties concerned. If the consultations are unsuccessful, the people's government will deal with it." It is obvious that in resolving disputes over land ownership and usage rights, there are no procedures for administrative review. When a government decision emerges in society, it can come from the county government or from the township government. If the county or township government makes an improper decision due to interpersonal relations, the responsible department at the next level of government has no way to correct or resolve the situation through administrative review procedures. [passage omitted]

Third, the laws are not strict enough. [passage omitted]

In addition, Article 8 of the Marriage Law stipulates that "After a marriage is registered, and when both the man and woman agree, the woman can become a member of the man's family or the man can become a member of the woman's family." No doubt this provision for implementing the principle of sexual equality, establishing a new type of democratic, harmonious marital and familial relationship, and resolving actual difficulties in families with daughters and no sons has positive, progressive significance. However, this provision is too general. It does not have strict, detailed rules and regulations with explanations or any restrictive terms, to the extent that in some rich villages population control has now become a problem. When a young man marries, he brings in another mouth. When a young woman marries, she will not leave. She wants her husband to settle with her family, creating a sharp population growth in some rich villages. [passage omitted]

Fourth, laws are not coordinated with each other. According to the relevant provisions of the current Land Management Law and Forestry Law, at the county level and above the land and forest management departments are the functional departments for that level of the people's government. They have effective control of land and woodland and forests respectively. Because their functions overlap and there is no unified coordination,

when there is controversy or a dispute over ownership or usage rights of land or woodland, they each shift responsibility to the other. The land department says, "The land is wooded. According to the stipulations of the Forestry Law, disputes over woodlands should be governed by the Forestry Department." The forestry department says, "According to the stipulations of the Land Management Law, the land management departments of local people's governments at the county level and above are in charge of unified land management in their administrative territories. The law's designation of land includes all uses of land under both systems of ownership. Thus, the matter should be managed by the land department." However, when there are land use fees to be acquired, both sides use the law, and do not give in to one another. [passage omitted]

Where There Are Laws, They Are Not Relied Upon

First, although we have had five years of general legal education, the phenomenon of having laws but not relying on them is still rather serious in some parts of Qinhuangdao Municipality. For example, when implementing the Land Management Law, the phenomenon of infringing on village streets and roads and wantonly taking over cultivated land to build personal housing still continues unabated. [passage omitted]

We are faced with a severe challenge in implementing the Forestry Law. In recent years, deforestation has become ever more serious. In a number of places the rate of cutting is greater than the growth rate. [passage omitted]

In implementing the Marriage Law, violations still are not rare. In recent years, early marriages, illicit marriages, and bigamy have become more frequent in villages in Qinhuangdao. Some use their "connections" to change their ages and register the marriage. Some who have not reached marrying age do not register, but just live together without permission. In some poor villages, the disgusting custom of "bartered marriages" is still very serious. Most of these marriages are against the woman's will. To acquire a "noble son" earlier, some peasants—deliberately or not—conveniently open a wide door so that their sons and daughters marry and give birth early. [passage omitted]

Second—and this is very important—the phenomenon of having a law but not relying on it has become rather serious in the countryside. Enforcement is not strict, causing the law to lose the weight it should have. In Qinhuangdao's villages, the lack of strict law enforcement is mainly manifested in the following few respects:

Laws and sentences are replaced by fines. The heading of "fine" is a rather common unlawful sanction in villages. Several "rural regulations and civilian restraints" are published as "fines." They can be seen everywhere: fines for arbitrary land occupation, arbitrary tree cutting, unplanned births, gambling, stealing, prostitution, insufficient sentencing, and even fines for sufficient sentencing. It seems that once there is a fine, it is reasonable and legal and all is well. "Fines" replace statutes and criminal laws and become the only means of punishment. They are of great benefit to some grassroots cadres

and law enforcement departments, and save them a great deal of trouble. [passage omitted]

The laws interfere with human sensibilities, customs, and interpersonal networks. Current human sensibilities, customs, and interpersonal networks in villages are complicated. Sometimes a case involves flesh and blood. This side still has not been brought to justice, and that side is pleading for mercy. Those who want to intervene come pouring in, making it very difficult for many grassroots law enforcement personnel to be impartial, incorruptible, and to justly decide a case that "divides one mu into three." If a person knows someone higher up and has good connections, then important matters become small matters, and small matters disappear. Different people are punished differently for the same type of incident. In particular, when law enforcement personnel encounter cases connected with leading cadres, they are indulgent and accommodating, and dare not be bold enough to dispose of it. It is very difficult for citizens to "all be equal before the law." [passage omitted]

**Law Enforcement Personnel Are of Low Quality,
Affecting the Results of Law Enforcement**

Strict law enforcement requires qualified law enforcement personnel. If law enforcement personnel do not

enforce the law, if they violate the law when enforcing it, or if they abide by their own perverted law, then no matter how complete or good the law is, it is useless. Not only are there many rural law enforcement personnel in the municipality who are now old, weak, sick, or crippled, but there are also quite a few who do not enforce the law, do not enforce it strictly, or who violate the law when enforcing it. In recent years, several places have recruited contract civilian police who have not undergone specialized training and education and who are not of high quality. Because there are many of them scattered about, and because it is difficult to manage them, some of them loaf around all day. They do not do their jobs, frequently hit or curse people, arbitrarily arrest and fine them, and arbitrarily admonish them. There also are some whose old police habits are strong; they think that their job has its privileges, and they use their positions to eat, take, check, demand, and obtain benefits for themselves. Some even violate the law and discipline and take part in gambling and gold smuggling. The masses say, "Now some civilian police are bolder than outlaw bands. They are bold enough to do anything. Yet when we ask them to solve a case, it is not their affair. They cannot handle major cases and do not want to handle minor ones. If we report a case, they are not interested, and they take money to solve a case." [passage omitted]

Changing Role of Professors in Student Movement

91CM0433A Taipei TZULI WANPAO in Chinese
29 Apr 91 p 3

[Article by Liu Ming-t'ang (0491 2494 1016) and Ch'en Mei-shuang (7115 3780 7208): "Professors' Changing Role Helps To Mature the Student Movement"]

[Text] Every time the student movement has gotten bogged down in indecisive resistance, liberal professors have immediately stepped in to play an advisory role in support of the students. While professors played similar supporting roles in the student-led movements of 16 March 1990 and 16 April 1991, things have changed. What has changed is that, based on their past experience and self-awareness, some professors are beginning to realize that they have an equal status with students in the current constitutional reform movement. They are taking the initiative to change their posture and join the students in common action, and are no longer simply acting as assistants who provide policymaking suggestions. This changing role of professors, which is establishing cooperative relations between professors and students for the future of the student movement, is helping the student movement to mature.

Professors' shift in the 16 March 1990 movement from a passive, supporting role to actively providing policymaking suggestions, and their use of the opportunity to dominate the decisionmaking in Chungchengt'ang Square, aroused resentment among students. It turned students' applause for professors into censure and strained professor-student relations. This experience also left some professors with a bystander approach throughout the current constitutional reform movement. They did not dare become actively involved with or support the students. But when the word got out that Taiwan University was going to forcibly remove the awnings in front of the square, under which the students were holding a quiet sit-in, professors who had actively supported the students in Chungchengt'ang Square in 1990 finally got together, organized a "19-person involvement group," issued a four-point statement in support of the students, and helped ease the tension between Taiwan University and the students.

The 1991 movement differs from that of 1990 in that professors have taken the initiative to align themselves with the students. Even before the Spring Festival, the Taiwan Professors Association [TPA] wanted to join forces with students to jointly develop the principles for rewriting the constitution. Thus, the professors took the initiative to establish contacts with reform groups at schools such as Taiwan University, National Chengchi University, and Tungwu University, which were later expanded through other student mass media to reform groups at all colleges and universities. However, the professors began to act like they still wanted to direct the student movement, which again aroused resentment among the students. After a certain amount of debate and compromise, students and professors finally agreed

on an equal status, and cooperated to organize the "Coalition of Taiwan Students and Professors To Rewrite the Constitution."

A member of the coalition has disclosed that, although professors in the TPA are generally in accord on the principles of sovereignty and independence, there is still controversy among them over what line to take. Moreover, since the professors have less experience with movements than do the students, the students still play the major role in the move toward constitutional government, and students take responsibility for developing the principles for rewriting the constitution.

Student criticism that professors assume too lofty a posture and act too conservatively will continue to be unavoidable during the constitutional reform movement. In addition to the fact that some professors are bogged down in a struggle over what line to take and the fact that they have little movement experience, another factor in this criticism may come from the fact that the professors grew up under martial law. Liberal professors who experienced the 1950's and 1960's are accustomed to looking at the world from the stronghold of Taipei and understanding Taiwan's vicissitudes through the media. Certain students who joined the student movement after martial law was lifted have acquired real movement experience by going to the countryside to observe and learn from the values and vicissitudes of all Taiwanese social classes during the period of economic and political transition. These different experiences left professors and students with different actions, lines, and perceptions of the student movement.

Moreover, the difference between students and professors can be seen in their actions. When the students intensified their movement tactics by protesting with a hunger strike and sit-ins, the professors continued to simply give lectures and provide behind-the-scenes advice. Only after they were subjected to internal criticism did a dozen or so professors join the students in the hunger strike and sit-ins to protest the Kuomintang regime. A student in the Coalition To Rewrite the Constitution analyzed the changing role of professors in the student movement as follows: Professors took a paternalistic approach to the 16 March 1990 movement and tended to get actively involved by dominating student decisionmaking. They wanted to assume an official posture in the 16 April 1991 movement by using the April constitutional reform movement to build up their influence for the second National Assembly elections at the end of 1991, while also displaying a reflective public official approach by hinting throughout the activities that the students should stop demonstrating.

However, there are still some professors who wish to take a more modest posture in acquiring movement experience from the students. They want to do so not only by offering advice, but also by participating in working groups and carrying out particular tasks, such as making overseas contacts and formulating plans. Professors with more grassroots principles are also planning to take

advantage of summer vacation by going down to the countryside with students and promoting constitutional reform principles, taking the pulse of middle- and lower-class Taiwan residents, and acquiring movement experience. This will not only narrow the gap in movement ideology between professors and students, it will also keep professors from remaining simply "big in talk, but small in deed." Moreover, this joining of academic forces will also lead to closer cooperation between students and professors, which is bound to have a certain positive impact on the future development of the student movement.

Trade Deficit With ROK Widens

*OW1006233991 Taipei CNA in English 0759 GMT
10 Jun 91*

[Text] Taipei June 10 (CNA)— The Republic of China [ROC] suffered an NT [new Taiwan] \$105 million trade deficit with South Korea in the first quarter of 1991, a stunning 52.02 percent growth over a year before, according to the latest customs statistics.

The rapid growth in the trade imbalance with Seoul has caused widespread concern here about the possibility that South Korea will follow Japan and become another major trade deficit country for Taiwan.

Government tallies show the ROC enjoyed trade surplus with South Korea until 1988. Taipei registered a trade deficit of \$106.63 million with Seoul for the first time in 1989 and the figure widened further to \$156 million in 1990.

Chu Cheng-chung, a researcher with the Taiwan Institute for Economic Research, said the widening trade gap resulted mainly from substantially increased imports of petrochemical intermediaries and machinery parts from South Korea. This is also a clear sign that Taiwan is lagging behind Korea in industrial upgrading, even though it outpaces Korea in terms of per capita gross national product (GNP), Chu noted.

The ROC's per capita GNP reached \$8,609 in 1990, higher than Korea's \$5,569.

Although the ROC has consistently enjoyed huge surpluses in its foreign trade in recent decades, Chu said, it has registered large trade deficits with some countries. In 1989, countries with which the ROC incurred a trade deficit of over \$100 million included Japan, Saudi Arabia, Brazil, Switzerland, Oman, Chile, Kuwait, Malaysia, Argentina and South Korea.

Most of the top 10 deficit countries provide large quantities of raw materials or primary goods to Taiwan, but Japan and South Korea mainly supply the country with key machinery components and parts and chemical intermediaries.

South Korea's aggressive trade promotion strategy has caused concern here. Large quantities of Korean goods,

particularly petrochemical materials, have allegedly been sold to Taiwan at unreasonably low prices.

The Chinese National Federation of Industries have received more than 60 dumping charges against foreign imports since it set up an import relief committee earlier this year. Most of the imports were from Japan and South Korea.

The federation has so far forwarded three dumping charges against Korean companies to the Finance Ministry's Tariff Commission for further investigations. The merchandise involved was petrochemical intermediaries, batteries and steel products.

Trade officials said that although Korean-made consumer goods do not have great appeal to Taiwan consumers, South Korea is Taiwan's strongest competitor in world markets.

Local petrochemical makers have felt the greatest threat from their Korean counterparts. Korean companies have aggressively expanded their production capacities in recent years. Korea's annual ethylene production is expected to reach 1.25 million tons this year, far exceeding Taiwan's 850,000 tons.

Moreover, Korea's ethylene output will pass 3 million tons by the end of 1992 when six new naphtha cracking plants all come on line.

As Taiwan's 2.5 percent tariff on petrochemical imports is among the world's lowest, industry analysts said, Korean makers are certain to try to sell their surplus petrochemical materials to Taiwan. Local petrochemical makers should step up research and development and switch to higher value-added product lines such as engineering plastics and medicine in order to survive the ever-stronger Korean competition, the analysts stressed.

NT Dollar Becomes Super-Strong Currency

*OW1006234391 Taipei CNA in English 0759 GMT
10 Jun 91*

[Text] Taipei, June 10 (CNA)— The new Taiwan [NT] dollar has emerged as a "super-strong currency," with its effective exchange rate index surging to 93 in May from less than 90 earlier this year, a highly placed Council for Economic Planning and Development (CEPD) official said today.

Despite the U.S. dollar's strong rally against other major foreign currencies, the official said, the NT dollar has continued to rise against the greenback over the past two weeks. The parity closed at 27.12 NT dollars against one U.S. dollar Friday, compared to 27.3 NT dollar vs. one U.S. dollar in mid-May.

The U.S. dollar advanced to one U.S. dollar against 1.7715 Deutsche marks and 140.42 Japanese yen on the New York foreign exchange market last week, both new highs for the post-Gulf war era. With the U.S. economy

improving, the official said, there should still be ample room for the greenback to appreciate.

As the NT dollar is pegged to the greenback, its value against other major foreign currencies has been rising steadily since early this year. The NT dollar has rallied further in recent weeks due to booming exports and increased capital inflow. The official worried that the parity between the NT dollar and the greenback may soon break the 27.1 NT dollar vs. one U.S. dollar level, widely believed to be the baseline the Central Bank of China will tolerate.

If the trend continues, the CEPD official said, the nation's export industry may be adversely affected. The NT dollar rallied strongly in mid-1989 and the country's exports began to decline in the fourth quarter of that year, he recalled. With the NT dollar appreciating 20 percent against the Deutsche mark between February and April, he noted, export orders from that country decreased sharply in April, compared to a 40 percent rise in the first quarter.

Oil Price Stabilization Fund To Be Created

*OW1106092491 Taipei CNA in English 0804 GMT
11 Jun 91*

[Text] Taipei, June 11 (CNA)— The Ministry of Economic Affairs has tentatively decided to create an "Oil Price Stabilization Fund" as part of its efforts to "institutionalize and rationalize" domestic oil pricing.

The fund will be drawn from the excess profits of the Chinese Petroleum Corp. (CPC), a state monopoly, Economic Affairs Minister Vincent Siew [Hsiao Wanchang] said.

CPC has been criticized for being too quick in raising oil prices to reflect higher costs. With the establishment of the proposed fund, the company will no longer need to raise domestic oil prices right after international oil prices rise since the fund will be used to cover part of CPC's losses.

Siew has also ordered the Commission of National Corporations to form an oil price advisory committee to work out a new oil pricing formula.

The formula will enable the public to foresee domestic oil price trends and will help maintain commodity price stability, Siew added.

CPC had earned some 18 billion NT [new Taiwan] dollars in pre-tax profits as of the end of May, above its profit target of 16 billion NT dollars for the fiscal year ending June 30, a company spokesman said.

Although CPC cut domestic oil prices an average of 4.76 percent in late May, its May earnings still surpassed its budget target by more than 1.2 billion NT dollars. The company expects its excess earnings for fiscal 1991 to be well over 2 billion NT dollars.

Mainland Becomes Major Rival in U.S. Market

*OW1306102891 Taipei CNA in English 0752 GMT
13 Jun 91*

[Text] Taipei, June 13 (CNA)— Mainland China has emerged as a formidable competitor with Taiwan in the U.S. market mainly due to significant devaluation of the renminbi (RMB) in recent years, the Board of Foreign Trade reported Thursday.

The value of the Mainland Chinese currency declined from 1.5 RMB for one U.S. dollar early in the 1980s to 3.7659 RMB for one U.S. dollar at the end of the decade. Peking authorities have further depreciated the renminbi over the past year to stimulate exports. In 1990 alone, parity between the RMB and the greenback dropped a stunning 27.6 percent to 4.8054 RMB for one U.S. dollar.

A weaker RMB has greatly boosted mainland exports to the United States in the past few years. Mainland China enjoyed a trade surplus of 10.3 billion U.S. with the United States in 1990 and replaced Taiwan as America's second largest trade surplus partner, after Japan.

Taiwan, by contrast, has gradually lost its competitiveness in the U.S. market. Its sales began to shrink in 1988 and the downward trend has accelerated during the past several years due to a strong NT [new Taiwan] dollar.

Taiwan exports to America declined 9.4 percent in 1990 and fell a further 7.1 percent in the first five months of 1991. Its trade surplus with the United States was trimmed a painful 26.4 percent during the January-May period.

BOFT said Taiwan, with its currency pegged to the greenback, is losing its market niches to Mainland China. Of Taiwan's top 10 export items to America, seven have met fierce competition from mainland counterparts. These products include footwear, toys, textiles, machinery, electric home appliances and plastic notions.

The United States has been Taiwan's top trading partner and its most important export outlet. Trade observers said the government may have to reconsider its exchange rate policy in order to enhance Taiwan's competitive edge in the U.S. market.

Trade With Vietnam Tops \$100 Million

*OW1706100591 Taipei CNA in English 0754 GMT
17 Jun 91*

[Text] Taipei, June 17 (CNA)—Two-way trade between the Republic of China [ROC] and Vietnam has grown by leaps and bounds in recent years, with the amount already breaking the 100 million U.S. dollar mark, the China External Trade Development Council (CETRA) reported today.

ROC exports to Vietnam zoomed to 62.7 million U.S. dls in 1990 from 1989's 8.7 million U.S. dls, a 6.2-fold advance, CETRA said. Shipments to the communist

Indochinese country chalked up a further two-fold gain in the first five months of this year.

As Vietnam lacks consumer goods, CETRA noted that Taiwan manufacturers still have good opportunities to further expand their market shares there.

With CETRA's help, some domestic furniture, food-processing and textile manufacturers have also set up production lines in Vietnam in the past few years.

CETRA said Vietnam is moving toward a market-oriented free economy and is actively trying to entice direct foreign investments in order to accelerate its national development. As land and labor costs in Vietnam remain relatively low, it noted, investment there is believed to be quite profitable.

Many Japanese and Korean companies have made long-term investments in Vietnam. CETRA officials urged local manufacturers to follow suit and to make Vietnam another of their major overseas production base and sales outlet.

Exports to Europe One-Fifth of Total Trade

*OW1706094091 Taipei CNA in English 0759 GMT
17 Jun 91*

[Text] Taipei, June 17 (CNA)—Trade between Europe and the Republic of China [ROC] has grown remarkably in the first five months of 1991, and exports to Europe now account for more than one-fifth of ROC total exports.

The Board of Foreign Trade (BOFT) said that two-way trade reached 10.33 billion U.S. dlr in the January-May period, with ROC exports to Europe growing 24 percent to 6.017 billion U.S. dlr and imports from Europe rising a slightly 0.1 percent to 4.316 billion U.S. dlr.

BOFT said that ROC exports to the European Community accounted for 80 percent of its total exports to Europe. ROC exports to Germany grew the fastest at 44.5 percent, followed by Portugal at 35.7 percent and Spain at 34.6 percent.

ROC exports to the 12 EC members grew 25.4 percent.

Goods exported to Eastern Europe also grew during the same period. Exports hit 106 million U.S. dlr, an increase of about 60 percent while imports from the region totaled 163 million U.S. dlr, a growth of 50.7 percent.

BOFT urged Taiwan businessmen to pay more attention to the European market. It pointed out that ROC exports to the United States have declined steadily, with the U.S. now accounting for only 28 percent of the ROC's total exports. In comparison, Europe has become an increasingly important market for Taiwan products.

Per Capita Income Nears \$8,000 in 1990

*OW1806115591 Taipei CNA in English 0847 GMT
18 Jun 91*

[Text] Taipei, June 18 (CNA)—Per capita income in the Republic of China [ROC] was 7,997 U.S. dollars in 1990, the 25th largest in the world, while GNP reached 161.7 billion U.S. dollars, the 21st highest.

The Directorate General of Budget, Accounting and Statistics (DGBAS) said that ROC per capita income ranking in 1989 was also 25th while its GNP ranking was 20th. In comparison, Mainland China per capita income in 1990 was only 380 U.S. dollars.

DGBAS said that in the five years between 1986-1990, the ROC's high economic growth rate pushed per capita income from 29th to 25th, and GNP from 25th to 21st.

Second factor was the substantial appreciation of the new Taiwan dollar against the U.S. dollar.

DGBAS said that the five countries with the highest per capita income in 1990 were Switzerland (36,075 U.S. dollars), Finland (27,947 U.S. dollars), Sweden (24,713 U.S. dollars), Denmark (25,130 U.S. dollars) and Norway (23,785 U.S. dollars).

The top highest GNP countries in 1990 were the United States (5.46 trillion U.S. dollars), Japan (2.97 trillion U.S. dollars), the Soviet Union (2.86 trillion U.S. dollars), Germany (1.52 trillion U.S. dollars), and France (1.18 trillion U.S. dollars).

Ministry To Promote More Naphtha Cracker Construction

*OW1906101591 Taipei CNA in English 0826 GMT
19 Jun 91*

[Text] Taipei, June 19 (CNA)—The Ministry of Economic Affairs will promote the building of more naphtha crackers within the next four to ten years in order to keep the nation 70 percent self-sufficient in petrochemicals.

An official with the ministry's Industrial Development Bureau said that the domestic petrochemical industry has been hard hit by petrochemical shortages. Chinese Petroleum Corporation's annual ethylene production capacity is mere 850,000 metric tons, enough to meet only half of domestic needs.

Both the quality and quantity of petrochemical production should be increased to facilitate the nation's industrial development, the official said.

South Korea's petrochemical industry which used to lag behind Taiwan's has become a Taiwan petrochemical supplier within the past one year, the official said.

The fifth naphtha cracker, planned to replace Chinese Petroleum's aging naphtha crackers, is scheduled to be

completed in 1993, but some chemical industrialists fear that many local downstream users would still face major petrochemical shortages.

As for the sixth cracker proposed by the Formosa Plastics Group, the official said plant production will only be able to meet Formosa's own demands. More plants will therefore have to be constructed to meet the needs of other downstream users.

Manufacturers Seek Technical Cooperation With Europe

*OW1906084391 Taipei CNA in English 0812 GMT
19 Jun 91*

[Text] Taipei, June 19 (CNA)—Taiwan manufacturers are getting more and more interested in technological cooperation with Europeans in order to rid themselves of heavy reliance on US and Japanese technology.

Participants to a Sino-British seminar on technology transfer, held at the Taipei International Conventional

Center yesterday, said that for years, manufacturers here have relied on technology from the United States and Japan, but now is the time to seek technology from other sources.

Experts from the Edinburgh Technology Transfer Center told seminar participants that Europe, like Taiwan, worries about the dominating power of Japan and US industries. European countries are now trying to integrate their research and development efforts to defend themselves against the two industrial giants.

The Edinburgh experts said Taiwan and Europe can complement each other. Taiwan needs know-how in development of high definition television, high-speed trains, nuclear reactors, satellites and other high technologies.

On the other hand, Europe admires the achievements of Taiwan's information industry, and have expressed keen interest in joining production of computer products with Taiwan.

Investment Boom in Dalian Noted

HK1005012191 Hong Kong HONGKONG STANDARD in English 10 May 91 p 8

[Text] Hong Kong [HK] investors have financed 90 projects in the Dalian development zone, making the territory the largest project developer in the area.

The zone, northeast of Beijing, is on the verge of another expansion as offshore capital flows into the region.

Tian Changming, vice-chairman of the Dalian Economic and Technological Development Zone administrative committee, said the zone was on the threshold of becoming a modernised, international enclave.

The zone, started in October 1984, already covers 10 square kilometres and blueprints make allowance for a 120 square kilometre industrial and manufacturing zone.

Some 14 regions and countries had set up ventures with a total investment of HK\$7.8 billion.

Industrial output of these ventures last year amounted to \$1.65 billion, and output in the first quarter this year was \$570 million.

Mr. Tian said in terms of projects Hong Kong topped the list of overseas investment, followed by Japan and the United States. Hong Kong's 90 projects outstripped Japan (60) and the United States (20).

In dollar terms, Japan was the biggest investor. Mr. Tian said the Japanese were large companies with huge capital, such as Seiko and Canon.

Dalian zone was designed mainly to attract Japanese investment because of its proximity and historic links to Japan. The port city was ruled by Japan for 40 years until 1945.

Mr. Tian said Dalian had some distinct advantages over the other 13 coastal development zones, including:

- The Dayao new harbour, with a throughput capacity of 60 million tonnes, was to be completed early next year.
- Its close proximity to Daqing oil field, one of China's largest oil fields.
- Easy transport to Dalian city, an international airport and a super highway connecting with Shenyang, the capital of Liaoning province.

Mr. Tian said the zone's expansion schedule called for a 1.6 square kilometre bonded area by the end of this year.

Overseas banks were being invited to open branches.

An area of 2.28 square kilometres has been earmarked for a consortium led by Japanese banks. The land will be leased for 50 years.

Other planned projects include a joint-venture oil refinery taking Middle East crude, and an affiliated petro-chemical plant.

Mr. Tian said one of the attractions of Dalian to investors was its pool of cheap labour. Local workers received about \$780 a month compared to Thailand's \$936 a month.

Mr. Tian admitted investment had been affected by the 1989 crackdown on the democracy movement. However, this had been only a temporary setback.

Sino-British Airport Impasse

91CM0430A Hong Kong MING PAO in Chinese 29 Apr 91 p 2

[Article by staff reporter: "Give and Take Behind the Scenes of the Airport Negotiations"]

[Excerpt] [passage omitted] Reportedly, before the Sino-British working group negotiating on Hong Kong's new airport decided to adjourn its meeting on 13 April, the British side aimed at the Chinese side's concern over such questions as the Hong Kong government's financial reserves, the amount of debt, and the selection of airport management board personnel, and proposed the following:

A request that the Chinese side consent to the Chek Lap Kok airport plan, and provide assistance when needed;

The Hong Kong government set aside \$14 billion [all amounts are denominated in Hong Kong dollars] out of its present financial reserves to provide to the future government of the Special Administrative Region [SAR]. If guaranteed by the Hong Kong government up to 1997, this advance written appropriation could reach \$25 billion after investments are rolled over for several years;

According to Hong Kong government estimates, total construction of the new airport will only force the Hong Kong government into an external debt of somewhat more than \$10 billion. The Hong Kong government proposed that if the total debt is not more than \$10 billion, it will not be necessary to consult with the Chinese side. Should the figure exceed this amount, it will be necessary to consult with the Chinese. The important thing about this approach is that it responds to the Chinese side's worry that construction costs will be higher than the budgeted amount and that the Hong Kong government will need a large amount of financing; and

Only the Hong Kong side has the right to appoint members to the airport management board, although the Chinese side can make suggestions as to the choice of personnel. All members must be Hong Kong citizens. In addition, the Hong Kong government is not willing to accept persons proposed by the Chinese side as deputy chairman of the airport management board.

As for the main cause of the deadlocked negotiations, one must consider that the British side has rejected Chinese demands, all of which cut across the transition in 1997, touch on major problems for which the future SAR government must bear the responsibility and obligation, and require prior consultation between the two sides. It has been reported that the Executive Council [Exco] believes that the demands described above equal a demand for "Communist Party management," and therefore it has consistently held that it cannot accept them. In the past several days, this position has been clearly communicated to the Chinese side through different channels, and if the Chinese want to maintain management authority, the Exco would not hesitate to abandon construction of the airport.

However, the Chinese side believes that they are only requiring that there be joint Sino-British deliberations on "major affairs" that straddle the transition in 1997. For matters that do not extend beyond the 1997 transition, the Chinese side also wants to provide an opinion. This indicates that the Chinese are working toward some degree of cooperation, making the operation of the Hong Kong government convenient in the transition period. The Second Annex of the Sino-British Joint Declaration stipulates the issue of Liaison Group deliberations in the latter half of the transition period. This includes "measures that must be adopted to ensure a smooth transition in 1997." It does not limit discussions only to major issues. Hence the Chinese side has already reduced the scope of deliberations.

The Chinese side believes that the essence of the Joint Declaration is Sino-British cooperation and the joint solution of Hong Kong's problems during the transition period. The Chinese demand the right to deliberate issues, and this can by no means be called interference.

It is reported that the British have demanded that the Chinese clearly list which questions they wish to discuss jointly. Chinese figures hope that an inquiry into this matter can bring a breakthrough in overall negotiations. However, Hong Kong government sources insist that with any of the problems, the demand for joint management is not a negotiable issue.

Some figures in Hong Kong criticize the Chinese desire to control Hong Kong's financial policies during the transition period. The Chinese believe that Hong Kong's financial policies have consistently been very prudent, and that control of expenditures has been strict. Yet over the next several years the Hong Kong government will have a sizeable deficit, and this is why the Chinese are worried.

Reportedly, at one point the Chinese demanded that the Hong Kong government promise to comply with the financial principles of past financial departments: limit Hong Kong's government expenditures to within the size of the growth in the total value of local output, and

stipulate that surpluses from the government's day-to-day revenues and expenditures must be sufficient to pay for more than half of irregular expenditures.

The Chinese have not demanded that Hong Kong cannot have budget deficits, but they feel that the new airport expenditures are really excessively large; there is no airport construction in the word that has had such high costs. Even the cost of an advanced type of airport, such as the type being built in Singapore, is lower than the cost of Hong Kong's airport, despite the fact that the roadway network in Singapore is not as developed as that in Hong Kong.

On the other hand, some reports state that the Chinese have asked for a delay in the airport completion date. The Chinese point out that they have always opposed dragging things out. The Chinese attitude is very clear: the earlier the construction, the better. The Chinese side also does not want to use Shenzhen's Huangtian Airport to relieve the pressure on Hong Kong, because Shenzhen has its own needs. Hong Kong must build its own airport.

As for the question of the airport management board, the Chinese side's only demand is to add one representative from a China-owned company in Hong Kong; the Hong Kong government does not believe this is a big problem. Also, the Chinese side is not demanding that a representative be appointed to be deputy chairman.

Another reason the Chinese complain is that before Hurd visited China, there was already a certain foundation on which the two sides could solve the new airport problem. At the same time, the views of the two sides were coming closer together on the question of the size of 1997's financial reserves. They had agreed on the total reserves: calculated based on 1991 market values, it would be more than \$10 billion.

On this basis, the Chinese believed that both sides could reach an agreement during the visit of the British foreign secretary. But after the foreign secretary departed, eight meetings of the working group were held, and new problems and side issues cropped up unexpectedly. The British side expressed the desire to issue bonds worth a total of \$10 billion (based on 1991 market values) that straddled the 1997 transition. The Chinese side believes that the British have responded by laying aside more than \$10 billion in reserves, while also wanting to create a \$10-billion debt, greatly reducing the real reserves of the future SAR government. Hence the loss outweighs the gain. However, the Chinese have no objections about issuing bonds that would not extend beyond 1997.

The Chinese believe that there are two aspects to the problem of negotiating the amount of financial reserves. On the one hand, the Chinese hope that the future SAR government will build a good financial base. On the other hand, they use the "amount" of reserves as a kind

of negotiating tactic. Yet the Chinese have made concessions on many occasions when it comes to this amount, reducing their earliest figure of \$50 billion to the present \$10 billion.

In its highly classified report forecasting government reserves, the Hong Kong government stressed that although financial reserves will be reduced to \$5 billion from 1996 to 1997, local funds will rise to \$92 billion. The Chinese have doubts about the overall total of these local funds.

In accordance with the understanding of the Chinese side, in the many airport meetings the British side has never provided the Chinese side with a total amount for local funds, although the Finance Department has stated publicly that they could be \$80 billion in 1997. The Chinese believe that in 1997 local funds will only amount to roughly \$50 billion.

The Chinese believe that the Hong Kong government's statement that the sale of the original Kai-tek Airport site could bring in considerable income is untenable, because the total area of land for sale in Hong Kong each year is fixed and does not exceed 50 hectares. In addition, every

year there is an upper limit on revenues from land sales, and the sale of Kai-tek's land cannot increase that amount. The Chinese estimate that the original ground at Kai-tek is not good—at one point a huge amount of fill dirt was added, which could reduce the land's value. Hence land sale revenues will not reach the level that the Hong Kong government idealistically estimates. Also, as 1997 approaches, land values could decrease.

With regard to the approach used by the Hong Kong government in handling the airport issue, the Chinese believe that construction of the airport was something Hong Kong proposed on its own, and that they did not notify China at the outset. The governor general of Hong Kong has gone abroad to encourage investment in the airport's construction, and discovered that foreign investors do not recognize that the present Hong Kong government represents the future SAR government. The reaction in foreign business circles was not good, for they required Chinese support. This illustrates that the Hong Kong government has not handled the issue properly.

One Chinese figure, sighing with regret, pointed out that if the Hong Kong government had known early on that this would be the case, it would have acted differently!

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