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UNITED STATES

Analysis of 'Keating 5' Corruption Case

91CM0147A Beijing RENMIN RIBAO OVERSEAS
EDITION in Chinese 23 Nov 90 p 6

[Article by Cang Lide (0221 4539 1795) from Washington, D.C.: "The Trading of Power and Influence for Money"]

[Text] "Many Americans obviously believe that Charles Keating bought the offices of you five U.S. Senators, and that you took bribes, betrayed the public trust, and traded your sense of honor and your reputation for contributions and other benefits." At the congressional hearings that began on 15 November 1990 to investigate the "Keating 5 Case," Howard Heflin, chairman of the U.S. Senate Ethics Committee, made the above harsh criticism of the five senators who are involved in the Keating scandal. As these five senators all enjoy considerable fame and prestige, for example, Alan Cranston holds concurrent key posts as assistant Senate majority leader and chairman of the Senate Veterans Committee, Donald Riegle is chairman of the Senate Banking Committee, and John Glenn is chairman of the Senate Government Affairs Committee and was the first U.S. astronaut to orbit the earth, the public airing of such judicial procedures will undoubtedly become a new political earthquake.

What sort of person is Keating? He was the head of the Lincoln Savings and Loan Bank of California. After he bought this bank in 1984, he ignored the relevant Federal Government control regulations by wildly gambling its funds in areas such as high-risk "junk" bonds, foreign exchange futures transactions, real estate investments, and stock deals, and by engaging in multifarious illegal activities. As Lincoln was insured by the Federal Savings and Loan Insurance Corp., it is estimated that its declaration of bankruptcy in 1989 will cost U.S. taxpayers the huge sum of more than \$2 billion. Therefore, the Keating scandal is causing a sensation throughout the United States, and Keating is now awaiting trial and a ruling by the California courts on his swindling.

The focus of investigation at the Senate hearings was on the five congressmen who were linked to the Keating scandal. Robert Bennett, special counsel to the Senate Ethics Committee, spent over a year preparing a detailed 350-page report on the case. It revealed that after the Federal Control Office had conducted a two-year investigation and recommended that the federal authorities take over the Lincoln Savings and Loan Bank, Keating had repeatedly tried to drum up support from the five senators. In the spring of 1987, these five congressmen exerted their influence on federal controllers on Keating's behalf, by calling for an end to the investigation and the withdrawal of strict new investment regulations for Lincoln Savings and Loan. In return, both before and after 1987, Keating conducted

fund-raising activities in all of these five congressmen's states, raising over \$1.3 million to cover their election campaign expenses. Special Counsel Bennett noted that three of the five congressmen played key roles in Keating's confrontation with the Federal Government.

As far as the Senate Ethics Committee is concerned, the key to the "Keating 5 Case" is whether there was a direct relationship between these congressmen's efforts on behalf of Keating, and Keating's financial contributions to them. According to Senate regulations, if a congressman tries to take advantage of his Senate office to "exert improper influence" in exchange for compensation, he will be subject to disciplinary sanctions, including expulsion from the Senate. The local media predicts that, when the hearings are over, the political careers of some of these congressmen will be fraught with grim possibilities.

Local critics point out that, in addition to its connection with the Keating scandal, the "Keating 5 Case" is also creating a sensation because it involves so many high-ranking political figures and so much money. While the case is apparently about the five congressmen, it actually involves the whole U.S. campaign fund-raising system itself.

The holding of the "Keating 5" hearings is providing observers an example for reflecting on the interrelations between U.S. powerholders and interest groups, and between politics and money. A policy studies specialist notes that it shows how the U.S. campaign fund-raising system helps certain large contributors exert an improper influence over the legislature, and even how the office of U.S. senator can be misused to provide special services to certain wealthy contributors, at the cost of excluding other citizens' interests.

SOUTHEAST ASIA/PACIFIC

Air Service Agreement Completed With Indonesia

OW3101192991 Beijing XINHUA in English
1521 GMT 31 Jan 91

[Text] Singapore, January 31 (XINHUA)—An air service agreement between China and Indonesia was signed in Jakarta today to smooth the way for further expanding cooperations in economic, cultural, sport and tourism areas between the two countries.

The agreement was signed by Hu Yizhou, director of the General Administration of Civil Aviation of China (CAAC), and S. Misbach, director-general of the Directorate General of Air Communication of Indonesia.

Under the agreement, each country can appoint three air companies to fly air lines between the two countries. Appointed Chinese air companies can fly to Jakarta, Surabaya and another city of Indonesia while Indonesian companies can fly to Beijing, Shanghai and Guangzhou of China. These flights can start from April this year.

Addressing the signing ceremony, both Hu and Misbach expressed the hope that the agreement and

flights to be starting would provide more convenient communication for the two countries. It would further promote the bilateral cooperation and exchanges in economic, cultural, sport and tourism areas.

Indonesian Minister of Department of Communications Azwar Anas today met the aviation delegation of the Chinese Government led by Hu Yizhou, who arrived in Jakarta on January 27 and leaves for Singapore tomorrow.

Western Concept of Human Rights Called Duplicitous

91CM0145A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 11, 5 Nov 90 pp 18-21

[Article by Gu Zhaoji (7357 5128 1015) and Zhang Jun (1728 6511): "The Answer to the Human Rights Question Is Doubtful and Disputable"; journal is an organ of the Beijing Municipal CPC Committee]

[Text] Everyone is now taking note of human rights issues. On the one hand, Western countries, especially the United States, frequently make a big deal of human rights. They dally in human rights diplomacy and use the excuse of defending human rights to wantonly encroach upon other countries and interfere in their domestic politics. On the other hand, those who firmly uphold bourgeois liberalization wallow in the mire and chime in together with international reactionary forces. They slander us for arresting Wei Jingsheng [7614 0079 3932] and trampling on human rights by suppressing the counterrevolutionary riots in Beijing in 1989. Furthermore, for many years we neglected research on and propagation of human rights issues. As a result, people have misconceptions. It is as though human rights issues are a monopoly of the Western world, as though only the developed capitalist countries of the West are the redeemers of human rights, whereas the socialist countries disregard and even fear, are hostile toward, and destroy human rights. This is a great misconception. In order to restore things to their original order and clarify the nature of human rights issues, we must not only thoroughly denounce all the censure against us by hostile forces regarding human rights issues, but we also must remove the suspicions and clarify the muddled thinking and incorrect understanding many people have of the issue.

Are "Human Rights" "Innate"?

The concept of "natural rights" has been one of the most popular notions in the Western world since the 18th century. The notion not only adds a mystical color to human rights but also elevates it the highest position, making human rights a sacred and inviolate right. Because of the victory of the capitalist revolution on a global scale, the concept has been broadly disseminated. It has deeply affected people's minds, becoming a "general truth" that is self-evident. Fang Lizhi [2455 0536 0037], bourgeois liberalism's "spiritual hero," firmly upholds this concept. He has said that "human rights live in every person alive," namely, "the right to live, to hold an opinion, to receive an education, and to marry." He also said, "the rights of the individual are innate, they come with birth; no one has the right to bestow them."

Although the concept of "natural rights" has played a role in historical progress, still, looking at the nature of these rights, they are a kind of historical idealism. Considering human rights as one such right, it is neither bestowed by anyone nor is it innate; rather, it is the

product of particular historical conditions. In early human societies, people had neither legal rights nor norms, nor did they have a notion of human rights. Within clans, every individual fused himself with the group. There were no antagonistic relationships among men. Under these social conditions, life had neither any so-called rights nor so-called responsibilities. One could say that at the time "there was no difference whatsoever between rights and responsibilities." Thus, naturally there was no consciousness of rights, much less a concept of human rights. It was only after society divided into classes, and class contradictions could not be coordinated, that countries with legal rights and norms came into being. Only then was there a difference between rights and responsibilities. States always use legal means to bestow practically all rights upon a certain class while pushing responsibilities upon another. The notion of human rights was formed in particular historical circumstances based on the notion of rights in general. More accurately stated, it is a product of bourgeois opposition to feudal despotism. It is a product of the development needs of a commodity economy. This is because, under the systems of feudal despotism, privilege, and class, capitalists constitute a third class which occupies a position without rights. In order to seize the right to life, development, trade, and political emancipation is necessary, as well as rights to citizenship and residency. Therefore, in their united struggle with the third class against feudal rulers, they naturally raised the banner of human rights and bestowed upon it a universal nature and "innate" sacred mark.

It is obvious from this that the appearance of "innate natural rights" is in line with objective historical development needs. Therefore, advocacy of such thinking is of progressive significance in capitalist class revolutions. Doing so also has a motive force for history. However, today, when the proletariat has already won a great victory, and the historical materialistic and Marxist concepts of human rights have been broadly disseminated, preaching idealist "innate rights" undoubtedly is a historical reaction. It is a great retreat in political, ideological, and theoretical terms.

Considering the form of human rights advertised by the capitalist class, it seems to refer to a common right of all people as human beings. In the struggle for human rights, advanced people in the capitalist class understand it precisely in this way. Certain people among them really in all sincerity strive for such rights among all men. Not only that, but because at the present time this kind of human rights reflects to a certain degree the wants and needs of the broad masses, it has been used by them. Thus, under current historical conditions, it also really has been seen as a common right accepted by man. However, it is easy to discover the capitalist class nature of this right if we only take a little serious study of its actual content.

According to the provisions of article two of France's "Declaration of the Rights of Man and of the Citizen" [1789], so-called human rights are nothing but the right

of the individual to property, equality, liberty, and security. Marx made a probing analysis of the content of such human rights. He noted that the liberty referred to therein is one that is isolated and encapsulated in the individual element. It is not based upon the amalgamation of man to man but upon the separation of man from man. Such liberty causes everyone not to regard others as the manifestation of their own liberty, but rather as a restriction upon their own liberty. Therefore, such a right is one which separates. "The actual role of such human rights is a right to private property." That is to say, the capitalist class' so-called right to individual liberty is actually the right of the individual to arbitrarily use and control his own property. Marx called this a "selfish, egotistical right." He held that these selfish and egotistical rights and their enjoyment constitutes the foundation of capitalist class society.

Marx also further analyzed the relationship of property to the human rights of "equality" and "security." He noted that "equality" really is the equality of the aforementioned liberty; "security" is security of oneself, one's rights, and one's property. None of these go beyond "selfish, egotistical rights."

In sum, bourgeois human rights are based upon the isolated individual. The essence of human rights is separation from society as a group, enclosed within the egoism of the individual. Therefore, this view naturally places property as the highest and most fundamental human right. Obviously, such a view of human rights is only for the wealthy, because, for the laborer without a thing to his name, this kind of right to equally and freely control property and protect its security exists in name only. It is of no significance. Laborers cannot really enjoy such rights.

At present, the legislation and practice of capitalist countries proves the hypocrisy and duplicity of bourgeois human rights, because they strictly restrict human rights to conform to the fundamental interests of their own class. In the eyes of the law, all men are equal. This hides the actual inequality of man under the system of private ownership and the omnipotence of wealth. Capitalist class legislation on human rights is merely a form of special, "humane" "tolerance" under the authority of this class. Thus, it is duplicitous.

As noted above, the human rights espoused by the capitalist class are only for that class itself. Such a view of human rights is not a common right needed and obtainable by everyone. Therefore, kingdoms using so-called "natural rights" can be nothing but paradises for the wealthy, capitalist paradises. There, he who seizes the most money will have the greatest human rights. But this is only one side of the issue. If considered from another aspect, because capital controls people, in the capitalist world, not only do laborers lack any real human rights, but furthermore capitalists themselves are merely slaves and tools of capital. They themselves have lost real existence as men.

Is Socialism's Public Ownership System a Hindrance to Human Rights?

The "real heroes" of bourgeois liberalization oppose the public ownership system. One of their important arguments in advocating private ownership is that human rights can be manifested only under a private ownership system; public ownership transgresses upon human nature, restricts people's freedom, and impairs human rights. Fang Lizhi said that "there can be no real democracy or freedom under a public ownership system." Liu Xiaobo [0491 2556 3134] said, "The most crucial step in liberating the individual is to affirm the sacred place of private property," "the greatest encroachment of human rights is encroachment upon private property," and "the basis for achieving full rights for the individual is the inviolability of the sacredness of private property." At the same time, he also complains that during the May 4th era "there was no clear understanding of the significance of private property for the liberation of the individual." He advocates that when is no private property, "all individualistic, democratic, liberal slogans are unable to guarantee the realization of individual rights."

It is clear and easy to see that the aforementioned argument is entirely within the confines of the capitalist class view of human rights, because realization of this view naturally is based upon the capitalist private ownership system. As the bourgeoisie sees it, one has everything when one has capital. One loses all when one loses capital. Thus they always give precedence to capital and wealth over everything else, even over their own lives. If they go bankrupt one day, then they will feel that life has lost its meaning. Then they will be on the road to ruin, pessimistic and depressed.

The proletariat class's understanding of human rights and their realization cannot be based on private ownership. It must repeal the private ownership system and be based upon the public ownership system of socialism. This is because an important part of proletariat human rights is the right to labor and the right not to be exploited. Of course, it is impossible to realize and protect these rights without repudiating private ownership and establishing public ownership.

Due to their respective differences, the proletariat and bourgeois classes have had different historical conditions in striving after human rights. Therefore the content of the rights for which they strive differs. The bourgeoisie wants human rights against feudal autocracy once they already have property and property rights. The proletariat on the other hand asks for human rights against private ownership and exploitative systems while it has neither any property nor rights at all. Therefore, what the capitalists desire is the right to equally exploit labor and freely control their own property. This is just as Marx said: "Equal exploitation of the labor force is the chief human right of capital." Naturally, the essence of such a right is still privilege.

It is not so with the proletariat. Human rights are not "no special rights, but rather, no rights in general." Thus,

the proletariat does not seek to enjoy any special right, but rather common rights. That is to say, it is only the proletariat view of human rights that has no notion of any special privileges, but refers rather to true, universal rights. Naturally, such a view of human rights can come about only based on a public ownership system of production materials.

In sum, to achieve true human rights implies destroying private ownership and all privileges, including the capitalist class' view of human rights that encompasses privileges. The process of attaining real human rights is also a process of destroying all privileges. In other words, when true human rights are attained, the notion of human rights itself will be void of meaning. Rights and responsibilities will meld into one and rights alone will no longer exist. Therefore, saying that human rights supercede class can only be true in this sense. That is because classes will no longer exist when human rights are achieved in the entirety. This is the dialectics of the development of human rights.

Is Upholding the Dictatorship of the People a Transgression of Human Rights?

A strange argument that we often hear from the "real heroes" of bourgeois liberalization is to pit the dictatorship of the people against protection of human rights. They believe that upholding the people's dictatorship is a transgression of human rights. With regard to economics, these "real heroes" detest public ownership more than anything. They are most hostile towards Marxism-Leninism-Mao Zedong Thought. With regard to politics, they hate the leadership of the Communist Party and the people's dictatorship above all. And they use the pretext of protecting human rights to actively oppose our use of forceful means to deal with counter-revolutionary elements such as Wei Jingsheng and his ilk. In particular, they gnashed their teeth and hated to the marrow our 1989 suppression of counterrevolutionary riots. International antagonistic forces echoed this view. They shouted themselves hoarse, rebuking us for trampling on human rights.

Everyone knows that China's political system of a people's dictatorship under the leadership of the CPC was set up only after several decades of bloody battle. The establishment of this system allowed the Chinese people to be liberated and win democracy and human rights and to throw off the oppression and exploitation of imperialism, feudalism, and bureaucrat capitalism. Therefore, the people's dictatorship is the basis and fundamental guarantee for the broad masses of the people to enjoy human rights. It is not at all antagonistic to human rights. If one says that the system transgresses on someone's human rights, that is so only in the sense that it transgresses on the rights of those who would vainly try to restore capitalism to China, on those imperialists in China who commit all kinds of outrages. If we do not transgress upon their rights in this sense, the most basic rights of the Chinese people cannot be ensured.

Actually, the proletariat did not create violence and dictatorship in striving for and protecting its own class rights. Hasn't the capitalist class also relied on violence and dictatorship to overthrow feudalism, strive for, and protect its own rights? Didn't the French Revolution achieve capitalist human rights through cruel slaughter? On the contrary, wasn't it because the Paris Commune was too "lenient," "benevolent," talked of "goodness," and did not exert force at Versailles that it lost its own human rights?

Moreover, rights are always relative in class societies. One class wins a particular right at the expense of one lost by an opposing class. If Wei Jingsheng and his ilk were allowed the right to arbitrarily betray national military information, then the broad masses would lose their right to life. If some were allowed the right to engage in disorder and rioting, then the broad masses would lose the right to guarantees of their lives and property, and the right to work and live normally. Some people in Western countries ignore this basic fact and actively oppose China's suppression of the riots. They even go so far as to interfere in domestic politics and impose so-called economic sanctions. However, they fail to consider the consequences if China had long-term disorder or a civil war. A common saying is that "when the city gate catches fire, the fish in the moat suffer" [in a disturbance, innocent bystanders suffer]. At such a time the people of the entire globe would be threatened. It would not be the Chinese people alone who would suffer. Do they mean to say that this would guarantee human rights?

Marxism contends that, "rights can never supercede the economic structure of a society, nor can they supercede the cultural development of society which is determined by the economic structure." (*Selections From Marx and Engels*, Chapter 3, p. 12) Human rights are no exception. The scope, nature, and process of attaining human rights all are limited by historical conditions, economic relations, and cultural levels. Thus, such rights can only be relative and limited. They are not absolute and unlimited. The capitalist class has made its human rights absolute and sacred. Actually, they are but rights needed by the economic relations of capital. Their scope and nature necessarily are limited by this relationship. The capitalist class stipulates human rights by law as protected under its dictatorship. Likewise, historical conditions also limit the human rights for which the proletariat strive. They cannot be reached in a single bound, but must be attained only gradually on the basis of an ever-developing economy and culture, through a perfected legal system, and the people's dictatorship. Therefore it is of no avail to indulge in fantasy or act with undue haste with regard to human rights issues.

Why Say That the Notion of "Supreme Human Rights" Is Wrong?

Because the bourgeois notion of human rights is based upon egoism, it naturally upholds the notion of "supreme human rights." This view contends that the

rights of the individual are foremost. In order to win individual rights, one can sacrifice the interests of the group without hesitation. Liu Xiaobo is a typical believer in "supreme human rights." He opposes collectivist ideology, complaining that "in China race will always be ahead of the individual, and the whole group ahead of a particular group." He feels that the first goal for China is liberating the individual, not reviving the race. Privatization is the way to achieve this. In his essay, "Foreign Salons and Cultural Encroachment," he said, "among the striving for rights, life, and patriotism, precedence should be given to the former." This indicates that in his view the rights of the individual hold primary importance. Patriotism is secondary. In order to win individual rights, it is all right to betray the interests of the race, the people, and the state. He also said he "does not admire patriotic slogans." He hopes that China can be a "colony for 300 years," to allow "colonialization to occur and bring to China Western notions of human rights, equality, and democracy." This is Liu Xiaobo's traitorous philosophy that developed out of "supreme human rights." It was these thoughts that led Liu to set out on a path of thorough betrayal of the motherland.

Contrary to the capitalist egoistic notion of human rights, Marxism treats human rights from a collectivist standpoint. It holds that the individual can exist and develop based on the existence and development of the group. Liberation of mankind is a prerequisite for liberation of the individual. Thus, the rights and interests of the group are higher than those of the individual. The interests of the individual must follow those of the group; the rights of the individual must follow those of the group. When necessary, the interests and rights of the individual can be sacrificed to protect those of the group. The communist spirit of respect is based upon this ideological notion.

Nevertheless, Liu Xiaobo still said to people, "You are gods. You need not harbor feelings of responsibility or a mission. You need be loyal only to yourself and realize your own potential." Ugh! What a contrast this is. Isn't it clear at a glance that human rights promoted under such thinking is such rubbish?

The international struggle for human rights is very complex. Some Western countries, the United States in particular, always want to use human rights issues to expand their power and attain hegemonic aims. One of their chief means is engaging in "human rights diplomacy," or making so-called capitalist human rights guarantees a condition for providing aid. In other words, they use loans, preferential treatment, and economic aid to export the capitalist notion of human rights, values, and democratic liberties. They even force other countries to practice their economic, political, and cultural models. In a word, the principle of this "human rights diplomacy" is: I will assist you only if you privatize, have a market economy, and political pluralism. Of course, this kind of diplomacy is more effective and duplicitous than directly dispatching troops on the pretext of ensuring

human rights or shaking their heads in disapproval at the domestic policies of other countries. Thus, we should expose the true nature of such "human rights diplomacy" and the political motives and economic aims behind its so-called "human rights guarantees." We should not be confused by superficial phenomena.

Everyone knows that Fang Lizhi and his kind always say that Western countries are the emancipators of human rights. They ask the "West to pay greater attention to human rights issues in China," exhort "the United States to adopt a stronger stance on human rights issues in China," and to "exert pressure on China." This is really a case of inviting the wolf into the room; it can only destroy the rights of the Chinese people. Since imperialist countries have never respected the rights of the Chinese people, at the outset they developed by relying on trampling the human rights of people in the colonies and the Third World, absorbing their flesh, blood and life. How can they guarantee the human rights of these countries? In its more than 200 years of history, the United States has dispatched troops more than several dozen times to interfere in other countries. On which occasion was this truly done to protect human rights? Therefore, it is either self-deceptive or intentionally duplicitous to say that imperialist countries are the redeemers of human rights. Human rights are a great banner. In the hands of the imperialists, human rights can only be a fig leaf for foreign aggression. Human rights cannot be anything sacred.

Intellectual Outlines 12 Years of Dissident Movement

91CM0159A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese Nos 11, 12, 1990

[Article by Hsu Hsing (6079 5887): "New Trends of Thought in China During the Past 12 Years"]

[No 11, 15 Nov 90 pp 40-41, 55]

[Text] From Wei Jingsheng [7614 0079 3932] to Fang Lizhi [2455 0536 0037], and from Wang Xizhe [3769 1585 0772] to Liu Xiaobo [0491 2556 3134], what tremendous and rapid advances have been made in the new trend of thought in China in the short space of 12 years. Both the student movement of 1986 and the citizens movement of 1989 were influenced by this new trend of thought.

The "Tiananmen Democratic University Fund" in Vancouver, Canada, was used for two lectures given at the University of British Columbia on 25 and 27 September. The first lectures were given by Lin Daguang [2651 6671 0342], the former chancellor of East Asia University in Macao, and Liang Yancheng [2733 3601 1004], the director of the Chinese Studies Department of the University's Weiying [4850 5391] Academy. The second lectures were given by Yan Jiaqi [0917 1367 0366] and Xu Xing. The present article consists of the draft of the speech that Xu Xing gave at that time with some minor additions made afterward.

It is common knowledge that the Chinese Communists control thinking very tightly. Even so, during the past 41 years when they have been in power, numerous ideologies that differ from the official prescribed ideology have constantly appeared. Ideological battles and ideological purges have taken place for a long time. Some of the earliest ones were criticism of *The Life of Wu Xun*, criticism of Hu Shih's *Ideology*, criticism of Yu Pingbo's [0205 1627 0130] study of *The Dream of the Red Chamber*, criticism of Hu Feng, and the antirightist campaign of 1957. These many criticisms were directed against old trends of thought. By the new trend of thought is meant the thinking that has issued forth from within the Chinese Communist's own society, which can be traced to Yang Xiguang's [2799 2569 0342] two unrelated articles, "Whither China?" and "Li Yizhe's Big-Character Poster" in Hunan Province during the Great Cultural Revolution period. After receiving a doctorate in economics from Princeton University, Yang Xiguang, who has changed his name to Yang Xiaokai [2799 1420 0418], is now teaching in Australia. Wang Xizhe, who collaborated in the writing of "Li Yizhe's Big Character Poster," was sentenced to 14 years in prison in 1981, and another collaborator, Li Zhengtian [2621 2973 1131], is currently being kept under surveillance in Guangzhou.

The new trend of thought of the last 12 years began with the "Beijing Spring" movement of 1978. For convenience in presentation, I will tentatively divide this 12 years of the new trend of thought into three phases. The first phase is termed the "Beijing Spring" period, which began with the Xidan Democracy Wall, continued through the citizens' publications movement, and went on to the grassroots election of 1980. The second phase is termed the period of development of thought about reform within the system. It began with the debate about "practice is the criterion for judging truth," and extended through the "meeting to discuss matters from the angle of politics and principles," and on to the subsequent ideological battle within the party between the reform faction and the conservative faction. The third period is termed the flourishing period of the intellectuals' new trend of thought. Although many of the people who took part in this trend of thought were members of the Communist Party, the trend of thought per se bore the stamp of the intellectuals. It began with the debates about "On Alienation," and "Humanitarianism," went through the "books craze" and the "craze of searching for cultural roots," went on to the "Fang Lizhi phenomenon" and the "Liu Xiaobo phenomenon," and ended with the "4 June" movement.

Time constraints do not permit me to provide a detailed description of the particulars of each trend of thought. I can only talk about some main threads of thought in the entire development process.

The "Beijing Spring" Movement

Let us begin by talking about the "Beijing Spring" movement. The terming of this movement "Beijing Spring" follows from the name "Prague Spring."

In 1978, Hua Guofeng was still in power, but Deng Xiaoping had already been rehabilitated, and within the party an upsurge of general rehabilitation was taking place. Demands were made for the rehabilitation of those involved in the 1976 Tiananmen incident, the rehabilitation of Peng Dehuai, and the rehabilitation of 61 people accused of being renegades, including Bo Yibo and Yang Shangkun, the rehabilitation of Tao Chu, redressing the "February countercurrent," and redressing the "continued criticism of Deng to repulse the tendency to reverse verdicts." Among the citizenry, a rehabilitation trend also occurred in which peasants involved in past cases of injustice went to Beijing, one after another, to appeal to higher authority, intellectuals sent to rural villages flowed back into cities, criticism of Mao was contemplated, and the Cultural Revolution was criticized again.

On 14 November 1978, the CPC Central Committee announced through the Beijing Municipal CPC Committee the redress of the 1976 Tiananmen incident. The public was ecstatic, and they spontaneously flocked to Tiananmen to celebrate. Some people made public speeches, and some put up big-character posters at the Xidan Wall to express their feelings. Wei Jingsheng, using the pen name Jin Sheng [6855 3932], put up the first chapter of his *On the Fifth Modernization on Democracy Wall*.

Since big-character posters were put up today only to be covered with new big-character posters tomorrow, they did not have a very long life, which made the spread of information difficult. Consequently, a series of mimeographed publications appeared under very many different names. The famous ones were *Explorations* by Wei Jingsheng and Lu Lin [6424 2651]; Xu Wenli and Liu Qing's *April 5th Forum*; Ren Yuanting's [0227 3979 3957] *Chinese Human Rights*; and Wang Juntao [3769 6511 3447] and Han Zhixiong's [7281 1807 7160] *Beijing Spring*, as well as Bei Dao [0554 1497] and Mang Ke's [5345 0344] literary publication, JINTIAN [TODAY]. With rumors flying everywhere, every place in the country rushed to print citizen publications, the most famous ones being *Enlightenment*, which was published in Guizhou Province by the new poets Huang Xiang [7806 5046] and Li Jiahua [2621 1367 5478], RENMIN ZHI SHENG [VOICE OF THE PEOPLE] by Liu Guokai [0491 0948 0418], and XUEYOU TONGXUN [SCHOOLMATE NEWSLETTER] by Wang Xizhe in Guangzhou, and MINZHU ZHI SHENG [VOICE OF DEMOCRACY] by Fu Shenqi [0265 3947 1142] in Shanghai. According to foreign reports, there were more than 70 such publications in the country, including more than 30 in Beijing. Later, citizen publications everywhere were suppressed, thereby spurring a great alliance of citizen publications throughout the

country with formation of the Chinese Citizens Publications Association, which published ZEREN [RESPONSIBILITY] under the aegis of He Qiu [0149 3061] and others.

At first, Deng Xiaoping tolerated big-character posters, thinking to use them as a force to put down Hua Guofeng. Thus, he said that the masses have the right to put up big-character posters. We should have the courage to allow them to appear. Upon returning from a visit to the United States and Japan, however, he changed his attitude, first forbidding the posting of big-character posters and forbidding demonstrations in Shanghai, and then condemning citizens publications at a conference on the Vietnam war. Thereupon, Wei Jingshen published an extra edition of TANSUO [EXPLORATIONS] that carried his "Do You Want Democracy or Do You Want a New Dictator?," which was aimed at Deng Xiaoping. Several days later, Wei Jingsheng was arrested. Some citizens' publications disbanded automatically, and those that continued to publish saw the persons in charge arrested, one after another. It was not until the national publication, ZEREN [RESPONSIBILITY], ceased publication that the citizens' publication movement came to a temporary close.

As to the thoughts that most citizens' publications expressed, there were three main trends. The first was represented by Wang Xizhe, who criticized the leader dictatorship of Stalin, and the class vanguard or party dictatorship of Lenin. He urged a return to Marx's doctrine on the Paris Commune with the institution of a proletarian class dictatorship subject to supervision by the people. He maintained that the dictatorship of the proletariat was democratic and humane. Another trend was represented by Xu Wenli. Xu represented the moderate faction in the citizens' publication movement. He espoused an amalgamation of the reform factions within the party and the reform faction among the people for a transition from state capitalism to democratic socialism. He stood for a separation of four powers, namely legislative, judicial, executive, and party authority. The third trend was represented by Wei Jingsheng. Wei Jingsheng's thinking was completely divorced from Marxism. He took a completely democratic stand in criticizing the CPC and its leaders. Not only did he criticize Mao, but he also adopted a critical attitude toward Deng Xiaoping.

The Reform-From-Within-the-System Trend of Thought

The damage that the Cultural Revolution caused was not only to the people; the pounding that the powerholding faction received was even worse. Consequently, a strong reformist trend of thought arose within the CPC. This trend of thought frequently became mixed up with intraparty struggles, principally attacks on the "whatever ideology" of Hua Guofeng and Wang Dongxing [3076 2639 5281].

At that time, Hu Fuming [5170 4395 2494], a lecturer in the Philosophy Department of Nanjing University,

wrote a philosophical treatise titled, *Practice Is the Criterion for Judging Truth*, which found favor with the reform faction. They believed that the "whatever thinking" might be attacked from this angle. (They did not dare make a frontal attack on Mao Zedong's instructions. All they could do was proceed by a circuitous route, using the criterion of practice as a means of negating Mao's numerous past erroneous policy decisions and instructions.) After several revisions, which resulted in insertion of the word "only" in the title, this article was published in GUANGMING RIBAO. This marked the beginning of the debate about how to ensure Mao Zedong Thought.

Hu Yaobang was director of the CPC Propaganda Department at that time, and he held a meeting to discuss matters from the angle of politics and principles, which widened the debate and opened the gates of liberalization of thought within the party. Notable people who joined in this movement to liberalize thought within the party included Sun Changjiang [1327 7022 3068], Hu Yaobang's skillful writer; Miao Gailong [4924 5556 7127] of the Central Committee Policy Research Office; Ruan Ming [7086 6900] of the Central Committee Party School; Yu Guangyuan [0060 0342 6678], Li Honglin [2621 3163 2651], Su Shaozhi [5685 4801 2535], Zhang Xianyang [1728 7359 2799], and Feng Lanrui [7458 5695 3843] of the Academy of Social Sciences; Hu Jiwei [5170 4921 0251] and Wang Ruoshui [3769 5387 3055] of RENMIN RIBAO; and Guo Luoji [6753 5012 1055], etc., of Beijing University.

There were two articles that left the deepest impression on me. One of them was Luo Luoji's "Whose Crime?" His theme was the commemoration of Zhang Zhixin [1728 1807 2450]. Zhang Zhixin was a female Chinese Communist Party member who was imprisoned for six years for expressing misgivings about the Cultural Revolution and defending Liu Shaoqi. When executed, her voice box was severed. Guo's article condemned this atrocity, saying that during the French Revolution, Mirabeau taught himself oratory while confined in prison, later becoming a renowned orator. When Communist Party members were caught and killed by the Kuomintang, they could still shout long live the Communist Party. However, when the CPC took power it severed the voice box of those who held different political views, thereby depriving them of the freedom to shout even when facing death. Whose crime is this? The finger was clearly pointed at the Communist dictatorship. He also called into question whether the blood that the revolutionary martyrs spilled was for the purpose of obtaining in return such an environment in which one had to devote his or her life anew for truth? Because of his radical thoughts, Guo Luoji was expelled from Beijing and sent to Nanjing. He was not permitted to return to Beijing to work.

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[Text] Another article was Miao Gailong's "The 1980 Reform Plan." His plan courageously called for changing

the NPC [National People's Congress] to a bicameral system, with mutual checks and balances, an independent judicature, a separation of party and government, and direct elections at the grassroots level.

At that time, not only were people reexamining Mao Zedong Thought, but they were also concerning themselves with the development of Marxism, which gave rise to the controversy about "alienation theory" and humanitarianism. The ones advocating alienation theory and humanitarianism in the controversy were Zhou Yang and Wang Ruoshui; those opposed were Hu Qiaomu and a group of people who included Deng Liqun [6772 0500 5028].

Superficially, alienation theory and humanitarianism are philosophical matters; actually, they have a bearing on the deterioration of the Communist Party and the issue of the regime's ruthlessness.

Yet another trend of thought for reform within the system arose from among the people and among grassroots-level intellectuals. At that time, a number of intellectuals disagreed with the Beijing Spring methods. They believed that a head-on battle with the Communist Party could produce nothing; consequently, they advocated reform from within the system. Thus, they spontaneously began to conduct rural surveys.

One group of people was called the "four gentlemen." They were Zhu Jiaming [2612 0857 2494], Wang Qishan [3769 1477], Weng Yongxi [5040 3057 2569], and Huang Jiangnan [7806 3068 0589]. At that time, the CPC's rural policy was not yet firmly committed to contracting to households. In carrying out their rural survey, the four gentlemen emulated the method that Kang Youwei had employed in "presenting petitions" to the rulers, presenting petitions to the Central Committee. Reportedly, Deng Xiaoping, Chen Yun, and Zhao Ziyang recognized the value of their findings, and made the four gentlemen permanent cadres in the "State Council Rural Development Center." Today, Zhu Jiaming is an expatriate, and the incumbent director of the "People's Front." Wang Qishan became the son-in-law of Yao Yilin, and threw in his lot with the conservatives.

Another group of people engaged in the conduct of rural surveys was headed by Chen Yizi [7115 0001 0745] and Wang Xiaoqiang [3769 1420 1730]. Chen Yizi formerly worked in the Rural Economic Research Institute of the Academy of Social Sciences, and Wang Xiaoqiang was formerly the editor of WEIDINGGAO [DRAFT] magazine in the Academy of Social Sciences. They organized a folk organization called the "Chinese Rural Development Problems Research Group," which had nearly 200 members including Deng Liqun's son, Deng Yingtao [6772 5391 7118], and Deng Liqun's son-in-law, Du Ying [2629 7751]. Later on, there was Sun Fangming [1327 2455 2494], who became Zhu Houze's [2612 0624 3419] secretary, as well as the brothers Bai Nansheng [4101 0589 3932] and Bai Nanfan [4101 0589 0416].

Subsequently, this group of people became key cadres in the State Council's Economic System Reform Research Institute. Chen Yizi became director of the institute, and Wang Xiao Qiang became the deputy director. As to why they wanted to conduct rural surveys at that time, Chen Yizi provided a detailed explanation in his new book titled *China: 10 Years of Reform and the August 9th People's Movement*.

What people refer to nowadays as Zhao Ziyang's brain trust, contains not only people of the older generation such as Bao Tong [0545 1749], Yan Mingfu [7051 2494 1788], Du Runsheng [2629 3387 3932], Dong Naifu [5516 0035 6534], Liu Guoguang [0491 0948 0342], and Wu Mingyu [0702 25494 3842], but also a number of middle-aged people such as Chen Yizi and Yan Jiaqi. At first, Yan Jiaqi was associated with the Beijing Spring movement, but later on he entered the system to become director of the Political Studies Institute in the Academy of Social Sciences in which position he contributed to State Council policy decisions on political system reform.

The Intellectuals' New Enlightenment Trend of Thought

Hu Qiaomu and Deng Liqun, the Central Committee officials in charge of ideology, showed increasing intolerance for the new trends of thought that reform and opening to the outside world occasioned, particularly after the advent of the alienation theory and humanitarianism. They urged Deng Xiaoping and Chen Yun to enter the arena. At the Second Plenary Session of the 13th party Central Committee, the campaign to "eradicate spiritual pollution" got underway. For the most part, it focused on those concerned with theory and with literature and art. First to come under attack were Zhou Yang, Wang Ruoshui, Hu Jiwei, and Liu Binyan. In the literature and art field, a very large number of people came under criticism.

Nevertheless, the campaign to "eradicate spiritual pollution" was generally resisted by the intellectuals. Furthermore, very great conflicts existed between Hu Yaobang and both Hu Qiaomu and Deng Liqun. As a result, the campaign to eradicate pollution was unable to proceed. It was forced to halt in midcourse, with Deng Liqun losing his position as director of the Central Committee Propaganda Department to Zhu Houze [2612 0624 3419] in the course of the struggle. Zhu Houze had been just a deputy director of propaganda in the Guiyang Municipal CPC Committee who later rose to the position of director of propaganda and secretary of the municipal party committee. After receiving training in the Beijing party school, he came to the favorable notice of Hu Yaobang and acceded to the post of Central Committee Propaganda Department director. He was the most enlightened director of propaganda that the Communist Party ever had. The thing about him that impressed me most deeply was that he published an article in his own name, titled "Several Ideas About Ideological and Cultural Matters." The article also emphasized a tolerant attitude and no interference with

different views. He even stressed the need to pay close attention to non-Marxist ideology. He said that Marxism itself had grown out of non-Marxism, and in the 100 years since Marx's death, great development has taken place in philosophy, the social sciences, literature and art, the natural sciences, science and technology, political science, and economics. Numerous new ideas, doctrines, theories, and concepts have arisen. One positively cannot turn a blind eye or a deaf ear to these new things; one must analyze them and take them in. For the director of the CPC Propaganda Department to tell people to pay attention to non-Marxist ideology clearly showed that a "non-Marxist" trend of thought had penetrated the Central Committee at a high level.

The premature end to the campaign to eradicate spiritual pollution and Zhu Houze's control over the Central Committee Propaganda Department provided very great encouragement to the intellectuals in developing the new trend of thought. The new trend of thought at that time had a remarkable feature, namely its drift away from or even separation from Marxism and its strenuous efforts to introduce Western ideology. Western ideology came flooding in as though sluice gates had been thrown open. Numerous Western writers who had long since ceased to be new in the West were seen as branch new in China because of its long isolation.

In economics, people were introduced to Adam Smith's doctrines, Alfred Lord Keynes' theories, and the Schumpeter thesis. They were also introduced to the Hayek doctrine of the New Liberal Faction and Friedman's doctrine of the monetarists. Many new concepts such as input-output, economic benefit, market mechanism, enterprise management, costs, currency, finance, investment, microeconomic, macroeconomic, etc. became fashionable terms.

The philosophical field saw the introduction of New Marxism, existentialism, and structuralism. In the political field, western democratic ideas and new authoritarianism were introduced. In the sociology field, special attention was paid to the Fabian Society's Weber theory, which Lenin criticized as revisionism. In aesthetics, Croce's doctrine received high praise. Earlier, Chinese art authority Zhu Guangqian [2612 0342 3383] had come under criticism for his praise of Croce. In art, where even the impressionists had formerly been termed reactionary, all latter-day impressionists and the Fauvists, as well as the Dadaists, the three-dimensional school, and the surrealists, and even abstract art were welcome. In the field of literature, there was an even greater profusion that included the symbolist, futurist, expressionist, and spiritual analysis schools, as well as existentialism, stream of consciousness, the theater of the absurd, and vague poetry, which spread like wildfire.

Translations of the works of Freud and Sartre were even offered for sale in Guangzhou and Shenzhen street stalls, and sold like hotcakes. For a time, the futurology of the American Toffler caused a great sensation. Even Zhao Ziyang openly urged everyone to read Toffler's books.

For this reason, his *Future Shock* and *The Third Wave* zoomed, creating a Toffler shock wave in China.

The intrusion of Western trends of thought at that time were far wider than during the May 4th Movement. Every publisher rushed to come out with collections of books to cause a collection craze. There were the "Contemporary Academic Trend of Thought Translation Collection" and the "20th Century Western Philosophy Translation Collection" in Shanghai, "Orientation Toward the World Collection" in Liaoning, the "Culture and Philosophy Collection" in Shandong, and the "Bring Up Collection" and the "Toward the Future Collection" in Sichuan, and so forth. The most famous of them was the "Toward the Future Collection," which was published by a new group of middle-aged and young intellectuals and edited by Jin Guantao [6855 6034 3447]. The aforementioned four gentlemen, together with Wang Xiaoqiang, Yan Jiaqi, and others were on the editorial board. Bao Zunxin [0545 6690 0207], who had taken an active part in the August 9th People's Movement was the editor of the collection's first edition.

Jin Guantao's greatest academic achievements were in the field of history. He put forward the "ultrastable structure" theory by way of explaining the long stagnation of Chinese society. This theory departed from the economic foundation found in the Marxist historical materialist view and the theoretical framework of the superstructure. It employed the complete analytical methods of control and systems theory in the exploration of Chinese historical matters.

Time does not permit me to talk about the many brilliant scenes of the new trends of thought during this period. However, I simply must raise the following several important phenomena.

First is the craze for searching for cultural roots. Under the authoritarian Chinese Communist regime, numerous questions cannot be tackled politically; one is forced to shift away from politics to culture, and this produced the craze for searching for cultural roots. People tried to find the answers to questions in China's traditional culture and the national character. The television film *He Shang* [*River Elegy*] was the most prominent manifestation of this. It was a thorough repudiation of Communist China's old culture.

The second was the Fang Lizhi phenomenon. Fang Lizhi stressed the responsibility of the intellectuals. He emphasized that democracy is not conferred, but must be fought for. In the cultural realm, he emphasized the complete removal of restrictions. This does not mean an across-the-board copying of Western culture, but rather having the courage to put one's own culture up against the culture of other countries. He believes that Marxism is passe, and that it is a theory that belongs to a former cultural stage. It is like the theories of Sir Isaac Newton of 300 years ago, which still have value today, but which cannot solve today's problems in computer technology. He believes that the meanings of capitalism and

socialism must be redefined. Western people feel that only the countries of northern Europe have socialism.

Third is the Liu Xiaobo phenomenon. Fang Lizhi looks at China's problems in terms of the scientific spirit of scientists, and he presents his views in an easy to understand way that is very convincing. Liu Xiaobo proceeds from the philosophical line of thinking to look at China's problems. He is modern China's most rebellious intellectual. His line of thought is quite profound and reflects the brilliance of his intellect everywhere.

One might say that during the search for cultural roots craze, the one who explained China's tragedy during the past 40 years in terms of its cultural origins, and stated it most brilliantly was Liu Xiaobo. Not only did he oppose Mao Zedong, but he wanted people to oppose the cultural roots that created the Mao Zedong cult of the individual. Thus, he damned the foundations of the Chinese people's ignorance, the blind loyalty, and small peasant economy. In addition, he criticized Marxism from a basis of different Eastern and Western cultures, explaining why Marxist thought, which was rebellious in nature in the West became a tool of authoritarian despots in the East. To this day, Westerners regard Marxism only as an ideology and a theory, while Easterners regard it as unshakable truth and orthodoxy.

During the evolution of the new Chinese trends of thought during the past 12 years, we see clearly that from Wei Jingsheng to Fang Lizhi, and from Wang Xizhe to Liu Xiaobo, what tremendous and rapid advances have been made in the new trends of thought in China in the short space of 12 years. Both the student movement of 1986 and the people's movement of 1989 were influenced by these new trends of thought. Following the 4 June incident, Chinese thought returned once again to the dark ages. The representatives of the new trends of thought were either jailed or became expatriates. The Chinese new trends of thought have been suppressed on the mainland. Abroad, it has begun a new period of counterthought and new exploration. Direct experience with Western civilization and the changes that have occurred in the USSR and Eastern Europe will cause a broadening of the horizons and a greater emancipation of the thinking of expatriate Chinese intellectuals and those living abroad. They have the conditions for making a clean break with the restrictions that were placed on them inside China.

In Western countries, thinking is free and without pressure, but one cannot see the effects of this thought there. Should the day come when the mainland will permit the thousands upon thousands of intellectuals in exile and the more than 100,000 students studying abroad to return to China, the ideological force that they generate on China at that time will be like the Huang He bursting its dikes, rolling and roaring for a thousand li. This is because this large number of intellectuals tarrying abroad will not return just to Beijing and Shanghai, but will scatter to every city, large and small, in the country to bring about a complete hyperfunctioning of thought

throughout the country. This will be a dazzling scene. We will certainly see the arrival of such a scene.

Biographic Information on Jiang Minkuan

91CM0062A Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 10, 16 Oct 90 pp 40-41

[Article by Li Kuo-chiang (2621 0948 1730) in "New Trends at Zhongnanhai" column: "Jiang Minkuan Takes Important Post in CPC United Front Work Department"]

[Text] Jiang Minkuan Takes Post as Deputy Director in Charge of Daily Business at the Central Committee's United Front Department

This publication has learned from sources in Beijing that Jiang Minkuan, former governor of Sichuan Province, deputy chairman of China's Science and Technology Commission, and director of China's Patent Bureau, has been appointed deputy director in charge of daily business in the United Front Work Department of the CCP Central Committee.

Since last year's disturbance in Beijing, Yan Mingfu [7051 2494 1788], director of the United Front Work Department, has been largely absent from public view. He has been dismissed from his many positions, such as a secretary in the Central Committee's Secretariat and deputy chairman of the National Chinese People's Political Consultative Conference [CPPCC]. He has also been relieved of his daily work at the United Front Work Department, although for quite some time he had not been concerned with routine work. It has been handled by deputy directors Wan Shaofen [8001 4801 5358] and Wu Lianyuan [2976 6647 0337].

It is rumored that at one time the first choice at the highest levels of the Communist Party was to have Ding Guan'gen [0002 7070 2704] (alternate member of the Political Bureau, secretary in the Central Committee's Secretariat, director of the State Council's Taiwan Affairs Office) take the post of director of the United Front Work Department. But Ding, citing the fact that his own qualifications and service record were not great, believed he should not take the post.

In addition, in the spring of this year, Tan Fangzhi [6223 2455 0037] (deputy director of the United Front Work Department in Heilongjiang Province), who participated in the drafting of Jiang Zemin's speech on the work of the United Front, was also originally proposed for the position of director of the United Front Work Department, but Tan wished to remain in Harbin.

Jiang Zemin Attaches Great Importance to United Front Work

Since the middle of this year, with the policy decision to make Jiang Zemin leader, more emphasis has been placed on the United Front work of the Communist Party. This work is considered important to the social

stability of China's new stage, to the development of the four modernizations, and to the success or failure of national unification. It requires that the United Front work in each province and city be handled by a deputy secretary or a member of the standing committee, and that the director of each provincial United Front Work Department should hold the post of deputy chairman of the province's CPPCC. In accordance with the characteristics of the new period, Jiang Zemin has again expounded on the scope of the CPC United Front, making love of country and support for unification the symbols of the United Front alliance. He hopes, as soon as possible, to form a single, flourishing new situation that involves extensive contacts among those friendly to the goals of United Front work.

Under these conditions, if the post that has the principle responsibility for the United Front Work Department is left vacant for a long period, it will clearly not benefit the work of developing the CPC.

Ding Guan'gen Recommends Jiang Minkuan to Jiang Zemin

The CPC believes that this problem cannot be put off. It also believes that handling the daily work requires a figure with scholarly achievements, ability, and administrative experience; an individual who is capable of reaching out to people; and a person who is not too advanced in years for the "director" level. At some point, Ding Guan'gen recommended Jiang Minkuan to Jiang Zemin and Song Ping.

Jiang Minkuan—Provincial Governor, Scientist, Inventor, and Entrepreneur

Jiang Minkuan was born in 1930 and is now 60 years old. He is from Wu County in Jiangsu Province (present day Suzhou), but he was born in and has spent a long time in Shanghai. On ordinary days he dresses simply. He is big, tall, and steady, and his attitude is amiable. Although he is 60 years old, his appearance is that of a man in his early 50's.

In 1949, he graduated from a private training school in Shanghai. This school was later divided into two schools, the Shanghai Communications University and the Shanghai Textile University. Of this he says, "Both these universities are my alma maters." When he was in school, Jiang also participated in student athletic work. When he was 19, he taught in a workers' night school and worked on educating grassroots workers. After graduating in 1949, he went to Shenyang, and worked in the northeast until the mid-1960's.

An 18-Month Stint Doing Fieldwork in the Soviet Union in the Early 1950's

Jiang Minkuan is an engineer as well as a statesman. He originally studied mechanics, and in the early 1950's, because of work requirements, he wanted to research the processing of non-ferrous metals, thereby improving research in this field. From the last half of 1952 to the

end of 1953, Jiang was sent to the Soviet Union to do fieldwork and engage in advanced study. Thus one may say that, as a graduate student studying in the Soviet Union, his experience is similar to that of Jiang Zemin and Li Peng, who also studied there. Jiang Minkuan joined the CPC in 1961. In 1963, he arrived in Great Britain as a specialist for the Civil Aviation Administration of China, conducting acceptance checks on Trident airplanes that China was purchasing from Great Britain.

On the Eve of the Cultural Revolution, Jiang Arrives in Sichuan to Participate in the "Construction of the Third Line"

In 1966, Jiang Minkuan went south to Chongqing, Sichuan Province, primarily in order to support the "construction of the third line." However, the Cultural Revolution began and he was forced to step aside. After returning, he took the position of chief engineer and factory director of the Xinan Aluminum Processing Factory, a post which had a broad range of duties.

From Governor of Sichuan to Deputy Director in Charge of Daily Affairs at the United Front Work Department

At the end of 1982, Jiang Minkuan took the post of deputy secretary of Sichuan's provincial party committee, in 1983 he was elected deputy governor of Sichuan Province, and in 1985 was elevated to governor. In 1988, Jiang was transferred to Beijing and took the posts of deputy chairman of the State Science and Technology Commission and director of China's Patent Bureau. In October 1990, he was appointed by Jiang Zemin to be deputy director in charge of daily affairs at the United Front Work Department. At the CPC's 12th National Party Congress, Jiang Minkuan was elected an alternate member of the CPC Central Committee. At a meeting of party representatives in the fall of 1985, he was elected a member of the Central Committee, and he has continued to hold the post of Central Committee member since the 13th National Party Congress was convened in November 1987.

Jiang Minkuan is also an inventor, and has achieved great results in improving the effectiveness of some special-use technologies. In 1964 he received China's Scientific and Technological Achievement Award and participated in the famous 1964 "Scientific Cooperation Mass Meeting."

Wide-Ranging Contacts, Familiarity with Intellectuals' Situation

Jiang Minkuan is competent and experienced in several fields, and he has managed a large province with a population of 100 million people. He is familiar with the thinking and living conditions of intellectuals. There is reason to believe that he will bring a fresh approach to this aspect of work through his direction of the daily work of the United Front Work Department.

New Candidates for United Front Work Department

91CM0104A Hong Kong CHAO LIU [TIDE]
in Chinese No 45, 15 Nov 90 pp 8-10

[Article by Zhou Biqing (0719 3968 3237): "Ye Xuanping Considered as Head of CPC United Front Work Department or Director of Hong Kong Office"]

[Text] Several high-level CPC (Communist Party of China) leaders on the department head level are expected to be shifted around, and party elders are looking for replacements for them. The organizations affected are the CPC's Central Committee United Front Work Department, and the Hong Kong—Macao Office and the Office of Taiwan Affairs, both under the Ministry of Foreign Affairs.

Table. Figures in Charge at the United Front Work Department of the CPC Central Committee

Name	Age	Home District	Education	Prepolitics Occupation	CPC Experience
1. Yan Mingfu	59	Haicheng, Liaoning Province	Russian Department, Harbin Foreign Institute	Russian translator	Section chief, CPC Office of Translation; deputy secretary general, National People's Congress; secretary, Central Committee Secretariat; vice chairman, Chinese People's Political Consultative Conference
2. Jiang Minkuan	60	Wuxian, Jiangsu Province	Shanghai Industrial Institute	Engineer	Manager, Xinan Aluminum Processing Plant; deputy secretary, Sichuan Provincial CPC Committee; vice governor and governor, Sichuan Province; director, State Council's Science Committee, and director, State Patent Office
3. Wu Lianyuan	53	Changchun, Jilin Province (Moslem)	Dongbei Mechanical Engineering College, Automation Department	Engineer	Director, 2d Ministry of Machinery; party secretary, Research and Design Institute, Ministry of Nuclear Industry; department head and deputy minister, Ministry of Nuclear Industry
4. Song Kun	61	Tianjin			Secretary, Confidential Section; director, Office of Research, and bureau chief and deputy bureau chief of Bureau No. 1, all in the United Front Work Department
5. Zhang Shengzuo	58	Wuhan, Hubei Province			Deputy director, Office of the Standing Committee, Xinjiang Regional CPC Committee; deputy secretary, Wulumuqi [Urumqi] County CPC Committee; deputy director, Office of the Xinjiang Regional CPC Committee; and deputy director and director of Bureau No. 1, United Front Work Department
6. Wan Shaofen	60	Nanchang, Jiangxi Province	Zhongzheng University, Nanchang	Lawyer	Secretary, CPC Nanchang Municipal League Committee; deputy department head for the Jiangxi Provincial Labor Department; director, Organization Department of the Jiangxi Provincial CPC Committee; secretary, Jiangxi Provincial CPC Committee; and CPC deputy secretary at the All-China Federation of Labor Unions

Note: Yan Mingfu has terminated his duties as director. The rest are all deputy directors. Wan Shaofen's lawyer credentials were acquired during the early 1980's.

Ye Xuanping Considered for Director of the Hong Kong Office

Let us first discuss the Hong Kong-Macao Office.

According to reliable news heard in Beijing, Deng Xiaoping and the senior advisory group of party elders are quite satisfied with the performance of Ji Pengfei, the present director of the Hong Kong-Macao Office, and

admire his foreign affairs experience and expertise. But Ji, as the oldest person serving in the Ministry of Foreign Affairs, is already 80 years old, and will be 81 in a few months. Apart from him, practically all the other department chiefs are less than 65 years old. He holds the post of department head, but his administrative grade places him on the vice-premier level, which may give him more time before mandatory retirement, but to continue after 80 years of age is considered too strenuous.

Ji Pengfei intends to retire and become a Standing Committee member of the CPC Advisory Committee (receiving benefits of a Politburo member and eligible to attend all its meetings). But the CPC has yet to select a suitable successor.

According to news from Beijing, Ye Xuanping, the governor and present deputy secretary of the Guangdong Provincial CPC Committee, is one of the candidates under consideration. There are three reasons for this. First, Ye Xuanping has been working in Guangdong Province for 10 years, has contacts in political and business circles in Hong Kong and Macao and better understands conditions there, as well as provide a fresh reform image to the people there. Second, he can speak Cantonese fluently, which helps in his discussions inside Hong Kong circles. Third, he has relatives and old friends in Hong Kong, as his father Ye Jianying [5509 0494 5391] had lived there before, a circumstance which provides a base for personal contacts.

However, Ye's desire for the Hong Kong-Macao job is not great. He is already 66 years old, over the retirement age for department heads. Though he could obtain special permission to be director of the Hong Kong-Macao office for two or three years, it is more suitable for a younger person to succeed Ji Pengfei. Consequently, another rumor is circulating in Beijing that a younger cadre under 60 with foreign affairs experience will be succeeding Ji Pengfei.

A Chance for Jiang Minkuan or Wu Lianyuan

The post of director of the United Front Work Department has been vacant for over a year, and a successor has yet to be found. The original director, Yan Mingfu, 59 years old, was stripped of his secretary post at the Central Committee Secretariat (which is responsible chiefly for the United Front) after the 4 June incident, though he has not been formally relieved of his position as director of the United Front Work Department. Actually, he is not performing his duties, since he has not been reporting for work. Foreign sources that say Ding Guan'gen is acting director of the United Front Work Department is not true.

Ding Guan'gen is an alternate committee member in the CPC's Politburo and a secretary on the Secretariat. Besides being in charge at the United Front Work Department, he is also responsible for the routine work at the Secretariat, so he would not be holding the post of acting director.

In late October, the CPC transferred Jiang Minkuan, deputy chairman of the State Council's Science and Technology Committee, to be a deputy director in charge of daily operations at the United Front Work Department. He had been working for a long time with industrial groups in Sichuan Province, and had been its vice governor and governor for several terms. Because he could not get along with Yang Rudai [2799 3067 1486], secretary of the provincial CPC Committee, he was transferred out of Sichuan Province to be deputy

chairman of the science committee. He and another deputy director, Wan Shaofen, are both 60 years old, and both serve on the Central Committee of the CPC.

As to who will be selected to be the director of the United Front Work Department, numerous kinds of rumors abound in Beijing. The first kind has it that one of the deputy directors will be promoted. Along lines of experience, Wan Shaofen is the stronger candidate, for she is the first woman to hold the post of (Jiangxi) provincial committee secretary. In 1988, she was transferred to Beijing where she served as CPC deputy secretary of the All-China Federation of Labor Unions. Later on, when she was not selected to be deputy chairman at the All-China Federation of Trade Unions and secretary at the secretariat, she left to become a deputy director at the United Front Work Department. Along lines of age, Wu Lianyuan has the strongest suit, for he is seven years younger than Wan Shaofen, is the youngest deputy director at the United Front Work Department, and has held his present post two years longer than Wan Shaofen. He is also from a minority group (Muslim), which has tremendous symbolic significance. These are his strong points, though he is not a CPC Central Committee member. In 1986, before he joined the United Front Work Department, he was a deputy minister in the State Council's Ministry of Nuclear Industry.

According to some offspring of high-positioned cadres, the competition between Wu Lianyuan and Wan Shaofen is very close.

If the CPC should select the director of the United Front Work Department from the department's deputy director ranks like the way it promoted Lu Feng to succeed Song Ping as director of the Central Committee's Organization Department, the chances for Jiang Minkuan and Wu Lianyuan are better.

Ye Xuanping's Better Personal Network

The second kind of rumor has it that a suitable successor from a provincial-level CPC committee will be appointed to fill the post of director for the United Front Work Department, and Ye Xuanping is one of the candidates considered. The reason is that he has the "superior" qualifications described earlier.

Furthermore, Ye Xuanping has a good relationship with the CPC hierarchy. Not only does he share a "common understanding" with the reform elements, he also has a good relationship with such prominent bigwig conservatives as Yang Shangkun and Wang Zhen, who greatly respect "Marshal Ye," [Ye Jianying] and because of their personal relationship, frequently "return favors." Actually, Ye Xuanping is an "overage provincial governor" (retirement age for governors and department-level directors is 65 years of age), and early this year Li Peng wanted to transfer him out of Guangdong Province. But Yang Shangkun fought to have him stay in his post longer, so Li Peng did not insist on it.

Ye Xuanping is the oldest governor among chief executives of 30 provinces and municipalities. He has served in Guangdong Province for 10 years already, and cannot stay on much longer. But he wants to "make more contributions to the party" and he is definitely experienced in dealing with opening the economy to the outside. So, for him to retire from the governor's post, a suitable task must first be found for him. The following plan is rumored to deal with this matter: 1) If Ye Xuanping stays in Guangdong Province, he will be chairman of the Guangdong provincial political consultative body, succeeding Wu Mansheng [0702 0589 3932]. 2) He will be transferred to the State Council in a transitional post and take charge as director of the Hong Kong-Macao Office, or as director (department-director level) of the Office of Special Economic Zones. If a transitional arrangement is not followed, he would then be promoted to the State Council to be chairman of the committee in charge of economic opening to the outside, in a position previously occupied by Gu Mu. 3) He will be in a transitional post as director of the CPC's United Front Work Department.

Wang Renzhong Recommended by Li Xiannian for Transitional Post

The third kind of rumor says that an older cadre of the second generation should assume the transitional post of director of the United Front Work Department for about two to three years, after which the post will pass into the hands of one from the younger third generation.

It is rumored that one of the CPC's four senior elders, Li Xiannian (the other three are Deng Xiaoping, Chen Yun, and Peng Zhen) is pushing hard for Wang Renzhong to be in the "transitional post."

Wang Renzhong is a relative of a member in Li Xiannian's former unit. Wang has been first secretary of the Hubei Provincial CPC Committee, second secretary of the South-Central Bureau, first secretary of the Shaanxi Provincial CPC Committee, vice premier of the State Council and director of the agricultural committee, minister of the CPC's Ministry of Propaganda, secretary at the secretariat, and deputy chairman on the Standing Committee of the National People's Congress. At present, he is listed first among the vice chairmen of the Chinese People's Political Consultative Conference [CPPCC] (the chairman is Li Xiannian), and serves at the same time as party secretary for the CPPCC, responsible for the CPPCC's daily operations.

Should the Central Committee of the CPC select an older person for a "transitional" post, Wang Renzhong is quite an appropriate candidate, for he is the CPPCC's first vice chairman. Even though he is already 72 years old, his over-retirement age placement in the United Front Work Department work in a transitional post is not without precedent. For example, Song Ping was already 70 years old when he became director of the CPC's Central Committee Organization Department, a post he

held "in transition" for three years, before relinquishing it to his deputy director, Lu Feng.

If Wang Renzhong serves appropriately as transitional director of the United Front Work Department, it is possible for him to be included in the Politburo. He is a CPC Central Committee member with the proper "grade" that qualifies him to join the Politburo. Of course these two arrangements are classified in the "unexpected" category, which places them outside most general speculation.

However, there is another rumor out of Beijing in the "unexpected" category that is receiving little attention from people. That is, Yan Mingfu may continue to remain director of the United Front Work Department, but most people discount this possibility.

Because of disagreement at high levels of the CPC regarding selection of a director for the United Front Work Department, numerous plans are "brewing" to make rumors that emerge even more complicated.

Jiang Zemin's Road to High Officialdom

91CM0138A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 251, Dec 90 pp 72-74

[By Liu Chin (0491 6855): "Jiang Zemin's Road to High Officialdom: Chen Yun Gives His Support"—part III; parts I and II were published in JPRS-CAR-90-092, 21 December 1990, pp 7-13]

[Text] Jiang Zemin does not have his own followers, let alone his own faction. He has told his son that he has seen followers and members of factions, try as they may, unable to come to a good end. When he was mayor of Shanghai (in 1982), not one cadre from the First Ministry of Machine Building went to Shanghai. Even his secretary stayed in Beijing. Moreover, they repeatedly applied to the Central Committee Organization Department for transfers. For this reason, Song Ping, director of the Organization Department (and currently a member of the CPC Central Committee Politburo), went out of his way to praise him at a meeting, saying, "He has a strong organizational sense. This is in the fine tradition of our party." Jiang Zemin replied, "The nature of the work in the First Ministry is not the same as that of Shanghai Municipality. It was necessary to change secretaries."

Make Fewer Mistakes, Expand Good Relationships

When he was mayor of Shanghai, Jiang Zemin would say with conviction, "What a headache. What a great mess. It would be better if fewer mistakes were made." Not having belonged to a faction gave him an advantage when he was handling relations between various factions within the party. This enabled him to avoid serious mental anxiety and to free himself from a great many unneeded misgivings. With respect to the mess within the party, he likewise adhered to the principle that "it would be better if fewer mistakes were made." He is

good at making friends within the various factions, giving consideration to all their interests, and not offending anyone, thereby striving for good feelings all round.

There are two small incidents that clearly illustrate Jiang's cautious approach. In 1975, Cao Huoqiu, the former mayor of Shanghai, was persecuted to death by the gang of four. Nevertheless, Cao's former colleagues and subordinates still exert considerable influence in Shanghai. When Jiang was serving as mayor, he not only did not discriminate against the cadres belonging to Cao Huoqiu's system, he did his best to place them in important positions. Jiang was also extremely considerate of Cao's son, Cao Jiyun [2580 4764 0061], personally receiving him at home to further console and comfort him. Cao Jiyun was short and stocky with heavy features, the perfect likeness of his father. During the Cultural Revolution, Cao Jiyun attended military institutions, where he studied advanced military science and technology. However, from the time his father was labeled a "capitalist roader," he suffered persecution. After the gang of four fell from power, Jiang Zemin was the only high-level municipal official to speak with the son of the former mayor and to treat him with consideration. Cao Huoqiu was originally a capable subordinate of Deng Xiaoping. When Deng was first secretary of the Southwest Region, he said he wanted Cao Huoqiu to come to Sichuan to become mayor of Chongqing. When Cao Huoqiu died, Deng Xiaoping became sick at heart, declaring that a fine man had been persecuted to death. When Cao Huoqiu was rehabilitated, Hu Yaobang sent a special plane to receive his ashes and had them brought to Beijing for a ceremonial burial at Babaoshan. It left a good impression on Deng Xiaoping and Hu Yaobang when they heard that Jiang Zemin was showing consideration for Cao Huoqiu's son.

Jiang Zemin was especially attentive to members of Cao Huoqiu's family who survived him. Cao's widow, Shi Bin [4258 2430], was in charge of Shanghai Customs; his eldest son, Jiyun, was in charge of a large hotel; and appropriate arrangements, including spacious housing accommodations, were also made for the remaining sons and daughters. For example, Cao Jiyun's three-member household lives in an apartment of 60-70 square meters, essentially comparable to apartments of sons and daughters of high-ranking cadres.

Another small incident was Jiang Zemin's receiving Liu Shuzhou's widow, Xu Yiqian [6079 0110 0241]. In the winter of 1986, Shanghai was in the midst of student demonstrations and Jiang Zemin was being put to the test. When he was told that Liu Shuzhou's widow, Xu Yiqian, had arrived in Shanghai, as busy as he was, he immediately found time to receive her at home. Liu Shuzhou once was deputy mayor of Shanghai and acting director of the Central Committee's United Front Work Department. During the early part of the Sino-Japanese War, he brought over a contingent of more than 10,000 men to the Chinese Communists. He was a senior military officer prior to Liberation. Chen Yi once said

that, without Liu Shuzhou, we would not have been able to develop the battle of Jinan and win the Huai-Hai campaign. During the fifties, Liu Shuzhou on several occasions made reports before several thousand party cadres in the Daguangming Theater. The entire audience would be enthralled and would listen to him from nine in the morning until 10 in the evening without remembering to eat. During the sixties, he was concurrently president of Jiaotong University. He did not go to the office, but still was able to properly manage the affairs of this prestigious university. Liu's talent was recognized by Zhou Enlai, and he was often charged by Zhou to accomplish special tasks. For example, in 1964 he was delegated to conduct the secret return to China of Li Zongren, the former Kuomintang acting president.

When Jiang Zemin met the widow of Liu Shuzhou, Xu Yiqian, he was modest and unassuming and sincerely asked the advice and counsel of this member of the older generation. Even though she was of the older generation, she had for a long time held important posts in the United Front Work Department. Despite being retired, she was still influential. Jiang's respectful attitude made a good impression on Xu Yiqian. Jiang was also quite considerate toward Liu Shuzhou's son in Shanghai, Liu Tao [0491 3325]. He is a graduate of Jiaotong University and now is a principal of an industrial arts school. He lives in a newly constructed high-rise apartment in Shanghai's Xuhui district.

Public Clamour Can Confound Right, Wrong; Entering the Political Bureau

When Xu Yiqian returned to Beijing and told her old comrades about Jiang Zemin, she had nothing but praise for him. It was just then that the Central Committee personnel group was deciding the personnel of the 13th party congress and were trying to make up their minds which of Shanghai's two top leaders, Rui Xingwen [5360 2622 2429] or Jiang Zemin, would be a candidate for Politburo membership. Ordinarily, considering his qualifications and age, Rui Xingwen would have been selected. He was secretary of the Shanghai Municipal CPC Committee, whereas Jiang, at the time of the 13th party congress, as deputy secretary of the Shanghai Municipal CPC Committee and concurrently mayor was subordinate to Rui. Consequently, it was difficult for those who wanted Jiang to become a Politburo member to make their case. In addition, Jiang Zemin's relatively clumsy handling of the student demonstrations in the winter of 1986 also detracted from his achievements. Nevertheless, public opinion can confuse right and wrong. There was clearly more public praise for Jiang than there was for Rui.

At that time, a high-ranking official assigned as a cadre to the State Science and Technology Commission [SSTC] inadvertently discovered that Jiang Zemin had especially good ties to key SSTC personnel and that those holding the real power in the SSTC were all colleagues or good friends of Liu Shuzhou. After the Cultural Revolution, Liu Shuzhou was deputy head of

the SSTC. Its head was only nominally in charge. Liu held the actual power. In addition, Liu had for a long time established himself in the United Front Work Department. As a result, his work at the SSTC after the Cultural Revolution was quite prominent. In 1985 Liu Shuzhou died of illness. Jiang Zemin immediately established good relations with Liu's family and with his subordinates. Taking advantage of his position as mayor of Shanghai, he was extremely cooperative with the SSTC. These efforts were not in vain. During the crucial period when it was being decided whether to elevate him to Politburo membership, the current head of the SSTC, Song Jian, declared that the SSTC party leading group had "more praise than blame" for Jiang Zemin and "more blame than praise" for Rui Xingwen. This caused the Central Committee personnel group to ask how well those in charge of Shanghai's party and governmental affairs had been able to cooperate with the central scientific and technical system. This to some extent also influenced the decision of selecting the Politburo member.

All his actions prove that Jiang Zemin is a past master at handling personal relations. He is not only attentive to cadres at his own level and to those whose rank is lower, but he is also especially adept at catering to the Central Committee's elder statesmen and to important party and state personages, but without drawing the scorn of others for overdoing it.

Chen Yun Also Settles on This Person

Jiang Zemin has, with notable success, also treated the Central Committee elder statesman Chen Yun in this same manner. Before Jiang was appointed mayor of Shanghai, there was a rather strange reason given for opposing him. The people of Shanghai customarily dislike northerners [specifically, those from north of the Chang Jiang in Jiangsu and Anhui Provinces]. It was thought that it was not quite right to send such a northerner to become mayor of Shanghai. The Central Committee even had the audacity to send two northerners at the same time to run Shanghai. Mayor Jiang Zemin is a northerner. (He is a native of Yangzhou, and Shanghai considers those from Yangzhou northerners.) Municipal party secretary Rui Xingwen is also a northerner. (Rui is a native of Lianshui, and it too is generally considered to be northern by Shanghai.) At this point, Chen Yun spoke up, declaring "I am a native of Shanghai, and Shanghai people do look down on northerners. However, we are also Communists, and how can Communists be making distinctions between localities and cities like the hoodlums on the Shanghai waterfront used to do?"

In fact, you only have to have lived in Shanghai to understand how stubborn Shanghai people are in their prejudices against northerners. There is in Shanghai an expert in local history who made a special effort to research the history of this type of prejudice. He found that in the 1860's the long hairs (the Taiping army) and the Huai army (the Qing troops commanded by Li

Hongzhang), which were both made up of northerners from northern Jiangsu and northern Anhui, had burned, killed, and looted in Shanghai.

Jiang Zemin has been strongly affected by his being a northerner. Once when he was inspecting an agricultural unit in Pudong, just as the crowd was gathering, someone using the Pudong dialect unexpectedly declared, "The northerner thinks he's the mayor of Shanghai." When he went to Jiaotong University during the student demonstrations in 1986, the students insolently imitated his northern accent and declared that he was too arrogant. At a meeting, Jiang once declared that he wanted to change some of the prevailing customs and transform the prejudices that Shanghai has for northerners. He declared at the time, "Even today, mothers-in-law become emotional about daughters who marry someone with a northern accent! And cadres from northern Jiangsu and northern Anhui are still looked down on."

Those close to Chen Yun know that he is strongly biased against northerners. He is from the Shanghai suburban county of Qingpu. More than 130 years ago, his family's village suffered a horrible massacre and burning at the hands of northern troops. The villagers even today curse the northerners for what they did. When Chen Yun headed the Organization Department, it is said that if he heard a northern accent from a cadre who was about to be promoted, that person would frequently lose out. Chen Yun's decision to support Jiang Zemin becoming the mayor of Shanghai and his elevation to the Politburo caught people by surprise. It has been a mystery that has been difficult for outsiders to fathom.

Pay Attention to Detail, Win Chen Yun's Praise

Chen Yun usually resents flattery from subordinates. He sees through all officials, big or small, who try to ingratiate themselves with him, and as often as not, they bring ruin upon themselves for trying. Therefore, if you do try to be clever with him, you have to be extremely cautious. For example, Chen Yun is fond of listening to storytelling and ballad singing in the Suzhou dialect. However, if anyone openly organizes a private performance for him, he is likely to become very angry and order the discipline committee to conduct an investigation in order to embarrass whoever arranged it. Jiang Zemin was ingenious in how he handled it. He sent a Suzhou troupe to Beijing under a grand pretext. After it had arrived, it performed officially for workers, peasants, and soldiers, and only later for Chen Yun.

As for Chen Yun's sons, Chen Yuan [7115 0337] and Chen Fang [7115 2455], one is a high official in the Beijing municipal party committee and the other attached to Navy general headquarters. Jiang Zemin's treatment of the two younger Chens who are in Shanghai has always been proper and without extravagance.

Chen Yun's wife, Yu Ruomu [0060 5387 2606], is known to be a specialist in nutrition. However, some of the wives take exception to her specialized knowledge, saying that her study of nutrition has benefited only one

person and that she does not necessarily have any genuine talent. Yu Ruomu is unusually sensitive to how others appraise her, and Chen Yun insists that she not publicize that she is his wife. Consequently, in Beijing she seldom shows her face in public. However, she has on several occasions attended conferences in Shanghai in her capacity as a nutritionist and has even attended special newspaper interviews. It is said that, once when the draft of a news account used "Madame Chen Yun," Jiang Zemin demanded that the newspaper delete it and use only "Comrade Yu Ruomu." Precisely because Jiang has been attentive to these details, he has at the very least avoided making an unfavorable impression on Chen Yun.

The reasons for Chen Yun's support for Jiang Zemin to become mayor of Shanghai and for his elevation to the Politburo and Chen's agreement with Deng Xiaoping on letting Jiang inherit the throne and become party general secretary are not hard to understand.

Review of New Book on Peaceful Evolution

91CM0177A Beijing GUANGMING RIBAO in Chinese
17 Dec 90 p 3

[Article by Wang Songtao (3769 2646 3447): "A Brief Introduction to 'Peaceful Evolution' and Counter-'Peaceful Evolution'"]

[Text] What do we mean by "peaceful evolution?" What is its essence and what are its characteristics, tactics, and actual dangers? How did it come about, evolve, and develop? "Peaceful Evolution" and Counter-"Peaceful Evolution," published by the Chinese Social Sciences Press, provides a serious and useful inquiry into these questions. The book has the following three characteristics:

1. It seriously probes theoretical sources. The book points out that on 29 March 1920, at the Ninth Russian Communist (Bolshevik) Congress, Lenin incisively brought up the issue of opposition to "peaceful evolution." He said, "We are now faced with an extremely complicated task. After having won on the bloody front, we still must achieve victory on the bloodless front. This war is even more difficult. This is the most formidable front." International monopoly capitalism has always "intended to turn peaceful economic development into peaceful disintegration of the Soviet regime." The book holds that this is the first time that it was brought up that a socialist country could be endangered by "peaceful evolution."

2. It seriously probes the subtleties of the "peaceful evolution" strategy. The book quite systematically analyzes the historical evolution and development of the West's "peaceful evolution" strategy, reveals and exposes the true nature, characteristics, and methods of the "peaceful evolution" strategy, and points out that the essence of "peaceful evolution" is to use military threats as a backing to bring about internal division, disintegration, and deterioration in socialist countries, and to

eventually change the nature of socialist countries. They use two principal methods. The first is to proceed from the ideological sphere to continuously intensify their "psychological warfare" offensive. The second is to use economic assistance as a pretext to simultaneously exert seductive pressures.

3. It faces up to reality and is very specifically focused. In several specific articles the book focuses on the larger international climate and China's own smaller climate and conducts rather profound analysis and points out that "peaceful evolution" and counter "peaceful evolution" is an important form of struggle between the current two social systems.

Practical Improvements Urged for Intellectuals

91CM0177C Beijing GUANGMING RIBAO in Chinese
16 Dec 90 p 1

[Article by Xu Cheng (1776 6134): "Do More Actual Things for Intellectuals"]

[Text] Since the Third Plenary Session of the 11th Central Committee, the party and the government have formulated a series of policy measures and have done much to improve the working and living conditions of intellectuals. Various localities also have acquired a lot of experience doing many practical things for intellectuals. But developments in this regard have been uneven. In some localities and units the leadership has not paid enough attention to the pressing problems of intellectuals that could be totally resolved with effort, or they have not resolved them promptly. So, once again we emphasize that it is quite imperative that more actually be done for intellectuals.

Doing something concrete for intellectuals first requires being wholehearted; being half-hearted is wrong. Considering it a burden is even more wrong. Chinese intellectuals are part of the working class. With socialist modernization and reform and opening up, the part that intellectuals play as a productive force for social development is becoming more and more clear. Doing something concrete for intellectuals, in a certain sense, is just doing a good job of supplying intellectuals. And, if we "supply" them well, it can help the intellectuals to complete their professional skill even more vigorously and with more peace of mind, and make an even greater contribution to socialist material and spiritual civilization. So, leading cadres at every level should consider work for intellectuals from the high plane of the fundamental national interest and the high plane of socialist modernization and definitely not treat doing something concrete for intellectuals as ordinary work.

The crux of being wholehearted is to understand intellectuals and make friends with them on a wide scale, understand their work and their lives, and understand their troubles and their feelings. The experiences of several regions and departments reveal that only if leading cadres truly understand intellectuals can they have a sense of urgency and think of every way possible

under the present circumstances to ardently and sincerely do something concrete for them.

In doing something real for intellectuals we must truly deal with concrete matters. A leader should understand that intellectuals' actual difficulties generally are quite real and concrete, for example housing problems, medical problems, enrolling sons and daughters in school, and separate residences. Problems such as these can be solved only with practicality.

Among some departments and leading cadres we often hear this kind of comment: "There are so many intellectuals and conditions are limited; can we make best use of them by solving a specific problem?" Yes, hampered by present objective conditions and economic strength it is very difficult to think of solving all of the intellectuals' difficulties all at once. But we should solve as many as we can. Even if we only solve one at a time, it is always better than solving none. Intellectuals are generally reasonable. They ask only that we solve urgent problems. They are not expecting too much. If we help them solve these problems, they can get a feeling for the warmth of the party and the solicitude of the organization. Ordinary people do not see these things very often, but for some troubled intellectuals it is a big problem. Now we still should promote and encourage a spirit of dealing with concrete matters, beginning with one thing at a time. This is what the vast numbers of intellectuals need.

In doing something concrete for intellectuals we should also be mindful of proceeding from reality. Under the present circumstances, we should take care to reject interference from egalitarianism and the mentality of scrambling to get ahead. Several departments and units often have this kind of situation. After they resolve some difficulties for some people, several people question them, "You did it for him (them). Why won't you do it for me (us)?" And, they demand, "If you are going to do it, do it for everybody. If you are not going to do it, don't do it for anybody." Faced with this situation, leaders often feel that it is very difficult to act, creating a fear of difficulty. Actually, with limited objective circumstances, we should encourage an insistence on proceeding from reality and first help the few comrades who have outstanding problems to resolve their problems. In actual units the working and living situations of intellectuals are not uniform. Some of them, always the minority, have outstanding problems. It is relatively easy to first solve the difficulties bothering the most troubled, and the vast majority of people can understand this. This writer knows of a literature and art unit. A few years ago when they first started to resolve the problem of a few actors who had part of their pay deducted during the Cultural Revolution, quite a few people pointed out that there were up to a hundred people in a similar situation. But, after a thorough investigation proved that there

were only six or seven people in the same situation, it was finally resolved smoothly. Situations such as this illustrate that, under present circumstances, in wanting to do more concrete things for intellectuals, if we do not proceed from reality and seek truth from facts, it will be very difficult to accomplish many things.

Beijing Establishes Military Training for Students
91CM0177B Beijing GUANGMING RIBAO in Chinese
15 Dec 90 p 1

[Article by Yu Baoyue (0060 0202 2588) and Lu Gaopai (0712 7559 2226): "Beijing Establishes Military Training Base for Students: In One Year Conducts Rotational Training for More Than 5,200 University Students"]

[Text] **Beijing, 14 December.** Since Beijing Municipality established a military training base for university students this year, it has provided rotational training to more than 5,200 students from seven higher education institutions. Today relevant departments held a combined awards ceremony for the student military training base, in the belief that Beijing's method blazed a new trail for national military training that deserves to be broadened.

This April Beijing Municipality invested in the construction of a military training base for university-level students at Changping [2490 1627] County Chemical Industry Institute. After the base was completed, relevant municipal departments and armed forces military training units made serious preparations for standardizing base training to counter past military training problems. At the same time, they researched and explored the organizational leadership, drill, administration and management, and ideological education aspects of base training. In education and training, their methodology was to have the armed forces train the instructors, the base be self-governing, and the armed forces and the locality check on one another. They have conducted six rotational training sessions this year for more than 5,200 university students from seven higher education institutions, including the Chinese People's University, Beijing Science and Technology University, Beijing Industrial University, and Beijing Chemical Industry Institute. Ideologically the military training has raised the students' defense awareness and self-supervision capabilities, and their organization and discipline have been noticeably enhanced. They have learned to value time and to study diligently, and they have learned that today's socialist motherland did not come easily, thereby strengthening their political stand and their faith in socialism. They also have obviously improved physically. The students say that, although the training time was short, they reaped great benefits, spending extremely valuable time here that they will not forget in a lifetime.

PROVINCIAL

Hulun Buir Achieves Results in Economic Reforms

91CE0171A Beijing LIAOWANG [OUTLOOK]
in Chinese No 45, 5 Nov 90 pp 18-19

[Article by Zheng Qingdong (6774 1987 2639) and Qian Yonghong (6929 0737): "The Hulun Buir Experiment in Reform"]

[Text] A few years ago, the Hulun Buir League in Inner Mongolia was still in a state of isolation, called by some a "secluded backyard of history," but now it has quietly pushed itself into the ranks of shining examples of reform.

The Opportunity Lies Before Our Eyes

When Hulun Buir is mentioned, people think of an area of dense, luxuriant grassland that stretches as far as the eye can see. The fact is that the Hulun Buir League not only has a large expanse of 100,000 square km of grassland, but also has extremely abundant natural resources. Above ground, the forests of the Xingan mountain range cross the entire league with up to 9.6 million hectare of forest land. One-tenth of the country's entire forests are within the borders of the Hulun Buir League. Total resources of standing forest are as much as 880 million cubic meters, or 9.5 percent of the entire country's resources. Underground, there are abundant deposits of minerals. So far 40 kinds of mineral deposits have already been discovered at somewhat over 370 mining areas, of which coal deposits amount to over 100 billion tons. In addition, there are also the unique resources of animals and aquatic products.

The territory of Hulun Buir is about two and one-half times that of Jiangsu Province, but population density is only about one-tenth of the national average, with the non-farming population accounting for 56 percent of the total population. The per capita rate of available land, arable land, grassland, forest land, and bodies of water is many, many times larger than the average of the rest of the country. All this provides ample ground for the development of productive forces and for greater economic prosperity, and constitutes a huge potential for economic development.

However, for several decades economic development of Hulun Buir contrasted sharply with its abundant resources, and people described the situation by saying it was like "holding out a beggar's cup made of gold."

What way out for this border district of Hulun Buir?

On 18 January 1988, the State Council declared Hulun Buir an experimental reform district, decreed specially favorable policies for it, and initiated the reform of its economic structure.

The State Council had three main purposes in mind when it declared Hulun Buir an experimental district:

First, to take a step toward raising its productive forces, enhancing its economic strength, and optimizing the structure of its productive undertakings. Second, to increase its capacity for macroeconomic adjustment and control in the integration of planned economy and commodity economy, so as to gradually nurture and have in place an active mechanism for internal regeneration through own efforts and for self-development. Third, to explore ways in which the state can bring about economic development in ethnic minority regions, in border areas of the interior, and in economically underdeveloped areas, and to gain experiences in this respect.

The historical opportunity is now here for the people of Hulun Buir to see.

Rate of Border Trade to be Raised First

The Hulun Buir League borders on the Soviet Union and on Mongolia, with a 1,685 km long frontier. In addition to the ports of Manzhouli, Heishantou, and Shiwei, there are several tens of townships and villages which have the Soviet Union just across the river. In the last few years Chinese-Soviet trade has quickly developed. In view of this situation the Hulun Buir League has decided on opening up to the outside world and developing border trade as its main orientation in its relations with the Soviet Union, Mongolia, and East Europe. At the same time, it is linking up with the coastal ports to open up toward the western world, creating an economic situation of "two-ended relations, with one side of the net left open." That means, at the one end, namely through ports like Dalian, it is establishing trading channels with the West, and initiating its own direct exports, and at the other end, namely through the port of Manzhouli, it is opening a trading channel for border trade with the Soviet Union and Mongolia.

Thus a curtain has been raised for complete border trade interchanges with the Soviet Union and Mongolia, a trade that had been interrupted for as long as 20 years.

At first, nobody believed Hulun Buir could do any border trade, even members of the Hulun Buir League had little confidence in themselves that they could trade with foreigners, some had all kinds of apprehensions and were fearful they would suffer losses, but during the past somewhat over two years, the Hulun Buir League has achieved gratifying successes in its opening up and in its border trade.

Border trade with the Soviet Union and Mongolia developed vigorously. In 1989, border trade contracts for over 200 million Swiss francs have been signed with the Soviet Union, and the amount of actually executed import-export trade exceeded 76 million Swiss Francs. In the first seven months of this year alone, border trade contracts amounted to 270 million Swiss francs. As to the commodity mix in imports and exports, over 90 percent of imports were means of production in short supply in China, mostly petroleum, caustic soda, steel products, and chemical fertilizer, also large agricultural machinery, and machinery for logging operations in the

forests, i.e. commodities that supported the economic construction in the Hulun Buir League and in the interior. Export commodities were mainly products of the light industry, textiles, electrical appliances for home use, articles of daily use, and various types of fruit.

By now, the Hulun Buir League has established trade relations with over 30 prefectures in eight federal republics of the Soviet Union.

Economic and technological cooperation with the Soviet Union has made a good start. At the same time as great efforts are being made to develop border trade, the Hulun Buir League laid stress on extending its relations also to fields of economic and technological cooperation, trying to extend border trade from mere commodity barter to cooperation in productive undertakings in industry, agriculture, animal husbandry, and construction. In the last two years, over 70 letters of intent were signed with the Soviet Union, including contracts for engineering projects, joint venture factories, labor cooperation, and processing of materials, and 25 actual contracts were signed, most of them have already been executed. The total value of the contracts was as high as 30 million Swiss francs, and they earned almost 1 million yuan of profits.

Foreign exchange earnings from direct exports started out from zero and increased remarkably. The Hulun Buir League can make a large variety of agricultural products and byproducts available for export, but did not have the authority to engage in exports. With the initiation of the experimental district, the Hulun Buir League has obtained authority to engage in exports. At present, the league has signed contracts to a value of \$2.78 million with firms in Japan, the United States, Singapore, and other countries, and has settled \$1.6 million of foreign exchange. This is the end to a history when the Hulun Buir League would not have authority to engage by itself in direct export business and earning of foreign exchange.

"Borrowing chickens to lay eggs"

The people of Hulun Buir know that it is not enough to merely engage in border trade, the crucial point for economic development is still to convert the advantages of possessing resources into tangible economic advantages. They decided on a strategy of "using reform to promote opening up, and using opening up to promote development."

If it is intended to develop natural resources, but if there is a lack of capital to do so, also a lack of qualified personnel and technology, what is there to be done? One must in that case resort to a policy that extends favorable conditions which will appear attractive. The Autonomous Region of Inner Mongolia has on various occasions relegated powers to lower authority in altogether ten areas, among them in plan management, technological transformation, foreign trade, public finance, communications, electric power, and forestry, and has

favored the Hulun Buir League with advantageous policies. On the basis of these advantages, the Hulun Buir League had decided on specific measures and on its own set of favorable policies for the development of lateral economic ties, development of agricultural and animal husbandry resources, encouragement of investments from outside the area, importation of personnel well qualified in the fields of science, technology, and enterprise management, and has also given attention to supplement and perfect all these measures in actual practice.

In the last two years, the Hulun Buir League established economic exchange and cooperative relations with over 700 factories and commercial enterprises in China's 26 provinces and regions, which involves 261 items of cooperation with the interior, an investment of 360 million yuan, and the importation of 140 million yuan of capital. After these items will have been put into production, they will increase output value by 440 million yuan and yield an additional 130 million yuan in profits and taxes. The league's economic and technological development corporation, favored by advantageous policies, imported foreign capital, equipment, and technologies to develop its resources of gold. Up to the end of last year, the corporation produced over 4,200 ounces, realizing an output value of 5.91 million yuan. This year's output of gold can be expected to exceed 10,000 ounces. The Yala Gold and Lead Mine with an annual output of 10,000 tons of ore and the caustic soda industry with an output of 3,000 to 5,000 tons annually all have benefited from imported capital to get started. The 42 projects listed as key projects of the entire league for 1989 had imported over 65 million yuan of capital, which accounted for 40 percent of total investments.

In the last two years, the Hulun Buir League imported, thanks to favorable policies, over 3,000 graduates from universities and polytechnic schools and various well qualified technical personnel who are now playing an important role in forestry, mining, commercial enterprises, and in enterprise management.

All these are new events in the history of the Hulun Buir League, and its people call this method "borrowing chickens to lay eggs."

In the very short time of a little over two years, the Hulun Buir League has been persistently following a policy of reform, opening up, and development, and by relying on the development of border trade and importing of capital, technologies, and qualified personnel has injected exuberant vitality into the various undertakings throughout the whole league, and has achieved record figures in all its 1989 economic indices.

In Industry: The reform of the economic structure has been continuously deepened and perfected. A total of 1,347, i.e. 96 percent of all enterprises, have introduced various types of contacted management responsibility systems. Industrial output has achieved a gross value of somewhat over 2.3 billion yuan, an increase of 15

percent over the preceding year, and places Hulun Buir in first position in the economic development of the entire autonomous region.

In Agriculture: A total of 500,000 mu of medium- and low-yield fields has been improved, and 160,000 mu of new paddy fields have been laid out, and capital was raised to develop a further 800,000 mu of land suitable for agriculture. Following on five continuous years of abundant harvests, grain production has exceeded 1 billion kilos, whereby Hulun Buir has achieved ahead of time self-sufficiency in grain supplies, with an average per capita of 420 kilos of grain.

In Animal Husbandry: This industry has now entered on a track of constructive livestock raising, scientific livestock raising, and of the development of serialized production of livestock as commodities. Large and small livestock throughout the league number as many as 2.4 million heads, an increase of 18 percent over 1987, and the rate of marketable livestock has reached 21 percent.

In Forestry: Very fast progress has been made in the development and overall utilization of the local forests and in a diversification of operations. Forestry output has increased to 22 million yuan. The development by the Chaihe Forestry Bureau has entered into its final stage and has reached an annual production capacity of 110,000 cubic meters of timber.

The policy of opening up has given wings to the economic upswing in the Hulun Buir League, and its leadership and the masses, when talking to this reporter, always spoke of only one topical question: the difference that there is between operating as an experimental district and not operating as an experimental district. A capital of about 1.1 billion yuan has been used in the development of the experimental district over the last 2 years, 70 percent of this sum has been obtained due to initiating favorable policies, opening up to the outside world, and through the establishment of lateral economic ties. The average income last year of the population of the entire league was 642 yuan, income of those engaged in raising livestock was 914 yuan; these figures were 20 percent and 30 percent higher than what they were in 1987 before establishing the area as an experimental district.

The people of Hulun Buir League say: This is the force of reform, this is the force of opening up to the outside world.

FINANCE, BANKING

Need Seen for Enterprise Bond Market

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[Article by Ren Xinyou (0117 2450 2589), president of the Zhengzhou Branch of the People's Bank of China, in

the column "Financial Markets": "Trial Discussion on Necessity and Feasibility of Developing an Enterprise Bond Market"]

[Text] Accompanying the thorough implementation of reform and opening up to the outside world and of the policy of improvement and rectification, China's financial market now carries within itself a subtle and also difficult process of development and change: from a highly centralized single bank and trust system (single financial market), which has been consistently in effect for several decades, to develop, since the Third Plenary Session of the 11th CPC Central Committee, into a primary financial market in which many financial organizations and financial forms exist side by side. When the primary financial market, with the banks, and institutions in the same field, as the main bodies for granting short-term loan, was developing, because of the loss of control in finances since the autumn and winter of 1988 and the state's firm retrenchment of banks, this newborn financial market for a time was in slump. After more than a year of improvement and rectification and of deepgoing reform, the economy has now been put on the track of steady growth. People have a higher level of understanding about the development of the financial market, and there are subjective and objective conditions for its further development. At present not only are banks and similar institutions beginning to "thaw," but also there is an eagerness to try out a stock market in which the issuance of enterprise bonds is represented. All of this demonstrates a lot of vitality. We think that, under the present circumstances, we should, with strong leadership as a precondition, open a bond market in a planned and measured way; that the objective conditions for enterprises to get into the bond market are ripening; and that we should, under the conditions of enhancing supervision and macroeconomic regulation and control, appropriately open an enterprise bond market.

The Necessity and Feasibility of Developing an Enterprise Bond Market

1. The development of an enterprise bond market is a requirement for effecting a planned commodity economy. The existing system in China for supplying funds to enterprises, in a certain sense, can be understood as one in which the funds supplied, in line with the state plan, by the banks and other financial institutions fall into the "planned economy" category, while the funds directly collected by the enterprises by turning to society fall into the "commodity economy" category. As the lifeblood of an enterprise, funds should be made more active, and, under the state's supervision and its macroeconomic regulation and control, market mechanisms must be applied to the funds, guiding them, through the consciousness of competition, into money-raising channels. For a long time the main source of funds for China's enterprises has been the bank, and the bank loans have become almost the sole source. This funding structure has already had a large adverse effect on the use and returns on funds, and does not meet the

objective requirements of China's socialist planned commodity economy. We must reconstitute China's funding structure so that, under the circumstances in which the enterprises' "parity grain" in the plan is insufficient, there will be an initiative to buy "negotiated price grain" on the market. The development of an enterprise bond market will make it possible for the enterprises to buy "negotiated price grain." Society's direct funding of enterprises will enhance the enterprises' concept of obtaining results, awareness of discharging debt, and consciousness of taking risks. It not only will be beneficial to the strengthening of management mechanisms in an enterprise and to the promotion of an enterprise's adjustment of its industrial and product structures, but also will be beneficial to the promotion of the development of financial markets.

2. The negative effects of the tight money policy show that a "buffer zone" is needed. Because bank loans are the main source of an enterprise's funds the enterprise's dependence on this source is heightened. Once the state put the tight money policy into effect, the production of some enterprises immediately "ran out of rice and fuel," very quickly bringing on an economic downturn after "the brakes were slammed on," which in turn led to a severe shakeup of the whole economy. The objective of developing an enterprise bond market is to create a "buffer zone" of smooth transition for the tight money policy. When funds are tight, the enterprises will be compelled to turn to society for direct funding and to improve the beneficial results from the use of their funds, thereby avoiding a rapid downturn in the economy. Looking at the present situation, we see that the bond market in place is far from having played the role of a "buffer zone," and that many enterprises still pin their hopes on the flexibility of money markets. Therefore, we must take measures, adroitly guiding action according to circumstances, to give full play to the role of the bond market as a "buffer zone."

3. Under the tight money policy, the enterprises already have been given an incentive to go into the bond market. We should see that, since the reform of the economic system began, there has been a definite change, both in form and substance, in an enterprise's operating mechanisms. The introduction of contracts for all personnel, linkages to work efficiency, and other ways of operating have begun to make a direct connection between the immediate interests of staff and workers and the enterprise's state of operation. Therefore, when the state put into effect a very tight money policy and bank loans could not satisfy an enterprise's need for funds, the enterprise's manager, though making loud complaints, had to think of ways and means to find a way out of this situation by himself. Of them, the collection of funds from the staff and workers of an enterprise and the collection of the "factory entrance fee" from a worker before he was recruited became the main ways of expanding the sources of funds. For a time these ways became the vogue in all parts of China, and were usually reflected in the "craze for collecting funds," which

showed that the enterprises were already inclined to go into the bond market, even if in this inclination there was a great deal of blindness. If we were, just because this inclination and this behavior were not the norm, to apply overly simple administrative measures to strictly control them, then we would lose a good opportunity for developing the financial market, which would be detrimental to both the short-term and long-term growth of the economy. The main measure for correctly guiding the "craze for collecting funds" is to develop vigorously China's enterprise bond market so that the blind "craze for collecting funds" within an enterprise becomes, under the correct guidance of the state plan, changes to a direct funding that is open, socialized, and standard.

4. The big rise in the people's surplus buying power has made it possible to put enterprise bonds on a market and sell them. Since reform and opening up to the outside world began, major changes have occurred in the pattern of distributing national income. One feature in these changes was the sharp tilt toward individual consumption in economic distribution. In recent years this tilt has become the main cause of the fairly large growth of savings deposits held by people. The huge amount of surplus buying power on the one hand has posed a latent threat to the commodity market; on the other hand, speaking specifically about the enterprises' issuance of bonds in society, it is also an abundant source of funds.

5. The downward adjustment of bank interest rates has lowered the cost to the enterprises of direct funding. The level of interest rates on savings deposits directly restricts and affects the level of interest rates on enterprise bonds. If the interest rate on the bonds is lower than or equal to the interest rate on savings deposits in banks of the same order, it is highly likely that nobody will care to inquire about the rate. On the contrary, if the interest rate on enterprise bonds is much higher than the interest rate on savings of the same order, then the cost of enterprise funding is bound to grow, a situation that will direct the enthusiasm for and the profit from the issuance of enterprise bonds. From this we can see that the price of an enterprise bond is not just determined by the enterprise's wishful thinking. One advantage is that since the beginning of this year the banks have twice adjusted the interest rate on deposits downward. Under these circumstances, if the interest rate on our bonds is set at a fairly appropriate level, not only will the bonds be more attractive, but also the cost to the enterprise will be lowered and the enterprise will have more enthusiasm about going into the bond market.

Several Questions Requiring Clarification

—Will the issuance of bonds by enterprises cause an expansion of credit? The precondition for discussing this question is to find out whether there is macroeconomic supervision and control. There is an essential difference between the issuance of bonds by enterprises and the spontaneous spread of the "craze for collecting funds." Now, when China is defining the range of annual credit, in reality it is a case of dealing

with the range of indirect funding, the range of bank loans and direct funding, and the range of bond issuance under macroeconomic supervision and control. In this "big basket," the issuance of enterprise bonds only changes the range, disposition, and weight of direct funding and indirect funding, and if there is strict regulation and control of the issuance of enterprise bonds this issuance will not cause an expansion of credit in society.

—Will the development of a enterprise bond market adversely affect the regulation and control of the industrial and product structures? Some people worry that, after the funding structure is changed and there is no longer an intermediary in funds distribution, it will be easy to weaken the dynamic of the regulation and control of the credit structure, thereby adversely affecting the regulation and control of the industrial and product structures. We think that this is an unnecessary worry. It must be admitted that there are now many difficulties in adjusting the industrial and product structures, and that there are large obstacles to this adjustment from many quarters. If these difficulties and obstacles are not removed, it will be difficult, by only relying on the role of credit, to get the desired results. By turning to society for direct funding, the enterprises will, in reality, drive the mechanism of competition into the structure of funds distribution, so that investment will flow in the direction of getting good economic results, because only enterprises with good results and high prestige will be able to win the confidence of society and raise sufficient funds from it. As for the enterprise itself, there is a risk in direct funding, which imperceptibly increases the number of an enterprise's operating mechanisms, because the funders are no longer state banks but the masses of people. To insure that, after the bonds mature, and they are repaid at full value, the enterprises must take economic results very seriously. Therefore, the direct funding of enterprises not only will not adversely affect the adjustment of the industrial and product structures, but will actually benefit it.

—Will the issuance of enterprise bonds cause the emergence of a situation in which "there are only quotations but no actual trading"? It will not. First, when they issue bonds the enterprises will be confronted with an extremely large surplus buying power. We discussed this in a previous part of this article, and so it is unnecessary to go into details here. Second, the people's consciousness of financial affairs is gradually being enhanced, and the idea of "investing to make a profit" is no longer unfamiliar to people. Third, because of market stability and price stability, the enterprise bonds that are purchased not only will not depreciate but will be interest-bearing and profitable. The important significance of developing an enterprise bond market lies in the fact that it will prompt changes in the structure of people's financial assets. Some people might worry that the enterprise bond market will lead to a "big house mover" in savings. In

fact, there is no reason for this worry, because, on the one hand, there will be macroeconomic regulation and control of the issuance of the enterprise bonds, and the number of bonds appraised and approved for issuance will be within the range of society's credit; on the other hand, by directly funding themselves by issuing bonds, the enterprises the pressure on bank loans will be less; consequently, a runoff of part of the funds is no cause for apprehension.

We Must Create Liberal Conditions for the Issuance of Bonds by Enterprises

Besides the subjective requirements for enterprises to go into the bond market, there must be objective liberal conditions. These conditions are mainly embodied in the following two aspects: governmental support and bank cooperation. As for the governmental aspect, the payment of interest in the form of deductions can be considered for the medium- and long-term construction bonds issued by the enterprises, thereby giving support to the enterprises' renewal of equipment, importation of technologies, and adjustment of the industrial and product structures. We know that the radical measures of starting up production and opening a market are an adjustment of the industrial and product structures. However, because the enterprises' capacity for self-accumulation is poor and they are incapable of making investments in fixed assets, and because the interest rate on the bonds they issue will be fairly high, when the enterprises determine that they cannot bear this burden, the government's financial administration can pay interest in the form of deductions. This in reality will support and encourage the enterprises to adjust the industrial and product structures and to accelerate the pace of their renewal and transformation. In addition, enterprises must be given preferential treatment in tax revenue. In accord with the principle of paying taxes after repaying debts, priority must be given to insuring that there are funds for the encashment of the bonds when they mature. The tax payment rate on enterprise bonds purchased by people must also be adjusted, and consideration can even be given to exempting them from taxes for a certain period of time and within a certain amount. The main purpose of taking these two measures would be to lighten the interest burden on enterprises and heighten the appeal of their bonds. As for the bank aspect, this would merely be a case of simplifying the procedures for examination and approval, and doing well the work of issuing bonds and of encashing them on maturity. Based on past experience, in general, three or more months' time is required for an enterprise to issue bonds, from preparing them to putting them on the market. This length of time really terrifies the enterprises, because such a long delay means the loss of part of the time limit for using valuable funds. Therefore, the People's Bank must get a tight grip on investigation and proof in its reports on the enterprises' applications for issuing bonds, and must take the initiative in designing and integrating the printing and making of bonds for the enterprises. Specialized banks and other financial organizations must, within the period of time that the bonds

are issued and put on the market, and their maturity and encashment, concentrate manpower to help in the issuance and encashment. In addition, the organizations that handle negotiable securities must do good work when the bonds go into second-level markets, satisfy the people's requirements for using ready money and for purchasing secondhand bonds, and promote the development and flourishing of first-level markets.

Shanghai Stock Market Shows Steady Development

91CE0148A Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 10, 4 Oct 90 pp 9-12

[Article by Wang Shihao (3769 0013 6275): "Shanghai's Stock Market Has Been Maturing Steadily"]

[Text] Since the CPC shifted the focus of its work to building the economy, and along with the steady development of a planned commodity economy and furthering of banking reform, Shanghai's stock market has been rising to meet the occasion. Since Shanghai's stock market came into being, seven years have passed. Under the leadership of the Shanghai branch of the People's Bank of China (PBOC) and through joint efforts by financial circles throughout Shanghai Municipality in these seven years, Shanghai's stock market has been flourishing, being gradually perfected, and being paid increasingly closer attention to by economic and financial circles both in China and abroad.

Shanghai's Stock Market Sales Have Evolved From One Kind to Many Kinds of Negotiable Securities

The Establishment of a National Treasury Bond Market: Shanghai's national treasury bond sales began to become truly market-oriented in 1988, when the Shanghai Postal Savings Bureau began trial sales of over two million yuan worth of 1988 national treasury bonds at over 180 post offices throughout Shanghai, and over 100 branches of four special savings banks throughout Shanghai began trial sales of over 28 million yuan worth of national construction bonds. This set an example for the transition of national treasury bond sales from administrative apportionment to free market subscription.

The Establishment of a Stock Market: The Shanghai branch of the PBOC's approval of the public sale of shares in the Feiyue Acoustics Company through the Jing'an Negotiable Securities Agency in December 1984, marked the beginning of a stock market in Shanghai and China. By 1989, 11 sizable shareholding enterprises in Shanghai, including four industrial enterprises, four commercial service businesses, two banks, and one real estate company, had sold 879 million yuan worth of shares to the public. In addition, 1,856 shareholding enterprises in Shanghai had sold 250 million yuan worth of shares to their employees by the end of 1989. By the end of 1989, Shanghai's stock market had a turnover of 1.124 billion yuan, or 34.8 percent of that throughout China. Early in 1989, three negotiable securities companies and one trust company in Shanghai set up China's

first contract-sales group to act as the agency for selling 22.1 million yuan worth of shares in the Shanghai Vacuum Cleaner Shareholding Corp to the public, which was a new exploration into stock market sales standardization.

The Establishment of a Large-Denomination Transferable Time Certificate Market: Faced with sharp competition by various special banks, the Shanghai branch of the recently established Jiaoxing Bank was forced to break new ground by promoting a new kind of negotiable security—large-denomination transferable time certificates—on the stock market with the support and approval of the Shanghai branch of the PBOC. As these negotiable securities had distinguishing features, such as short maturity periods, high interest rates, and transferability, they were generally welcomed by enterprises, institutions, and residents as soon as they were put on the market. The PBOC popularized large-denomination time certificates throughout China in 1987, turning them into a key means of financing for the stock market. By the end of 1989, these negotiable securities had a maturity value throughout China of 13.37 billion yuan, of which their Shanghai maturity value of 729 million yuan accounted for 5.5 percent.

The Establishment of an Enterprise Bond Market: Shanghai's opening of an enterprise bond market in January 1987 was a breakthrough. Jiang Zemin, then mayor of Shanghai, decided that Shanghai would raise on its own, in China and from abroad, the 4-billion-yuan in construction funds it needed to build a 300,000-ton ethylene project. The first 180 million yuan of enterprise bonds offered to the public by the trust company under the Shanghai branch of the People's Construction Bank (PCB), set a new record for China, and Shanghai residents rushed to buy them. Enterprise bonds, amounting to 1 billion yuan by 1990, have been sold many times since to finance this project. In addition, nine large- and medium-sized state-owned enterprises in Shanghai have sold over 400 million yuan worth of enterprise bonds to the public. These bonds all have three-year maturity periods, and interest rates that float up 2 percent from an annual rate of 12 percent to the three year ensured-value savings rate. They are invested mostly in fixed assets for key projects in areas, such as power and raw materials. Moreover, by 1989, 877 Shanghai enterprises had sold 288 million yuan worth of enterprise bonds to their employees, which played a positive role in alleviating these enterprises' circulating fund difficulties. By the end of 1989, Shanghai's stock market had sold 1.336 billion yuan worth of enterprise bonds, or 17.8 percent of the 7.49-billion-yuan worth that were sold in the same period throughout China. In the summer of 1990, negotiable securities and trust and investment companies in Shanghai joined together to form a contract-sales group to act as the agency for selling 357 million yuan worth of bonds for the construction of the 300,000-ton ethylene plant, which broke new ground for huge future negotiable securities sales in Shanghai.

The Establishment of an Enterprise Short-Term Financing Bond Market: In January 1988, in order to meet the seasonal and temporary needs for short-term circulating funds of Shanghai's large- and medium-sized state-owned enterprises, the Shanghai branch of the PBOC designed and promoted the sale, for the first time in China, enterprise short-term financing bonds. These new financing negotiable securities had maturity periods of three, six, and nine months. Their sale gave new life to Shanghai's stock market, which was experiencing a depression from the impact of a wave of panic buying and was welcomed by the business world. By the end of April 1990, over 30 foreign trade companies, raw materials companies, and large export-earning factories throughout Shanghai had, after being appraised by assets and credit appraisal companies, sold to the public 53 short-term financing bonds worth 823 million yuan. As this had played a positive role in alleviating Shanghai's raw materials shortages and speeding up production of commodities that were in short supply and great demand, the PBOC popularized financing bonds throughout China early in 1989.

In summary, in the seven years from 1984 through 1990, Shanghai's stock market has grown out of nothing from a long-term capital market to a short-term notes market, and has experienced a growth trend from an embryonic form that sold one kind of negotiable security to the beginnings of prosperity through selling many kinds of negotiable securities.

Shanghai's Stock Market Circulation Has Changed from "Visible but Nonmarket-Oriented" to a "Crowded Marketplace" Type

Shanghai's stock market circulation began in 1986. In the last five years, it has undergone a development process from "visible but nonmarket-oriented" to "at-will marketing" to "brisk business."

Negotiable Securities Agencies Have Hung Out Their Shingles, Put Stocks on the Market, and Opened Up Market Circulation. The large sales of stocks aroused growing calls for stock transfer and circulation. After careful planning by the Shanghai branch of the PBOC and active preparations by the trust and investment company under the Shanghai branch of the Industrial and Commercial Bank of China (ICBC), the Jing'an Negotiable Securities Agency started the first stock market trading on 26 September 1986, at which time shares in only two companies—the Yanzhong Industrial Corporation and the Feiyue Acoustics Company—were put on the market. As exchange prices were not yet deregulated and people's stock purchases were actuated mainly by a savings motive, the trade volume was very low, with an average of only about 30 stock transactions a week, which was called the "visible but nonmarket-oriented" period.

Exchange Prices Have Been Deregulated, and the Market Has Begun To Become Brisker. In the fall of 1987, the Shanghai branch of the PBOC decided after conducting

studies, that stock exchange prices should be set by negotiable securities agencies. After stock exchange prices were deregulated, the stock market trade volume greatly increased. From the fall of 1987 to May 1988, the Jing'an Negotiable Securities Agency handled about 1,600 stock transactions a week, or 50-times its trade volume before prices were deregulated. Moreover, more than 20 kinds of enterprise and bank bonds were approved for market trading, stock exchange trade turnover reached 28 million yuan for all of 1987, and the market began to become brisker.

National Treasury Bond Trading Has Been Opened Up, and the Market Has Begun To Flourish. The State Council's decision in 1988 to allow 1985 and 1986 national treasury bonds to be officially traded on the market beginning on 21 April 1988 in seven pilot-project cities, such as Shanghai, was a key turning point in the history of the stock market development, which injected enormous vigor into Shanghai's stock market circulation. When Shanghai's 10 stock exchange sites (eight exchange counters and two agencies) were first set up, people crowded around them and their trade turnover reached hundreds of thousands of yuan a day. By July 1988, their trade turnover of national treasury bonds had topped 1 million yuan a day. Shanghai's 1988 stock exchange turnover of 320 million yuan, including 260 million yuan worth of national treasury bonds and 42 million yuan worth of stocks and other bonds, was 10 times that of 1987.

When markets in Shanghai and throughout China slumped in 1989, it was only Shanghai's stock market circulation which remained open to competition and came out on top. Even though the number of stock exchange counters throughout Shanghai had increased to 10 and the number of negotiable securities agencies had increased to 15, each stock trading site was still flourishing and experiencing the following trends: 1) Shanghai's stock exchange was accounting for a bigger percentage of the stock market. Shanghai's 1989 stock exchange turnover reached 803 million yuan, or twice that of 1988, and 34.9 percent of the 2.302-billion-yuan of negotiable securities turnover throughout China. In 1989, Shanghai's national treasury bond turnover was 761 million yuan, or 36.4 percent of the 2.09-billion-yuan of national treasury bond turnover throughout China, its bond turnover was 35 million yuan, or 27.8 percent of the 126-million-yuan of bond turnover throughout China, and its stock turnover was 8.2 million yuan, or 35.5 percent of the 23.1-million-yuan of stock turnover; 2) Shanghai was becoming a center for intercity negotiable securities circulation. In 1989, over 300 million yuan worth of national treasury bonds circulated into Shanghai, Shanghai stock prices were gradually beginning to affect the whole country, and Shanghai's stock market was becoming China's stock market price quotation center.

Shanghai's Stock Market Intermediaries Have Evolved From Individuals Into a System

In a well-developed stock market, most financing and stock investment are handled through financial intermediaries. As financial intermediaries act as agents for fundraising and investment activities, and can greatly improve a stock market's operating efficiency, they are an extremely important part of a stock market. After the trust company under the Shanghai branch of the ICBOC was the first to sell negotiable securities in Shanghai in 1984, the Shanghai branch of the PBOC began to make careful plans according to the principle of rationalizing its structure to adapt to needs. By 1990, after seven years of development, the various types of financial intermediaries in Shanghai's stock market had begun to evolve into a system.

Trust and Investment Companies: Trust and investment companies are stock market intermediaries which serve mostly small- and medium-sized investors. As small- and medium-sized investors have limited funds, and can neither spread out their risks to prevent losses or buy large amounts of stocks and bonds, trust and investment companies perform the particular function for them of pooling their funds to invest in negotiable securities, and acting as financial intermediaries between them and stock sellers. From 1984 to 1990, the Shanghai branch of the PBOC approved negotiable securities trading by six trust and investment companies, such as the trust and investment company under the Shanghai branch of the ICBOC, the trust advisory service company under the Shanghai branch of the Bank of China (BOC), the trust and investment company under the Shanghai branch of the Agricultural Bank, the trust company under the Shanghai branch of the People's Construction Bank, the Shanghai Trust and Investment Corporation, and the Aijian Financial Trust and Investment Corporation. By June 1990, these six trust and investment companies had set up eight stock exchange counters and 15 negotiable securities agencies. Statistics from the end of 1989 show that these six trust and investment companies accounted for about 86 percent of the 1.056-billion-yuan of negotiable securities that were sold to the public throughout Shanghai in 1989 (in addition to large-denomination certificates), and about 20 percent of the 803-million-yuan of stocks that were traded throughout Shanghai in 1989. This shows the decisive position occupied by trust and investment companies in the current stage of Shanghai's stock market sales.

Negotiable Securities Companies: From early 1988 to 1990, Shanghai set up the four negotiable securities companies of Wanguo, Haitong, Shenyin, and Zhenxing, which had five stock exchange counters and 11 negotiable securities agencies in operation by June 1990. These four negotiable securities companies had a 1989 trade turnover of 640 million yuan, or 60 percent of Shanghai's negotiable securities circulation. Negotiable securities companies occupy an extremely important position in Shanghai's national treasury bond market in particular.

Stock Exchange Sites: Stock exchange sites are fixed places at which stocks are traded, and organized markets in which stock trading is centralized. The Shanghai stock market's stock exchange sites are composed mainly of the following organizations:

1. **A Stock Exchange:** The Shanghai branch of the PBOC issued two reports, in 1986 and 1988, to the general headquarters of the PBOC and the Shanghai People's Government, on the matter of setting up a stock exchange in Shanghai and, upon approval, began to make plans for setting one up. A shareholding system stock exchange, dealing mostly in national treasury bonds, is expected to be established in Shanghai by the end of 1990.

2. **Stock Exchange Counters:** The method of buying and selling negotiable securities at counters is called over-the-counter trading. Shanghai's first stock exchange counter—the Jing'an Negotiable Securities Agency of the Shanghai Trust and Investment Corporation under the ICBOC—appeared on 26 September 1986. Shanghai's stock exchange counters had increased to eight by the end of 1987, 10 by the end of 1988, and 13 by May 1990. Over-the-counter stock trading has begun to evolve.

3. **Stock Exchange Agencies:** In order to counteract the weaknesses in their negotiable securities network, Shanghai's negotiable securities companies began early in 1988 to set up two stock exchange agencies. Since then, along with increasingly thriving national treasury bond trading, and to facilitate trading by people throughout Shanghai, the Shanghai branch of the PBOC has studied, investigated, and then approved the establishment of a number of stock exchange agencies. By June 1990, 27 urban credit agencies and other financial institutions throughout Shanghai had won approval to set up stock exchange agencies, and a citywide network of stock exchange agencies, composed mainly of urban credit agencies, had begun to take shape.

Credit Evaluation Agencies: Credit evaluation agencies are important service intermediaries for stock markets. Their key function is to evaluate and grade the credit ratings of negotiable securities and enterprises which sell shares, in order to help the vast numbers of investors make rational investment choices. In January 1988, Shanghai set up China's first nongovernmental negotiable securities evaluation agency—the Shanghai Far East Evaluation Advisory Company, which, by June 1990, had undertaken over 60 evaluations of enterprise and financing bonds worth 1.9 billion yuan. In addition, it has also conducted enterprise credit rating evaluations and asset reappraisals for four companies. Having begun to master a set of standardized evaluation procedures, improve and perfect its evaluation methods, and form an experienced corps of evaluators through over years of experience, its foreign and domestic influence and standing are now improving steadily.

Shanghai's Stock Market Management Has Evolved From Business Regulation to Local Legislation

Through seven years of experience and exploration since the Shanghai People's Government approved the "Provisional Management Measures for Stock Sales" for the Shanghai branch of the PBOC in August 1984, Shanghai has begun to establish standardized stock market management regulations, which are detailed as follows:

1. Fairly complete and standardized management regulations have evolved in the field of stock market sales management. Based on Shanghai's stock market experience and growth needs, the Shanghai branch of the PBOC issued the "Provisional Management Measures for Stock Sales" in August 1984, the "Notice on Enterprise Application for Stock (Bond) Sales or Internal Fundraising" in May 1985, "Certain Detailed Provisions on Township Enterprise Fundraising" in June 1985, "Certain Provisions on Enterprise Fundraising and Financing" in September 1985, "Regulations on Large-Denomination Transferable Savings Certificate Sales" in 1986, "Provisional Measures for Enterprise Short-Term Financing Bond Management" in November 1987, and the "Circular on Further Reinforcing Enterprise Short-Term Financing Bonds" in March 1989. There was a breakthrough in negotiable securities legislation in May 1987, when the Shanghai People's Government issued the "Provisional Measures for Shanghai Enterprise Bond Management" and the "Provisional Measures for Shanghai Stock Management," which brought negotiable securities management into line with government laws and regulations.

2. A set of trading regulations has begun to be established in the field of stock market circulation management. Since negotiable securities began to be traded in Shanghai in September 1986, large amounts of stocks have been circulating on Shanghai's market along with the increasing variety of stock sales and financing methods. After timely studies, the Shanghai branch of the PBOC issued "Temporary Provisions on Stock Exchange Counters" in January 1987, and the Provisional Measures on "Bond" and "Stock" Management issued by the Shanghai People's Government in May 1987 also provided certain regulations for the circulation and trading of stocks and bonds. These management measures provided detailed regulations on matters such as stock exchange sites, the permissible scope of stock trading, direct or agency trading methods, the legal duties of exchange agencies, principles for setting exchange prices, exchange fee criteria, prohibited exchange matters, and penalty provisions for violations of regulations.

3. Stock market management institutions have begun to be perfected.

A. The Central Bank: The Shanghai branch of the PBOC is the central bank for the Shanghai region. In the seven years since it set up a bank management and administration office with special responsibility for stock market management and maintenance of stock market order in

1984, this office has studied and set all management regulations for negotiable securities in Shanghai. From 1985 to 1990, it set up a money market group, a bond treaties and law section, a market share unit, and a market department to exercise stock market management, all which have played an active role in the sound development of Shanghai's negotiable securities business. Another stock market responsibility of the central bank is trading short-term notes and negotiable securities, in order to influence the capacity of money markets to handle money-capital, and to achieve the objectives of regulating stock supply and demand and preserving stock market stability. As Shanghai's stock market develops and matures, the Shanghai branch of the PBOC will develop this business at the appropriate time.

B. Government Management Departments: The relevant functional departments of the Shanghai People's Government also perform certain management functions for the stock market. For instance, the Shanghai People's Government's System Reform Office has the authority to examine and approve the establishment of shareholding companies which raise funds from the public, the Shanghai Finance Bureau administers the relevant policies for the sale and circulation of national treasury bonds in Shanghai, the Shanghai Tax Bureau is in charge of all negotiable securities tax policies, and the Shanghai Industry and Commerce Administration Bureau is responsible for cracking down on black-market stock trading and safeguarding market order. The various government functional departments and the central bank jointly use various laws and regulations to restrict and standardize stock market activities according to legal norms.

C. Self-Rule Management Organizations: As stock exchanges involve exceptionally complex and decentralized market activities, all countries throughout the world have set up various self-rule management organizations, in addition to central banks and government organizations, to exercise routine stock market management. So-called self-rule management, also known simply as self-management, is voluntary organization through guilds and associations of certain managerial bodies and regulations, for self-restraint of members' stock investment activities. Early in 1988, eight stock exchange counters jointly organized the "Saturday Discussion Society" with the leadership of the Shanghai branch of the PBOC, which was an embryonic form of a self-rule organization. In the last two years or so, the "Saturday Discussion Society" has played a positive promotional role in areas, such as circulating stock prices among all Shanghai stock exchange counters, forecasting Shanghai stock trends, coordinating the activities of all stock exchange counters and exchange agencies, implementing policies set by the organizations in charge of negotiable securities, facilitating the handling of business procedures by all intermediaries, and raising stock market trading efficiency throughout Shanghai. As negotiable securities business develops and grows, it is expected that a formal negotiable securities professional association will be set up in the near future.

Through seven years of hard work and experience, Shanghai's stock market management has achieved certain advances in the areas of legal and organizational establishment, which have ensured the healthy development of Shanghai's stock market.

MINERAL RESOURCES

Focus on Exploitation, Use of Rare Earths

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[Article by Li Qi (2621 4860) under the rubric "Special Mainland Column": "China Attaches Great Importance to the Exploitation and Use of Rare Earths"]

[Text] With the rise of superthermal conduction, new technologies and new materials industries that make use of rare earth elements are becoming the dominant industries in developing high technology. Consequently, rare earth is attracting more and more attention and is now widely used in metallurgy, the chemical industry, glass-making, the ceramics industry, electronics, electrical engineering, medicine, the aerospace industry, agriculture, and atomic technology. Rare earth has become the "vitamin" of industry. The data reveal that four out of every hundred inventions in the modern world has some association with rare earth.

Rare earth is actually not rare at all. There are 46 million tons of known rare earth deposits on earth, 31 million tons of which—80 percent of the world reserves—are located in China. In Bayan Obo, in the western portion of the Nei Monggol Autonomous Region, China's largest open-cut iron mine contains 95 percent of China's rare earth deposits. The Baotou Iron, Steel, and Rare Earth Company, located 140 km from Bayan Obo, has already established China's largest rare earth base, producing 80,000 tons of light rare earth concentrate per year. Ganzhou Jiangxi has the world's largest deposits of high-grade, low-level radioactive heavy rare earth resources. In addition, rare earth resources have been discovered in Guangdong and Guangxi.

Based on oxide calculation, in 1988 China's rare earth mines leaped to first place in rare earth production worldwide, producing nearly 30,000 tons of rare earth ore and 1,200 tons of highly pure rare earth elements. In recent years, China has achieved even more notable success in scientific research and development and the creation of technical applications for rare earth elements. Right now there are more than 70 kinds of rare earth products, in more than 170 formats. They are widely used in metallurgy, glassmaking, the ceramics industry, the petrochemical industry, agriculture, and medicine and health work, and are sold to more than ten foreign countries, including Japan, the United States, and England.

The Main Fields of Development

The primary use for Chinese rare earths is in metallurgy. Adding rare earth elements to certain special steels and alloys can improve their performance to a striking degree. In 1989 China produced 257,000 tons of rare-earth processed steel. Altogether, in the past five years the Wuhan Iron and Steel Complex developed and produced 31 types of rare-earth processed steel. Its output of 362,000 tons of rare-earth processed steel accounts for 74 percent of the total quantity produced nationwide. This has saved us 21 million yuan in foreign exchange and earned enterprises returns of 157 million yuan. At the Second National Rare Earth Conference convened in 1989 Vice Minister of Metallurgical Industry Xu Daquan [1776 1129 689 8] pointed out that within the next five years production of rare-earth processed steel will rise to 500,000 tons per year and production of rare-earth processed iron will reach 400,000 tons.

Another important use of rare earth is as a petroleum cracking catalyst. This kind of catalyst has great thermal stability and is used to process a large volume of petroleum. It is capable of producing a 15-20 percent output of gasoline from petroleum. In 1989 China used 1,930 tons of rare earth in catalytic cracking, and approximately 2,030 tons in the petroleum and chemical industries overall. These industries constituted the second largest consumption of rare earth in China.

In the past, China lost 2-3 billion kwh of electrical energy per year due to the poor performance of domestic aluminum-coated electrical wire. Thus, a large volume of aluminum had to be imported for use in electrical engineering. The Guangdong Nonferrous Metals Research Institute and the Southwestern Aluminum Processing Plant conducted research into rare earth applications, and, using Chinese-made pure industrial aluminum, manufactured conducting wire coated with a rare-earth-aluminum alloy. Use of this wire lowers electrical consumption 38 to 58 kwh per km per year. In addition, each ton of rare-earth-aluminum alloy used in electrical engineering reduces costs by 400 to 600 yuan. This kind of electrical wire has been used on high-tension transmission routes in Guangdong and Guangxi for three years, with good success. As of the end of 1989 China had produced 200,000 tons of rare-earth-aluminum alloy used in electrical engineering, saved approximately 700 million kwh of electricity, and reaped nearly 100 million yuan in direct economic returns. According to the American Handbook of Chemical Economics, this is a pioneering technique on the international scene.

The high-performance permanent super conducting magnet of rare-earth neodymium-iron-boron alloy was not introduced until 1983, but it reached the world market much faster than any other permanent magnetic material. Realizing that its widespread applications would bring about revolutionary changes in interrelated industries, the entire field of magnetics, the magnetic

materials industries, and related industries worldwide sat up and took note. In 1984 the Physics and Electronics Institutes of the Chinese Academy of Sciences launched a successful joint project to study the neodymium-iron-boron magnet. The Rare Earth Research Institute of the Ministry of Metallurgical Industry obtained technical cooperation from the Xinjiang, Jiangnan, Shengli, and Dagang Oil Fields in extending applications of magnetic techniques into oil extraction technology. The Shanghai Magnetic Materials Plant cooperated with other concerned organizations to manufacture medical and health instruments and electrical equipment used in outpatient service and surgery on stomatology, osteology, and ear, eye, nose, and throat patients, and also brought an end to 15 years of the use of power-cable dental drills. The Shanghai Nonferrous Metals Technical Consultation Company recently developed a rare-earth permanent magnet that the State Physical Culture and Sports Commission's Olympic Physical Training Center decided to use as a major component in the magneto-electric health equipment used to train athletes competing in the Asian Games held in Beijing. This changed our reliance on imported equipment.

The Farther We Go, the Broader the Road

China is a major agricultural nation; thus, uses of rare earth in agriculture, forestry, animal husbandry, and aquatic breeding are critical. Beginning in 1986 the General Institute of Research on Nonferrous Metals and the Center for the Development of Agricultural Uses for Rare Earth organized nearly 50 units nationwide to publicize widely the techniques of rare earth usage in agriculture. Their experience verifies that rare earth elements can promote crop root and bud formation, spur chlorophyll development, increase phosphate absorption, and raise enzyme activity in organisms. In 1989 rare-earth trace-element fertilizer was applied to 7.7 million mu of grain and bean crops in the Heilongjiang Reclamation Area, and it increased yields by more than 77.8 million kg. In the past five years China has expanded agricultural usage of rare earth to 92.5 million mu, reaping benefits in excess of 1 billion yuan. Sales of "Changyao" Rare-Earth Trace-Element Fertilizer have grown from less than a ton in 1979 to over 1,000 tons this year. This fertilizer is the third most important use of rare earth in China. "Changyao" Rare-Earth Trace-Element Fertilizer won the Golden Brand Award at the First Beijing International Trade Fair convened in 1989.

Chinese scientists and technologists also use rare earth in pasture and forest planting projects. In Xinjiang, yields on legume and grass pasturage increased 7-20 percent after treatment with rare earth. In Heilongjiang's Xing'an Mountains the growth of larch and camphor nursery stock improved 10 percent when rare earth was used. In Liaoning the use of rare earth on 3 million apple trees raised the apple harvest by 40 million kg.

In recent years we have tried adding trace quantities of rare earth compounds to feeds used in raising pigs, goats, rabbits, chickens, ducks, and fish. Various degrees

of increased weight gain were evidenced in all of them, while there was no harmful effect on the quality of meat produced.

In addition, Tianjin, Nei Monggol, and Jiangxi have used rare earth in fur, leather, silk, acrylic, polyester, and cotton dyeing technologies to make the colors brilliant and beautiful, and the texture soft. Jiangsu has used rare earth in compounds with other metals to manufacture a set of medical and health care products that are capable of treating high blood pressure, tracheitis, and omits, with very good results.

China's Rare Earth Industry Must Expand Uses of Rare Earths

Rare earth is closely linked to the new industrial revolution, and it will have an inestimable effect on future world economic development. The use of rare earth is growing at the rate of 15 percent per year worldwide, and 25 percent per year in Japan. The United States, Japan, and France are the world's three largest users of rare earth, together consuming approximately 80 percent of the world supply. These nations use rare earth materials widely in manufacturing color televisions, copying machines, all sorts of new microelectronic instruments, modern military equipment, and new industrial construction materials. Japan is the primary importer of Chinese rare earth. It uses rare earth in 20 percent of its high-technology projects, whereas China itself uses rare earth in only one percent of its high-technology projects. China is just beginning to catch up in many fields employing rare earth, and in others we have not yet scratched the surface.

On the one hand China's rare earth industry now has a rather high level of separation technology and leads the world in certain fields of application. But, on the other hand, China has inadequate domestic processing facilities and a narrow range of applications for rare earth. Most of our exported rare earth is primary-stage material that has little added value and produces poor economic returns. Rare earth production is developing very rapidly, whereas applications for rare earth are not growing at a comparable rate. Consequently it has become crucial for the rare earth industry to use Chinese technology and work hard to develop highly processed, high-quality products. In view of this, the State Council's Rare Earth Leading Group is asking localities to focus in the coming years not on expanding the scale of production, but on broadening the range of applications for rare earths and accelerating the progress of transforming scientific research gains into productive forces.

More Gold Deposits Found During 7th 5-Year Plan

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[Report by Zhu Jianhong (2612 0494 4767) and Li Zhonghui (2621 1813 6540): "Gold Deposits Found

During the Seventh Five-Year Plan Period Were 2.2 Times That of Previous Five-Year Plan Period"]

[Text] New headway was made in China's gold prospecting work during the Seventh Five-Year Plan period. The accumulated total of proven gold deposits in those five years was 2.2 times that of the previous Five-Year plan period, or 97 percent of that of the 36 years prior to the Seventh Five-Year Plan. During those five years, the prospecting of 12 large-scale gold mines was completed and the mines were put into operation. The survey of another four large-scale gold mines was also completed, which will be developed and put to use during the Eighth Five-Year Plan period.

Apart from this, various departments concerned have also attached importance to general survey of mining resources. During the four years prior to the Seventh Five-Year Plan, a total of 381 gold production areas were found. A new breakthrough was made in the old mining areas in Shandong's Zhaoyuan and Henan's Xiaoqinling. New mineralized zones were discovered in Yunnan's Ailaoshan. The newly discovered mineralized zones in the juncture of Yunnan, Guizhou, and Guangxi and the juncture of Sichuan, Shaanxi, and Gansu became two new "golden deltas" in our country. Moreover, large-scale gold mines were also discovered in the middle and lower reaches of Changjiang, Guangdong, Xinjiang, Liaoning, Jiangxi, Inner Mongolia, and Hebei.

The great achievements made in the gold mine prospecting work during the Seventh Five-Year Plan was a result of hard struggle and technological progress. In that period, stress was laid on popularizing Henan's new gold-prospecting technology, which was also advanced in the world. Moreover, all technological and economic targets attained by the Ministry of Geology and Mineral Resources in the successful experiment in Xinjiang on development of the gold mines under the level of 100,000 metric tons, have reached the advanced international level, which pioneered a new path for China to develop and exploit low-level gold mine resources.

FOREIGN TRADE, INVESTMENT

Li Lanqing on Foreign Trade Prospects in 1990's

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[Article by Li Lanqing, vice minister of the Ministry of Foreign Economic Relations and Trade: "Prospects for China's Foreign Economic Relations and Trade in the 1990's—on the Occasion of the Opening of the 68th Trade Fair"]

[Text] The 1990's is an extremely critical period in the course of socialist modernization in China. In these 10 years, China will carry out the second step of strategic goal for the development of the national economy and make the gross value of national product double again.

China's economic development will make higher demands on the development of the undertakings of foreign economic relations and trade. The international economic situation facing China's foreign economic relations and trade undertakings in the 1990's includes both opportunities and challenges, and both favorable and unfavorable conditions. However, judging from the situation as a whole, there are more opportunities than challenges, more favorable than unfavorable conditions.

Favorable Factors Presented by World Economic and Trade Situation

At the end of the 1980's, world economic and political situations witnessed drastic changes, and the trend of pluralized development emerged. Generally speaking, international situation is changing from tension to detente, from confrontation to dialogue, and from political and military conflicts to economic and scientific and technological competitions. Peace and development have become the two major subjects of the world today. This will provide a more favorable international climate for China to develop foreign economic and trade undertakings. However, tension and new turbulence will occur in local areas, which will have unfavorable impacts on the development of economic and trade undertakings.

In the 1990's, world economic and trade situation will create more opportunities for all countries to develop in the course of competition and cooperation. It will also provide some favorable conditions for China's foreign economic and trade development. First, according to the forecasts of all fields, the world economy and international trade will each maintain a definite growth rate slightly higher than that of the 1980's. Second, in the 1990's developed Western countries and newly emerged industrial countries and areas in Asia will continue to readjust their economic structure, and labor-intensive light and textile industries and machine-building and electronics industries will relocate to low-wage regions at a greater speed, thus providing favorable opportunities for China in attracting foreign capital and expanding exports. Third, in the 1990's, international economic and technological ties will be even closer, and China will have more opportunities to engage in trade activities and foreign economic and technological exchanges. Fourth, China has already established fairly stable economic and trade relations with over 180 countries and areas in the world. Along with the further development of the national economy in the 1990's, China will have an even better foundation for expanding economic and trade operations. However, we must also realize that the world economy still has many serious problems in the 1990's which may have unfavorable impacts on China. Besides, under the new world economic situation, as a developing country, China may be in a relatively unfavorable position. Although the "economic sanctions" imposed by Western industrial countries on China have somewhat loosened, it will be sometime before this issue can be resolved. We should not have any unrealistic illusions about this.

Domestic Conditions Are the Decisive Factor

We cannot ignore international factors in the development of China's foreign economic relations and trade, but domestic factors are the most important decisive factor. Judged from the domestic situation, there are many favorable conditions for the development of China's foreign economic relations and trade in the 1990's. First of all, China's politics, economy, and society are stable, and the political situation of national stability and unity has been further consolidated, thus creating the most basic condition for the development of foreign economic relations and trade in the 1990's. Second, as the campaign of improvement and rectification and the principle of deepening the reform are carried out in-depth, China's economy will gradually get on the road of sustained, stable, and coordinated development. Along with the further readjustment of economic and industrial structure, our current problems such as fund and raw material shortages will be greatly alleviated. So there will be a reliable material guarantee for the development of foreign economic relations and trade. Third, as China's reform and open policy is implemented further, China's economic and foreign trade systems will become more and more perfect, and the enthusiasm of all fields for developing foreign economic relations and trade will be better aroused. In addition, China's economic legislation concerning foreign nationals and investment climate will be further improved, thus making China more attractive to foreign investors. Of course, we may face quite a few difficulties at home, but they will be difficulties in the course of advance. And in the 1990's our ability to overcome difficulties will increase too. We are confident in overcoming difficulties and continuing to advance.

Focal Points of Foreign Economic and Trade Work

In the 1990's the focal points of China's foreign economic and trade work are:

1. Better implement the reform and open policy and extensively develop economic and trade relations with all countries and areas. In the past 10 years or so, China's reform and open policy scored great achievements. The Chinese government reiterated on many occasions that China will continue to firmly implement the reform and open policy and that China is open to developed countries as well as developing countries, to Western industrial countries as well as the Soviet Union and East European countries. We should extensively develop, on the basis of equality and mutual benefit, multiple forms of economic and trade cooperation with all countries and areas in the world. We should adhere to the principle of all-position, pluralized, vigorous exploration that has priorities and emphasizes actual effects, while pushing China's foreign economic and trade undertakings one step forward. Currently, we need to adopt effective measures to further improve foreign trade environment and rectify foreign trade order, resolutely clean up and consolidate foreign trade companies, perfect the foreign trade operation system, deepen the reform of foreign

trade system, fully develop the three initiatives—central, local, and enterprise—and gradually establish a management system and operation mechanism that can promptly adjust to international economic and trade development.

2. Maintain the stable growth of exports and optimize the structure of exports. The degree and scope of our openness and the scale and progress of our national economic construction are determined to a large extent by our export ability. Because of this, we should try in every possible way to expand exports to maintain the stable growth of exports in the 1990's. We should further optimize the structure of export commodities in accordance with the demand of international market and China's advantages. On the basis of technological advancement we should encourage the exports of machinery, electronics, light, and textile industrial products after multiple and advanced processing; vigorously develop competitive and high-return export industries and products; and make great efforts to assist export enterprise groups which combine trade with industry (agriculture and technology) and are noted for name-brand export commodities. These enterprise groups should be given full decision-making power in management so that they can become backbone forces in exports. We should make great efforts to improve the quality of export commodities, strictly examine the quality of export commodities, and strive to increase the rate of export contract fulfillment to protect our reputation in foreign trade. In accordance with the principle of planning domestic and foreign sales as a whole, we should make rational arrangements for domestic and foreign sales and try to arrange for exports more products that are oversupplied at home. We should take further steps to adopt policy measures to encourage production and management for exports and conscientiously solve production and management problems for key industries, products, and areas so as to create better conditions for export production and management.

China is a developing country. In addition to building necessary foreign exchange reserves, the main purpose of Chinese export is to import commodities needed in the development of the national economy and the people's livelihood in China. Because of this, we should do a good job in export arrangements on the basis of developing exports and according to the principle of basically balancing import and export and benefiting the optimization of industrial structure. We must not practice protectionism nor plan to build more foreign exchange reserves than what is actually needed.

3. Continue to vigorously and effectively use foreign capital. We should continue to vigorously obtain loans offered by foreign governments and international financial organizations as long as they do not add political conditions and are willing to develop mutually beneficial cooperative relations with China. Attracting direct foreign investment is the focal point in the work of using foreign capital in the 1990's. China's investment environment has improved substantially as compared to

what it was 10 years ago, but we must also realize that China's current investment environment has many unsatisfactory areas and imperfections. We should continue to conscientiously improve investment environment, further improve economic legislation concerning foreign nationals, adopt practical measures to improve management and service, and ensure that everything is done in strict accordance with law. We should strive to create an environment in which foreign investors can carry out production and management really according to international practice. At present we should conscientiously help already established foreign-funded enterprises to solve problems in production and management to increase foreign investors' confidence in investment and attract more foreign investors to invest in China. We should guide foreign investment in a rational manner in accordance with the demands of state industrial policies and give priority to building some energy, transportation, and raw materials industrial projects and a number of projects which have advanced technology and whose products are for exports. We should focus on the transformation of old enterprises, establish some joint ventures and joint-management enterprises which put China's existing enterprises through technological transformation, and push technological transformation and product update in China's traditional industries, thus increasing the economic returns on the use of foreign capital.

4. Continue to vigorously develop various forms of foreign economic and technological cooperation. We should work hard to explore markets and expand foreign construction contracts and labor cooperation business. We should continue to concentrate a certain amount of foreign exchange to guarantee the import of necessary technology, further strengthen the assimilation of imported technology, and increase the use efficiency of imported technology. We should emphasize the expansion of technological exports and try to use technology exports to stimulate the exports of more equipment, raw materials, spare parts, and labor. We should selectively develop overseas investment and carry out some projects that develop natural resources in short supply at home and are conducive to expanded exports and absorbing advanced technology. We should continue to do a good job in foreign aid work and increase the comprehensive returns on foreign aid while vigorously obtaining international assistance.

5. Strengthen cooperation with various international economic organizations and strive to restore as soon as possible China's status as a signatory to GATT. Over the years China has carried out fruitful cooperation with major international organizations such as the World Bank, the International Monetary Fund Organization, and the United Nation's Development and Planning Commission. In the 1990's we should continue to vigorously develop relations with various international economic organizations and further expand various forms of economic and technological cooperation.

China is one of the 23 founding countries of GATT. Due to historical reasons, China's tie to the GATT was cut for a long period of time. In 1986, China formally submitted the application demanding the restoration of China's status as a signatory to GATT. In 1987, GATT formed a China work group and finished evaluation of China's foreign trade system. After 11 years of reform, China's foreign trade system basically conforms to the relevant regulations of GATT. In the future China will continue to adopt measures to deepen the reform of foreign trade system, increase the openness of foreign trade system and policies, create conditions for completing the actual negotiations of the agreement, and strive to restore as soon as possible China's status as a signatory to GATT and create conditions for the development of China's foreign trade.

I believe that as long as we firmly implement the reform and open policy, the future of China's foreign economic and trade development is very broad in the 1990's. It will ascend to a new stage and make fresh contribution to China's modernization.

Trade Emphasis for Rest of Century Discussed
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[Article by Wang Shaoxi (3769 4801 3556), Wang Shouchu (3769 1108 2797), Chu Xiangyin (0328 4382 6892), Liu Jingping (0491 0079 1627), and Xu Xingyuan (1776 5281 0337): "Thoughts on Exports During the Eighth Five-Year Plan and on the 10-Year Program"]

[Text] I. Current Status and Trend of Exports

A. Present Status of Exports

China's export trade has developed quickly and the make-up of export commodities has improved since the Third Plenary Session of the 11th Party Central Committee. The orientation of exports has also changed, great results achieved.

According to Ministry of Economics statistics, exports increased from \$9.75 billion yuan in 1978 to \$43.44 billion yuan in 1989 in a 4.5 fold increase, or an annual 14.6 percent increase. This includes a cumulative \$115.24 billion during the Sixth Five-Year Plan (1981-1985) for an annual 7.2 percent increase. During the Seventh Five-Year Plan (1981-1985), cumulative exports amounted to \$187.81 billion for an annual 10.2 percent increase (exports for 1990 estimated at \$42 billion).

At the same time, the make-up of export commodities gradually improved. Exports of primary goods totaled \$5.22 billion in 1978, accounting for 53.5 percent of total exports for the year. In 1989, they amounted to \$15.09 billion, accounting for 34.7 percent of total exports for the year. Exports of industrial manufactures amounted to \$4.53 billion in 1978, which was 46.5

percent of total exports for the year. This included \$660 million worth of electromechanical products, which accounted for 6.8 percent of total exports for the year. In 1989, exports of industrial manufactures amounted to \$28.35 billion, or 65.3 percent of total exports for the year. This included exports of \$6.1 billion worth of electromechanical products, or 14.1 percent of total exports for the year.

Export markets also changed, exports to Japan, the United States, and the Federal Republic of Germany increasing fairly rapidly. Exports to Hong Kong and Singapore also saw substantial growth, and exports to the USSR expanded rapidly.

B. Export Trade Trends

1. China's Development of the External Climate for Foreign Trade During the Eighth Five-Year Plan and for the Next 10 Years.

According to the analyses and forecasts of authoritative domestic and foreign institutions, with the development of the world's new technological revolution, readjustment of the industrial structure, and further acceleration of economic internationalization, world trade during the 1990's will likely be vigorous, and better than during both the 1970's and the 1980's. However, there will still be instability and imbalances.

According to forecasts, the annual rate of growth of the economies of developed western countries will be between 3 and 4 percent during the 1990's. Growth in developing countries will be faster than in developed countries at about 5 percent, including developing countries in East Asia where the annual economic growth rate will be higher than the average growth rate. Growth of world trade is likely to accelerate, outstripping world economic growth. The growth rate for trade of western industrialized countries will be approximately 5 percent; the growth rate for trade of developing countries will be approximately 7 percent. The pattern of world trade will remain one in which the trade of western industrialized countries holds a dominant position, accounting for approximately 60 percent of world trade, but the trade of both developing countries and western industrialized countries will increase substantially.

Substantial changes will occur during the 1990's in the make-up of world exports and imports. The trend toward rise in the percentage of trade in manufactures and decline in the percentage of trade in primary products will continue. Because scientific and technical progress will enable the saving of energy and materials, and the development of synthetic substitutes, trade in raw materials will decline relatively, and the increase in demand for energy will also tend to slow. However, trade in grain and foodstuffs will continue to increase. In the make-up of manufactures, the speed of increased trade in traditional capital-intensive wares (such as steel, shipbuilding, the chemical industry, and ordinary machine processing) will tend to halt or decline, while trade in technology-intensive and knowledge-intensive products,

and in combination knowledge-intensive and technology-intensive products will increase markedly.

The foregoing trend of development of world trade provides fine conditions and a fine climate for China's development of exports during the Eighth Five-Year Plan and for the coming 10 years. We must make full use of this favorable opportunity to boost exports. Naturally, the trade protectionism of western industrialized nations will continue during this period; economic sanctions against China may be disadvantageous for a period of time; and international market competition will intensify. All these things will play a definite role in limiting China's development of exports. Nevertheless, the overall trend favors China's development of exports. Both opportunities and challenges exist, but opportunities dominate.

2. Internal Conditions for China's Development of the Export Trade During the Eighth 5-Year Plan and for the Next 10 Years

During the 10 years that have passed since the Third Plenary Session of the 11th Party Central Committee, the national economy has continued to develop by taking economic construction as the main emphasis, adhering to the four basic principles, and persisting in reform and opening to the outside world. Huge achievements have been scored in all endeavors, and profound changes of a historical nature have occurred throughout the country. At the same time, numerous problems and difficulties exist in the forward march of the country's national economy. These are the kinds of difficulties encountered in moving ahead, and they are temporary difficulties. Conditions exist for overcoming them fully. "Decisions For Further Improving the Economic Environment and Rectifying the Economic Order," which the Fifth Plenary Session of the 13th Party Central Committee produced, provided basic support for China's development of the export trade.

In the course of the Eighth Five-Year Plan and during the next 10 years, China's industrial and agricultural production will see sustained, consistent, and coordinated development. The technical transformation of the national economy, and optimum organization of the industrial structure hold prospects for very great achievements. Thus, during this period, internal conditions for the country's development of the export trade are good.

The main problems existing today in development of the export trade are as follows: There are too many foreign trade corporations. In a situation of delegation of authority and decentralization, macroeconomic control measures cannot keep pace; the export business is somewhat helter-skelter; and unified planning, unified policies, and unified plans for dealing with the outside world cannot be diligently implemented. Sources of supply of readily marketable export goods are insufficient; and too

few kinds of export commodities are available. Difficulties also remain in finding funds, energy, raw and processed materials, and transportation. These problems will ease gradually with improvement of the economic environment and rectification of the economic order, with deepening of reform, with further advances in industrial and agricultural production, and with readjustment of the industrial structure and the product mix.

3. Appraisal of Export Trends

A doubling of exports during the 1990's is in prospect. By the year 2000, exports may reach approximately \$84 billion from an estimated \$42 billion for 1990. During the Eighth Five-Year Plan, they should increase 50 percent.

During the Eighth Five-Year Plan and during the 1990's, the make-up of export commodities will likely change gradually. Although light industrial products and textiles will continue to dominate export wares, a tremendous increase is expected in the percentage of electrical products as well as deeply processed, and high technology product exports. The orientation of trade will continue to be primarily toward the western industrialized countries. The percentage of trade with East Asia is likely to increase further; trade with the USSR and East Europe will expand; and trade will develop with other developing countries.

II. Eighth Five-Year Plan Foreign Trade Goals and Tasks

A. Goals:

During the Eighth Five-Year Plan (1991-1995), exports will grow 8.45 percent per year reaching \$63 billion in 1995 in an estimated 50 percent increase over 1990.

1. These figures are by no means conservative, because:

a) Exports increased at an annual 7.2 percent during the Sixth 5-Year Plan and at annual 8.1 percent during the Seventh 5-Year Plan. Now an 8.45 percent increase is called for;

b) Foreign trade development strategy for the period 1981 through 2000 called for exports of \$80 billion for an annual 7.6 percent rate of growth, but now 8.45 percent is called for;

c) During the Seventh Five-Year Plan, industrial and agricultural gross output value increased 6.7 percent annually; GNP increased 7.5 percent annually; and exports increased 8.1 percent annually. During the Eighth Five-Year Plan, however, when plan figures for both industrial and agricultural production and GNP growth are lower than for the Seventh Five-Year Plan, exports are to be 8.1 percent.

2. Nor are these figures rash for the following reasons:

a) The annual growth rate for the first four years of the Seventh Five-Year Plan was 13.7 percent, and during the

period 1980 through 1989, exports increased by an annual 10 percent, which is higher than the 8.45 percent called for during the Eighth Five-Year Plan;

b) From the period 1950 through 1989, exports grew 11.8 percent annually, an amount that is also higher than the 8.45 percent called for;

c) An 8.45 percent annual increase is not high in comparison with the speed with which most countries of the world expand exports.

B. Main Tasks

1. Continued Exploitation of the Country's Advantage in Traditional Light and Textile Industries in an Effort To Increase Exports of Light Industrial Manufactures and Textiles, and an Effort To Improve Quality and Grades

a) The export of light industrial products can increase from the \$12.4 billion of 1989 to \$22 billion in 1995 in an annual 10 percent increase to account for 35 percent of all exports.

A very great foreign market potential exists for an expansion of the export of light industrial wares. The increase in world trade in light industrial manufactures is generally higher than the increase in world trade in general. In 1984, world trade volume increased 6.9 percent over the previous year, and in 1985 it was 3 percent higher than in 1984; however, during the same period, world trade in light industrial wares increased more than 10 percent.

China's production of light industrial goods has grown rapidly; varieties are numerous; and both product quality and technological level have improved markedly. During the 35 year period 1952 through 1987, the country's production of light industrial products grew 10.16 percent annually, while the growth rate for the USSR during the 35 year period following World War II was 8.6 percent, and the growth rate for the United States during the 35 year period after 1940 was 7.6 percent. Furthermore, China has a complete line of light industrial goods, and varieties are becoming greater as time goes by. Today 64 name brand products have won international silver awards, and numerous products are serially produced and exported. A material foundation exists for the expansion of exports.

Exports of light industrial goods as a percentage of China's total exports have increased rapidly. In 1953, they accounted for 20.8 percent; in 1987, 25.9 percent; and in 1988 they continued to increase to 27.5 percent.

Therefore, a 10 percent annual increase in exports of light industrial goods during the Eighth Five-Year Plan, or 35 percent of total exports, is possible.

b) Textile exports may increase from the \$10.56 billion of 1989 to \$12.6 billion in 1995 in an annual three percent increase to account for 20 percent of exports.

In 1987, China occupied fourth place in world exports of textiles and clothing after Italy, West Germany, and South Korea, accounting for between 7 and 8 percent of world textile and clothing exports for that year.

Since most of China's textiles were sold to the United States, West Europe, and Japan, and since trade protectionism has raised its head in these markets, their imports of textiles and clothing have been seriously limited. It will be difficult to increase exports greatly to these markets during the Eighth Five-Year Plan.

Hong Kong is the principal market for China mainland textile products. Statistics show that in 1987 mainland textile products accounted for 62.5 percent of all Hong Kong textile imports, two kinds of yarn and two kinds of cotton [as published] [liangsha liangbu 0357 4784 0357 1580] accounting for more than 85 percent. Further increase in this percentage will certainly be difficult.

Therefore, any increase in textile exports during the Eighth Five-Year Plan will have to depend on the improvement of quality and grades, and an increase in colors, styles, and varieties.

2. Concentration of Energies on Increasing Exports of Electro-Mechanical Products and Chemical Industry Products, Greatly Increasing the Percentage of These Products in Exports, and Maintaining the Status Quo on Petroleum Products

a) Exports of electro-mechanical products can be increased from the \$6.1 billion of 1989 to 12.6 billion in 1995 for an annual 12.85 percent, and 20 percent of total exports.

China's electro-mechanical industries have established a production system that is complete in range, that is technology-based, and that is fairly large in size. In 1987, there were 118,000 electro-mechanical industrial enterprises with fixed assets valued at 163.9 billion yuan, 20 million staff members and workers, and an annual output value that was 20.89 percent of gross industrial output value. Since the 1980's, in particular, when China imported several thousand items of advanced technology and equipment for the technical transformation of key enterprises, both the level of technology and the management level have improved appreciably, and products now are definitely competitive.

In terms of the world market, electro-mechanical products have increased rapidly as a percentage of world trade. During the 1950's, electro-mechanical products accounted for one-fifth of world exports, and for one-fourth in the 1960. Today the percentage has increased to one-third. However, China's exports of electro-mechanical products account for between only 3 and 4 percent of world electro-mechanical product exports. Therefore, potential is very great for the export of China's electro-mechanical products.

China's export of electro-mechanical products has increased very rapidly since the 1970's. The annual rate

of increase from 1970 through 1989 was 26.6 percent, and their percentage of total exports rose from 3 percent in 1970 to 14.1 percent in 1989.

It must be realized at the same time, however, that there is currently a shortage of premium raw and processed materials for China's development of electro-mechanical product exports, that the technological level is relatively low, that pre-sale and post-sale servicing is poor, and the economic returns of enterprises in the business are low. Real difficulties exist in higher speed development.

b) Chemical industry products can increase from the \$835 million of 1987 to \$2 billion in 1995 for an annual 11.5 percent increase and 3 percent of total exports. By maintaining the present scale of petroleum exports, these exports will earn \$4 billion and account for 6 percent of total exports by 1995.

China has abundant chemical industry resources, and a very great potential exists for their use in multiple ways and for the development of chemical industry products. During the Eighth Five-Year Plan period, exports of rare earth elements and fine chemical industry products can increase. In the export of petroleum, as China's petroleum refining industry develops, the amount of finished petroleum products for export will gradually increase.

Exports of agricultural and mineral products will increase moderately, particularly exports of processed foods. However, the percentage of agricultural product exports is to be lowered. Exports of agricultural and mineral products can increase from the \$6.61 billion of 1989 to \$7 billion in 1995 in an annual 1 percent increase, their percentage declining to 11 percent of exports.

The Fifth Plenary Session of the 13th Party Central Committee noted the need for the rapid creation throughout both the party and the country of a mass fervor for devoting attention to agriculture, assisting agriculture, and developing agriculture, making concerted efforts to boost agriculture. During the Eighth Five-Year Plan, rapid development occurred in the country's production of agricultural by-products. China's agricultural by-products enjoy a fine reputation in international markets where they are marketed without quota restrictions and where there is little competition. Consequently, the export of agricultural by-products is likely to increase during the Eighth Five-Year Plan.

During the Eighth Five-Year Plan, the degree of increase in retail prices nationwide is to be brought down to below 10 percent. Because of the need to increase domestic market supply of agricultural by-products, agricultural by-products exports cannot increase too much.

During the Eighth Five-Year Plan, major efforts are to be made to develop processed food exports to increase foreign exchange earnings. The export of agricultural by-products must be changed gradually from the export of primary products to the export of finished products.

As domestic economic construction develops and demand increases, there can be no substantial increase in exports of mineral resources.

III. Ways To Accomplish Plan Tasks and Major Policy Actions, and Associated External Conditions

A. Ways: A Change From Speed and Scale of Imports to Effectiveness of Imports

The speed of increase in China's export trade volume has been far greater than the speed of increase in the value of exports, and after taking into account the depreciation of the United States dollar, the trend has been toward decline in China's returns from the export trade. A turn around of this irrational trend can increase the output value of trade without changing the total volume of trade, and can bring about a decline in losses or an increase in profits per unit of product without changing the domestic cost price level.

1. Attention to two changes, particularly to the second change.

The first change has been preliminarily accomplished today. The emphasis is on the second change—a change from the export of mostly roughly processed goods to finely processed industrial wares. During the Eighth Five-Year Plan, it will be necessary as part of reform and opening to the outside world to allocate limited resources in a rational way, properly readjust the industrial structure and the product mix, tap domestic industrial potential, and increase the extent of processing. Foreign resources and technology should be put to use to improve the level of processing.

2. Improvement of Product Quality and Grade

It is necessary to change ideas that emphasize size and speed to the neglect of product quality, giving first place to improving the quality of export commodities. Export commodities must be upgraded, their packaging improved, and service before and after sales increased. At the same time, export commodity control and inspection must be improved to insure the quality of export wares.

3. Better Economic Accounting in Foreign Trade Enterprises; Improvement of Administration and Management; and Increasing Economic Returns

While developing the export trade at a suitable scale and speed during the Eighth Five-Year Plan, macroeconomically, relations in all regards should be straightened out, overall planning done that takes all factors into account, overall balance maintained, and administration and management improved.

Microeconomically, a self-limiting mechanism should be established that uses economic returns as a regulatory lever to improve the level of operations and increase economic returns to enable foreign trade enterprises gradually to provide conditions for a transition in the

direction of becoming economic entities that make their own operating decisions and are responsible for their own profits and losses.

B. Policy Measures: Step-by-Step Perfection of the Foreign Trade Contracting System, Readjustment of the Division of Labor in the Commodity Business, and Strengthening of Macroeconomic Control.

1. Perfection of the Foreign Trade Contracting System in a Situation of Cut Up Government Finance and Foreign Trade Contracting

a) Base Figures For Dynamic Contract Readjustments

Moderate year-by-year readjustment of contract norms on the basis of real changes in the situation. The irrational 94.6 percent recovery has to be readjusted. Changes in the renminbi exchange rate, in domestic price rises, and in international market prices have to be taken into consideration as a basis for making dynamic readjustments of base figures for compensating losses.

b) Satisfactory Solution to the Operations-Associated Loss Problem

Local governments must use proper readjustment of exchange rates as a basis for taking positive actions to help foreign trade enterprises digest their losses. They should not guarantee gains and not guarantee losses, unsatisfactorily solving the operation-associated problem.

Foreign exchange earnings that local governments retain for use upon payment of compensation must be used first to subsidize foreign trade losses. So long as the current pattern of cut up overall foreign trade contracting remains, positive efforts should be made to develop multi-channel measures to subsidize foreign trade losses such as domestic trade support of foreign trade, linking imports to exports, and handling trade matters in a comprehensive way.

2. Readjustment of Commodity Categories, Suitably Removing Restrictions on the Foreign Exchange Regulation Market

Readjustment of commodity categories to increase commodities controlled by central government plan as a means of assuring that the central government has sufficient sources of foreign exchange and macroeconomic control capabilities.

Appropriate removal of restrictions on foreign exchange regulation markets, linking foreign exchange earnings from independent dealings in commodities outside plan with the use of foreign exchange for non-plan imports. In regulating market exchange, all of the foreign exchange should be under control of enterprises. Exchange receipts and the use of foreign exchange from these commodities should be permitted to enter the foreign exchange regulation market for settlement.

3. Greater Macroeconomic Control, Proper Centralization, and a Uniform Policy in Dealing With the Outside World

a) Further straightening out and rectification of corporation and foreign trade operating procedures to make full advantage of the role of foreign trade corporations and of industry and trade corporations as main channels; and using economic returns as the key in taking a specialized enterprise bloc road of development in which production, supply and marketing are integrated.

b) Pending establishment of a profits and losses self-responsibility mechanism, the administrative function of chambers of commerce should be increased, prices and markets within industries being effectively coordinated to present a unified position toward the outside world. Pending full coordination within industries, coordination should be effected for individual commodities, particularly those commodities that cut across industry lines.

c) Greater Administrative Control

Under current conditions in China, administrative control remains an important control method that cannot be ignored.

(i) Better quota and permit control.

Rational setting of quota and permit control standards, strict control over total amounts, and appropriate centralization of authority for issuing permits.

(ii) Adoption of effective measures for raising the rate of foreign exchange earnings.

The State Administration of Exchange Control, relevant functional departments in the Ministry of Trade, and the Bank of China should exercise more supervision and control over export foreign exchange settlement and foreign exchange receipts. They should prevent foreign exchange owing from remaining outside the country, and the spread of no "ex ship" foreign exchange settlements.

C. Associated External Conditions

1. Credit Support

Since turnover periods are long and risks are great in foreign trade, it very much needs funds support. China's export credit funds are seriously insufficient. The national treasury should allocate funds from a special budget for the establishment of a foreign trade credit funds, the Bank of China providing foreign trade enterprises with credit on favorable terms and discounted long-term letters of credit as credit for the production of exports, credit for sellers of exports, and credit for export circulating funds.

2. Gradual Readjustment of Exchange Rates

A high renminbi rate of exchange is bad for exports. It results in domestic sales being more profitable than

foreign sales, and it favors imports over exports. However, huge readjustments of foreign exchange rates can also generate both domestic and foreign price pressures. For this reason, exchange rates should be adjusted gradually rather than at one fell swoop.

3. Straightening Out the Price System, and Perfecting the Tax Collection System

The price gap between goods within plan and outside plan in the two-track price system produces an unfair competitive environment for enterprises who share weal and woe unequally. Either a ceiling price should be set, or there should be methods for properly adjusting prices of goods within plan for a gradual narrowing of the gap between two track prices. Every effort should be made to reduce the difference between two track prices, ultimately producing a single price.

Implementation of a system for dividing up taxes in which there is a separation of tax sources for the central and local governments, and of an added value tax system for extra price differentials for manufactured goods, complete tax exemption made at time to export, and nominal production cost prices lowered to promote exports, particularly the export of highly processed manufactures.

IV. Orientation and Emphasis in the Restructuring of the Export Industry, Products, and Organization

A. Orientation and Emphasis in the Restructuring of the Export Industry and Products

Statistical data show that China has already completed a historical change from the export of primarily primary products to the export of industrial manufactures. During the Fifth Five-Year Plan and on into the future, the strategic goal of the country's export trade will be a gradual change from the export of mostly only slightly processed and low added value products to the export of highly processed and high added value products.

In practical terms, this is a process in which every industrial sector optimizes the make-up of its export products, and a process in which the national economy optimizes the structure of the export industry. In theoretical terms, it is a process in which every export industry applies more skilled labor and technical knowledge more intensively to all the commodities it produces to increase the amount and percentage of the foreign exchange earning commodity exports to which these key elements are intensively applied. These key elements thereby become the main focus for trades that practice the organization of key elements to become leading export industries.

Under prevailing conditions in China, there is a problem of internal optimization of export industries and their products. China should proceed from realities to establish five categories of leading export industrial groups, each category establishing its own leading export products.

The first category is the foreign exchange earning agricultural and mining industries. Exports of primary agricultural and mining products account for approximately 30 percent of export foreign exchange earnings. Optimization of the export industry structure cannot depart from this foundation. The future trend of development suggests that the new technological revolution will decrease the amount of international market demand for energy, and for raw and processed materials, while development of China's domestic economy will intensify demand for these same products. This situation of internal shortage and external surfeit will force China's gradual relative reduction in the export of these products. Conversely, the cyclical fluctuation of prices of agricultural by-products shows signs of rising from their trough. For some time to come, agricultural by-products will be a major source of export foreign exchange earnings for the country. The key to optimization of agricultural and mining industry exports lies in the vigorous fostering of exports of vegetables, fruits, aquatic products, live fowl, and flowers from which earnings are highly flexible to increase foreign exchange value.

The second category is light industry and the textile industry. China's textile and other light industrial products as a percentage of total exports rose from 46.7 percent in 1978 to 52.9 percent in 1989. The important effect on exports of textiles and other light industrial products is obvious. Today, international competition in textiles and other light industrial products has changed from price competition to non-price competition based on quality, varieties, patterns, styles, and designs. In the flow of international trade in textiles, the main markets are developed countries, which account for between 70 and 80 percent of textile and clothing imports. Demand is for finished goods, diversification, and high and medium quality goods. At the same time, textile and other light industry product exports are regularly limited by trade protectionism. In such an international environment, China must vigorously develop textile and other light industrial products that combine labor and technology, and skilled labor and capital such as clothing, shoes and hats, processed foods, beverages, clocks and watches, toys, household furniture, cosmetics, ceramics, and handicrafts. This will enable a gradual change in the country's exports of textiles and other light industrial products away from earning foreign exchange from quantity exports to earning foreign exchange from value exports. It will also mean a change away from textile and other light industrial products that are only slightly processed and that have only low added value to the export of textile and other light industrial products that are highly processed and have high added value to the maximum extent possible. This will mean both a tremendous increase in the amount of foreign exchange earned from textiles, and will, to a substantial extent, relieve the restraints of trade protection measures on China. Conversely, unless the country's textile and other light industrial product exports are upgraded and updated, and they remain at their present level, the low technology used in producing textiles and other light

industrial products will make it increasingly easy for other developing countries, and for the far-flung township and town enterprises in China to get control. The export of China's textiles and other light industrial products will come under increasingly severe competitive pressures from other developing countries, and the competitive advantage than many of China's traditional textile and light industrial exports enjoy will be gradually eroded. As a result of the domestic delegation of authority over the export trade, areas compete with each other in the export of low level textiles and other light industrial products. This leads to a vying for quotas and mutual underselling. Though the amount of money gained from exports seems to increase year by year, analysis of the true situation shows an extreme disparity between increase in the amount of money from exports and increase in export volume. An increasingly great price is being paid for exports, and the coalescence of internal and external pressures will increasingly worsen conditions for export of the country's textile products.

The third category is the electromechanical, instruments, and chemical industries. This industrial sector is characterized by great demand elasticity, high appreciation of value, numerous market opportunities, strong production divisibility, rapid technological progress, and ease of trade in new products. It is most fitted to be a leading export industry. The successful experiences of Japan and other countries also demonstrate this same point. Since the founding of the people's republic, China has made a substantial investment in the building of this industrial sector. As a result, China possesses substantial economic strength and dominance in skilled personnel in this industrial sector. China should use the existing foundation to emphasize the nurture and development of all sorts of machinery, whole plants, automobile spare parts, ships, electronic components, optical devices, household appliances, newly developed durable consumer goods, synthetic fibers, pharmaceuticals, and fine chemical industry products. While realizing the advantages that the country enjoys in the electromechanical, instruments, and chemical industries, we should also be profoundly aware that this industrial sector is still a long way from becoming a true export industry leader. Let us analyze the electro-mechanical industrial sector, for example: The electro-mechanical industry's production structure is extremely ill-matched to the foreign trade structure. In 1988, the output value of electro-mechanical industries was more than one-fourth national output value, but exports accounted for only 6 percent of total production, or 12.9 percent of the country's exports. Although exports of electro-mechanical products as a percentage of exports for the year rose from 6.8 percent in 1978 to 14.1 percent in 1989, electro-mechanical product exports were always high loss exports, while at the same time exports of electro-mechanical products were also quite dependent on imports. In fact, the more electro-mechanical products exported, the greater the losses, and the large the amount of raw and processed materials and spare parts that had to be imported. The high losses prevented the

expansion of electro-mechanical industry exports to earn foreign exchange, and also made it very difficult for the electro-mechanical industry to produce enough foreign exchange by itself to satisfy its own needs for foreign exchange. On the contrary, the electro-mechanical industry required the foreign exchange earnings of other primary products to sustain its development. On the surface, it appears that the country has a serious glut of electro-mechanical production capacity, and it seems that an expansion of exports is just the way to find an outlet for this production capacity. A true analysis shows, however, that most of the excess production capacity is for products that are minimally processed, have low added value, require high consumption for their production, and are of low quality. Unless heavily subsidized, these products would have a very hard time breaking into international markets, or international markets might not even want these products. Production capacity for highly processed, high added value, low consumption, and high quality products suitable for export to earn foreign exchange is quite rare. At the same time, China imports quantities of foreign electro-mechanical products to satisfy domestic high level consumption needs and to support economic development. For many years after achieving overall balance between imports and exports of electro-mechanical products, there has been an unfavorable balance of trade, and electro-mechanical industry imports frequently account for a very large percentage of total imports. The electro-mechanical industry has not only not become a leading foreign exchange earning industry, but rather has become a leading foreign exchange using industry. This state of affairs requires the adoption of vigorous measures to change it.

The fourth category is the information and service industries. These industries include national finance, foreign trade, tourism, project contracting, transportation, insurance, packaging, advertising, communications, and consulting. Most are technology, knowledge, or information intensive. Mostly they provide invisible labor commodities and information commodities.

The fifth category is high technology industries. These industries are currently in the germination stage. They are potential foreign exchange earning industries that include biotechnology, information technology, laser technology, spaceflight technology, automation technology, energy technology, and new materials.

The first of these five industrial sector categories was the leading export industry during the period immediately following founding of the people's republic. The second category is the current leading export industry. The third category is a developing leading export industry; and the fourth and fifth category are future leading export industries.

Of the five categories, the third category of electro-mechanical, instruments, and chemical industries has the best conditions for optimized development. It has the greatest drive, and it is able to assimilate new

technological achievements fastest and in the largest amounts. It is able to realize the economies of scale, and it is the sector that has a sustained high rate of increase in exports. Thus, it is able to play a direct role in upgrading the structure of export industries. Thus, the third category of industries is the main engine that drives the optimized development of the export industry structure at the present stage. It is a key industrial category for fairly high level development. One must also realize that the maturation of this third category of industries will support, dovetail with, lead, and spur the optimized development of the first two and the last two categories of industries. It can both provide the necessary technical equipment for the first two categories of industry, and it can serve as an objective material carrier for the second category of industries, thereby becoming a hub for linking what has gone ahead with what follows and for providing continuity.

In the process of optimizing the industrial structure, we must have a clear perception, namely that even though past and present leading export industries possess a powerful vitality, both these industries and the main foreign exchange earning products in these industries are, after all, low level industries and low level products. This is definitely not the future orientation of development of foreign exchange earning exports. In approaching these industries, we must do all possible to maintain traditional markets and to optimize the organization of key elements within them with the goal of changing foreign exchange earnings from the export of quantity to the export of value. Developing and future leading export industrial sectors are, theoretically speaking, the future orientation of development of foreign exchange earning exports. Nevertheless, the optimization of the structure of these export industries will not come about spontaneously and naturally. We must devote a great deal of energy to overcoming the numerous impediments within these industries, catalyzing and spurring them to become leading export industries.

B. Suggested Policy Measures for Optimizing the Structure of Export Industries and the Make-up of Products

1. Intermediate and near term export industry policies that are integrated with nationwide industrial policies should be drawn up and promulgated as quickly as possible. Export industry policies should encourage industries and products that have an existing absolute comparative export advantage, particularly encouragement being given to sustaining "young" industries and export products that have a comparative dynamic advantage while limiting the development of those industries and products that have gradually lost their edge, and strictly controlling the excessive export of primary products and roughly processed manufactures.

2. Readjustment of the Export Organizational Structure

- a) Improvement of the economic environment and rectification of the economic order, and the deepening of

reform have enabled enterprises to become commodity producers capable of improving themselves, to take the initiative in producing a high degree of processing to meet international market requirements, and to produce high value added products.

b) Emphasis should be on the fostering of export enterprise blocs. Such enterprise blocs should include industry-trade blocs in which large and medium size production enterprises are turnkeys, technology-trade blocs in which high technology research units are the turnkeys, and trade-production blocs in which foreign trade corporations are turnkeys. Within these blocs the economies of export scale and the advantages of a specialized division of labor should be fashioned to lower product costs and raise product quality, to hasten the digestion, assimilation, innovation, and diffusion of advanced technologies, while simultaneously accelerating the process of nationalizing needed raw and processed materials and spare parts as a means of lowering the degree of dependence on exports and for the ultimate emergence of a number of hot selling export products. In this way, export enterprise blocs can become a main force in China's exports to earn foreign exchange enabling China to compete internationally and in other countries.

c) The allocation of foreign capita should be brought into the export policy system, support being drawn from the optimization of foreign capital allocation to optimize the structure of export industries, while simultaneously actively and self-assuredly developing overseas investment as a means of optimizing the structure of domestic export industries.

V. Efforts To Increase Economic Returns From the Country's Export Trade

The country's foreign trade developed fairly swiftly during the Seventh Five-Year Plan, and the make-up of export and import commodities also improved as well. However, in consequence of numerous factors, economic returns from the country's foreign trade were not entirely satisfactory. During the Eighth Five-Year Plan we should make increase in the country's economic returns from foreign trade the main direction of attack in an effort to promote a change in the country's foreign trade exports an expansion of volume to an increase in returns.

Economic returns from the company's export trade may be divided into the macroeconomic, mesoeconomic, and microeconomic levels in terms of foreign trade realities. During the Eighth Five-Year Plan, the goal in increasing economic returns from exports should be the year-by-year improvement in macroeconomic, mesoeconomic, and microeconomic returns. Specifically, macroeconomically, we must make foreign exports play a greater role in advancing the benign development of the national economy. From a mesoeconomic perspective, we must gradually bring about an improvement in the country's conditions for foreign trade. We must make our country's trade exchanges have more utility for the

national economy and increase their value to the citizenry, the country's export trade resources transformation rate thereby rising steadily. We must hold the whole country's average export costs in terms of foreign exchange within reasonable limits. Microeconomically, we must steadily lower the operating costs of exporting enterprises. We must bring about a steady lowering of individual commodity export costs in terms of foreign exchange earned.

A. Increasing Macroeconomic Returns From the Export Trade

Macroeconomic returns from the export trade show up mostly in the role in which exports advance the national economy. In this regard, indicators such as the labor employment rate per unit of exports, the tax rate on export earnings, and the export-associated output value ratio may be used to judge macroeconomic returns from the export trade and to make dynamic comparisons in an effort to raise all of the indicators year by year.

B. Increasing Mesoeconomic Returns From Exports

By mesoeconomic returns from exports is meant the economic returns obtained through foreign trade firms organization of commodity exports. They are the most direct economic returns from the country's foreign trade exports. For foreign trade control units, improvement of mesoeconomic returns from exports is the main orientation of attack during the Eighth Five-Year Plan. Raising the country's mesoeconomic returns from exports should be approached from the following directions:

1. Efforts to improve the country's conditions for foreign trade. We must be sure that changes in prices of the country's imports and exports develop steadily in a direction that is favorable to the country, the country's international trade conditions thereby steadily improving. Therefore, amidst the overall trend of changes in international market prices, we must get a good price for China's exports, doing all possible to get a higher price for the country's export commodities, insuring that the speed of increase in export trade money figures is faster than the speed of increase in export trade volume. At the same time, we must do all possible to gain preferential prices for the country's imports, insuring that the speed of increase in import trade volume is higher than the speed of increase in import trade money figures.

2. We must make the most of the special functions of trade to get a greater appreciation in value. We must plan the makeup of imports and exports sensibly to make fullest use of the comparative advantages that China possesses so that the inanimate amount of national value of the country's imports exceeds the inanimate amount of value of its exports for an appreciation of national value. In our future foreign trade work, we must do a good job in these regards, striving to transform the use value of foreign trade imports and exports for an appreciation in value. We should make dynamic comparisons

in a effort to increase this appreciation in value year by year for a steady increase in economic returns from the export trade.

3. We must increase the domestic and foreign resources transformation rate to lower national export costs in terms of foreign exchange received. China has a rather large domestic market whose capacity to produce commodities is not high, and in which the overall trend between domestic supply and demand is one in which total demand is much greater than total supply, the entire economy being somewhat in the nature of a shortage economy. In a shortage economy, the direct goal of participation in the international division of labor and organization of commodity exports is to gain precious foreign exchange that can be used in exchange for the importation of materials needed for domestic economic construction and the people's daily life. Raising economic returns from the export trade entails, first of all, raising the foreign trade resources transformation rate, striving to use a relatively small amount of domestic resources in exchange for more international resources. Specifically, this means striving to lower the renminbi costs of international currencies, holding the country's export trade national average exchange rate costs within reasonable limits.

C. Increasing Microeconomic Returns From the Export Trade

Microeconomic returns from exports means the economic returns of enterprises engaged in foreign trade exports and economic returns from the export of individual commodities. In addition to the macroeconomic and mesoeconomic return indicators discussed above, improvement of macroeconomic returns means mostly the lowering of exporting enterprises' export costs in terms of foreign exchange earnings, and export costs in terms of foreign exchange earnings from individual commodities. Assuming a situation of stable fiscal, tax revenue, price, and exchange rate factors, the emphasis in increasing microeconomic economic returns from exports should be placed on setting export commodity procurement prices properly, increasing export sale prices, and lowering operating costs. If a good job is done in these three regards, increase in microeconomic returns from exports, the lowering of enterprises' export costs in terms of foreign exchange returns from exports, and of individual commodity export costs in terms of foreign exchange returns may be assured. Use of indicators such as export profit and loss rates, foreign exchange earnings rates on exports of goods processed from imported materials, fund-use rates, ratio of exports in inventory in warehouses, rates at which agreements are honored, and the rate of on-time safe receipt of foreign exchange may be used to make an overall assessment of exporting enterprises' level of management and to make dynamic comparisons. This makes possible the year-by-year improvement of the above indicators to win a new improvement of the level of administration and management of the country's foreign trade exports as a result of efforts during the Eighth Five-Year Plan.

It is necessary to draw up energetic policy measures to promote improvement of economic returns from exports at all levels. First, the make-up of export commodities must be optimized to make full use of the country's comparative advantage to increase the export of manufactures, improve the quality and grades of export commodities, increase the number of styles, patterns, designs, colors, and varieties of exports and improve packaging in an effort to increase the percentage of inanimate premium quality elements in the country's export commodities. Second, the organizational structure of export operations must be optimized; companies must be put in order and rectified; fly-by-night companies and companies that depend on official connections must be stamped out, and operations conducted intensively to improve the economic returns from scale of export operations. Third is better macroeconomic control and coordination, properly centralizing operating authority and examination and approval authority over foreign trade, making use of various administrative measures and economic levers to rectify as quickly as possibly unhealthy tendencies such as forcing prices down to buy up goods, selling goods at a discount, competing against oneself, and letting profits flow away. Fourth, improvement of economic returns from exports should be linked to the personal economic benefits of exporting enterprises and the broad masses of staff members and workers engaged in foreign trade. Everyone should give serious attention to improving economic returns from exports so that improvement of economic returns from exports becomes a conscious action on the part of exporting enterprises and the broad masses of foreign trade staff members and workers.

ECONOMIC ZONES

Review of Hainan's First Years as Province, SEZ
 91CE0147B Hong Kong CHING CHI TAO PAO
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 5 Nov 90 pp 24-25

[Article by Jiang Wei (1203 1550): "Hainan in the Past Two Years"]

[Text] It has been over two years since Hainan became a province and a special economic zone [SEZ]. Its construction and development situation has been followed with interest both at home and abroad.

During the two years following the founding of the SEZ, Hainan vigorously carried out the construction of infrastructure and key projects. The construction of infrastructure including energy, transportation, and communications has been developed rapidly, and the investment environment has improved markedly. Sixteen key construction projects which are to be continued and started in 1990 have progressed smoothly. This will have a great impact on further improving investment environment, readjusting industrial structure,

improving the distribution of productive forces, increasing economic strength, and promoting opening to the outside.

Speeding Up the Construction of Infrastructure

Hainan's original infrastructure was very weak. Before it became a province, the entire island had only 388,000 kw of installed capacity of electricity, which was generated mostly by hydraulic power. To solve the power problem, the provincial government vigorously adopted measures to speed up the construction of the power industry and invested 474 million yuan in a two-year period to build a power supply base for Hainan in Machun, which is located 20 km west of Haikou City. Statistics show that in the past two years or so, Hainan's installed power generating capacity increased up to 400,000 kw, doubling the capacity before the founding of the province and turning Hainan from a province with a chronic power shortage to one with abundant power supply.

In transportation, Hainan currently has air lines or charter flights to Hong Kong, Bangkok, and Singapore, in addition to air routes to major cities in the five great economic zones of northeast, northwest, north, central south, and southwest in China. There are 20 new air routes, an increase of 4-fold as compared to the time before Hainan became a province. There are now 81 flights arriving and departing every week. Port and water transportation conditions have also improved substantially. The annual handling capacity of ports has increased from 7.4 million tons before the founding of the province to current 10 million tons. There are also four 10,000-ton berths under construction. Hainan's water transportation enterprises have developed from three before the founding of the province to 27. The transport capacity of all vessels has developed from less than 40,000 tons before the founding of the province to 163,000 tons. In 1989 Hainan Province invested 215 million yuan in transportation construction, built 140 km of new highways, and rebuilt 55 km of old highways, thus improving highway transportation capacity as well. The Liuzhou Railroad Administration recently built a trackless train station in Haikou. This is of major significance to connecting the mainland with Hainan and developing land transportation.

Before the founding of the province, Hainan's communications facilities were fairly backward, and communications with the inland, Hong Kong, Macao, and other countries were very difficult. Through accelerating urban telephone automation, Hainan's inner-city telephone capacity has increased from 14,000-plus before the founding of the province to current 41,000-plus. The number of program-controlled telephones in Haikou have increased from 5,000 to 22,000. Long-distance fully-automatic and semi-automatic dialing is now available between Haikou and major cities across China. Automatic dialing is available between Haikou and Hong Kong and major countries and areas throughout the world. Telephones in Haikou, Sanya, and Tongshi

can be connected directly to 101 foreign countries and areas and 513 large- and medium-sized cities at home. A telephone expansion project of 27,000 program-control telephones which cost 91.27 million yuan in total investment are being carried out vigorously in the Haikou area. It is expected to be completed and put into operation gradually at the end of this year or the beginning of next year. After the whole project is completed, the communications condition of the Haikou area will see fundamental improvement, and the urban telephone popularization rate of this area will rank among the highest of large- and medium-sized cities in China.

In 1989, the whole province of Hainan invested as much as 90.5 million yuan in the construction of municipal facilities, the most investment in Hainan's history. Municipal water supply, drainage, gas supply, transportation, sanitation, market, tree planting, and environmental improvement have all witnessed marked results.

Hainan's tract development has progressed very rapidly. As much as 705 million yuan has already been invested in the four development zones of Haikou City. The financial and trade development zone has invested 212 million yuan, and started and almost completed the construction of eight highrises with a floor space of 122,000 square meters. The comprehensive development zone in the eastern part of Haidian Island has invested 180 million yuan and has completed the construction of 100,000 square meters of office buildings and commercial housings. The Yongwan industrial development zone has invested 95.75 million yuan and has completed and are still carrying out the construction of eight projects. The Jinpan industrial zone has invested 73 million yuan and has completed and put into operation some standard factories. In addition, the study of the outline for the Yangpu development program has been completed. Negotiations are being carried out vigorously.

Improve Intangible Aspects of Investment

In the past two years or so, the Hainan Provincial Government made great efforts to continue to improve the intangible aspects of investment while stepping up the construction of infrastructure. In addition to properly using various preferential policies the state adopted for Hainan, Hainan Province has continued to formulate and perfect local laws to give Chinese and foreign investors best possible preferential conditions.

Since the beginning of 1989, Hainan Province has formulated and promulgated 21 local laws and administrative regulations. Some 20 other laws and administrative regulations are waiting to be submitted for examination and approval and to be promulgated.

According to various preferential policies the state adopted for Hainan and Hainan's local laws, Chinese and foreign investors may enjoy more "special" and more preferential conditions than they would in other

special economic zones in regard to production construction, finance, personnel and labor, and entrance and exit of the country.

In the past two years or so, Hainan Province stressed the efforts to strengthen the building of the legal system and the improvement and control of social order. As a result, social order has improved gradually. In addition, Hainan Province raised work efficiency and improved the quality of government employees. Under the model of "small government and large society," various reforms are being deepened continuously. As the reforms deepen, the intangible aspects of investment in Hainan will become better and better.

Key Construction Projects Progress Smoothly

Sixteen key construction projects Hainan started before and after the founding of the province with a total investment of 4 billion yuan renminbi have progressed smoothly. The scale and speed of their construction are unprecedented in Hainan, reflecting the promising trend in the development and construction of the Hainan special development zone.

The construction of the two 125,000-kw generators of the Machun power plant which cost \$84 million in total investment was started in April 1988. On 1 May 1990 the No. 1 generator was officially put into operation. On 18 July, the whole construction project was completed and passed the acceptance test. The construction speed and the quality of this project have reached the first-class level of similar generators at home.

Four other key construction projects—the Machun-Yongzhuang power transmission and transformer project, the Hainan Auto Crashing Plant, the Yangpu port start-up project, and the first-phase construction of the Haikou Tap Water Plant—will be completed and put into operation or basically completed within 1990.

Haikou's 27,000 program-controlled telephone capacity expansion project, the Hainan Cigarette Plant expansion project, and the Basuo port mole reconstruction project have been completed in most part and will be completed and put into operation in the first half of next year according to the plan. Half of the round-the-island highway construction project (the east route) and the expansion of the two 10,000-ton general-purpose berths of Haikou port have been started, and some work has been completed.

The three key construction projects—the Daguangba key water conservancy and hydraulic power project, the Sanya phoenix villager's airport, and the Hainan Color TV central project have already been started.

Key construction projects such as the Hainan Changjiang cement plant and the Hainan cold-rolling sheet metal plant are vigorously carrying out preparation for the first phase of construction.

Hainan Province plans to slightly increase its total annual fixed-asset investment as compared to last year's 2.8 billion yuan. According to the development strategic goals of the whole province, funds should be invested mainly in the construction of infrastructure such as transportation, energy, communications, agriculture, and the raw materials industry. The smooth progress of these key construction projects is bound to speed up construction and development in Hainan.

Correctly Appraise and Understand Hainan's Economic Development Level

In the two years or so since the founding of the province and the establishment of the great SEZ, Hainan witnessed rapid development and changes. However, we must notice that Hainan's past foundation was very weak. Due to historical reasons, in the past 40 years, the state invested little in Hainan and Hainan's economy developed slowly. Hainan Province and the great special economic zone were built on a fairly weak foundation. In only two years or so, drastic changes took place and the development speed was very fast.

Compared with other special economic zones, the Hainan Special Economic Zone is the greatest SEZ. Other SEZ's are points while the Hainan SEZ is a whole area. This is the characteristic of the Hainan SEZ and must not be ignored. Because of this, we should be able to see how difficult and complex the development and construction of the Hainan Great SEZ is. In the near future it is not sufficient to rely completely on Hainan's own financial and material resources to carry out construction and development. It needs the support of the state and other provinces and municipalities. It needs to vigorously establish links to other domestic and foreign units, attract domestic and foreign investment, and in particular, attract more foreign investors to invest in Hainan.

Argument Posed for Creation of Tianjin Free Port

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[Article by Chen Yue (7115 6885), associate professor, International Economics Department, Nankai University; Xu Minzhong (1776 3046 1813), responsible editor; Bai Lijian (4101 7787 0256), proofreader: "Suggestions for Setting Up a Free Port in Tianjin"]

[Text] Free ports are a type of free economic zone that is focused on trade. They are a more open type of SEZ [Special Economic Zone], which has appeared in the field of commodity circulation and developed along with the international division of labor and international exchanges. As China's policy of reform and opening up to the outside world is being developed in depth, an exploration of this matter of setting up free ports in our coastal zones, will be of great theoretical and immediate significance in helping us to better participate in the international division of labor and international market

competition, attract foreign commodities, investment, and technology, and speed up the development of externally oriented economies in our coastal zones.

I. The Distinguishing Features of and Roles Played by Free Ports

In the course of opening up to the outside world, certain unnecessary misunderstandings have arisen among a few comrades, due to their not being clear about the meaning of free ports. They have mistakenly thought that free ports are closely linked to bourgeois liberalization, and are a return to the situation of foreign concessions and colonialism which existed in Old China. In fact, free ports are a type of SEZ set up by a sovereign state in the course of its opening up to the outside world, in which the special policy of tariff reduction and exemption is used to attract foreign commodities and shipping and promote local economic prosperity. As they basically do not infringe upon a state's sovereignty or interests, they are totally unrelated to bourgeois liberalization.

Strictly speaking, free ports have the following three meanings:

1. They are tariff-free zones. Free ports refer to port zones that are outside of one's country's customs jurisdiction, and do not belong to any country's customs jurisdiction. Within these zones, foreign merchandise can be imported or exported duty-free, and can freely enter or leave the port zone without having to go through customs declaration formalities. If this merchandise is then imported to other areas within the country, tariffs must be paid on it according to regulations. This is the most essential internationally recognized meaning of free ports. The International Treaty (also called the Tokyo Treaty) on Simplifying and Coordinating Customs Regulations, which was adopted by the International Customs Cooperation Council in Tokyo, Japan in May 1973, stipulates that, "The term 'free port' refers to that part of a country's territory in which all merchandise that is shipped in is considered beyond customs jurisdiction as to import duties and all other taxes, and is exempt from the customs supervision and control regulations which would ordinarily be in effect." The U.S. Customs Commission points out that "Free trade zones are a type of SEZ in which transit goods are not bound by tariff laws, and tariffs are not levied on imported merchandise as long as it does not enter the domestic market." As far as the original intent of the English term "free port" is concerned, free ports refer to duty-free port.

2. They are entrepot trade zones. Within these zones, foreign merchandise can be sold, stored, crudely processed, sorted and graded, or repackaged, and then be reexported. Typical free ports do not permit factory establishment or manufacturing, but only allow merchandise to be imported and then reexported, or to enter the domestic market. They have a relatively singular function, which is limited to the field of commodity circulation.

3. They give equal open opportunities. Free ports are equally open to all countries throughout the world, without regard to political system. The concept of free ports was a key means used by the European bourgeoisie to break free from feudal separatist rule and expand international trade in the Middle Ages. When Livorno, Italy, in the Gulf of Genoa, was declared a free port in 1547, this was the first time that the name "free port" had ever been officially used in the world. By the late 19th and early 20th centuries, in order to plunder their colonies and carry out entrepot trade, the imperialist countries declared that the key ports which they had seized were free ports, and turned them into key bases for the export of capital and commodities and the plundering of natural resources. Since the end of World War II, free ports have become the key form used by all sovereign states to participate in the international division of labor, develop externally oriented economies, and attract foreign commodities, investment, and technology. Free ports are not bound by political systems, and generally give equal open opportunities to all types of countries throughout the world.

Although there are now over 300 free ports and free trade zones situated in over 70 countries and regions throughout the world, whose entrepot trade accounts for about 20 percent of world trade turnover, the vast majority of free ports are located primarily in economically developed European countries and America. As the birthplace of the free port, Western Europe had almost 100 free ports and free trade zones by the early 1980's, including 15 in Spain, nine in Italy, and six each in West Germany and Finland, with even landlocked Switzerland having 28 free trade zones. As the country with the most free trade zones, the United States had already set up 138 foreign trade zones of diverse types by 1987, whose flexible policies allowed merchandise from these zones to be sold on the particularly vast U.S. domestic market. Free ports in developing countries are concentrated mostly in those countries which are most developed economically or located on vital world communications lines, such as Singapore, Panama, and Egypt. As for the Soviet-dominated countries of Eastern Europe, Yugoslavia has 11 free tariff zones, Romania reopened Sulina as a free port in August 1978, and Hungary set up nine duty-free zones in 1972 and has one other free trade zone. The Soviet Union is preparing to set up a free port in the Far East, and Poland is planning to set one up at Stettin—the port of Swinoujscie.

It is worth noting that since World War II, free ports have gradually developed from a single-purpose trade type to a combined industry-trade or multipurpose type. Due to the severe postwar economic crisis in the capitalist world and the depressions experienced by many countries' ports, free ports in some Western countries began to change their single-purpose entrepot trade traditions and allow foreign businessmen to run assembly and manufacturing industries, in order to stimulate their economies. For instance, West Germany's two traditional free ports of Hamburg and

Bremen have both set up new port zones in the past decade or so, in which manufacturing of light industrial goods and development of the shipbuilding and repairing industry is allowed. As U.S. foreign trade zones allowed only entrepot trade but not manufacturing for quite a long time after they were set up in 1936, they grew slowly. The U.S. Congress passed Public Law No. 560 in June 1950, which amended the "Hiller Bill" and permitted both marketing and manufacturing in foreign trade zones. The United States added a new supplement to this bill in 1980, which allowed U.S. parts and modules and foreign raw materials to be assembled into finished products, whose added value would be duty-free. From that time on, U.S. foreign trade zones have been rapidly growing in number and playing an increasingly important role in attracting foreign raw materials and parts and meeting domestic market needs.

Free ports play the following particularly important roles in increasing international trade and developing local economies:

1. They break trade blockades and promote international trade development. As free ports have the distinguishing feature of giving equal open opportunities, they help to link up East-West and North-South trade development, and also to break through the restrictions of blockades, embargoes, and tariff barriers. For instance, in order to break the economic blockade put up by Western countries in the early postwar period, the Soviet Union acquired large amounts of Western goods by entrepot trade through West Germany's port of Hamburg. And in order to break the embargo by Western countries, such as the U.S., in the early days of New China, China imported the goods and materials that it needed through the free port of Hong Kong, which played a key role in helping us to break the blockade. Some countries which are restricted by quotas, take advantage of the preferential agreements between free port host countries and certain developed countries, to repackage and change trademarks on goods which originally did not meet quota restrictions, or to manufacture high-tariff goods into low-tariff ones, and then successfully get them into developed countries' markets. Furthermore, business channels in free ports and free trade zones are taken advantage of to facilitate entry and local investment, manufacturing, and repackaging without trade discrimination, which helps to reduce risk and increase exports.

2. They open up trade channels and increase opportunities to make deals. Foreign goods are first shipped to and sold in free ports, and then trade negotiations are carried out to ensure their delivery as scheduled. Or they are stored duty-free before they are offered for sale, marketing information is obtained, and favorable prices are waited for to make deals, which helps to watch for the chance to sell them on local or nearby markets. Some goods acquire larger shares of the market by being exhibited and marketed in free zones. Others promote commodity exports or foreign commodity imports by the host country through being repackaged or reassembled. For instance, West Germany allows West German parts

and foreign raw materials to be assembled and manufactured into finished products for export, on which the added value is duty-free. When products that are assembled and manufactured in U.S. foreign trade zones enter the U.S. customs zone for duty appraisal, in-zone manufacturing costs and profits thus acquired are excluded, and those that have in-zone added value of more than 50 percent can be marked "Made in the United States."

3. They help to cut down on all types of costs. Free ports facilitate sorting, classification, packaging and even manufacturing and repackaging of commodities. They help to reduce moisture content, eliminate impurities, cut down on shipping costs, reduce duty-calculation weight or value, and lower production costs and pre-sale merchandise costs for manufacturers and business firms. Cargo owners can use warehouse receipts to borrow money from banks, transfer ownership, or as security for other accessories, which facilitates fund turnover. Some free port zones offer preferential policies on charges for things, such as land use, labor, and water and power supplies, which help to reduce marketing costs for manufacturers and business firms.

4. They free foreign businessmen from taxation and foreign exchange control by host countries. Foreign merchandise can be imported to, stored in, and then reexported from free port zones all duty-free. Foreign businessmen can use free ports to sort and manufacture high-tariff goods into low-tariff ones, or to transfer goods from high tariff-rate zones to low tariff-rate ones at low cost, so as to avoid taxation, transfer profits and funds, and avoid foreign exchange control by host countries.

5. They increase foreign exchange earnings and promote local economic prosperity for host countries. Free ports attract more port business, increase port freight volume, and raise port operating efficiency. Since relevant port costs for things such as shipping, storage, assembly, packaging, and sorting, as well as commercial, credit, insurance, and tourist trade income are all calculated in foreign exchange, they can increase host countries' foreign exchange earnings. Free ports play a key role in improving local investment climates, help to attract foreign investment, and promote local economic growth.

II. The Need To Set Up a Free Port in Tianjin

In the course of considering strategies to develop externally-oriented economies in Tianjin and our northern coastal zones, setting up a free port in Tianjin has been a key strategic concept, and has come to be considered the only way to invigorate Tianjin's economy.

1. Setting up a free port in Tianjin is suited to the needs of the developing international economic order in Northeast Asia.

The Asian-Pacific region has achieved rapid economic growth in the last two decades or so, and is generally acknowledged as the region with the fastest growing economy in the world. Its output from 1960 to 1980 grew at an average rate of 8 percent a year, while this figure

was only 4.5 percent for Europe. This faster growth rate enabled the Asian-Pacific region to nearly double its percentage of gross world output in about two decades. While the world economy grew at an average rate of 1.4 percent a year from 1980 to 1983, this figure was 4 percent for the Asian-Pacific region. This rapid rise of the Asian-Pacific economy, will have a great impact on China's opening up to the outside world, as well as on the whole world economic order. As part of the Asian-Pacific region, Northeast Asia's international economic order has experienced great changes. A good trend has now appeared in the various countries and regions of Northeast Asia, of active participation in the international division of labor and economic cooperation. A key feature of the international economy in Northeast Asia is that the international division of labor is diversified and mutually complementary.

Due to its large foreign trade surpluses and the big rise in the value of the yen in recent years, Japan is now revising its policies to a limited extent, increasing domestic demand, expanding overseas investments, vigorously restructuring industry, and developing high-tech industries. South Korea is also now carrying out industrial restructuring, upgrading its leading industries from a labor-intensive type to capital- and technology-intensive types, and moving its labor-intensive industries to neighboring countries which have cheaper labor. In 1986, the Soviet Union began making preparations to open up Vladivostok as a free port, set up an experimental SEZ, establish joint ventures, and use foreign investment and technology in order to promote economic development in its part of the Far East. Confronted with this new order in the international division of labor in Northeast Asia, China certainly needs one or more regional, internationalized port cities in our northern coastal zone, in order to bring their roles as international trade and banking centers into full play. In this respect, whether from the perspective of its traditional role in our historical development or as a current base of urban construction, the city of Tianjin has great advantages. There are still few free ports in Northeast Asia. As Tianjin is located at the end of China's shortest land bridge between Europe and Asia, setting up a free port in Tianjin would not only help to promote Eurasian economic exchanges, but would also further strengthen multilateral trade relations among countries, such as China, the Soviet Union, Japan, South Korea, and Mongolia, and remedy the lack of free ports in Northeast Asia.

2. Setting up a free port in Tianjin would promote participation by northern China's economy in the international division of labor.

The port of Tianjin is a key foreign trade gateway for China's capital, Beijing, and all of northern China. The port of Tianjin serves a vast hinterland, including parts of Beijing, Hebei, Shanxi, Inner Mongolia, Shaanxi, Qinghai, Ningxia, Xinjiang, and Henan. It directly serves a hinterland (not including the parts that overlap with other ports' hinterlands), which has an area of over

1 million sq km, or 12 percent of China's territory; a population of over 100 million people, or 11 percent of our population; and accounts for one-sixth of our industrial output value. If the hinterland which it serves indirectly is counted in (including the parts that overlap with other ports' hinterlands), it involves 17 provinces, municipalities, and autonomous regions, with an area of 2.5 million sq km and a population of over 200 million people, or about one-fourth of China. The port of Tianjin's hinterland has exceptionally rich natural resources, including three-fifths of China's coal reserves, one-fourth of our sea salt reserves, one-sixth of our oil reserves, and one-seventh of our iron ore reserves, as well as other key nonferrous metal and nonmetallic mineral resources. It is a densely populated urban complex and a developed industrial base. Ten large- and middle-sized cities, such as Beijing, Tianjin, Tangshan, and Shijiazhuang, are located within a 300-km radius of the port of Tianjin.

As Tianjin has as vast a hinterland as its market, and is a key foreign trade gateway for northern China, setting up a free port in Tianjin would be an effective way to attract domestic raw materials and semi-finished products, manufacture them to increase their value, and then export them to the international market to earn profits, especially under current conditions of sharpening trade protectionism by developed countries. In this respect, we could draw on the experience of U.S. foreign trade zones, which are used mostly not for reexporting, but rather for domestic marketing. About two-thirds of their trade turnover is with the domestic market. As the U.S. domestic market is so vast, all U.S. states achieve very good results by using foreign trade zones to link up the international market with their domestic markets. As all of the world's famous port cities have set up free ports or free trade zones, and the port of Tianjin is northern China's foreign trade gateway, as well as the starting point of an intercontinental bridge, setting up a free port in Tianjin to break into the international market, by allowing foreign raw materials and semi-finished products into the port zone to wait for marketing opportunities, and allowing domestic raw materials and primary products to be increased in value and then exported through foreign business channels, would have a key impact on speeding up our development of an externally-oriented economy.

3. Setting up a free port in Tianjin is needed to invigorate Tianjin's economy.

Tianjin has historically been northern China's key trade and banking center, as well as its key industrial city. Due to the impact of our internally oriented, closed economy, as well as many man-made factors, very few large- and middle-sized national projects have been invested in this old industrial base since the founding of the PRC. Most of Tianjin's over 4,000 industrial enterprises are small- or medium-sized, while very few are large, key modernized ones. Their obsolete equipment, decentralized production, and low level of specialization have left them with irrational product mixes, a lack of industrial

stamina, very poor economic efficiency, and a severely weakened market competition capability. Since the China began to reform and open up to the outside world in particular, the days of being able to rely on inland raw materials supplies have been gone forever, and the conflicts created by weak basic raw materials industries have severely limited Tianjin's industrial growth. Without large national projects, and faced with fund and raw materials shortages and soft markets, Tianjin industry is being forced to find a new approach; i.e., to develop an externally oriented economy by looking to the international market for funds, technology, raw materials, and markets. How is this to be accomplished? While Guangdong Province and the Pearl River Delta can export their manufactured goods through Hong Kong and Macao, and Beijing and Shanghai can rely on large national investment projects, Tianjin's biggest advantage is its port. Tianjin's hopes for invigorating its economy lie in opening up a free port, and using this to its fullest and best advantage to speed up its development of an externally oriented economy.

On the other hand, due to the impact of Old China's semi-colonial and semi-feudal society and Tianjin's dense urban population, Tianjin's factory and residential districts are intermingled, its transport facilities are crowded, and its environment is severely polluted. Thus, Tianjin's industry needs to be strategically moved eastward. According to its overall urban planning, Tianjin's future industrial development will be focused on both banks of the lower reaches of the Haihe River and its coastal zone, in order to gradually transform Tianjin from a river-mouth city into a seaport city. Opening up a free port in Tianjin to speed up its industrial growth through developing international markets and stimulating circulation, would be an effective approach. Under the current tight economic conditions in particular, opening up a free port would require less investment, recoup the investment more quickly, and be more efficient than building large-scale capital construction projects in an industrial zone, and would be much better than the approach of trying to achieve industrial growth through more industrialization. Clear proof of this is that the postwar establishment of free ports in port cities by many developed Western European countries speeded up development of their urban industrial zones.

4. Setting up a free port in Tianjin is necessary to bring Tianjin's latent port potential into full play.

The port of Tianjin is China's biggest man-made port, is located at the western end of Bohai Bay, and is a major foreign trade port. It has 56 berths, including 31 that can handle over 10,000-ton ships, four of China's biggest container berths, one bulk grain dock that is up to internationally advanced standards, two passenger docks which can accommodate large international tourist ships, 1.03 million sq m of warehouse and storage space, and a storage capacity of 500,000 tons. The 12 berths now under construction at Dongtudi (including three container and six sundry goods berths) are all expected to be finished by 1992. Xingang and Nanjiang are also now

being actively developed. The port of Tianjin includes a vast regional area of 199.2 sq km, a land area of 17 sq km, and a land shoreline that is 19 km long. Its channel is 156 m wide and 11 m deep, and is navigable by 30,000-ton cargo ships in both directions at the same time and by 50,000-ton ocean-going vessels with the tides. The port of Tianjin has a more advanced multipurpose shipping capacity than any other port in China. Its integrated, multipurpose land, sea, and air communications and transportation network has been gradually improved, and its port loading and unloading capacity has been greatly increased. The upgrading of the Tianjin station as a railway center, and the construction of the Beijing-Tianjin-Tanggu expressway, have even further increased its multipurpose port shipping capacity.

The port of Tianjin is now open to navigation with over 150 countries and regions, and has over 40 regular international steamship service navigation lines. After five decades of construction and expansion, the port of Tianjin has become northern China's biggest port for foreign trade in sundry goods, whose shipping capacity and actual freight volume both rank first among all northern China ports. Its modern container dock is the biggest one on the coast, with a shipping capacity of 400,000 standard-size containers a year. The port of Tianjin can now handle 50,000-ton sundry goods ships and third-generation container ships. The state has decided to make the port of Tianjin a transfer port for a container shipping system, to be made up of a combination of branch and trunk line container shipping among coastal ports.

As a man-made port, Tianjin has a huge growth potential. In the 1950's, the port of Tianjin's embankments and channel silting were in serious condition. Having taken a series of technical steps in the last three decades or so, such as building check gates, clearing the silt from the Haihe River, separating fresh water from salt water, rebuilding and extending breakwaters, rebuilding banks between and around fields, and restraining tides, Tianjin has reduced the 5 cu m of silt per ton of freight that it had to scoop up in the 50s to 0.4 cu m, which has effectively resolved its silting problem. Moreover, the port of Tianjin has turned this silting disadvantage into an advantage by building up its land area with the excavated silt, constantly expanding its port land area, laying the groundwork for further port growth, and turning its broadened land area into a great advantage. In the last three decades or so, the port of Tianjin has filled in 18 sq km of saline-alkali land, which is expanding yearly, and whose best features are that it does not compete for space with other land in the city of Tianjin, does not occupy farmland, and is cheaper, quicker, and more efficient.

All of this shows that after more than three decades of investment and construction, the port of Tianjin has been turned into a modern international port with a huge latent potential. By taking advantage of its existing qualifications, without much investment, but merely by giving it preferential policies, it can be used much more

efficiently. In other words, the port of Tianjin's particular advantage is that its latent potentials can be brought into full play without outside investment, in order to speed up development of its externally oriented economy.

III. Models and Policies for Setting Up a Free Port in Tianjin

The following three models are offered as options for setting up a free port in Tianjin:

1. A transit-type free port: This traditional type of free port only allows foreign merchandise to enter the port zone to be stored, crudely processed, classified, sorted, repackaged, and then reexported duty-free, but not to be manufactured within the zone. This type of free port is rather small, serves a single purpose, and is possible only as a relatively isolated zone within the port zone. Although it is easy to put into operation, it does not achieve ideal results.

2. An industrial/trade-type free port: Within this type of free port zone, foreign merchandise not only can be imported, stored, sorted, and reexported duty-free, but also can be manufactured. This type of free port zone, in which industry and trade are coordinated and promote each other, can be a powerful impetus to economic growth in the port city as well as the surrounding region.

3. A multipurpose-type free port: This type of free port blends entrepot trade, industrial manufacturing, and banking center roles into one, and brings the port city's multipurpose functions into full play. Hong Kong and Singapore are postwar examples of this type of free port.

As to the port of Tianjin's actual conditions, we think that the multipurpose-type free port model is the best option for the following three reasons: 1) From the perspective of Tianjin's key position in Northeast Asia and on China's northern coast, and because the city of Tianjin ought to be developed into a multifunctional, modernized, and internationalized port city, setting up a comprehensive-type free port in Tianjin is better suited to the demands of these objectives; 2) the port of Tianjin's existing good qualifications, and its proximity to Tanggu and the Tianjin EDZ [Economic Development Zone], make it easier for it to be turned into a multipurpose-type free port; 3) this zone is easily isolated, has a good infrastructure, and can produce good results with only a little planning and a small investment.

In particular, a free port in Tianjin should include the following three major parts:

1. A duty-free trade zone: within this zone, foreign merchandise could enter to be stored, crudely processed, classified, sorted, or repackaged and then reexported all duty-free, and could also enter the domestic market after tariffs are paid on it according to regulations. Commodity exhibition and sale halls could be set up to provide foreign businessmen with opportunities to hold

trade talks. Existing experience in tax-protected warehousing could be used to set up this zone, and then it could be gradually expanded. The first commercial tax-protected warehouse was set up in the port of Tianjin in March 1988. It is a joint venture between Zhahua [3257 5478] Group, one of Holland's largest financial groups, and the Tianjin Port Office. Since it went into operation, it has used various sales methods to break into the international market, has established business relations with many domestic and foreign companies in fields, such as shipping, transportation, cargo, agencies, insurance, notarization, banking, and trade, and is now leasing space to many enterprises and achieving good economic efficiency. It began a test-run of mainland-bridge transportation with the People's Republic of Mongolia in 1989. Thus, the port of Tianjin's experience in tax-protected warehousing has laid a good foundation for setting up a free port and developing tax-protected entrepot trade in Tianjin;

2. A tax-protected industrial zone: Within this zone, foreign capital and technology could be imported, and the advantage of abundant domestic manpower resources could be used to increase the manufacturing of exports. The tax-protected method could be used to manufacture imported raw materials, parts, and semi-finished products into finished products, and then export them duty-free. This zone could be established on the basis of the existing EDZ, and then be gradually expanded. The EDZ, on which construction officially began at the end of 1984, is closely linked to Tianjin's port zone land. By the end of 1989, the EDZ had approved 160 of the three kinds of foreign trade enterprises with a combined investment of \$224 million, of which 72 have gone into operation, realizing a combined gross annual output value of 650 million yuan, taxes and profits of 140 million yuan, and an export turnover of \$46.04 million. The EDZ has set up tax-protected factories to speed up manufacturing of imported materials and parts. In order to speed up construction of its industrial zone with foreign investment, it has adopted the method of leasing use rights for development of pieces of land. The Tianjin EDZ signed a formal contract on 8 August 1989 to sell use rights on 5.36 sq km of land to MGM, on which MGM will invest in building the infrastructure, attract foreign industrial investment and banking funds through international agencies, and import advanced international technical capabilities. MGM has already contacted companies in countries such as the United States, West Germany, Switzerland, and Italy, and made plans to turn this small zone into the Malike Industrial Multipurpose Zone. The Tianjin EDZ's experience in tax-protected factories and land development has provided favorable conditions for setting up a tax-protected industrial zone in a free port in Tianjin. In addition to the EDZ, an export manufacturing zone could be set up in the Tanggu port zone on the Haihe River to serve the hinterland, by using its labor-intensive advantage to manufacture and add value

to foreign, imported parts and semi-finished products, and raw materials from the hinterland, in order to increase export earnings.

3. A banking zone: A special zone could be set aside within the free port zone, in which foreign banks would be allowed to set up branches to conduct savings and loan business, and foreign exchange control would be loosened to facilitate foreign fund circulation, remittance, and borrowing or lending; and in which foreign companies would be allowed to set up branches to sell stocks and bonds, and develop businesses, such as investment, trust, insurance, and information advisory services, to give foreign businessmen a better sense of security and stability. A duty-free port would attract a transfer and concentration of funds by international enterprises, and gradually evolve into a regional banking and information center.

These zones could be set up in a planned step-by-step way.

As to management measures, a free port in Tianjin should have a closed isolation line, at which personnel and goods entering or leaving the interior would be strictly inspected, and within which zone residents would not be allowed to live. The management system should reflect the principle of separation of government administration from enterprise management, and a centralized management form of administration should be used. The major duties of the management committee, which would be made up of delegates from all quarters, such as the municipal government, the hinterland, special MOFERT [Ministry of Foreign Economic Relations and Trade] appointments, customs, and the port office, would be to formulate policies and plans, coordinate relations among all departments and regions, and examine and approve financial budgets and final accounts. Market forces should be used to regulate and control all sectors, such as the port office, traffic, storage, industry, banking, and insurance, according to enterprise management form.

As the key to setting up a free port in Tianjin will be to have freer policies, we are making the following suggestions:

1. Although, except for a few special commodities, a duty-free policy should be applied to foreign merchandise that enters or leaves the free port, tariffs should be paid on that which enters the domestic market.

2. All goods manufactured within the zone with domestic raw materials and parts, which have a particular percentage of added value and quality that is up to international standards, should be regarded as foreign merchandise and allowed to be exported duty-free, in order to encourage export earnings.

3. All goods manufactured within the zone with foreign raw materials and parts, which have a particular percentage of added value, should be allowed to be imported duty-free, in order to encourage import substitutes;

4. Foreign investment banks should be attracted to the zone, and allowed to set up branches and transact banking business, in order to help attract foreign investment.

Zhuhai Party Secretary on Direction of City, SEZ
91CE0206A Guangzhou NANFANG RIBAO in Chinese
5 Dec 90 p 6

[Article by Liang Guangda (2733 1684 1129), secretary of the Zhuhai City CPC Committee and mayor of Zhuhai: "Molding the External Appearance of a Modernized City Requires Replacement of Concepts—Looking Back on 10 Years of City Building in Zhuhai Special Economic Zone"]

[Text] In the 10 years since Zhuhai was established as a special economic zone [SEZ], following the rapid development of economic construction, marked changes have occurred in the features of building this city. Looking back on the course of building Zhuhai City in the 10 years of reform and opening up to the outside world, we profoundly realize that the level of a city's appearance and environment is an epitome of local material civilization and spiritual civilization, and is also an indication of a developing era. To mold a city with its own distinctive features in external appearance and environment, and to build Zhuhai into a modernized garden-type seaside city and special economic zone, we had to emancipate our minds and replace our concepts.

First, we had to establish the concept of building a modernized city. Zhuhai was a newly arising city that had just emerged from the womb of the rural areas. Under the pressure of the general demand for economic development, namely, building socialism with distinctive Chinese features, it was born, formed, and developed. Therefore, as the leader of the city my first duty was to break away from the idea of the small-scale peasant economy and establish the concept of building a modernized city and having a strong consciousness of planning. City planning means the comprehensive deployment for city building. It not only decides what the city is today, but is also a direction and goal for the city's growth, a standard and blueprint for building the city. The leading group of Zhuhai City had a fairly strong consciousness of city planning, and it unequivocally put the work of city planning, building, and managing on its important agenda. It specially set up a city planning committee headed by the mayor and by the vice mayor in charge of city building. The group provided macro guidance for the city's plans and their implementation. In January 1984 it revised the general plan for the city and its districts, and made the decision to build Zhuhai

"into an externally oriented comprehensive special economic zone with industry as the focal point and with the concurrent development of tourism, commerce and trade, agriculture (fishery) and animal husbandry, and real estate; into a modernized garden-type seaside city that has a socialist civilization and that is opened up to the outside world." This general plan won a state award for excellence in city planning, and also won the admiration of central and provincial leaders as well as the good appraisal of experts in China and abroad.

While engaged in city planning we paid attention to breaking away from all sorts of bad habits connected with small-scale production; to breaking free from the old system in which "everyone goes his own way" and "everyone does his own thing"; and to taking the new path of "unified planning, comprehensive development, differentiation of functions, and construction in complete sets." We also insured, by means of institutions and of laws and regulations, the implementation of the city's general plan.

Second, we had to establish the concept of developing an externally oriented economy. Zhuhai is a city that is opened up to the outside world on many levels. In line with the demands made by the party Central Committee and the State Council, we felt that we should give priority to the importation of foreign capital and gradually develop an externally oriented economy. To make city building and the development of an externally oriented economy suitable for each other, in accordance with the actual situation in the city's conditions for using land, in the capacity of its environment, in its natural resources, as well as in its position and role as a special economic zone, and in line with the demand for integration of the market economy and the externally oriented economy, we made decisions on the size of the city and on the use of its land, so that the planned construction reflected the opening up to the outside world and retained a certain flexibility. Based on the trends in the development of the international economy, our city set up a high-level scientific technological industry zone, protected-tariff processing industry zone, light industry zone, petrochemical industry zone, heavy industry zone, shipbuilding zone, tourism zone, agricultural development zone, and software development center. At the same time we encouraged townships and towns to build processing zones for "the three kinds of import processing, and compensatory trade" in order to meet the requirements for development, on many levels and many sides, of the externally oriented economy.

During the process of city planning and building, we took into account the characteristics of the many changes in the projects in which foreign capital is imported and jointly invested with concerned departments at all levels and of the specific demands of different industries and projects. We did not adhere to the practice of developing one part, building one part, and rebuilding one part. In line with the geography and environment and with the demand for differentiation of functions, we developed land for use in a unified manner. We took over land for

use and handled well the preparation of the infrastructure for a construction project. We had to come up with a program, design, and plan for small areas, and did all we could to provide a "lead" service for the introduction of foreign capital. In developing the zone, we usually gave priority to building factory buildings that met the demands of the zone's function and that met the demands of many kinds of industrial production, and set aside in advance land for the use of special factory buildings that could supply the demand for special kinds of production. The construction plan for the residential areas gave priority to (?commodity housing) [shangpin fang 0794 0756 2075], both villa-type dwellings suitable for foreign businessmen and experts and low- and medium-grade apartment houses for staff. Last year we specially delimited some pieces of land for industrial use that meet the demand for unified functions and for continuous development by foreign capital.

Third, we had to establish the dynamic concept of space-time. Zhuhai is a newly rising city that is growing. The main question for us in city planning and building was how to carry out in stages development and construction in the limited space for use and how to build a city rich in local features. For example, on the question of the size of the city's growth, some people thought that more people would bring prosperity and so Zhuhai should take in some more people. We did not look at the question in this way. In accordance with the policy of "rational development of medium-grade cities" and other city-building policies, we took measures to control the population size. The current population growth in our city is basically consistent with the short-term goals in the city plan. In 1990 the population of the city proper grew to between 230,000 and 250,000. To adapt to the fact that in the city proper there is a fairly large transient population, in the overall layout of the city and in the building of its basic facilities, we left ample leeway for development.

The urban structure of Zhuhai City and the style and features of its architecture fully reflect the dynamic concept of space-time. For example, the zonal group-and cluster-type structural form avoids the various drawbacks of an excessively heavy burden being placed on a massive city center. Also there is ample leeway for growth between the groups and the clusters, which is advantageous for the city's development in stages and gives it a fairly strong capacity for meeting emergencies. We did not blindly pursue the city's architecture at one level, but rather, insisted on giving priority to low- and medium-rise buildings, with the addition of a suitable amount of high-rise buildings to embellish the rich urban contours of lines and points. On some hillside land and seashore property, small, low villas have been erected. On seaside roads and riverside roads, we did not permit any unit or individual to put up multistory buildings and residential houses; we only opened some scenic overlooks and built some public facilities to serve the people, so that the architecture and natural scenery blend into one whole, letting a great number of people in common enjoy nature's scenes.

Fourth, we had to establish the concept of comprehensiveness. A city is an organic, comprehensive social body for political affairs, economic affairs, cultural affairs, science and technology. Therefore, in city planning and building there had to be the comprehensiveness of a large-scale system, and unified arrangements had to be made for the city's economic and social development and for its environmental protection. Only in this way could we improve the city's comprehensive benefits and its leading role. In our plan we not only made appropriate arrangements for industrial zones and residential zones, but also on three levels—city, district, and small residential zone—we laid out public buildings in a unified manner. At the same time, within each group and cluster in the city proper we set up complete sets of public facilities for production and life, forming relatively integrated complexes with each one having its own special characteristics, and created fairly well integrated urban functions "advantageous for production and convenient for living."

Fifth, we had to establish the concept of environmental benefits. A city is a space in which the main body of people concentrate their activities, and it is also a place where productive forces concentrate. Thus it is also a place that easily causes pollution. To protect Zhuhai's natural ecological balance and to protect it from pollution, we took the viewpoint, in our city planning and building, of bringing benefits to the environment, and insisted on the unity of economic benefits, social benefits, and environmental benefits, giving particular attention to the latter. In the city proper we did not permit the building of projects that would cause serious pollution even if their economic benefits would be great. As for the treatment of industrial sewage and domestic sewage, we step by step put into effect the system of separate flows for rainwater and for sewage. By building in stages five sewage treatment plants we insured that the sewage effluents were up to international standards. At the same time, we enhanced the park-like greening of the entire city and the work of renovating the city's appearance, environment, and public health, so that in the city proper green trees provide shade, the air is pure and fresh, the landscape is beautiful, and the environment is pleasant.

Sixth, we had to establish the concept of a large region. No city exists in isolation. It is bound to have a thousand and one ties in politics, culture, life, and other aspects with neighboring cities and regions. In particular, today, when we are developing a modernized, open economy, this kind of interdependent, mutually promoting tie is closer and more important, and it determines the common development and common prosperity of the region as a whole. Therefore, in city planning and building we had to establish the viewpoint of the larger region, both doing city planning and building well and making the proper contributions to the larger region and to adjacent prefectures and cities. We thought that Zhuhai, as the place where the Zhujiang River empties into the sea and also as the only special economic zone

on the west bank of this river's mouth, had to make good use of this geographical superiority. After surveys and demonstrations by experts and scholars, we made the decision "to formulate, with the concept of modernization and from the height of strategy, a new plan for the long-range development of Zhuhai City and its special economic zone." We clearly set forth the strategic goal of building up the western and eastern parts of the city. At about the same time we drew up a strategic plan for the building up of these parts of the city. In line with this plan, in the western part there will be built a 100,000 ton-class deepwater port, a railroad, a high-speed highway, and a developed air transport facility, thereby changing the situation in which there was no deepwater port on the west bank of the Zhujiang River. Centering on this deepwater port there will be developed large-scale energy, communication, raw material production, smelting, and petrochemical industries, as well as modernized agriculture and tourism. In the eastern part, making use of the many islands near Hong Kong and its special position as the place where several international sea routes converge, we will build a large transshipment base with a storage area, protected tariff area, and international shipping area, as well as petrochemical industry and shipbuilding bases.

With the eastern and western parts "flying side by side," without a doubt we will add incomparable charm to the urban appearance and environment of Zhuhai City and its special economic zone.

AGRICULTURE

20-Year Outlook for Aquaculture Industry

91CE0133A Beijing NONGYE JINGJI WENTI
[PROBLEMS OF AGRICULTURAL ECONOMY]
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[Article by Gao Runying (7759 3387 5391), Aquatic Products Development Research Topic Group: "Study of Development Prospects for China's Aquatic Products Industry"]

[Text] I. Evaluation of the Role of the Aquatic Products Industry in the Country's Food Development Strategy

China is a large continental country with a 9.6 million square kilometer land area, and it is also a maritime country with more than 4.7 million square kilometers of ocean area. Its cultivated land area amounts to approximately 10.4 percent of the continental land area. With development of economic construction and steady increase in the population, as well as an increase in soil erosion and the threat of desertification, the cultivated land area is becoming less and less, thus placing tremendous pressures on grain production and supply.

This means that in the development of the country's land resources, we must make a break with the long-standing emphasis on the land while neglecting the seas, and the stress on farming while paying little attention to water

surfaces to take a road of comprehensive development of the country's resources. While using and safeguarding existing cultivated land, we must make a maximum effort to develop the oceans, beaches, inland waters, grasslands, and mountain forests that still offer very great potential, acquiring multiple sources of food as a means of solving the problem of insufficient protein in the diet of the Chinese people, particularly the lack of animal protein. Aquatic products are a nutritious food, high in protein and low in fat. The development of aquatic products production permits a saving of land, a saving of grain, relatively small investment, quick results, and high economic returns.

In striking contrast to the five years hesitation in the country's grain production is the rapid mushrooming of the aquatic products industry's latent vigor and vitality following publication of "CPC Central Committee and State Council Directive on the Liberalization of Policies, and on Accelerating Development of the Aquatic Products Industry." Aquaculture has become one of the most rapidly developing industries within agriculture. In 1988, gross output of aquatic products reached 10.61 million tons in a 1.3 fold increase over 1978. Aquatic products gross output value figured at prevailing prices reached 32.25 billion yuan in a 7.6 fold increase over 1978. The amount of aquatic products per capita increased from 4.9 kilograms in 1978 to 9.6 kilograms in 1988; per capita fisherman and per capita worker income rose from 93 yuan and 269 yuan respectively in 1978 to 1,517 and 3,472 yuan respectively in 1988. Foreign exchange earnings from aquatic products for 10 years totaled \$4.34 billion, reaching an all time high of \$960 million in 1988. The economy of fishing areas flourished; fishermen lived lives of plenty; supply problems were eased; and the insistent cries of "difficulty finding fish to eat" have been replaced by the boom of aquatic product markets.

After 10 years of reform and development of China's aquatic products industry, gross output has more than doubled, yet protection potential remains very great. A survey of natural resources potential shows that less than 22 percent of the country's 260 million mu of inland waters is currently being used. Of the country's 375 million mu of paddy fields, only 10.58 million mu, or 2.8 percent are used for rearing fish. More than 300 million mu of alkaline, lowlying wastelands, of which approximately 45 million mu is suitable for fisheries, is presently unused. Currently only 30 percent of 20 million mu of beaches is being used; and the utilization rate for 180 million mu of shallow ocean areas in which the water depth is less than 15 meters is less than 1 percent.

According to the estimate of an authoritative department, inshore, offshore, and international fishery resources offer a potential for an additional more than 1.5 million tons. Comprehensive development of these resources on Chinese territory and these marine biological resources holds important significance for future development of the country's freshwater aquatic breeding industry and for the marine fishing industry.

This is where the potential exists for the outward expansion of reproduction. A survey of intensive expansion of reproduction shows great potential exists for the breeding of aquatic products to increase output in China. Today fish are being reared in more than 20 million ponds, and in 1988 yields were 138 kilograms per mu. In high yield provinces, cities and prefectures production reached 300, 400, 500, and even 600 or more kilograms per mu. In low yield provinces and prefectures, production is only 30, 50, or 70 kilograms per mu. In 21 of the country's provinces, cities, and prefectures, 58 percent of the fish pond breeding area produces less than the national average. Were these intermediate and low yield areas to raise their yields to the 1988 national average, yields would increase by 600,000 tons. If the average fishpond yield for 1988 could be increased by another 50 kilograms, yields reaching 188 kilograms per mu, output would increase by 1.07 million tons. If it could be increased 100 kilograms, for a 238 kilogram yield per mu, output would increase by 3 million tons. Under these conditions, with efforts to popularize and spread science, and with attention to transforming and better equipping ponds, attainment of this output would not be difficult. Other means such as the use of "three nets" (net cages, net barriers, and net enclosures) to rear fish, and the rearing of fish in rice paddies offer tremendous potential for increasing output.

A full analysis of the foregoing produces the following basic realization: 1) In China, which has a large population and a small amount of cultivated land, and in which the conflict between food production and supply cannot be readily eased within a short period of time, vigorous efforts to develop a land and grain-conserving aquatic products breeding industry and a marine fishing industry will play a major role in improving the people's diet, in readjusting the structure of rural industry, and in advancing the economic development of fishing regions and rural villages. 2) In terms of both intensive and extensive expansion of reproduction, the aquatic products industry offers very great potential for increasing output. Prospects for its development are optimistic. 3) Serious national attention, and the creation of a fine climate and operating mechanism for development of the aquatic products industry is the key to turning potential productivity into actual productivity. 4) Whether considered in terms of nutritional needs for improving the people's physical health, or in terms of seeing quick result and high returns from investment, development of the aquatic products industry is a project to which support should be emphasized in state support for the development of agriculture.

II. Analysis of Conditions That Benefit and Limit Development of the Aquatic Products Industry

During the 10 years of reform, the state drew up a series of correct plans and policies for the development of the aquatic products industry, which will continue to play an important future role. At the same time, the fishing industry's own economic and technical strength saw marked improvement, which lays a material and a

technical foundation for future development. It has been roughly estimated that the aquatic products industry owns fixed assets having an output value of approximately 60 billion yuan.

China's marine fishing industry already boasts an inshore, an offshore, and a deep sea production system. The marine aquatic products breeding industry has built up a production pattern that fully develops and makes fullest use of bodies of water. The freshwater aquatic products breeding industry is consolidating and developing old areas such as the Zhu Jiang basin and the Chang Jiang basin, while simultaneously expanding development to the "three norths" and to the southwestern region. It has built up a production technology network in which ponds play the main role, transplanting high yield breeding techniques from lakes, reservoirs, streams, and paddy fields. This pattern helps the aquatic products industry develop further from extensive and intensive expansion of reproduction.

Scientific and technical progress in aquatic products plays a marked role in development of the aquatic products industry. According to incomplete statistics, during the 10 year period 1978-1987, the aquatic products industry earned 350 national and department level awards for scientific and technical achievements. This included biological technology achievements, which substantially increased quality and quantity. For example, success with IJ-ization [IJ hua (0553)] in the breeding of prawn larvae enabled output from the breeding of prawns to shoot up from 450 tons in 1978 to 200,000 tons in 1988. Success with and promotion of high yield technologies on large area continuous pond tracts, and with high yield techniques in the "three nets" will play a major role in increasing yields for a fairly long time to come. Experts estimate that aquatic product science and technology was responsible for between 30 and 40 percent of the increase in yields from 1978 through 1985, and it will play a key role in the future.

The huge domestic aquatic products consumption market will help development of the aquatic products industry. As consumer's cash income increases and their diet improves, their consumption of aquatic products will increase. The domestic aquatic products market offers very great potential, the overall trend being toward supply that is unable to meet demand.

China has framed the "People's Republic of China Fishing Industry Law" and "Detailed Rules and Regulations for Implementation" as a basic fishing industry legal system, and a fishing industry resources control system that combines control by designated persons and public control to put fishing industry production on a legal and regular basis. This is a means of protecting and improving the fishing industry ecological environment, which will play an increasingly important role in the rational development and use, and in increasing the breeding of fishing industry resources.

While fully recognizing the favorable conditions, it is also necessary to realize that there are certain factors limiting the development of the aquatic products industry. The principal ones are a shortage of development funds, a rise in loan interest rates, a rise in prices of the means of production, an increase in aquatic products taxes, a gradually phasing out of preferential state policies, and a decline in comparative returns from aquatic products production. These have already created difficulties for the sustained and steady development of the aquatic products industry. It should also be realized that the rapid growth of the aquatic products industry during the past 10 years has depended largely on improvements in external conditions. This is to say, they have been won through policy preferences and price rises. Within the industry, the high speed development of production has been supported by the consumption of large amounts of key production resources and natural resources. These problems and difficulties cannot be readily solved within a short period of time.

The fishing industry production system, circulation system, and service system are not yet complete. Within the industry, short-term thinking of "living off of the fish ponds, using up fishing boats, and cobbling together equipment" exists everywhere. A substantial number of basic facilities such as fishing boats and fishing ports are antiquated and cannot be technologically restored and transformed for lack of funds. Some production conditions steadily worsen, thereby hurting development of the aquatic products industry.

In a situation in which the conflict between supply and demand for grain will not likely ease for a long time to come, resulting in a shortage of aquatic products feed, the scale and speed of development of freshwater aquatic product varieties that depend on grain feed for increased output will be very greatly hurt. In addition, the increasingly serious environmental pollution of marine and inland fishing industry waters has serious consequences for fishing industry production.

III. Predictions About Prospects for Increase in Aquatic Products Production

The emphasis in forecasts about prospects for increase in aquatic products is on the freshwater breeding industry, the marine breeding industry, and open sea catches. The predictions cover three periods: 1995, 2000, and 2020.

A. Freshwater Products

1. Forecasts for the Pattern of Aquatic Products Consumption Demand and for the Amount of Consumption Demand for 1995 and 2000. In view of the increase in demand for freshwater aquatic products and the pattern of consumption demand during the past 10 years, and presuming that national economic growth during the next 10 years or so will generally remain at 5.4 percent, and that increase in city and country people's income will be maintained at about 4 percent, and also assuming a population of 1.28 billion by 2000, plus other factors, the trend and pattern of freshwater aquatic products

consumption in 1995 and 2000 will be as follows: Consumption will continue to increase overall, but demand will slacken. Annual increase will be maintained at 4 percent or more, per capita consumption being no lower than in the past. Forecasts of the amount of consumption demand based on the use of a multilinear regression model show the following. A consumption demand of 6.1 million tons, plus exports, storage, processing, and group consumption bringing the total to approximately 6.8 million tons. In 2000, the figure will be 7.3 million tons, plus exports, storage, processing, and group consumption bringing the total figure to approximately 8.7 million tons.

2. Forecasts of the Freshwater Aquatic Products Production and Supply Pattern and the Amount of Supply for 1995 and 2000. The basic pattern of current freshwater production and supply is as follows: All around development of the rearing of fish primarily in ponds, but also in lakes, reservoirs, streams, and paddy fields, with increasing improvement of the fingerling and feed production system, and basic facilities. This is a fish breeding production system in which both the water surface utilization rate and yields per unit of area have increased. In

1988, freshwater output was 4.1 kilograms per capita. On the basis of existing production conditions and capabilities, further reform and perfection of the contract system, and readjustment of the product mix, which have lowered production costs and increased comparative returns, a doubling of the 4.55 million ton freshwater output of 1988 may occur by 2000. At that time, a breeding and production system of further yield increases and in which the product mix generally meets market demand will take shape in which the "three nets" rearing of fish in ponds and large- and medium- sized water surfaces predominates, and in which the foundation for production is solid and the breeding area vast.

On the basis of the foregoing plans, forecasts for freshwater aquatic productions production and supply are as follows: 7.3 million tons in 1995, and 9.1 million tons in 2000.

3. Forecasts call for an increase in yields of ponds, lakes, reservoirs, and streams—the four main water surfaces—by 1995. Thereafter, increases in freshwater aquatic products output will come primarily from increases in yields per unit of area. Potential for increased yields is very great. Forecasts are shown in Table 1:

Table 1. Forecast of Yield Increases For 1995 and 2000 (Kg)

Year	Total	Ponds	Lakes	Reservoirs	Streams
1988	76	138	24	14	47.6
1995	90-100	180-200	35-40	20-25	60-75
2000	120-130	230-250	50-60	30-35	85-100

Note: Totals include output from other water surfaces

4. Forecasts for freshwater gross output by sub-industry for 1995 and 2000.

Forecasts for increases gross output by sub-industry based on the breeding area and increases in yields in combination with calculations from pertinent mathematical models are shown in Table 2:

Table 2. Increase in Freshwater Output by Sub-Industry (10,000 tons)

Year	Total	Ponds	Lakes	Reservoirs	Streams	Other	Catches
1988	455.19	293.38	22.94	30.87	24.10	18	65.48
1995	650-700	400-450	45-55	55	40-45	20	80
2000	850-910	560-580	70-80	70-75	50-60	25	80-90

In 1995 and 2000, the per capita amount of freshwater products will be 5.83 and 6.96 kilograms respectively, up 1.7 and 2.8 kilograms respectively from 1988 in a 4.44 percent per capita increase.

5. Forecasts for regional output increases for 1995 and 2000 are that the greatest degree of intensive breeding will occur in southwestern China where 11.8 percent of the freshwater surface will produce 24.2 percent of freshwater product output. Second will be the middle and lower reaches of the Chang Jiang. Output forecasts for various regions are shown in Table 3.

Table 3. Output Forecasts By Region For 1995 and 2000 (10,000 tons)

Year	Total	Northeast	North China	Middle and Lower Reaches of the Chang Jiang	Southwest	Northwest	South China
1995	700	37	60	385	40	8	170
2000	870	45	90	485	45	18	187

6. Forecasts for Freshwater Aquatic Products Output for 2020. National departments concerned predict that by 2020 substantial growth will have taken place in the national economy, and that the people's standard of living will have risen substantially. Accompanying this will be a further increase in demand for freshwater aquatic products, demand rising by between 2 and 3 percent each year. Therefore: residents consumption demand will reach between 11 and 12 million tons; total demand will reach between 13 and 14 million tons; and production and supply may reach between 14 and 15 million tons.

B. Marine Reared Products

1. Analysis of Conditions For Increasing Production. The utilization rate for the country's shallow coastal and beach areas is low. A great potential exists for development. The main reason for the rapid development of marine production since founding of the People's Republic, state support aside, has been great advances in varieties reared and production technology. During the 1950, advances were made in the growing of kelp; during the 1960's, advances were made in the growing of shellfish; and during the 1970, advances were made in the growing of crustaceans, occasioning a steady rise in output. Advances in artificial rearing of fingerlings and larvae, and in marine breeding and production will spur greater development of the marine aquatic products breeding industry. In marine breeding and production

field, comprehensive breeding and ecological breeding have begun, and if this continues good results will be won.

2. Forecasts about volume of demand and volume of production. Quite a few varieties of marine products are sold abroad; thus the increase in output is influenced by both domestic and international markets. 1) Prawns are primarily for the international market, the gross amount traded being approximately 500,000 tons, of which China supplies slightly more than 10 percent. In order for China to compete in the international market to become the primary supplier, prices will have to be relatively low and quality good. 2) Mussels. These may be eaten directly or used as feed for crustaceans. 3) Kelp. Eaten and used by the iodine production industry. 4) Other varieties. Marine fish, scallops, laver, etc. For forecasts of varieties and total marine output, see Table 4. 5) Because of difficulties in ascertaining many factors, it is difficult to make a precise estimate of 2020 output. However, definite judgments may be made on the following points: With advances in science and technology, the capacity of shallow ocean areas and beaches is bound to expand and rise. New varieties suitable for large area breeding, new breeding techniques, feeds, and disease and pest prevention and control techniques that increase output will meet production needs; and funds will become more available, and both domestic and foreign markets will expand. It is on this basis that a marine-reared output of between 4.5 and 5 million tons is predicted for 2020.

Table 4. Forecast of Gross Output and Kinds of Marine Reared Aquatic Products in 1995 and 2000 (Units: Kg/mu)

Variety	1988 Actual			1995 Forecast			2000 Forecast		
	Area (10,000 Mu)	Output (10,000 Tons)	Yield	Area (10,000 Mu)	Output (10,000 Tons)	Yield	Area (10,000 Mu)	Output (10,000 Tons)	Yield
Total	619.89	142	230	748	217	290	932	314	337
Kelp	10.8	21.6	2004	14.3	30	2100	15.9	35	2200
Mussels	6.02	42.9	7137	7.9	57	7200	10.4	80	7700
Laver	9.59	1.55	162	17.6	3	170	17.6	4	230
Oysters	63.26	7.4	117	96	12	125	117.6	20	170
Razor Clams	31.07	14	453	32.6	15	460	37.7	20	530
Blood Clams	10.44	3.4	326	17.1	6	350	21.3	10	470
Clams	99.16	6.3	64	133	10	75	166.7	15	90
Scallops	5.26	12.2	2319	10	25	2500	11	35	3200
Abalone				11	3		13	6	
Fish	60.17	3.3	54.3	100	10	100	154	20	130
Prawns	244.44	19.9	82	215	28	130	229	40	175
Other Aquatic Plants	2.48	1.27	513	5.7	3	530	5.5	4	730
Beach Tending	74.16	8.15	110	88	15	170	133	25	185

C. Marine Catches

1. Evaluation of the State of Sea Catches. In 1988, marine catches amounted to 5.1 million tons, an all-time high, and 4.6 kilograms of sea catches per capita. Up until the 1980's, marine catches frequently accounted for between 60 and 70 percent of the total volume of aquatic products. In 1979, the ratio among sea catches, freshwater-reared, marine-reared, and freshwater catches was 64:19:10:1. In 1989, the figures changed to 44:36:13:7, the important position of marine catches in total volume falling off sharply.

2. Analysis of Present State of Marine Fishery Resources. Main traditional inshore fishery resources have been seriously damaged. Catches of main traditional kinds of economic fish have declined greatly; the structure of fishing industry resources communities have degenerated; output per unit of horsepower has declined; and the labor productivity rate has fallen off. As a result of the great pressure of large catches today, substitutions of the main kinds of fish caught have become more frequent, and there has been a change toward early peaking of various kinds of fish catches, and the catching of fish of younger age and poorer quality.

Using the fish catches of 1988 as a base figure, with the exercise of proper safeguards and development, future use of resources may be maintained at approximately 4.57 million tons per year, which is just about the 4.537 million tons of 1988 (exclusive of the deep sea fishery catches of 960,000 tons). This, plus development of a 500,000 ton anchovy potential, and the catching of 50,000 tons of Far Eastern style sardines off the coast of Japan, and a planned deep sea industry catch of 500,000 tons makes possible a catch totaling 5.65 million tons.

3. Forecasts of Marine Catches for 1995 and 2000. Very many factors affect marine catches; the condition of resources, the occupational structure, potential resources and the ability to exploit them, and social and economic conditions. All these various factors, as well as the turn that events may take during the 1990's have been considered in arriving at a realizable output goal, which is 5.3 million tons for 1995, and 5.65 million tons for 2000.

4. Forecast of Marine Catches in 2020. With rational exploitation and effective use of resources, improvement of the quality of catches and economic returns, and improvement of macroeconomic regulation and control, and by relying on scientific and technical advances, an increase in needed investment, and fishing in accordance with laws, an additional 1 million tons above the year 2000 base output is in prospect, or approximately 6.5 million tons in 2020.

D. Processed Product

With the rapid development of aquatic products production, the position and degree of attention given to the aquatic products processing industry within the fishing industry has risen, but weak links remain. In 1988, China had 2,012 aquatic product freezing plants, which

processed aquatic products having a gross output value of more than 2.8 billion yuan (at 1980 constant prices). In recent years, aquatic product processing volume has increased as the total amount of aquatic products has risen; however, processed product as a percentage of total output has declined. In 1980, for example, gross output was 4.497 million tons, 726,000 tons of which was processed product. This converts to 931,000 tons of fresh aquatic products, or 20.7 percent of gross output. In 1988, gross output was 10.61 million tons, of which 1.279 million tons was processed product. This converts to 1.441 million tons of fresh aquatic products, or 13.6 percent of gross output, showing a slowing in the scale and speed of development of the industry.

Steady increase in the output of aquatic products and a transition in the country's food supply from emphasis on sufficiency to emphasis on nutrition, and a quickening of the tempo of people's work and daily life, demand for processed aquatic products will flourish. Extrapolations based on historical data produce the following forecasts about quantity: In 1995, gross output of processed products will be 2.3 million tons, which converts to 2.62 million tons of raw materials, or 18 percent of gross output of aquatic products. In 2000, gross output of processed products will be 3.75 million tons, which converts to 4.34 million tons of raw materials, or 24 percent of gross output of aquatic products. In 2020, gross output of processed products will be 20.51 million tons, which converts to 24.64 million tons of raw materials, or 62 percent of the gross output of aquatic products.

IV. Forecasts About Aquatic Products Markets, Investment, and Scientific and Technical Advances

Realization of forecasts about aquatic products output depends on ability to assure markets, investment, science and technology, and aquatic organisms during the corresponding time periods.

A. Application of Analysis Regression Methods in Combination With Time Sequence Analysis Methods, Applying Pertinent 1970-1988 Statistical Data To Produce Forecasts About Volume of Demand in Aquatic Products Consumption Markets. Forecast values for variables and volume of demand based on computer processing show the following: Forecast values for residents' consumption of national income for 1995, 2000, and 2020 are 845.8 billion, 1.0743 trillion and 2.3599 billion yuan respectively. Forecast values of total national population for 1995, 2000, and 2020 are 1.21 billion 1.28 billion and 1.51 billion respectively. Substitution of the forecast values in a regression model produces a social demand for aquatic products in 1995, 2000, and 2020 of 12.75 million, 15.7 million and 31.1 million tons respectively.

B. Forecasts for Investment in Aquatic Products in 1995, 2000, and 2020. Pertinent data from the Aquatic Products Annual Statistical Report for 1979-1988 were used to extrapolate working capital from production expenses

to balance demand for investment funds against their supply. Taking the 28.38 billion of 1988 as a basis, forecast investment is 36.9 billion yuan for 1995, 48.8 billion yuan for 2000, and 120.8 billion yuan for 2020.

C. Forecast for Scientific and Technical Advances in Aquatic Production For 1995, 2000, and 2020. Forecasts were made on the basis of the peculiarities of the aquatic products industry and statistical data using Suolao's [4792 3157] speed of increase mathematical model. The resulting forecasts of the role of scientific and technical advances on development of the aquatic products industry are as follows: 57.9 percent for 1990 - 1995; 59.2 percent for 1995 - 2000, and 60.3 percent for 1000 - 2020.

V. Several Concluding Views

A. Gross Output of Aquatic Products. Comprehensive analysis based on the above forecasts for various industries that takes into account various indeterminants suggests that the following forecasts of annual gross output of aquatic products may be realized: For 1995: A gross output of 14.1 million tons, including 5.3 million tons of marine catches, 2 million tons of marine reared aquatic products, 6 million tons of freshwater reared aquatic products, and 80,000 tons of freshwater catches. This represents an increase over 1989 of 2.59 million tons, which is an annual 430,000 ton increase for 11.5 kilograms per capita. For 2000: A gross output of 22 million tons, including marine catches of 6.5 million tons, 5 million tons of ocean-bred aquatic products, 9.5 million tons of freshwater-bred aquatic products, and 1 million tons of freshwater catches. This is 4.7 million tons more than in 2000 for an annual 235,000 ton increase for 14.7 kilograms per capita.

B. Social Demand and Available Market Supplies of Aquatic Products. Forecasts call for a social demand of 12.75 million tons in 1995, 15.7 million tons in 2000, and 31.1 million tons in 2020. Market supply of aquatic products will be 12.69 million tons for 1995, 15.57 million tons for 2000, and 19.8 million tons for 2020. Comparison of the amount of demand and supply shows a roughly equal supply and demand for 1995 and 2000, but a sharp conflict between supply and demand in 2020 when an 11 million ton shortfall will occur. The possibility that the forecasts may be overly high or overly low cannot be ruled out; however, a substantial increase in volume of demand for aquatic products is certain in view of the steady rise in the people's material standard of living.

C. Funds Demand. During the Eighth Five-Year Plan, the state will have to continue to provide financial support to the aquatic products industry. Without it, the aquatic products industry will be hard put to realize sustained and steady development. An aquatic products breeding

subsidy of between 60 and 80 million yuan annual will have to be maintained, compensation paid for its use. Between 100 and 150 million yuan for aquatic products will have to be allocated annually from soil development funds as an aquatic products development fund. National banks will have to provide between 400 and 600 million yuan annually out of preferential development funds for use in the development of the deep sea fishing industry and other development enterprises.

Pesticide Output Increases

*OW0302020391 Beijing XINHUA in English
0153 GMT 3 Feb 91*

[Text] Beijing, February 3 (XINHUA)—China turned out 210,000 tons of pesticides in 1990, becoming the world's third largest pesticide producer behind the United States and the Soviet Union.

China's pesticide output has quadrupled since 1985 to meet the domestic demand by and large.

Of the amount, 96 percent is of the high-efficient, low-toxic and low-residual type.

Biological Pest Control Cuts Crop Losses

*OW0302071791 Beijing XINHUA in English
0600 GMT 3 Feb 91*

[Text] Beijing, February 3 (XINHUA)—China's agro-scientists have found a way to cut the loss of crops and the use of pesticides by using biological pest control and advanced agricultural technology, according to "GUANGMING DAILY" today.

The comprehensive prevention and control of plant diseases, pests, weed and rats was listed as a major scientific research project by the state in 1985.

The method includes bio-control technique, scientific use of pesticides, preservation of natural enemy of pests and advanced agricultural techniques.

Through five years' research and experiments under the guide of the Ministry of Agriculture, scientists set up 76 experimental bases in 16 provinces, autonomous regions and municipalities.

They found a cure for eight major plant diseases and pests. As a result, 2.7 million tons of grain and 60,000 tons of ginned cotton are saved each year in the bases, equivalent to the output of 667,000 hectares of grain and 80,000 hectares of cotton.

If the comprehensive prevention and control method is applied to all China's croplands, the loss incurred by plant diseases and pests will be cut by half, scientists estimate. And the amount of pesticides used every year will also be halved.

Grain Trader Develops 'Ambitious' Expansion Plan

HK3101071891 Beijing CHINA DAILY in English
31 Jan 91 p 2

[By staff reporter Qu Yingpu]

[Text] China's leading foreign trader of grain has mapped out an ambitious development plan for the next five years based on massive expansion both at home and abroad.

Lin Zhongming, president of the China National Cereals, Oils and Foodstuffs Import and Export Corporation, told CHINA DAILY that his corporation was setting up three regional holding companies to take care of its trading firms, industrial enterprises and other businesses abroad.

One would be in Hong Kong monitoring the corporation's joint ventures and solely-owned firms in Japan, Southeast Asia, Australia and New Zealand, Lin said.

The second would be based in London to coordinate the corporation's businesses in the Middle East and Europe including Britain, France, Germany and the Soviet Union, he said.

The third would be headquartered in New York, overlooking the corporation's operations in North and South America, said the 56-year-old president.

Lin, the former assistant minister of Foreign Economic Relations and Trade who speaks fluent English, said his corporation would also establish more grain and food industrial projects at home to guarantee the supply of exports.

The corporation has already set up 58 manufacturing firms including some Sino-foreign joint ventures. They range from animal farms, water product centers and food plants to fodder processing factories.

"The strategy is to develop our corporation into an international business with diversified management areas," Lin said.

With foreign trade as the corporation's main business ensured by products in line with home and overseas market, he said he was confident of being able to take on the responsibility of shouldering the corporation's losses and profits as required by China's new foreign trade reform plan starting from this year.

The corporation, established in 1952 and the second largest foreign trading company in China with a State-authorized monopoly for exporting rice, soya beans, corn and bean dregs and for importing grain, oils and sugar, has achieved a total foreign trade volume of \$110 billion over the last 38 years, accounting for 15 percent of China's total.

Guarding the corporation's import and export turnover as secrets, Lin said his corporation exported 32 percent more than targeted last year and "finished the country's grain import plans" with millions of U.S. dollars saved.

He said the corporation had delivered more than 3,000 new products to its 2,000 or so overseas customers, adding that most of the products were finished items.

By increasing exports of processed products, Lin said, the corporation was able to make much more money than before.

1990 Cereals, Oils Import Figures Released

HK3001090791 Beijing CEI Database in English
30 Jan 91

[Text] Beijing (CEI)—Following is a list showing China's import volume of cereals and oils in 1990, released by the General Administration of Customs:

Item	Unit	1990	1989
Cereals	ton	13,720,555	16,579,331
Wheat	ton	12,527,317	14,880,448
Soybean	ton	907	818
Sugar	ton	1,1132,122	1,580,635
Animal oils and fats	ton	93,482	98,201
Edible oil	ton	1,122,832	1,030,828
Other oils	ton	1,184,692	781,939

1990 Cereals, Oils, Food Export Figures Released

HK2901105391 Beijing CEI Database in English
29 Jan 91

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in 1990, released by the General Administration of Customs:

Name	Unit	1990	1989
Pig	head	2,997,648	2,972,779
Poultry	in 10,000	4,784	4,483
Beef	ton	96,593	56,494
Pork	ton	124,236	88,424
Chicken	ton	37,813	31,466
Rabbit	ton	17,520	21,438
Egg	in 1,000	599,992	605,939
Aquatic products	ton	360,703	293,876
Fish	ton	46,580	45,597
Prawn	ton	72,505	59,448
Cereals	ton	5,831,036	6,562,954
Rice	ton	326,025	315,236
Soybean	ton	940,340	1,247,648
Pulses	ton	762,172	468,941
Maize	ton	3,404,289	3,501,525
Vegetables	ton	893,253	821,369
Fruit	ton	226,387	252,170
Orange	ton	65,619	70,515
Apple	ton	62,425	70,331

Name	Unit	1990	1989
Sugar	ton	570,493	429,623
Canned food	ton	564,151	547,897
Pork	ton	90,865	86,340
Vegetables	ton	331,168	331,687
Fruit	ton	77,809	71,399
Others	ton	64,308	58,470
Vegetables oil	ton	139,424	62,099
Peanut	ton	387,322	266,066

Improved Seed Strains To Boost Crop Output

HK2301050291 Beijing CHINA DAILY in English
23 Jan 91 p 3

[By staff reporter Wang Dongtai]

[Text] The Ministry of Agriculture plans to replace all major grain, cotton and oil crop seeds with better strains within the next five years to raise output, according to information from the National Agriculture Conference.

If the plan is successful, a total increase of 25 million tons in grain output is expected. An increase of 500,000 tons of cotton and 600,000 tons of edible oil can also be possible in the five-year period, according to the National Seed Station.

By 1995, the total business volume of the seed station is expected to reach 4 billion kilograms of seed, an increase of 33 percent compared with 1989.

By 1995, the station also plans to process 2.5 billion kilograms of seed, an increase of 60 percent compared with 1989.

Priority of investment will be in the 10 major seed production bases in the country including hybrid rice, hybrid corn, wheat, potatoes, cotton, edible oil, flax, vegetables and green fertilizer.

The country also plans to store about 100 million kilograms of seed annually in the seed bases.

The state and local governments will also establish networks to supervise seed quality. The Ministry of Agriculture will establish State-level seed inspection centers mainly for wheat, hybrid rice, hybrid corn, soybean and vegetables.

Agroscience Extension Centers Serve Counties

OW0502124791 Beijing XINHUA in English
1240 GMT 5 Feb 91

[Text] Beijing, February 5 (XINHUA)—China has established 1,286 extension centers for agricultural science and technology in 64 percent of the total counties in the country, according to the Ministry of Agriculture today.

To apply more results of science and technology to farm production, China has been making efforts to set up a

rural agroscience extension system and encourage more technicians to work among farmers.

Besides the county-level extension centers, 77 percent of the rural townships and 55 percent of the villages have organized similar institutions.

According to the ministry, some 328,000 technicians are helping to apply advanced technology in crop production alone. Meanwhile, some 100,000 farmers are being trained in these skills, and 5.82 million rural households have been picked to lead other farmers in the work, according to the ministry.

Capital Investment To Boost Agriculture

OW1801143891 Beijing XINHUA in English
1410 GMT 18 Jan 91

[Text] Beijing, January 18 (XINHUA)—China's central government has invested 8.75 billion yuan in agriculture construction over the past five years, marking an increase of 71.8 percent over the years between 1981 and 1985, an official from the Ministry of Agriculture said today.

By now, the official said, most of the investment has been used for agricultural infrastructure construction, land improvement, and the construction of commodity grain and cotton production bases. He noted that the investment has yielded fruitful results for the country's agricultural development.

China invested 1.4 billion yuan in the construction of commodity grain production bases to increase per hectare grain production. These bases, which account for less than 20 percent of the country's total arable land, produced 116.6 billion kg of grain in 1990, 25 percent of the country's total.

Since 1988, China has invested 3.4 billion yuan in agricultural comprehensive development to improve its low yield land, which accounts for nearly two-thirds of China's total. In 1989 alone, the outputs of those areas that underwent development yielded 3.41 million additional kilograms of grain, 80,000 million kg of cotton, and more oil and sugar bearing products.

According to the Ministry of Agriculture, the central and local governments have jointly invested 1.9 billion yuan since 1987 in an agro-science extension project named "bumper harvest program." The project has led to an additional 13.9 billion kg of grain, 260 million kg of cotton and 1,230 million kg of oil for the country, which, as a whole, amounts to 13 billion yuan.

A ministry official said that China is ready to increase its agricultural budget by 5.6 percent. The government also plans to invest another 1.8 billion yuan in agriculture, which is considered to be the foundation of the economy.

Animal Husbandry Production Reaches New High
OW1901175391 Beijing XINHUA in English
1342 GMT 19 Jan 91

[Text] Beijing, January 19 (XINHUA)—China turned out 26.71 million tons of meat in 1990, making China the second largest meat producer after the United States, according to an official from the Ministry of Agriculture.

Chen Yaochun, the official in charge of animal husbandry in the ministry, said that China also produced 7.396 million tons of eggs, 4.715 million tons of milk and 240,000 tons of wool, all of which registered increases over the previous year.

Chen revealed that China produced a total of 120 million tons of meat and 33 million tons of eggs over the past five years, marking increases of 58.7 percent and 77 percent over the previous five-year period between 1981 to 1985, also known as China's Sixth Five-Year Plan period.

According to the Ministry of Agriculture, the amounts of meat, eggs and milk products purchased by an average Chinese last year increased by 5.1 kg, 1.4 kg and 1.3 kg, respectively, over those from 1985.

Salt Industry Fails To Meet Goals

HK2701024491 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 27 Jan 91 p 2

[By staff reporter Yun He]

[Text] China's salt industry was badly affected by the weather in 1990, and estimates show that output failed to meet the target set by the government.

The country's salt output was estimated at 20 million tons last year, 2.5 million tons below target, according to Zhang Tiecheng, general manager of the China National Salt Corporation.

Zhang said thunder and hailstorms had been a frequent occurrence in the 10 coastal provinces, where China's 700 salt producers needed a hot and dry climate to evaporate water from the salt fields.

"This year, we plan to take effective measures to modernize the industry which now depends too much on the weather for its output," Zhang said.

In order to avoid a salt shortage and enhance the capacity to resist disasters, Zhang said, the industry planned to focus on updating technology and equipment in its enterprises this year.

This could be translated as increased investment in the industry and introduction of the latest management expertise over the next few years, Zhang said.

Despite reduced output, Zhang said, the corporation had managed to supply enough salt for the needs of both industry and the public last year.

The general manager said his corporation had sold more than 21 million tons of crude salt on the domestic market in 1990, more than 50 percent of which had gone to industrial production.

The volume represented an estimated decrease of 2 million tons from 1989.

He explained that production had hit a record high in 1989, and the country had been able to store plenty of salt in warehouses after meeting a demand of about 22 million tons in that year.

Anhui Commodity Grain Bases

91P30085C Hefei ANHUI RIBAO in Chinese
31 Dec 90 p 1

[Summary] In 1990 the area of the 22 commodity grain bases in Anhui Province was 39,125,000 mu, accounting for 41.8 percent of the grain area in Anhui; the per mu yield was 271.8 kilograms, an increase of 12.3 kilograms over the normal level; and gross output was 10,636,000 tons, accounting for 43.9 percent of grain output in Anhui. From 1983 to 1990, investment in these grain bases was 160 million yuan.

Hubei Increases Grain Yield, Plans Improvements

91CE0145A Wuhan HUBEI NONGYE KEXUE
[HUBEI AGRICULTURAL SCIENCES] in Chinese
No 10, 5 Oct 90 pp 1-4

[Article by Yu Guixian (0151 2710 0341) and Gao Guangjin (7559 1639 6855), Grains and Oils Department, Hubei Provincial Department of Agriculture and Animal Husbandry: "Province's Achievements in Summer Grain Production During the Seventh Five-Year Plan, and Main Improvements in Techniques To Be Made During the Eighth Five-Year Plan"]

[Excerpts] During the Seventh Five-Year Plan, 34 percent of the province's grain growing area was devoted to, and 21 percent of total grain output derived from summer grain crops. This was second only to the growing area and output of paddy. During the past five years, summer grain production has received a high degree of attention from the provincial CPC committee and the provincial government, as well as from party and government departments at all levels. Development of summer grain production was given attention during the Seventh Five-Year Plan as a main way in which to tap potential for increased grain yields; and correct decisions were put forward for "launching the main attack on the weak links in summer grain production in an effort to raise summer grain output to a new level. A series of important actions were taken to develop summer grain production, which mobilized the interest of cadres and the masses throughout the province in giving serious attention to summer grain, in developing summer grain production, and in tapping potential for increased summer grain yields. Full use was made of the role of experts in providing technical guidance. The province

established an advisory group of wheat experts to act as staff officers to the leaders, to provide data on which to base decisions, and to launch various kind of technological campaigns for taking firm grip on key technological links necessary to fight natural disasters in order to bring in a bumper summer grain crop throughout the province. Every jurisdiction made the implementation of Ministry of Agriculture wheat "bumper harvest plan" projects important measures to be given attention in order to promote balanced increases in wheat yields. As a result, summer grain production throughout the province leaped to a new stage during the Seventh Five-Year Plan, gross output breaking the 5 billion kilogram mark. Wheat yields per unit of area vaulted to the middle rank in the country for the first time, and yields of barley and tubers reached an all time high. During 1990, a bumper summer grain crop was harvested throughout the province; yields of all summer grain crops increased over 1989; and gross output of tubers surpassed the all-time high.

A. Summer Grain Production Achievements During the Seventh Five-Year Plan

1. Tremendous Increase in Yields Per Unit of Area

During the Seventh Five-Year Plan, summer grain yields for the province as a whole reached 183 kilograms per mu in a 28 kilogram increase over the 155 kilogram per mu yields of the Sixth Five-Year Plan. This includes 198 kilograms per mu of wheat, up 32 kilograms in a 19.3 percent increase; 129 kilograms per mu of barley in a 23 kilogram increase, up 21.7 percent; 163 kilograms per mu of tubers, up 7.5 kilograms in a 4.8 percent increase; and 99 kilograms per mu of pulses, which was at the same level as during the Sixth Five-Year Plan.

2. Steady Increase in Gross Output

During the Seventh Five-Year plan, gross output of summer grain averaged 4.772 billion kilograms versus a gross output of 4.146 billion kilograms during the Sixth Five-Year Plan. This was 645 million kilograms more than during the Sixth Five-Year Plan for a 15.56 percent increase. This included 3.96 billion kilograms of wheat, up 632 million kilograms, which accounted for 97.83 percent of the total summer grain output increase for an 18.9 percent rate of increase; 218 million kilograms of barley, up 35 million kilograms in a 19.13 percent increase; and 433 million kilograms of tubers, up 24 million kilograms, in a 5.87 percent increase.

3. Speed of Increase Greater Than for Autumn Grain

During the Sixth Five-Year Plan, the speed of increase in summer grain yields was slower than for autumn grain. The annual rate of increase was 5.2 percent for summer grain, and 10.01 percent for autumn grain. During the Seventh Five-Year Plan, the speed of increase in yields was 2.3 percent for summer grain, and 0.69 percent for autumn grain. Speed of increase for summer grain was 1.61 percentage points faster than for autumn grain. This

included 2.51 percent for wheat versus 0.94 percent for paddy, 1.47 percentage points higher.

4. Speed of Increase for Wheat Was Faster Than the National Average

During the first four years of the Seventh Five-Year Plan, both the province's wheat yield and gross output increased faster than the national average. Despite an 0.7 percent reduction in the wheat growing area throughout the province, yields and gross output increased 19.88 and 19.10 percent respectively over the Sixth Five-Year Plan. Although the wheat growing area for the country as a whole increased 1.53 percent, yields and gross output increased 15.25 and 16.62 percent respectively over the Sixth 5-Year Plan. The gap between Hubei and high wheat yield Jiangsu Province was narrowed. For example, During the Sixth Five-Year Plan, Hubei Province's wheat yield was 11 kilograms per mu less than Jiangsu's, but during the first four years of the Seventh Five-Year Plan, yields were only 5 kilograms less or 2.5 percent lower.

5. Large Numbers of High Yield Models Come to the Fore

During the Seventh Five-Year Plan, a large number of high yield models in summer grain production came to the fore in the province, increased yields and bumper harvests occurring over large areas. In six counties (or cities), wheat yields were more than 300 kilograms per mu, an amount greater than the high yield level for the country as a whole. In eight counties (or cities), wheat yields broke the 200 kilogram per mu mark to move into the mid ranks of the country. In Qianjiang City, which is located in the four lakes area of the Jiangnan Plain, and in Yichen County, which is located in the undulating uplands, the province-run low yield wheat fields became intermediate yield, and the intermediate yield fields became high yield model counties (or cities). In these places, wheat yields reached 211 and 323 kilograms per mu respectively during 1988, versus 142 and 234 kilograms per mu during the Sixth Five-Year Plan, up 69 and 89 kilograms, or 48.6 and 38.0 percent respectively. Xiangyang County, the largest wheat growing area in the province, produced wheat yields of 145 kilograms per mu, and a gross output of 170 million kilograms in 1980. From this foundation, yields increased for 10 consecutive years reaching 314 kilograms per mu in 1990, gross output reached 396 million kilograms. During the 10 years, yields increased 1.17 fold, and output increased 1.33 fold in an annual 8.03 and 8.8 percent increase respectively. In Laohekou City, which produces the highest wheat yields in the province, yields rose for seven years in a row, going from 213 kilograms per mu in 1983 to 371 kilograms in 1990, up 158 kilograms in a 74.2 percent increase. Wheat yields in Danjiangkou City rose for six consecutive years from 103 kilograms per mu in 1984, reaching 251 kilograms in 1990 for an annual 16 percent increase.

6. "Bumper Harvest Plan" Project Scores Marked Production Increase

During the past several years, every jurisdiction in the province has made the "wheat bumper harvest plan" project issued by the Ministry of Agriculture an important measure for increasing both yields and output. Marked results were achieved from provincial operation of bumper yield counties, county operation of bumper yield townships, township operation of bumper yield villages, and every level operating bumper yield tracts. During the four year period 1987 through 1990, a cumulative total of 31 counties (or cities) ran "bumper harvest plan" projects over a 4,691,400 mu area. Yields increased 35 kilograms per mu for an aggregate increase in gross output of 164,530,500 kilograms. This added up to an increase in output value of 106,492,500 yuan and an increase in net income of 48,634,100 yuan.

Despite the province's substantial achievements in summer grain production during the Seventh Five-Year Plan, a very great potential for increased production still remains, and quite a few problems also remain. Specifically, insufficient reserve strength is an important element obstructing further development of wheat production: First, returns from growing wheat are low, and the masses do not have much interest in growing it. As a result of impediments in circulation channels, and fairly low wheat procurement prices during recent years, plus the spurt in prices of the means of agricultural production, production costs in the growing of wheat have increased and returns have declined. In addition, the fairly great difference in prices paid for wheat versus rape has hurt peasant interest in growing summer grain. Second is decline in soil fertility. As production of chemical fertilizer has increased, the use of chemical fertilizer on the province's fields has grown, but the use of farmyard manure has decreased markedly. A statistical survey done in 1988 showed a 52.2 percent decrease since 1981 in the amount of farmyard manure used provincewide. The green manure area of the province declined from 13,207,100 mu to 6,891,900 mu in a 47.8 percent decrease, or an average annual 980,000 mu reduction. As a result of the year-by-year increasing reliance on chemical fertilizer, soil fertility in some fields has increasingly declined. A provincial soil fertility station assay of 1,250 plots (or tracts) showed a decline in organic matter in the soil of 65 percent by comparison with a soil survey done during the early 1980's for an average 17.2 percent decline. An assay conducted in Jianli County showed a decline in soil organic content from 3.3 percent in 1979 to 1.8 percent. The amount of effective potash declined by 2.55 parts per million annually, and grain yields per kilogram of chemical fertilizer declined from 7.2 to 4.9 kilograms. Third is weak ability to resist natural disaster. In recent years, improvement in basic agricultural production conditions has slowed; and water conservancy facilities have become old, some of them being out of repair for many years. The agricultural irrigation, machine plowed and machine sown area has declined markedly, and agricultural pesticides and herbicides are not available when needed. As a result, the area affected by drought and waterlogging, freeze damage, diseases and insect pests, and more weeds than

crops has steadily expanded. The degree of damage is becoming more serious with each passing year, posing a substantial threat to wheat production.

B. Main Techniques for Developing Summer Grain Production During the Eighth Five-Year Plan

The Eighth Five-Year Plan plans call for a gross output of between 25.5 and 26 billion kilograms of grain. Figuring summer grain output at 21 percent of gross output of grain for the year, this means a gross output of between 5.355 billion and 5.46 billion kilograms. [passage omitted]

Currently, somewhat more than 5 million mu of land in the province is a high yield area that produces yields of 250 kilograms or more per mu. This is one-fourth the province's total wheat growing area. Making high yields even higher during the Eight Five-Year Plan will require active demonstration and gradual spread of the technique of "early application of a small amount of fertilizer for strengthening," taking the technological road of small colonies, strong individual members, efforts to produce large spikes, and the production of high yields. Results from demonstrations at numerous test sites in six counties (or cities) throughout the province during the past two years show increased yields ranging between 30 and 40 kilograms per mu, or between 11 and 16 percent from the technique of "applying small amounts of fertilizer early for strengthening." This technique produces strong tillering, a high spike formation rate, large spikes, and numerous grains. By comparison with conventional cultivation techniques, this technique produces 1.63 times the amount of tillering of individual plants, an 11.2 percent greater spike formation rate, 4.99 more grains per spike, and a 1.72 gram greater per thousand grain weight. Use of the technique of "early application of small amounts of fertilizer for strengthening" on a 100 mu continuous tract of wheat during the autumn of 1989 in Zaoyang produced 320.7 kilograms per mu from 112 mu. This was a 13.48 percent yield increase over the 38.1 kilogram per mu increase obtained from the conventional cultivation method. [passage omitted]

Spread of the Use of Nitrogen Fixing Bacteria in the Wheat Rhizosphere

A wheat rhizosphere-associated nitrogen fixing system is a plan project for the national promotion of scientific and technical achievements that received emphasis from 1989 through 1991. In 1990, it was listed as a provincial project for the "invigoration of agriculture through science and technology." At the same time, it was listed as one of five techniques to be used during the Eighth 5-Year Plan for increasing reserve strength in grain and edible oils. Hubei Province achieved success in its application in Suizhou, Zhushan, and Laohekou City (and county) beginning in 1988.

A fall sowing of 63,000 mu for demonstration purposes in 1989 produced 24.81 kilogram per mu yield increases for a 12.87 percent increase. Results of experiments and

large area demonstrations showed that this technique functions in increasing seedling emergence rates, promotes growth and development during the seedling stage, increases tillering, increases spiking, increases the number of grains, raises yields, and increases soil fertility. It is suitable for use on intermediate and low yield wheat fields, and results are better particularly from dryland slopes and little fertilized plots.

[passage omitted] Seed selection, and the importation of superior varieties for the establishment and perfection of a seed production system.

During the Seventh Five-Year Plan, the promotion of high yield seed varieties played an extremely important role in increasing the province's summer grain output. The increase was particularly attributable to seed variety Ee No 1, which is highly adaptable, shows strong yield increase heterosis, grows over a large area, and develops rapidly. During the past two years, it has been grown on more than 10 million mu throughout the province, which is 50 percent of the wheat growing area. It has been largely responsible for increasing the province's wheat yields. Nevertheless, because the fine variety propagation system is not well developed, there is serious regression in species characteristics of fine varieties. Some pedigree seed farms produce virtually no pedigree seeds. In research on seed breeding, a generally passive situation has occurred in which locally grown varieties do not pass muster, follow-on varieties are less than ideal, and varieties just beginning to be developed are not outstanding. Therefore, the pace of seed breeding must be accelerated, superior varieties that produce high yields, that are strongly disease resistance, and that are widely adaptable being selectively bred as rapidly as possible. A fine seed propagation system must be established and perfected to produce seed wheat; the 1, 2, 3 propagation [0001 0059 0005 4907] [as published] superior seed propagation system must be adhered to; and close attention must be paid to the task of insuring seed purification and rejuvenation in an effort to raise the province's summer grain production to a new level during the Eighth Five-Year Plan.

Analysis of Hubei Cotton Prices, Output

91CE0175A Beijing *JIAGE LILUN YU SHIJIAN*
[PRICE: THEORY AND PRACTICE] in Chinese
No 11, 20 Nov 90 pp 41-44

[Article by Xu Gannian (1776 6385 1628): "Cotton Price in Hubei and the Comparative Profit of Cotton Production"]

[Text] The agricultural production of Hubei Province has been good. An outstanding manifestation is that in 1989 grain output reached 2,370 tons [as published], a record high in history. However, cotton output has been declining since 1978 except for 1984 and 1985. In 1989 cotton output was only 312,800 tons, hitting rock

bottom. This situation has made people think and analyze all aspects to find the cause and solution to reverse the declining situation of cotton production.

Why exactly has cotton production declined? I believe it is a result of failing to smooth out price relations and of declining comparative profits of cotton production.

I. Comparison of Cotton Procurement Price and Tax-included Production Cost

The cost-to-price and profit-to-price ratios are the decisive factors that affect the enthusiasm of farmers for growing cotton. They are also an important criterion for judging whether the procurement price of cotton is rational. The comparison of Hubei's cotton production cost, profit, and price is shown in table I.

In 1978 the ratio of cotton production cost to price was as high as 92.83 percent while the profit-to-price ratio was only 7.17 percent. After reform of the rural economic system, the cotton price was adjusted. In 1979 the cost-to-price ratio dropped to 62.04 percent and the profit-to-price ratio rose accordingly to 37.96 percent. As a result, cotton output increased 22.67 percent as compared to the previous year. But from 1980 to 1982 the cost-to-price ratio increased on an average of 74.65 percent while the profit-to-price ratio averaged only 25.35 percent. As a result, in this 3-year period, cotton output declined on an average of 24.27 percent as compared to 1979. Because of this, in 1983 the cotton price was readjusted, the cost-to-price ratio dropped to 59.66 percent, and the profit-to-price ratio rose to 40.34 percent. As a result, cotton output increased 13.53 percent as compared to the average yield of the previous three years. Between 1984 and 1986, rational readjustments continued to be carried out, the cost-to-price ratio averaged 50.19 percent, and the profit-to-price ratio reached 49.81 percent. As a result, there was a bumper harvest of cotton in 1984. The total output was 606,500 tons, a record high in history. There was another good harvest in 1985. But after 1987, the ratio between cotton procurement price and tax-included production cost became irrational again, resulting in a continuous decline in cotton production in the past few years.

II. Comparison of Prices of Cotton and Relevant Commodities

Grain, cotton, and oil crops are the state's primary goods. Whether or not the price parities between cotton and grain, between cotton and oil crops, and between cotton and major means of agricultural production are rational determines to a large degree whether or not cotton production can develop steadily. The following is an analysis of these three price parities.

A. The price parity between cotton and grain. This is one of the price parities that have been discussed the most during the study of the cotton price issue. This price parity is really important. Using grain price as the center to plan for a rational price parity system for agricultural products is a common understanding reached after many

years of discussion and study. Because of this, the most important of all price parities between cotton and other agricultural products is the price parity between cotton and grain. The analysis of price parities between cotton and grain are shown in table II.

Cotton and grain appear to be limited in variety, but due to the difference of quality, they are divided into different categories and grades. So there is a difference between single-item price parities and comprehensive price parities.

Table II shows that both single-item and comprehensive price parities fluctuate basically around the level of 1:12 in and before 1983. However after the bumper harvest of cotton in 1984, the price parity between cotton and grain was gradually distorted. By 1989, the single-item price parity between cotton and grain was 1:10.2 and comprehensive price parity was as low as 1:8.72. The consequence of such seriously distorted price parities between cotton and grain was a continuous decline in cotton production which hit rock bottom in 1989.

B. The price parity between cotton and oil crops. Here we use the price parity between cotton and rapeseeds as representative in the analysis. The analysis of price parities between cotton and rapeseeds of Hubei from 1978 to 1989 is shown in table III.

Both the single-item and comprehensive price parities between cotton and rapeseeds fluctuate basically around the level of 1:4 during the 11 years between 1978 and 1989. What is noteworthy is that in 1983 and 1984 when there was a bumper harvest of both cotton and rapeseeds, the single-item price parity between cotton and rapeseeds was about 1:5 but the comprehensive price parity was reduced to a certain extent. Between 1985 and 1989, both single-item and comprehensive price parities were at a fairly low level between 1:3 and 1:4. A reflection of this was the uneven development of cotton and rapeseed production: Cotton output declined while rapeseed output increased year after year. As a result, the excellent situation of 1983 and 1984 when cotton and oil crop production developed basically simultaneously was destroyed.

C. The price parity between cotton and major means of agricultural production. Everybody knows that for many years the increase of the prices of means of agricultural production has been greater than the increase of the procurement prices of cotton. This reflects to a certain extent the irrational situation of the procurement price of cotton. Here we have analyzed the price parities between cotton and major means of agricultural production from the angle of comparison and study. The analysis of the price parities between cotton and major means of agricultural production of Hubei between 1978 and 1989 is shown in table IV.

Table IV shows the amount of major chemical fertilizers farmers can buy for each jin of ginned cotton they sell to the state every year (for instance they could get 5.77 jin of urea, 17.19 jin of carbon ammonium, and 17.47 jin of

phosphate fertilizer in 1985) and major pesticides (for instance they could get 0.52 jin of "1605," 0.63 jin of "DDVP," and 0.5 jin of potassium ammonium phosphate.

III. Several Suggestions

A. The ratio between cotton procurement price and production cost must be rational to ensure that cotton farmers can make a profit. Between 1981 and 1989, the average net profit-to-cost rate of major products of medium Indica rice in Hubei Province was 93.5 percent. In 1989, there was a bumper harvest of grain and the average net profit-to-cost rate of major products of medium Indica rice was 98.9 percent. The practice of the development of grain production proves that this is a relatively rational level of rates. However between 1981 and 1989 the average net profit-to-cost rate of major products of cotton was only 65.9 percent. In view of the actual condition of declining cotton production, such obvious difference cannot but demand our highest attention. Based on the above analysis of the issue of cotton prices, we can reach such a conclusion: We can guarantee the development of cotton production if we can set cotton prices in such a way that the ratio of production cost to procurement price and the ratio of the net profit of major products to procurement price are both around 50 percent, namely the rate of net profit in the production cost of major products remains around 100 percent.

Here let us compare and analyze the profit-to-tax rate of industrial sales. In 1989 the average profit-to-tax rate of industrial sales in Hubei was 16.65 percent, a decline of 0.59 percent from the previous year. Since fixed industrial circulating funds turnover 3.15 times, the actual profit-to-tax rate of industrial sales in 1989 reached 52.45 percent, which still is 2.45 percentage points higher than the profit rate of sales of major products of cotton and grain. This proves to a certain extent that it is feasible and rational to fix the cost-to-procurement price ratio at 50 percent for the major products of major agricultural goods such as cotton and grain.

B. Price parities between agricultural products must be smoothed out to ensure that cotton farmers can make roughly the average net profit of agricultural production for growing cotton. In the past few years, cotton farmers' enthusiasm for growing cotton was low, causing cotton output to slide continuously. A main reason is that cotton growing is not lucrative and it is hard for farmers to get even the average agricultural net profit. According to the above analysis, it is fairly rational to fix the price parity between cotton and grain at 1:12 and the price parity between cotton and oil crops at 1:5. In this way, major agricultural products such as grain, cotton, and oil crops may be able to develop simultaneously. At the same time, the situation in which grain, cotton, and oil crops compete for resources may be eliminated once and for all.

C. After price parities are smoothed out, the bonus-sale policy can be abolished. There are many state policies on

the development of cotton production. They are all designed to stabilize and encourage the development of cotton production. However the practice after 1984 shows that the effects of these policies are fairly insignificant. In many of our investigations, party and government organs, cotton departments, and many cotton farmers in all localities reflected that due to the influence of the defects of existing systems, it is very difficult to implement during actual enforcement such preferential policies as bonus-sale and linkage, that they are all insignificant policies adopted to do minor repairs on the currently irrational cotton price, and that they cannot solve the problem once and for all. They all demanded that the cotton bonus-sales and linkage policies be abolished and that goods covered by such policies (grain, diesel, and chemical fertilizer) be calculated into the procurement price of cotton after being converted into money based on the difference between state and market prices. This can reduce the unnecessary waste of a large amount of manpower and financial and material resources. More importantly, it can turn hidden subsidy into open subsidy and smooth out to a certain extent cotton prices. This does not contradict the state's policy of rectification and improvement.

D. The reforms of the circulating systems of grain, cotton, and the means of agricultural production should be coordinated. Grain, cotton, and the means of agricultural production are closely related to one another, but the current different circulating systems of the three are restricting to a large extent the development of cotton production. This is manifested in the following: Grain circulation is under the "dual-track system" which is unfavorable to cotton. The circulation of the means of agricultural production is also under the "dual-track system." Besides, the prices of the means of agricultural production are increasing rapidly and by a wide margin. Practice has proved that this has seriously affected the stable development of cotton production. Currently the theoretical circle is studying the issue of the "dual-track system" of the means of agricultural production, and most views are leaning toward the gradual merging of the two tracks." I agree with this view. I also suggest that the reform of grain circulation further develop in this direction to ensure the supply of food grain for cotton farmers. In sum, applying the "single-track" pricing system to cotton circulation demands that the "single-track" pricing system be applied to the circulation of grain used to ensure the supply of food grain for cotton farmers. It also demands that the "single-track" pricing system be applied to the circulation of the means of agricultural production used to meet the needs of cotton production.

Table I

Content/Year	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Average procurement price (yuan/50 kg)	118.65	134.96	150	137.44	137.31	146.78	151.71	144.65	163.18	181.58	204.54	257.13
Tax-included production cost for 50 kg (yuan)	110.14	83.73	114.26	104.78	98.25	87.57	72.53	78.55	79.10	121.77	135.62	140.40
Net profit of 50 kg of major products (yuan)	8.51	51.23	35.74	32.66	39.06	59.21	79.18	66.10	84.08	59.81	68.92	116.73
Cost-to-procurement price (%)	92.83	62.04	76.17	76.24	71.55	59.66	47.81	54.30	48.47	67.06	66.30	54.60
Net profit-to-procurement price (%)	7.17	37.96	23.83	23.76	28.45	40.34	52.19	45.70	51.53	32.94	33.70	45.40

Table II

Content/Year	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Procurement price of standard cotton (yuan/50 kg)	115.00	132.50	145.80	145.80	145.80	145.80	163.30	163.30	163.30	176.42	176.42	236.42
Procurement price of medium Indica rice (yuan/50 kg)	9.50	11.50	11.50	11.50	11.50	11.50	15.59	15.59	15.59	17.09	17.09	23.10
Single-item price parity between cotton and grain	1:12.11	1:11.52	1:12.68	1:12.68	1:12.68	1:12.68	1:10.47	1:10.47	1:10.47	1:10.32	1:10.32	1:10.23
Average cotton procurement price (yuan/50 kg)	118.65	134.96	150.00	137.44	137.31	146.78	151.71	144.65	163.18	181.58	204.54	257.13
Average Indica rice procurement price (yuan/50 kg)	9.50	11.62	11.67	11.61	11.67	11.71	14.94	15.86	20.55	20.75	28.69	29.49
Comprehensive price parity between cotton and grain	1:12.49	1:11.61	1:12.85	1:11.84	1:11.77	1:12.53	1:10.15	1:9.12	1:7.94	1:8.71	1:7.13	1:8.72

Table III

Content/Year	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Procurement price of standard cotton (yuan/50 kg)	115.00	132.50	145.80	145.80	145.80	145.80	163.30	163.30	163.30	176.42	176.42	236.42
Procurement price of medium rapeseeds (yuan/50 kg)	28.00	34.00	34.00	34.00	34.00	34.00	34.00	44.20	44.20	44.20	50.00	53.80
Single-item price parity between cotton and rapeseeds	1:4.11	1:3.90	1:4.29	1:4.29	1:4.29	1:4.29	1:4.80	1:3.69	1:3.69	1:3.99	1:3.53	1:4.39
Average cotton procurement price (yuan/50 kg)	118.65	134.96	150.00	137.44	137.31	146.78	151.71	144.65	163.18	181.58	204.54	257.13
Average rapeseed procurement price (yuan/50 kg)	28.00	33.10	33.11	34.35	34.88	33.78	43.72	42.25	44.25	47.45	54.30	67.15
Comprehensive price parity between cotton and rapeseeds	1:4.23	1:4.08	1:4.53	1:4.00	1:3.94	1:4.35	1:3.47	1:3.42	1:3.69	1:3.83	1:3.77	1:3.83

Table IV

Item/Price parity/Year	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Standard cotton to urea (46% ammonium)	5	5.76	6.34	6.34	6.34	6.34	5.96	5.77	5.73	6.79	6.56	8.79
Standard cotton to carbon ammonium (16.8% ammonium)	12.11	13.95	15.35	15.35	15.35	15.35	17.19	17.19	18.56	17.82	12.69	13.06
Standard cotton to calcium superphosphate (12% phosphate)	14.56	16.77	18.46	18.46	18.46	18.46	17.37	17.37	20.67	18.77	16.34	18.19
Standard cotton to "1605" (50% content)	0.35	0.40	0.44	0.44	0.46	0.46	0.52	0.52	0.52	0.50	0.32	0.26
Standard cotton to DDVP (80% content)	0.41	0.47	0.52	0.52	0.52	0.52	0.63	0.63	0.56	0.53	0.35	0.32
Standard cotton to potassium ammonium phosphate (50% content)	-	-	-	-	0.46	0.46	0.50	0.50	0.50	0.51	0.39	0.38

Hubei Exports Hogs to Hong Kong

91P30076F Wuhan HUBEI RIBAO in Chinese 21 Dec 90 p 1

[Summary] As of 20 December, the 66 hog production bases in Hubei Province had shipped 320,000 hogs to Hong Kong.

Hubei Cotton Base Area, Output

91P30086B Wuhan HUBEI RIBAO in Chinese 26 Dec 90 p 1

[Summary] In 1990 the area of the 10 commodity cotton bases in Hubei Province was 3,028,000 mu, accounting for 44.6 percent of the total cotton area in Hubei; estimated gross output is 245,800 tons, and the average per mu yield was 81 kilograms, 18.4 percent higher than the average per unit area yield in Hubei. During the Seventh Five-Year Plan, the state invested over 36 million yuan in these bases. The 10 bases have 16,000 mu of seed area and 250,000 mu for breeding improved varieties of cotton.

Hubei Builds New Grain Production Base

OW0202105591 Beijing XINHUA in English 0831 GMT 2 Feb 91

[Text] Beijing, February 2 (XINHUA)—The Ebei Gangdi Area in central China's Hubei Province has

become a new production base for grain, cotton and oil-bearing crops.

Today's "PEOPLE'S DAILY" reported that last year the area, which includes 103 towns in Suizhou, Zaoyang, Xiangyang and Laohekou Counties, under the administration of Xiangfan City, produced over 2.91 billion kilograms of grain, 924 million kilograms more than the figure in 1983.

The four counties, which cover an area of 15,000 square kilometers, were at one time poverty stricken.

In 1983, the Hubei provincial government announced a decision to help the area develop its economy and to improve the land and irrigation systems by implementing scientific and technological methods.

During the following seven years the area completed construction of over 80 irrigation projects, and improved large tracts of farmland, thereby greatly benefiting the local people.

Since 1985, the province has planted over 65.34 million trees as part of an effort to establish a 750 kilometer green belt. Forests now cover over 12.3 per cent of the area.

Agricultural scientists and technicians have worked to help the local people improve the land and seed strains, as well as to develop new farming technology in mountainous areas.

Jiangxi Grain, Oil Procurement

91P30085D Nanchang *JIANGXI RIBAO* in Chinese
12 Jan 91 p 1

[Summary] By the end of 1990, Jiangxi Province had procured 3.98 billion kilograms of grain at negotiated prices, an increase of 335 million kilograms over the same period in 1989, 2.01 billion kilograms of contracted grain were put in storage, fulfilling 100.4 percent of the plan, and 28,670,000 kilograms of edible oil were put in storage, fulfilling 114.7 percent of the annual plan. From April to December, Jiangxi sold 880 million kilograms of grain to other provinces, a 7.3 percent increase over the same period in 1989.

1990 Jiangxi Harvest Shows Improvements

91P30085B Nanchang *JIANGXI RIBAO* in Chinese
1 Jan 91 pp 1, 2

[Summary] According to estimates, grain output for 1990 in Jiangxi Province will be 16.5 billion kilograms, an increase of 700 million kilograms over 1989; oil crop output exceeded 500 million kilograms for the first time, and fulfilled the goal of self-sufficiency one year ahead of schedule; silkworm cocoon output was 518,000 dan, nearly a 100 percent increase; and fruit output was 5,150,000 dan. The number of hogs in stock totaled 15 million; 12,629,000 were removed from stock, and meat output was 1,069,000 tons. The number of cattle in stock totaled 3,077,000, a 2.5 percent increase; lambs 144,000, a 6.8 percent increase; and aquatic products output was 320,000 tons. More than 5,000 rural technicians participated in contract activities and 410 technical contract groups were formed.

Commodity Grain Bases in Jiangxi

91P30086A Nanchang *JIANGXI RIBAO* in Chinese
6 Jan 91 p 1

[Summary] In 1990 the 19 commodity grain bases in Jiangxi Province produced 12.489 billion jin of grain, accounting for 37.8 percent of grain output in Jiangxi; and supplied 4.759 billion jin of marketable grain.

Jiangxi Hog Output, Sales

91P30085F Nanchang *JIANGXI RIBAO* in Chinese
9 Jan 91 p 1

[Summary] At the end of November, the number of hogs in stock in Jiangxi Province totaled 14,830,000, a five percent increase over the same period in 1989, the number of sows increased one percent, piglets increased 4.9 percent, and porkers six percent. In 1990 Jiangxi shipped 18,350,000 hogs outside the province. From January to November, the average procurement price of

hogs in Jiangxi was 186.4 yuan per 50 kilograms, a 7.2 percent decrease from the same period in 1989.

Jilin Reports Animal Husbandry Achievements

SK3101085191 Changchun *Jilin Provincial Service*
in Mandarin 1030 GMT 30 Jan 91

[Summary] Jilin Province scored marked achievements in the production of animal husbandry. By the end of 1990, the number of hogs raised by farm households across the province reached 9.256 million. The province has not only realized self-sufficiency in hog supply but also exported more hogs to outside provinces. The province's volume scored in raising cattle, sheep and goats, chickens, and milk cows; and in processing wool, has topped the previous peaks.

Ningxia Urges Use of Scientific Irrigation Methods

OW2301135391 Beijing *XINHUA* in English
1232 GMT 23 Jan 91

[Text] Beijing, January 23 (XINHUA)—The Ningxia Hui Autonomous Region in northwest China has been stressing scientific means to promote the construction of the Beifang (North) irrigation project, which is being funded by the World Bank.

Its methods have been praised by World Bank officials, according to today's overseas edition of the "PEOPLE'S DAILY". The Beifang irrigation project, construction of which began in 1987, is aimed at helping the poverty-stricken areas in the region to develop agriculture. Some farmers will be resettled. The World Bank has provided 37 million U.S. dollars in interest-free loans for the project, the biggest foreign-funded agricultural project in Ningxia.

According to an agreement on the project, Ningxia will expand irrigated areas of 30,000 ha and help 54,000 farmers re-settle between 1989 and 1993.

The Ningxia Regional Government first signed technological contracts with various universities, colleges and scientific institutes on agricultural production structure, water conservation, and desert control.

Popular science books on land management, crop cultivation, fruit tree planting, fertilizer application and water conservancy have been compiled by different institutes for local farmers.

In the past two years, more than 1,500 local people have attended various training classes sponsored by the region.

Qinghai Reclaims Wasteland To Boost Grain Output

*OW0502072691 Beijing XINHUA in English
0512 GMT 5 Feb 91*

[Text] Xining, February 5 (XINHUA)—Northwest China's Qinghai Province has reclaimed a total of 20,000 ha of wasteland over the past three years.

Statistics show that last year the area of the province devoted to grain and oil crops was 10,000 ha more than in 1989. Of this, 6,700 ha was newly developed farmland.

As a result, the province's grain output reached 1.145 billion kg last year, 3.3 percent more than in 1989. The output of oil-bearing crops totalled 120 million kg, representing a 14.3 percent increase over that of the previous year.

To promote agricultural development, the provincial government has decided to collect 20 million yuan annually for the reclamation of farmland.

The province plans to increase the area of its farmland by 33,300 ha by 1992. So far, it has opened up 22,000 ha of wasteland since 1988.

Shandong 1990 Harvest

*91P30086C Beijing JINGJI CANKAO in Chinese
31 Dec 90 p 1*

[Summary] In 1990 gross output of grain in Shandong Province was 34.8 billion kilograms, an increase of 2.3 billion kilograms over 1989; oil crop output was 41 million dan, an increase of 11 million dan; cotton output was 20,500,000 dan, the same level as 1989; and fruit output was 2.8 billion kilograms, an increase of 500 million kilograms.

EC-Funded Fish Fodder Plant Established in Tianjin

*OW2901200991 Beijing XINHUA in English
1409 GMT 29 Jan 91*

[Text] Tianjin, January 29 (XINHUA)—A fish fodder plant funded by the European Community (EC) has been set up after half a year's construction and went into official production here today.

The plant is aimed at testing the computerised production of fish fodder.

The EC provided more than one million EC currency units in aid gratis for the project and supplied the equipment and technology for the plant.

The plant can produce 10,000 tons of fodder annually.

Yunnan Sets Guaranteed Prices for Grain

*91P30086D Kunming YUNNAN RIBAO in Chinese
28 Dec 90 p 2*

[Summary] In Yunnan Province, the lowest guaranteed procurement price for rice is 1.2 yuan per kilogram and 0.7 yuan per kilogram for corn.

Rectification Continues in Literary Field

91CM0099B Hong Kong MING PAO YUE KAN
[MING PAO MONTHLY] in Chinese No 300,
Dec 90 pp 17-19

[Article by Lin Nian (2651 1819): "Mainland Cultural Circles Continue To Emphasize Rectification and Campaigns Against Pornography"]

[Text] As we approach the Seventh Plenary Session of the 13th Central Committee, controversy surrounds the issue of economic reform, cadres at every level and the masses are resisting efforts to turn back the clock, and Deng Xiaoping has issued instructions to carry out reform faster, better, and more effectively. In spite of this, the cultural sphere has remained under tight control.

He Jingzhi leads efforts to "rectify" literary and artistic creations.

Ever since the ZHONGGUO WENHUA BAO incident of last May, in which Politburo Standing Committee member Li Ruihuan came into conflict with acting Minister of Culture He Jingzhi, Li Ruihuan has been in difficult straits, converted into a figurehead because of Wang Zhen's support for He Jingzhi. In intraparty struggles as we approach the Seventh Plenary Session of the 13th Central Committee, He Jingzhi is frequently rallying forth, swinging the heavy stick of rectification.

In the past few months, the All-China Federation of Literature and Art Circles Publishing Company and the China Writers Association Publishing House, both of which made contributions to China's prosperity, had their operations suspended, were made the targets of rectification, and finally were broken up. He Jingzhi further stated in a conference, "We cannot waver in our criticism of bourgeois liberalization and the various mistaken ideologies of the bourgeois class. No matter how great the forces are that oppose us, or how much criticism is directed our way, we must have the courage and force of will to fight against the insanity and hatred of our enemies both within China and abroad."

He Jingzhi talked about next year's tasks in the China Writers Association Conference on Reportage Literature. The first of these tasks is "to continue doing a good job with literary and artistic construction as well as the program of improvement and rectification." The second task, "to make a vigorous effort to strengthen ideological construction," is in reality the same thing as improvement and rectification. In the last two years, Beijing's so-called program of "improvement and rectification" has actually been a program of reversal and suppression. He Jingzhi said, "rectification of the literary and artistic battlefield next year will shift from politics and organization to the ideological sphere, and ideological construction will be a more thoroughgoing, painstaking, and long term job." From this it is apparent that improvement and rectification is basically the same thing as ideological construction.

The third task is to "achieve prosperity," but how are we to achieve prosperity with "rectification" going on? Literary creation, which had been going full steam for several years, has died down in the last year or two. Too many ideological straitjackets have made it difficult for authors to create anything.

He Jingzhi said that the fourth task is to "strengthen unity and increase the size of our forces." With rectification going on, however, internal struggles will break out within the cultural community, and unity will be difficult to preserve. Besides, cultural activities have been reduced. Some publishing organs have been closed down, and the number of literary works has declined. It will be very difficult to "increase the size of our forces."

In order to show that "rectification" is continuing to be carried out, the official organization of the Chinese Writers Association, WENYI BAO recently republished the long article "The Complete Story of the Controversy Surrounding WM (Us)," which had originally been published by an extreme leftist in WENYI LILUN YU PIPING [THEORY AND CRITICISM OF LITERATURE AND ART], attacking once again this "problematic play" from five years ago. The tenor of this play, which described the situation of educated youths who were sent to the countryside, was critical of society. Its author, Wang Peigong [3769 1014 0361], announced his resignation from the Communist Party after Beijing declared martial law last year. He was arrested after the 4 June incident, and a few months ago there was word that he would be put on trial. Thus, the publication of this article in WENYI LILUN YU PIPING and WENYI BAO may, in addition to pointing the spearhead at the "bourgeois liberalization" of Hu Yaobang and Zhao Ziyang, have been intended to prepare public opinion for a further attack on Wang Peigong.

This is not the first time that this sort of "rehashing of old scores" has occurred. The first issue of this year's WENYI LILUN YU PIPING also published an article entitled "The Whole Story of the Zhuozhou Conference," which excoriated Zhao Ziyang for fighting to contain the influence of the extreme leftist Zhuozhou Conference in 1987, even though Zhao Ziyang acted at that time upon the instructions of Deng Xiaoping.

From this it is apparent that, in addition to using organizational tactics to seize power (Minister of Culture Wang Meng and Deputy Minister Ying Ruocheng have already stepped down, and leaders in subordinate agencies have also been through "rectification"), the extreme leftist leadership in cultural circles has not been lax in the area of "ideological rectification" either. I am sure they will take their efforts to greater lengths.

Li Ruihuan Stresses "Antipornography Campaign"

An antipornography campaign has recently gotten started in Beijing.

After the 4 June incident last year, the Chinese Communists launched a vigorous campaign to rectify publications. Apart from purging political liberalization, they also carried out an antipornography campaign for half a year. Public documents related to this campaign included the following: "Announcement Regarding Rectification of Coordinated Publishing and Printing in Publishing Houses Throughout the Nation" (News Publishing Agency, 11 July 1989), "Announcement Regarding Investigation and Rectification of the Book Market" (from same agency), "Announcement Regarding Strengthening Management of the Book Market" (Ministry of Culture and the News Publishing Agency, July 1989), "Answers to Questions Regarding Rectification of the Book, Newspaper, Music, and Videocassette Markets, and the Campaign To Strike a Heavy Blow Against Illegal Activities" (News Publishing Agency, Policy and Rules Department, November 1989), "Temporary Regulations on the Standards for Which Publications Should Be Banned" (News Publishing Agency, November 1989), "Temporary Supplemental Regulations on Financial Restitution in Connection With the Banning of Books" (News Publishing Agency, 9 November 1989), "A Few Regulations Regarding Strengthening Management of Book and Newspaper Printing" (Newspaper Publishing Agency, January 1990).

The Central Committee and State Council also held a teleconference on 24 August last year to prepare for rectification of book, newspaper, music, and videocassette markets throughout the country. Politburo member Li Ruihuan, Deputy Ministers Gao Zhanxiang and Ying Ruocheng, and the head of the news agency, Song Muwen, all made speeches on the subject. Apart from mobilizing people to carry out this rectification work, they placed great emphasis on the "antipornography" movement. On 23 October, RENMIN RIBAO published the editorial: "A Deep and Sustained Antipornography Campaign."

All of the work mentioned above was carried out with great fanfare and appeal, and the antipornography campaign did indeed yield some success, but a lot of normal cultural work was also axed in the process. In the last year or more, no outstanding work of art, or even anything controversial, has appeared. Pornography, on the other hand, is springing back to life with the arrival of spring, so now another "antipornography campaign" has been launched.

The first shot fired in this most recent "antipornography campaign" was the national "antipornography" work conference. On 24 October, Li Ruihuan and Ding Guan'gen engaged in discussions with participants at the conference. Ding Guan'gen is an alternate Politburo member and a member of the Secretariat. He has also served in the past as director of the Taiwanese Affairs Office of the State Council. He is reportedly taking part in the antipornography campaign because he is a member of the central ideological leadership team. Li Ruihuan made a long speech. RENMIN RIBAO stressed

the "principles" of this movement in an editorial published on 27 October. Apart from labeling pornography a product of bourgeois liberalization, this editorial, entitled "Make Unremitting Efforts To Fight Pornography," stated even further, "this struggle will have an impact upon the success or failure of Chinese socialism, as well as the prosperity of the Chinese people. Hostile forces inside China and abroad have never ceased in their efforts to subvert the socialist system and to overthrow the leadership of the Communist Party of China. Having discovered that they cannot achieve their aims by using the gun, they have turned to 'peaceful evolution,' and are carrying out 'ideological infiltration' and 'cultural infiltration' in a crazed effort to achieve 'victory without war.' One of their tactics is to spread degenerate books, music, and videocassettes filled with smut and pornography." As if pornography were being consciously exported to China by leaders of Western nations in order to achieve peaceful evolution! The editorial went on to say that "some of the inveterate advocates of bourgeois liberalization are the ones fabricating and spreading this pornographic poison." As if Fang Lizhi, Liu Binyan, Wang Ruowang, and Yan Jiaqi were all fabricating and spreading pornographic poison!

Some people have politicized "pornographic poison." No doubt their purpose is to use the antipornography campaign to achieve their own political activities. As the antipornography campaign unfolds this winter and next spring, these leftists may use the campaign to further suppress cultural work and strangle the growth of literature and art.

Under these circumstances, a leading actor in the Beijing opera youth troupe from Tianjin, Lei Ying [7191 5391], took advantage of a performance in Hong Kong to escape, and the famous painter, Fan Zeng [5400 2582], did the same thing during an exhibition of his work in Hong Kong and abroad. This is the response in cultural circles to rectification. What people in cultural circles seek is freedom of the soul and liberty of spirit. If the cultural policies of the Cultural Revolution were to be carried out once more throughout the entire nation, how could it fail to stir up opposition and passive resistance? Although Politburo member Li Ruihuan has explained repeatedly in speeches that the boundaries of policies must be respected, how can the extreme leftists be expected to pay attention to Li Ruihuan? Because pornography is connected to human nature, no long-lasting success will be achieved through a purely political campaign against it. The most important thing is how to control without distorting. Developing diversified cultural and artistic activities is a good way to counteract pornography. When we have used the methods of the Cultural Revolution to "campaign against pornography," it has never had an impact upon true "pornographic poison"; on the contrary, works representing new thoughts and new styles have been swept away. This is the tragedy of Chinese culture today.

The thing that strikes people as strange is that there appears to be a division of labor in rectification in the

cultural sphere. He Jingzhi is in charge of political and ideological rectification, while Li Ruihuan is in charge of the antipornography campaign. The two do not often appear together. This probably does not reflect so much a division of labor as a division of opinion between these two people.

Student Behavior Said To Reflect 'Moral Void'

91CM0099A Beijing DAXUESHENG [UNIVERSITY STUDENTS] in Chinese No 11, 10 Nov 90 pp 42-43

[Article by He Bi (0149 1801): "On 'Budging'"]

[Text] "Budging" [jia sai] is a northern expression. A southerner will not necessarily understand it. However, the phenomenon of "budging" affects everyone, young or old, north or south (from this detail it is apparent that "the great unity" is indeed an unshakable tradition of the Chinese people). Southerners use the term "cut in line" [cha dui], which seems to make more semantic logic than "budging." Someone else has formed a line and you cut into it—when you cut in, you naturally cut in the front of the line, not in back, so there is no need to say "cut in front." The fact that you jump in front of others is understood, and can thus be omitted. This illustrates how economical the Chinese language is. The origin of "budge" is not so clear. I stayed up three nights and looked it up in the *Er Ya* [China's first monograph on semantics], the *Shuowen Jiezi* [an important dictionary compiled during the Eastern Han dynasty], and the Kangxi Dictionary [a very comprehensive work compiled during the the Qing dynasty] without finding anything, which proves that this term did not exist in classical Chinese. It is a product of modern society. Furthermore, although the *Dictionary of Modern Chinese* has this term, it only gives the following definition: "Fail to observe order, and cut into a line which has already formed." (Look! "Cut in line" appears!) As for the origin of this term, the dictionary says nothing, and it does not say in which decade of the 20th century this term first appeared—perhaps an admission that this question was too difficult for the dictionary's compilers, I suppose. Left with no other recourse, I was forced to use the method of free association so dear to Freud and critics of ancient Chinese texts, and deduced that "budge" [jia sai] should be understood to mean "to drive in a wedge" [jia xie]. A wedge can easily force itself into an orderly line which has already been formed, thereby completing its flight "from disorder to order." The ancient pronunciation of "xie" and "sai" was the same. Even if it is a little absurd to use ancient Chinese pronunciation to interpret a modern Chinese term, that does not worry me.

"Budging" occurs everywhere in modern China. It comes in two different forms—tangible and intangible. A tangible example would be the situation at a store where a long line of people is waiting in an orderly manner to buy food on a first come, first served basis, yet a late arriver gets his food first. An intangible example would be the situation in which various work units announce

that housing, pay raises, and promotion will be distributed on the basis of moral quality, education, talent, knowledge, and seniority (age, years of employment, and years in the factory), yet latecomers get their share first. In terms of method, there is soft budging, hard budging, and "Meng-style" budging. An example of soft budging would include the situation in which a group of people is standing in line, Joe Blow arrives, scans the line from "head" to "neck," (certainly not to the "waist" or "tail"), discovers his friend John Doe in an advantageous position, and wedges himself brazenly into line between Joe Blow and the person in front of Joe Blow. Later, a friend of John Doe's named John Hancock arrives, and a friend of John Hancock's arrives, and so on. The final result is that Joe Blow, who was originally at the head of the line, moves back to the "waist." For hard budging, you do not need a friend. As soon as you arrive on the scene, you just force your way into line. As long as you have big muscles (if you were unlucky enough to have been born short, you can make do with a loud voice and an ugly face). The people behind you are sure to remain "as quiet as a cicada in winter." There is another form—Meng-style budging (e.g.—from the story of Old Man Meng, who wanted to eat meat and got it without even going near the kitchen). Joe Blow saunters in, spots his friend John Doe near the head of the line, and asks him without the slightest embarrassment to help him buy something. Having put in the request, Joe Blow withdraws with a smug air, as if to draw a clear distinction between himself and all the lowlifes who "budge." This feminine tactic might also be called "seeping in" [jin jia]. It was passed down to the proper girls of today by that songstress of the Tang dynasty who "coquettishly covered half her face with the lyre."

It has been observed that the frequency of the occurrence of "budging" rises in direct proportion to the degree of social advancement. If you look around at a market in a poor village, you will discover that the instances of "budging" are as rare as panda bears, but as you get into medium-sized and large cities, "budging" increases. University students consider themselves to be (and are universally affirmed as) the most advanced part of society, so it follows that "budging" is at its most prevalent on university campuses. Except when students line up to do calisthenics to the sound of a taskmaster's instructions over the public address system, "budging" occurs wherever lines form. Old revolutionaries often boast to their grandchildren, "Back in the war, we fought like wildcats..." Today, university students can boast to their grandparents, "Back in the cafeteria, we fought like wildcats..." If you "budge," you "budge." Why does it have to be such a fight? Because there are relatively few who budge "Meng style" and many who do the hard budge. Even if everyone were delicate little girls, they would all still be heroes willing to throw themselves into the combat. The fact that the term "budging" does not appear in ancient Chinese, that the action is not described in classical novels, and that this scene is not depicted in any classical paintings shows that the "descendants of the dragon" in ancient times never

"budged." In remote villages, ancient patterns of behavior still exist, so "budging" occurs less frequently there. No wonder old professors who complain "that no one is born as heavy as in the old days," [that is, the younger generation is of lower quality than the older generation] and of the ideology of national essence often shake their heads and lament, "Each generation is worse than the one before it. If this keeps up, this country won't be this country much longer," as if "budging," like blue jeans and disco, had been blown in by a "west wind."

However, I have noticed that several Western students (from England, the United States, Germany, and France) have all criticized the Chinese practice of "budging," calling it extremely uncivilized and impolite. They have even called it China's "national essence." In their own countries, this phenomenon is as rare as a panda bear. I asked several Chinese who had studied in England, the United States, Germany, and France about this, and they all said that no one "budges" in those countries. Apparently the foreigners were not just lying out of patriotism.

This is very strange. Foreigners have always held in contempt whatever the defenders of the national essence have held dear, and foreigners have always praised whatever the defenders of the national essence have vituperated. How is it that "budging" is the exception? One is hard pressed to answer this question. I labored at it "seven days times seven" and finally arrived at the following conclusion: "Budging" is neither an earth-bound quadruped nor a bird in flight, but a bat. Ground creatures bite it and birds peck at it. The old professors who make it their business to defend the national essence denounce "budging" because it is a violation of the traditional virtues of the Chinese people: politeness, unselfishness, a love of order, self-control, sacrifice for the greater good, kindness, honesty, respect, frugality, and politeness. Foreigners denounce "budging" because it violates traditional Western values such as human rights, respect for individuals, individualism, and the equality of all men before God. In other words, from the perspective of the old defenders of the national essence, if you "budge" you are upsetting the tight order of the collective society; if I do not "budge" I am preserving the interest of the collective, and only if everyone refrains from "budging" will society function according to the rules. From a foreigner's perspective, when you "budge" you infringe upon my rights; if I do not "budge" I am respecting your rights, and only if everyone refrains from "budging" will everyone's rights be preserved. Everyone criticizes the same thing and uses the same language in doing so (calling it immoral), but they come from entirely different perspectives. It is certainly not a case of "opposing anything the enemy upholds."

The old defenders of the national essence have cursed shoulder-length hair and disco for years, but to no avail; on the contrary, they have seen the tide rise higher and higher, to the point where their bete noirs have become the norm, so they have had to look elsewhere and blame it on the permissiveness and encouragement of those who advocate "wholesale Westernization." "Budging" is

not a Western thing, though, so why should it be exacerbated by the prevalence of Western influence? Only after I labored at this question another "seven days times seven" did I come to understand that morals are not like something physical; you cannot just get a new one when the old one is gone. After you have gotten rid of a wooden bench or the old traditional Chinese-style seat, you can immediately sit on a sofa. As soon as you take off your traditional Chinese gowns and cloth shoes, you can immediately put on a Western suit and shoes. As soon as you put the vegetable-oil lamp in the museum, you can light up a kerosene lamp or turn on an electric light. As soon as you split the dragon-bone water lift into firewood, you can turn on a water pump. Morals are different, though. After the old ones have been shattered in a breath by iconoclastic warriors, new ones cannot be established within one, two, or three generations. It is just like the story of "Learning Han Dan's Gait" in *Zhuangzi*: A group of young people heard that Han Dan walked with an extremely beautiful gait, so they went off together to "study abroad at their own expense." However, after three years of study not only had they failed to learn Han Dan's gait, but they had forgotten their own. Completely unable to take a step, they had to crawl back home. Today's "budging" is a lot like the "crawl back home" of old. We have failed to learn the individualism trumpeted by Westerners, and we have also lost our traditional collectivism, in which we seek to preserve stratification and order, and the "budging" so despised by individualism and collectivism have become rampant. The university students got a thrill from breaking with tradition, but after the break, they were left with a void, and the only choice was to fight like cats and dogs in the cafeterias.

Once you understand this underlying truth, you can make logical deductions. You need no longer feel confused by other phenomena associated with the fact that "when the people turn away from their past, morals decay." For example, the ever-declining status of teachers (especially middle school and elementary teachers, and kindergarten teachers even more so) has occurred because the Confucian concept of "the dignity of teaching" has been rejected, and also because the Western idea that "teachers are the most essential engineers" has yet to take root. Corruption and bribery are growing more and more commonplace because the old article of faith that "officials should act virtuously and serve as the shepherds of the people on behalf of the emperor" has been rejected, and also because we have not learned Western ways, in which public officials know that "the boss always has his eye on officials." It has gotten to the point where cuss words which were formerly used only by low-class roughnecks can now be heard coming from the mouths of university coeds. This is because intellectuals and semi-intellectuals have rejected the gentlemanly behavior of old, and have yet to pick up the Western ethic of respecting oneself as well as one's neighbor. If you do not believe this, try to translate the term "cuss word" [guo ma] into English, French,

Russian, or German. I guarantee you cannot do a word-for-word translation. Can you say that this is the result of "wholesale Westernization"?"

University students are now in a "moral void." They will naturally exhibit many forms of immoral conduct, including "budging" and other things more serious. "Immorality" should be criticized, of course, whether you come from the perspective of a defender of the national essence or a foreigner. However, if you really became "moral" after hearing their words and insisted on waiting in line without "budging," you would have to wait in line every day from 1130 to 1320 in order to eat lunch. Furthermore, a more serious consequence of your behavior would be that as soon as you develop this commendable "noble bearing" (national essence) or "gentlemanly bearing" (Western style), in the future, after you have been assigned to a work unit, you will inevitably have to watch as others get housing, promotions, and raises, while you respectfully stand forever at the end of the line. The average man on the street often says (but officials never do) that "the honest man never gets his share." This is truly a lesson which life has taught with tears and even blood. It is not that I am trying to persuade you to act immorally.

What to do? To "budge" or not to "budge?"

New Features of Juvenile Delinquency in Shanghai

91CM0127A Shanghai SHEHUI [SOCIETY]
in Chinese No 69, 20 Nov 90 pp 32-34

[Article by Chuan Wei (1557 5898)]

[Excerpt] [passage omitted] A short time ago, we made a study of juvenile delinquency in the Chuansha district of Shanghai. We discovered that juvenile delinquency exhibits some new characteristics:

1. A sharp increase in the number of criminals. From January to July 1990, public security organs tracked down 144 juvenile delinquents, 64 more people or 1.25 times higher than the same period in 1989. Of this number, two were sentenced and four sent to school at a juvenile detention facility. Public security detained four others, fined one person, and sent 25 to reform school. Another 108 were not dealt with because they were under age or for other reasons.

2. The activities of bands of juvenile delinquents vary. They have a political tint. For example, of the middle school student bands tracked down, those with political flavors or secret society natures are the so-called "party factions" or "secret societies." Small groups include the "China Nazi Party," the "Striped Party," the "Flying Tigers," and the "17 Brothers."

3. Vice crimes are prominent. Theft held first place among juvenile delinquent cases in the past two years. Since the start of 1990, however, the number of people engaged in vice crimes has jumped. From January to

July, 26 people who engaged in raping the young, hooliganism, and promiscuity were tracked down, which was a 420-percent increase over the same period in 1989, in which five people were tracked down. At a certain middle school, 19 female students were involved in promiscuous activities between the sexes.

4. The age of juvenile delinquents is dropping. Looking at the age structure, most juvenile delinquents are first- and second-year junior high school students. They account for 71.5 percent. Among the 144 juveniles caught, 24 people or 17 percent were 13 years old; 43 people or 30 percent were 14 years old; and 48 people or 33 percent were 15 years old. One fourth year student at a central primary school in the district stole 1,090 yuan in cash on one occasion; he was only 11 years old.

5. The juvenile delinquents imitate adults in their criminal behavior. They are becoming ever more modernized and wiser. When committing crimes, many juvenile delinquents have targets. Their acts are premeditated. They use a division of labor, carry tools, and leave no tracks at the scene of the crime. When district public security organs were tracking down two juvenile thieves who were only 14 years of age, they discovered that, in order to commit crimes, the two spent more than 60 yuan in town expressly on a toy walkie-talkie set. Communicating by walkie-talkie, one entered rooms to steal while the other kept watch in an obscure spot. They snuck into people's homes twice in broad daylight, stealing more than 600 yuan in cash.

Juvenile delinquency is a social phenomenon. Many factors account for it. Youths are at an important stage of physiological and mental development. Those students who remain in school studying have never really entered society. They lack experience in society and their world views have not yet taken final shape. In the process of maturation, youths face many psychological contradictions unique to their age. For example, they are daring in thought and action although they often do not understand, at least not fully, the significance of their thoughts and acts. They cannot comprehend, or not fully, whether their thoughts and acts are in line with moral and legal standards. Although they have a certain ability to analyze and reason things out, plus their own views and opinions, they are still limited by their reasoning power. Their abstract reasoning and summarizing powers are rather weak. They imagine a lot and it is easy for them to be confused by how things appear on the surface. They look at issues in a superficial and prejudiced way. They are full of energy and are naturally disposed to take action. Yet they lack the power of restraint so it is easy for them to rush in without considering the consequences of their acts. They like to seek new amusements. They love amusement but they lack the power to reason, so simple imitation comes easily. Because of these contradictory physiological and psychological forces, when stimulated by the influence of a poor external environment, it is easy for them to be drawn and seduced by others, to leave the mainstream, to take unhealthy paths, and even some formerly extremely fine youths take to

juvenile delinquency. Thus it can be said that, in addition to the factor of their own ideological nature, there is a close relationship between juvenile delinquency and the influence of the environment and social, educational, and family teachings.

1. The influence of excess consumption. Since China implemented the policy of reform and opening to the outside world, the consumption levels of some people rose very quickly. Their children's consumption levels also vary, leading to envy among those in their same age group. Some resort to delinquency because their ardent consumption wishes go unfulfilled. They want money and steal things by any means. Taking the last three years as an example, from January to July 1989, 45 juvenile thieves were tracked down, up 21.6 percent over the 37 caught in the same period of 1988. The same period in 1990 saw 53 juveniles, up 17.8 percent over 1989.

2. The influence of decadent bourgeois ideology and cultural erosion. Because the movement to eliminate the "six vices" lashed out at the spreading pornography market, plus various publicity given to videos and books about murders, muggings, and thefts, and to decadent bourgeois-class ideology and lifestyles, obscene objects still pass around, seriously affecting young people. Added to this is the fact that they lack proper guidance, which causes immature youths' ideology, whether it be physiological or psychological, to be severely corrupted. Some partake of violent crimes under foreign terrorist organizations. Others fall into the abyss of vice.

3. Educational factors. Many factors account for youths' taking up juvenile delinquency. At present the pedagogical thinking in some schools is incorrect. The problem of unilaterally seeking to pass students on to higher grades cannot be easily resolved. A few schools neglect political ideological teaching and training in moral values. Poor students who frequently cut class, skip school, or lack morals take up with shady characters in society, taking part in suspicious activities. In dealing with these students, some schools do not fully do their jobs in regard to pedagogical work and home visits. Some teachers are lax in banning student theft, gambling, cohabitation, and reading obscene literature. Individual teachers engage in crimes themselves. They do not act like teachers.

4. The influence of family teaching and family environment. In primary and junior high school, students require the concern and correct guidance of their families as they face physiological and psychological changes and grow in age and knowledge. However, most heads of families overly dote on their young children. They are so docile and obedient toward them that the children have no scruples. When children do evil deeds, the adults are very angry and worried, "setting high demands on them in the hope they will improve." They lack proper guidance. Beating and scolding are used as discipline in a small number of families, bringing about an opposite result: the children are contrary and have greater feelings of antagonism. In some cases the children run away from

home and live on the street. It is easy for them to get involved in crimes. Parents in some families connive to shield the crimes of their offspring, causing the children to commit ever-greater crimes. In some homes, the parents not only play mahjong and gamble themselves, but they even take their children to gambling houses. Some families are broken, incomplete. They do not care for their children. As a result, the children have weak and remote feelings for parents and family. In order to have some spiritual contact, certain children will hook up with dubious figures in society and be dragged into the mire with them. Some heads of households are incautious in their behavior. They engage in bad behavior. The children are influenced imperceptibly by what they see and hear, which is yet another factor behind juvenile delinquency. In recent years, some parents have come to believe that study is futile. They never ask how their children are doing in school. They never contact the schools when they discover classes cut or truancy. They just let things slide. Once such students take to bad habits, it is easy for them to become juvenile delinquents. [passage omitted]

'Controversial' Films Produced Since 4 June Incident

91CM0160A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 12, 15 Dec 90 pp 66-68

[Article by Meng You (1322 6662): "The Mainland Cinema World Since the 4 June Incident"]

[Text] *Editor's preface: Recently, the Hong Kong movie-goer has been treated to a flock of top-notch artistic films, some of which are Hong Kong productions and others of which are joint Hong Kong-Taiwan productions or mainland productions. The films are all original and have received enthusiastic reviews, a difficult feat to achieve in a market flooded by commercial films.*

Some of the films have been controversial, and in this category fall three movies that we are discussing in this special issue: Judou, Foreign Land, and The Roiling Mortal World. It is worth noting that all three of these films have historical themes and that they excite controversy because of their political inclinations and certain messages conveyed. Granted, no single article or person can definitively rate the quality or standard of a work. However, it is still important to express a certain opinion and argue it persuasively. In doing so one may perhaps weaken the vulgar endorsements and followings and suggest things that lead to more enlightened comments from others.

At the same time, this issue will touch on the misfortunes suffered by certain persons in the mainland movie industry following the 4 June incident and we will report on the reactions of Communist Party leaders to the movie Judou. Also, we cannot overlook the fact that methods of expression used by independently minded mainland artists are often not familiar or understandable to foreign

viewers or movie critics and go unnoticed unless they lead to larger disturbances. [end editor's preface]

How have things been in the mainland cinema world since the 4 June incident? Ten years of reform have seen several moves toward liberalization and then back toward antiliberalization, and each time movies played a role. It is only natural that this would remain true for the period following the 4 June incident.

Officials Want To Continue To Improve and Rectify the Arts

Recently, He Jingzhi, who is both deputy director of the party Central Propaganda Department and the acting minister of culture, announced the four main missions of the arts in the coming year. The first mission is "to continue to apply improvement and rectification to artistic construction." At the same time, model plays from the Cultural Revolution and Yanan-style plays from the 1940's are being performed again. Among these are included the opera *The White-Haired Girl*, coproduced by He Jingzhi, and *The Marriage of Xiao Erhei*, and so on. And from the Beijing model operas we see *The Red Lantern* and *The Sha Family Creek*. However, Qian Haoliang [6929 3185 0081], a gang of four collaborator, is not being allowed to again play the part of Li Yuhe in *The Red Lantern*.

Certain members of the Beijing arts community have said in private that they are not opposed to performing plays from the past—after all, Beijing opera can be adapted. However, they cannot go along with the fact that now "it is a complete return to the past." As for the cinema, at last month's Golden Rooster Awards a precedent of sorts was broken when the award for best picture was given to *A Ceremony To Proclaim the Nation's Founding*, a movie that praises Mao Zedong.

In mid-December another movie awards ceremony will be held—the *One Hundred Flowers Awards*. Cinema folk are looking forward to this. On the mainland there are three different movie awards, but only for this one are the people allowed to vote, using computer tabulations, and officials have no way to control the outcome. With the Golden Rooster Awards and the best movie award given by the Ministry of Radio, Cinema, and Television (it used to be awarded by the Ministry of Culture), the experts do the evaluations and officials can control the outcomes in both cases.

Shi Fangyu, Director of the Cinematographers Association, Is Removed From His Post

Today on the mainland, heads of cinematographers associations and movie studios who were involved in the 4 June incident, and many who were not involved, are, like heads of other arts departments, out of a job. Xia Yan [1115 5888], the 90-year-old chairman and founding member of the cinematographers association, is himself in no trouble. But his number-two man, vice chairman Su Yun [5685 7189], was transferred because he did nothing to oppose bourgeoisie liberalization. Shi

Fangyu [4258 2455 4416], a standing director of the cinematographers association and formerly the minister of the Ministry of Radio, Cinema, and Television, was involved in the 4 June incident and openly expressed his support for the student movement. He was officially fired and was the only person with a leadership position in the movie industry to be punished.

Of the stars who were involved in the 4 June student movement, the most famous are Yu Yan [0060 3152] and Chen Peisi [7115 0160 2448]. Yu Yang was a patriotic star actor before the Cultural Revolution, and he played the leading role in *The Song of Spring*, a movie that portrayed the "29 January" student movement. During last year's student movement he hit the streets with the other demonstrators and someone jokingly said to him, "I see you're playing in *The Song of Spring* again!" He is the head of the theatrical group at the Beijing Movie Production Studio, and drew no criticism, because he was considered to be just one of the masses and not an instigator.

Chen Peisi and Jiang Kun Report Weekly to the Public Security Bureau

Chen Peisi is the son of the famous comedian Chen Qiang [7115 1730], and, after the Cultural Revolution he, too, became a famous comedian, with a style and skill similar to that of his father. As a young star he enjoyed a "meteoric rise." Following the 4 June incident, he became one of three problem members of the arts community who were ordered to report weekly to the Public Security Bureau. Later, his father pleaded his case for him with high-level authorities, pointing out that "my son is young and ignorant, and I failed to discipline him properly," and Chen Peisi was finally let off the hook. He continues to perform.

Jiang Kun [5637 2492], who can be considered a star of the folk entertainment industry, was another active participant in the 4 June incident, and he is the second of the problem stars who were ordered to report to the Public Security Bureau (the third person has not been discovered). Not only did Jiang Kun join in street demonstrations, but he also showed up in Tiananmen Square to "treat the troops" to performances. In the 1989 Spring Festival cavalcade of stars he sang a parody of the song *National Affairs*, using the words "looking forward to cash," and he predicted that "there will be problems in Tiananmen Square," which got him into trouble. However, not long after the 4 June incident, Jiang Kun was out of hot water. During the 1990 Spring Festival cavalcade of stars someone was opposed to his taking the stage, but high-level leaders gave him the green light. It is said that, after his performance, Jiang Zemin said to him jokingly, "Jiang Kun, it is just as you predicted, there was trouble in Tiananmen Square."

The Editor of DAZHONG DIANYING Is Still on the Hook

Originally, Beijing Municipality had a rule for dealing with members of the arts community who were involved

in the 4 June incident: Stars were not to be arrested, but they were prohibited from leaving Beijing. It was fairly easy to get off the hook, and Jiang Kun later went to Hong Kong to perform.

DAZHONG DIANYING [PEOPLE'S CINEMA] is the best-selling movie magazine on the mainland, with a circulation that once approached 10 million. It was so popular that subscriptions by units were "allocated." After the 4 June incident, the magazine was subjected to improvement and rectification. The editor, Cui Boquan [1508 0590 3123], was forced to write a self-examination, not because he supported the student movement, but because he "has long promoted bourgeoisie liberalization ideology," he made the mistake of going in the wrong political direction, and he has an enormous influence on the youth. Cui has now retired, but he remains the nominal editor of the magazine, while his self-examination continues at present. The magazine circulation has fallen drastically to less than 3 million copies.

The Movie *Judou* Is Too Sensitive To Be Submitted to the Censors on the Mainland

Judou, a film that was enthusiastically received in Hong Kong recently, is viewed by certain industry experts on the mainland as a "time bomb." To date the bomb has not exploded, although it remains ticking.

Originally, director Zhang Yimou [1728 5669 6180] wrote down his project intentions as the "material selection plans" for the Xian Movie Studio and submitted them to the higher authorities for inspection. Also, he sent along the original novel *Fuxi, Fuxi* from which the movie was to be adapted. However, he was refused permission to proceed with the project. They did not "approve of the adaptation for filming." Zhang Yimou knew it was hopeless and so he sought out foreign capital to support the project. He found the Japanese "Dongying" Cinema Company that he had once worked with ready to be the principal investor. With support from the Hong Kong Nanfang Company, and approval of the China Cooperative Film Company and the China Film Import-Export Company, the four parties proceeded to make the film. The Xian Movie Studio did the producing for the film, Zhang Yimou planned and took care of the script, the directing, and the actors, and no outsiders were allowed to meddle.

Few people saw the film after it was finished. High-level authorities in Beijing made an "investigatory screening" of the film, and it is reported that they had no comments on it. Silence does not usually bode well for a film's future. Anyhow, the film was a joint venture, and the Xian Movie Studio decided to temporarily shelve plans to send it to the mainland censors (Xian films are usually sent to the censors in the Propaganda Department of the Shanxi Province CPC Committee) because problems would only get worse when the censors got hold of the film. No doubt Zhang Yimou understands the phrase "blossom as an artist abroad, but toe the line at home."

The Strong Political Messages Hidden in the Film

So, what, in fact, is the "problem" with *Judou*? Many Hong Kong movie critics evaluated the film solely from an artistic point of view, completely overlooking the political messages delivered in the film. Here, we might as well take note of the comments of one worker in the mainland film industry:

"The hidden meaning of this film is sharp and clear—we catch it the moment we see it. Can't you see that the meeting of the clan elders following the death of Proprietor Yang is a reference to the enlarged session of the Yang family clan political bureau? Proprietor Yang and Tianqing both drown in the red dyeing vat, and the rules of the older generation emerge victorious, but when *Judou* burns down the dyeing house she gains eternal life in the flames—does this not mean that there is another '4 June incident' to come? The old system of China can be extinguished only in a tragedy of blood or fire. Talk about strong images! If this movie were shown on the mainland, it would undoubtedly strike some intense chords!"

Wu Tianming Has a Country, But He Cannot Return to It

Zhang Yimou did not take part in the 4 June incident, but the movie *Judou* shows that he is an ideologically minded artist who is not concerned merely with becoming famous overseas as a "bigshot director." Some say that, because Zhang Yimou came up through the Xian Movie Studio with the western China hinterland as his cultural backdrop, there is no way he would work for merely fame and profit.

Zhang's superior, Wu Tianming [0702 1131 2494], head of the Xian Movie Studio, may have been a step ahead of him. Wu has now become the Liu Binyan-style figure of the mainland cinema world. He left the country before the 4 June incident, and now, after 4 June, he has a country, but he cannot return to it.

In his years of pioneering work at the Xian Movie Studio, Wu Tianming drew the warm appreciation of Hu Yaobang and Zhao Ziyang; therefore, the Shanxi Province party committee rarely interfered with his films. Prior to the 4 June incident, he went to the United States to lecture and participate in a filmmaker's exchange, and after 4 June, Taiwan invited him to attend the Golden Horse Film Awards, but, because they demanded he sever himself from the Communist Party (he is a party member), he did not make the trip. Wu, like Chen Kaige [7115 0418 2960], feels that Chinese film artists can achieve something worthwhile only if they first return to their own land.

An insider has revealed that Wu Tianming had originally planned to attend the Golden Elephant Awards in Hong Kong during April of this year and then to return to Xian, but in March the Communist Party authorities stripped him of his post as head of the Xian Movie

Studio. This left him perplexed, and as a result, he did not even come to Hong Kong.

Wu Tianming Has Supported Zhang Yimou All Along

Wu Tianming is now shooting a new film in the United States with friends, but it is said that he still loves and misses his country. Given assurances of his safety, he still plans to return to his beloved homeland. His mistake, at most, was "in failing to return on time."

Wu had nothing to do with the shooting of *Judou*. However, Wu Tianming and Zhang Yimou are good friends, and they had planned to set up a movie studio in Shenzhen together, but it did not work out. One has to figure that Wu provided Zhang with support in planning *Judou*. The film has made money outside of China, and the Xian Movie Studio is certain to benefit.

National 9-Year Compulsory Education Plan Set

*HK3101060491 Beijing CHINA DAILY in English
31 Jan 91 p 1*

[Text] China has targeted expansion of national compulsory education to millions more young people as its key educational project for this decade in a bid to improve the quality of its workforce.

The key targets of the scheme are designed to achieve universal nine-year compulsory education (including secondary professional training) in urban and developed rural areas by the year 2000, and to spread primary education in underdeveloped areas to stem illiteracy, according to a government blueprint drafted by the State Education Commission.

By July last year, China's mainland population stood at 1.13 billion. Urban population (in 450 cities and 2,800 counties) totalled 296 million, over 26 per cent of the country's population.

It is estimated that the number of people who have received primary education will rise from the current 72 per cent of the whole population to 93 per cent by the year 1995 and to 97.4 per cent by the year 2000.

And by the end of the country, schools from primary to higher education will enroll a total of 220 million students.

Among the various educational sectors, junior and senior vocational and technical schools will witness the most rapid development with student enrollment increasing at an average annual growth rate of 9 to 10 per cent.

The enrollment for higher education will develop moderately in the first five years and then will grow at a rate of 5 per cent. The country is also scheduled to launch a satellite some time in the next five years for transmitting educational programmes.

Strategies for achieving these objectives are to increase educational investment, attach adequate importance to

cost-effect educational provisions, to ensure a co-ordinated development, to encourage community participation and to implement regional planning, according to the development scheme.

The target for the national anti-illiteracy programme is to eliminate illiteracy and semi-illiteracy among people aged between 15 and 40 by the end of this century.

The development targets of national basic education have been primarily clarified as the establishment, by the end of this century, of a fundamental framework for a socialist educational system suited to the demands of the socialist construction, with Chinese characteristics, and oriented to the development of the 21st century, the scheme stated. To meet the target, at least more than half of China's 72 million young illiterates should become literate by the end of this century.

After the basic elimination of illiteracy among youths and grownups, the broad masses of employed people will be provided with training in accordance with the qualification requirements, technical grades and practical techniques of their work posts.

And most of the new rural labourers will be trained to master at least one or two practical techniques.

Minority Areas Foster Dual-Language Education

*OW3101190391 Beijing XINHUA in English
1321 GMT 31 Jan 91*

[Text] Beijing, January 31 (XINHUA)—More than 30 minority nationalities in China are carrying out a double-language teaching system in primary schools, high schools and colleges in ethnic-minority areas.

China is a nation with 56 nationalities. Among them, 53 minority nationalities have their own languages, while the Han, Manchu and Hui nationalities use standard Chinese.

This teaching system reflects the state's policy of equality for all nationalities and their languages.

Some minority nationalities with their own written languages, such as Mongolian, Tibetan, Kazak and Korean, have done a very good job of double-language teaching. In these minority areas, students in primary, middle schools and colleges are mainly taught in their own languages while learning standard Chinese as well.

So far, 53 counties in the Guangxi Zhang Autonomous Region have set up Zhuang-language promotion offices and trained over 16,000 persons with a command of the language. The Zhuang language is used in more than 1,000 classes in 515 primary schools.

In recent years China's 11 colleges for minority students and many local universities in minority regions have trained a great many teachers for minority regions. China now has over 600,000 teachers in ethnic minority

primary and middle schools. Many of them know both minority languages and standard Chinese.

Business Disputes Drop, Criminal Cases Rise

*HK0202023691 Beijing CHINA DAILY in English
2 Feb 91 p 1*

[By staff reporter Chang Hong]

[Text] Business disputes are starting to drop for the first time in China as the economic order continues to improve, but criminal cases continue to increase, officials said yesterday.

According to a report released by the Supreme People's Court, the number of business disputes handled by courts last year went down by 11 percent compared with the year before while criminal cases rose by 17 percent.

The report says that last year courts across the country agreed to hear nearly 2.92 million cases, almost the same as the 1989 figure.

It says about 457,000 criminal cases were concluded and a total of 581,141 people involved were found guilty and given various forms of sentences.

However, it says, courts received fewer lawsuits involving business disputes. The number of such lawsuits settled dropped from 673,500 in 1989 to 602,000 in 1990.

Officials with the Supreme People's Court attributed the 11 percent drop to government efforts in the past two years to improve the economic order and last year's nationwide drive to clear up debt defrauds.

Business disputes had been on the rise since China started to introduce market mechanisms into its economic in 1979.

Officials said that as a result of the improved order in the distribution of goods, disputes over purchase and sale contracts dropped significantly.

The officials explained that the drop in disputes over loan contracts was mainly due to the government's tight credit and loan policy and the efforts by courts in the last two years to solve outstanding disputes.

However, the report says, courts last year received more lawsuits involving economic claims and compensation, property leasing and cases involving foreign parties.

The report says that courts concluded nearly 1.85 million civil cases last year, an increase of 2.3 percent over 1989.

In addition, the report says, maritime courts heard 737 maritime cases and administrative tribunals heard 12,000 administrative lawsuits.

Meanwhile, Ren Jianxin, president of the Supreme People's Court, has pledged a further crackdown on criminal activities.

"People's Court should make its functions into full play to fight with criminal, safeguard the stability and unity, and create good conditions for the economic development," he said.

The nation's top judge said this yesterday in Beijing at a meeting which brought together some 160 senior judges from high courts across the country.

He said that at present courts should resolutely implement the latest decisions by the National People's Congress on banning drugs and pornography.

Ren also stressed the need to improve the efficiency and quality of trials, saying judges should strictly perform their duties and follow trial procedures.

Divorce Rate Up for Sino-Foreign Marriages

*HK0402075191 Beijing CHINA DAILY in English
4 Feb 91 p 3*

[Text] Rosy beginnings of Chinese marriages with foreigners do not necessarily lead to rosy endings as more and more Chinese wives and their foreign husbands bid farewell to their romance in court.

The Supreme People's Court reports a 34 percent rise in the number of divorce cases involving Chinese-foreign marriages.

According to its latest report, mainland courts heard 453 such divorce cases in the first 11 months of last year, 115 more than in the corresponding 1989 period.

Divorce cases top the list of cases involving foreign parties that Chinese courts heard in the period.

Meanwhile, the number of divorce cases involving mainlanders and residents from Hong Kong, Macao and Taiwan rose from 354 in 1989 to 356 last year.

The number of marriages between mainlanders and overseas residents has been increasing at about 10 percent on a year-to-year basis.

Officials from the Ministry of Civil Affairs said that in each of the past few years more than 2,000 Chinese registered to marry foreign nationals while the number of marriages between mainlanders and people from Hong Kong, Macao and Taiwan stood at around 8,000.

Most of the Chinese-foreign marriages took place in major cities and coastal regions in South China and most of the marriages tied together Chinese Wives and overseas husbands.

Zhang Xianjue, a Shanghai scholar on family and marriage laws, said in an interview with the city's newspaper Wenhui Daily that marriages with foreigners are not uncommon in China and the majority of couples are happy.

However, he said, most of the litigants in divorce cases were Chinese women and it is worth noting that many of them treated their marriages with foreigners as tickets to go abroad.

A recent survey by the Shanghai Intermediate People's Court among 108 divorce areas revealed that half of the divorces were caused by extramarital affairs and one third of the splits resulted from failure to leave the mainland with the foreign spouse.

In addition, material dissatisfaction and long separations were said to be responsible for the rest of the divorces.

Zhang said many Chinese women rush to marriage with foreigners without knowing each other well enough.

He said old husbands and young wives are often the cases when marriages were based on material considerations.

2d Artillery Consolidates Chief Engineer System

Overall System Described

91P30075A Beijing KEJI RIBAO in Chinese
11 Dec 90 p 1

[Article by Chang Fusheng (1728 4395 3932) and Gao Tengyun (7559 7506 0061): "2d Artillery Forms Technical System Headed by Chief Engineers"]

[Text] The People's Liberation Army 2d Artillery Forces, in accordance with the work of chief engineers, have promoted the expansion of units' technical work into all levels and so has gradually formed a technical system headed by chief engineers. At the beginning of December, more than 100 chief engineers from all levels within the 2d Artillery departments and units came to Beijing to sum up and report on their experiences in building up the chief engineer force.

The 2d Artillery is the service arm in which intellectuals are concentrated and in which the use of modern weaponry and equipment most prominently requires technical work. The 2d Artillery made the decision to take the work of the chief engineers as the "locomotive" and to link it to the concept of the management of technical work. In 1983 the 2d Artillery created a technical equipment system within its table of organization and established the position of chief engineer at all levels within the organs and the units. The chief engineer's work responsibilities include guaranteeing the battle readiness of weapons and equipment, the resolution of technical questions and the policy decisions regarding them, the organization of management and maintenance of weapons and equipment, the training of technical contingents, the drafting of technical regulations and technical documents, and the promotion of unit technical innovations and studies.

In the past seven years, the chief engineer force has grown in numbers and strength through practice, and the system is gradually being perfected. The chief engineers have supplied reliable technical data and applicable plans to the leaders, making contributions to the scientific basis of overall decision making. As those who are responsible for technical work, they commonly work with the units to carry out testing, training, and launching missions; organize personnel for meticulous measurement and testing; conduct strict technical checks; eliminate problems when and as needed; and give the final go-ahead at critical moments. Thus they have built a very good image within the units.

The chief engineers at all levels pay special attention to the fostering of technical cadres, organizing and running various types of training classes, and have created the beginnings of a fundamentally complete force of technical cadres. They immerse themselves in the practical aspects, and in accord with the needs of the formation of the units, determine the topics for research and renovation. In 1989 alone they completed 159 research projects, of which 89 were given national and service

awards for technical improvement. In 1989 five chief engineers were honored by their inclusion in *Who's Who of China's Engineers*.

2d Artillery Unit Cited

91P30075B Beijing KEJI RIBAO in Chinese
2 Dec 90 p 2

[Article by Chen Duchun (7115 1795 2504) and Min Shaobo (7036 1421 3134): "2d Artillery Brigade Improves Management Through Science and Technology; Rate of Weaponry and Equipment Readiness at 98 Percent for Six Consecutive Years"]

[Text] A certain brigade of the 2d Artillery has consistently used science effectively and found latent capacity through technical measures. For the past six years this unit has garnered 43 technical achievements in the areas of storage, management, maintenance, and extension of usability for various weapons and equipment, and, of these, 15 items have received all-service technical achievement awards. This has allowed them to attain a self-service rate for existing weapons and equipment of 81 percent, and a serviceability rate exceeding 98 percent for six consecutive years for a large number of over-age and obsolete equipments.

This brigade's equipment includes our nation's large strategic missiles; the existing equipment at specially equipped bases has already exceeded its service life by many years. From their own experiences they have come to realize that to rely only on simple maintenance and repair makes it difficult to increase their ability to guarantee the equipment's serviceability and that they would have to take the path of exploiting latent scientific and technical capacity. Because they do undertake a large number of special repairs on equipment every year and their repair facilities were simple and crude, through their own efforts, they built, as a foundation, a specially equipped repair center, an electrical equipment repair shop, and a communications equipment and ordnance repair workshop and purchased all sorts of repair instrumentation and tools. Further, because they needed to do repair of special installations, they successfully researched, built or repaired 99 items, including instruments, equipment, or tools, of which 12 items received all-service science and technology achievement awards. For instance, they successfully developed a set of tools for the repair and maintenance of the Huanghe tractor which was seven times more efficient than the traditional repair equipment and which was awarded an all-service science and technology award second-class and was designated as the standard repair equipment for similar equipment by the General Logistics Department's Department of Vehicles and Ships. For the past six years the brigade as a whole has repaired 365 items (pieces) of equipment, keeping the equipment in generally good technical condition. In order to reduce the wear and tear on equipment caused by training and to

increase the service life of existing equipment and weaponry, this brigade has carried out technical improvements in the area of maintaining full complements and the availability of the equipment and weaponry; for instance, when their platform-equivalent equipment went into use, the life span of the missiles was increased by one-third.

Effect of Demographic Changes on Military Manpower

91CM0136A Shanghai SHEHUI [SOCIETY]
in Chinese No 11, 20 Nov 90 pp 11-14

[Article by Fan Gongsong (2868 1872 1529): "Analysis of China's Future Population Developments and Military Manpower Resources"]

[Text] Who will keep China safe in 2000? Who will erect the 21st century "Great Wall"? This is now an important subject in defense education. Some people think that the one-child policy will lead China to a future shortage of military manpower resources. Others believe that military manpower resources definitely will not be a problem for China. How then do we regard this issue?

The Scope of China's Future Population Growth Will Not Affect The Overall Supply of Military Manpower

For a long time China has been the most populous nation in the world. In 1949 the total population already exceeded 540 million and by 1973 it increased to 890 million. For as long as 24 years, the average annual growth rate was 2.1 percent. During this period, people were not at all concerned about the supply of military manpower. Since the late 1970's, because we have vigorously practiced family planning, population growth was too quickly contained and a number of one-child families appeared. Under these circumstances, some people have become concerned about insufficient military manpower resources. In this regard, if we look ahead several years to the level of China's population growth, we could consider this a largely unnecessary worry.

Since the mid- to late 1970's, Chinese scientists have used modern technology to forecast the future and set up several strategic models for population growth suitable to China's situation. In addition to developing a forecast for China's 1980-2000 population growth, experts also have compiled a Chinese population forecast table (see Table 1).

Table 1. Forecast of Chinese Population Growth

Average Births Per Woman	1.0	1.5	2.0	2.3 (1978)	2.5	3.0 (1975 level)
Year	National Population (100 Million)					
1980	9.78	9.78	9.78	9.80	9.83	9.85
2000	10.50	11.25	12.17	12.82	13.23	14.15
2005	10.54	11.51	12.67	13.49	14.00	15.20
2025	9.78	11.72	14.22	16.11	17.36	20.61
2050	7.71	10.82	15.32	19.03	21.64	29.23
2080	3.70	7.77	14.72	21.19	26.24	42.64

Source: *Future and Futurology*, p. 37

We can see from the forecast table that, if, as in 1975, each couple gives birth to three children, by 2080 the national population will have sharply increased to over 4.26 billion, compared with 800 million that Chinese experts have determined would be the appropriate population level, a simply appalling population explosion. If, as in 1978, each couple gives birth to 2.3 children, by 2080 the national population also will have broken the major barrier of 2 billion. If each couple gives birth to two children, by 2050 the primary stage of Chinese socialism will be essentially complete and the national population still will be over 1.5 billion. The population able to serve in the military will still be quite numerous and there will not be the slightest cause for concern about a shortage of military manpower resources. Even if the one-child policy is strictly implemented and each couple gives birth to only one child, by 2005 the national population still will be a massive 1.05 billion, more than twice the total population of Europe, including the Soviet Union. If this level of childbearing continues, the population would no longer increase, but would begin to

decline. By 2050 the national population would be over 770 million, still much larger than the population of today's world economic and military powers. Our total military manpower would still be fully ensured. Judging from recent population growth, it could be even less of a problem to provide for the conscription and replenishment of conventional military forces from China's work force.

Will China's One-Child National Eugenic Policy Lead to New Problems for Future Military Manpower Resources?

What was said above about China's future population growth not having any effect on military manpower resources was in regard to total supply. In regard to some specific situations, the "one-child national eugenic policy" that we are promoting and implementing has some disadvantages and points of concern for the current military service system and future sources of military manpower. The most prominent manifestation is that by the end of this century urban recruitment will be

much more difficult than rural recruitment. There are now a number of one-child families in society and only children clearly indicate that they do not want to serve in the armed forces. Quite a few units have conducted surveys on this and the results were all less than ideal. For example, in a Shenyang Military Region public opinion poll of Shenyang urban and rural middle and elementary school students and their parents, 55.3 percent of only children said, "When we grow up we do not intend to join the People's Liberation Army." And 54.2 percent of the parents clearly indicated, "We do not intend to let him join the service." A number of parents said, "We have only a single child. Although you can say that it is selfish, we cannot let him join the service. If our only child is gone and the two of us are left, it would be too solitary and lonesome. When people grow old, they need to have their flesh and blood by their side to take of them. These are our true feelings." In the face of this, we certainly cannot help but be concerned about its effect on future military manpower resources and adjustments in their structure. Even though at that time we will have laws and various types of penalties compelling them to fulfill their duty toward the draft, if the ideological problems of the parents and draftees are not thoroughly resolved, it obviously would not be good for national defense and the security of society.

Because in recent years we have practiced a "one-child" family planning policy and have attained effective implementation in urban families, and implementation in rural families has been comparatively weak, it will inevitably lead to a shift in emphasis toward the rural population as the primary source of future Chinese military manpower.

It is common knowledge that, in the past and right up to the present, China's source of military manpower came mainly from both the urban and the rural sectors and in principal did not distinguish between the young agricultural or nonagricultural population of the appropriate age as the primary or the secondary draftees. At present, the young urban nonagricultural population of the appropriate age all were born in the peak period of the late 1960's and early 1970's. With the exception of a few only children, the vast majority have a number of brothers and sisters. This peak birth period has led to the present rather serious problem of unemployment among the urban nonagricultural population. Quite a few young students cannot find jobs in the period after they graduate from middle school. Under these circumstances, young people of the appropriate age, voluntarily and even very enthusiastically sign up for the service. Parents also are very supportive of their sons and daughters joining the service to seek a temporary avenue of employment. In addition, according to current regulations, those who are demobilized or discharged after completing their service get preference in arranging for

jobs and are exempted from serving an apprenticeship. This in itself encourages young people of the appropriate age in the urban nonagricultural population and their parents to be enthusiastic about joining the service.

So, after the end of this century, how might the situation described above change? The first thing is that the young urban nonagricultural population of the appropriate age will mainly be only children born in the late 1970's and early 1980's when the "one-child" family planning policy was strictly implemented. They will be surrounded by old people at a 1:2:4 ratio. Second, at that time the problem of unemployment among the urban nonagricultural population will have gradually disappeared. After graduation, students can step rather smoothly into jobs. Many old parents with a son or daughter will not be worried about employment opportunities. Under these circumstances, urban youth of the appropriate age and their parents will lose interest in joining the service as an avenue of employment. Although we do not rule out national defense education instilling a spirit of selfless dedication in the people, objectively, for the vast majority of people, the psychological pressures of only children's feelings toward parents and old people can far exceed the spirit of dedication.

On the other hand, by the end of this century, youth of the appropriate age in the Chinese countryside will still maintain a rather enthusiastic attitude toward military service. For example, because the "one-child" family planning policy was not truly implemented in the countryside at the end of the 1970's and the 1980's, virtually all rural families have two children on their residence booklets. Moreover, there are plenty of people who covertly produce illegitimate children. Several couples have given birth to four children or more, some as many as six or seven. This ignorant and backward unchecked bearing of children will inevitably further aggravate the excess in the rural population. With a sharp increase in the population and a large decrease in cultivated land, employment of the rural population will become extremely difficult and subsistence an extreme hardship, especially for families with many children. To temporarily ease economic burdens and life's pressures, they could voluntarily and enthusiastically mobilize and encourage their sons and daughters to volunteer for the service.

According to estimates based on Chinese standard calculations, for the rural population born before 1 July 1982, the working age population will have a net increase of 181 million people by 1998, an average annual increase of approximately 11.31 million, or 2.24 percent. Based on international standard calculations, the rural working age population will have a net increase of 179 million by 1997, an average annual increase of approximately 11.96 million people, or 2.16 percent (see Table 2.)

Table 2. Forecast of National Rural Working Age Population for the Next 16 Years (100 Million People)

	1982	1985	1990	1995	1997	1998
Chinese Standard	4.26297	4.69338	5.40503	5.85343	5.98864	6.07313
International Standard	4.75521	5.23709	5.94382	6.38935	6.54979	—

Source: RENKOU YANJIU [POPULATION RESEARCH], No. 2, 1986, p. 18

It is easy to see from the table above that most of the growth in the nation's future working age population will come from the countryside. Using the Chinese standard, by the end of this century, the countryside will make up 89.16 percent of the net increase in the national working age population. Adding a large rural population to the main work force is bound to put enormous pressure on employment arrangements. With this pressure, a large number of rural youth of the appropriate age will enthusiastically join the armed forces so as not to miss a chance to alleviate the pressure and shift work forces. At this time the main source of military manpower will undoubtedly come from the rural population that makes up approximately 90 percent of the annual net national increase in the working age population.

But we must consider that, although shifting the focus of future Chinese military manpower sources to the rural population will solve the quantitative supply problem, qualitatively it can have the defect of not adapting to future defense and military requirements. Because the educational level of China's rural population will be lower than the urban, the educational level of the work force also will be comparatively low. When forecasting U.S. population developments, some people think that by the end of this century or the next century, 70 percent of the men and 90 percent of the women of induction age will not be qualified for some high-technology military billets. If this is true for the United States, then China, concentrating on the extensive rural population of the appropriate age to recruit its future military manpower, would certainly have a situation where the population would be unable to adapt to future developments in military high technology. This is a point that we must pay a great deal of attention to in forecasting and analyzing China's future military manpower resources.

Actual Measures Geared Toward Providing Future Military Manpower Sources

Since there are some new problems and new contradictions for the supply of military manpower in China's future population developments, we should begin now to adopt a series of measures to control and eliminate as much as possible problems or contradictions that could emerge in the future.

First, gradually improve the education of the entire citizenry, especially the young people, in defense concepts.

Defense concepts are defense awareness. They are concepts suited to defense needs, and marked by mass action initiated and produced to safeguard national interests.

With China's present population and defense developments, it is very important to begin educating the entire citizenry in defense concepts. These are not just the strategic issues stressed all along in the Marxist theory of the state, but they are an important sign actually related to national security and the rise or fall of the people. They play an important part in remedying China's inadequate material strength and play an even more important part in promoting the resolution of the ideological problem of the only children and parents who can not enthusiastically dedicate themselves to the national defense and military service. For this very reason, we must begin now to conscientiously pay attention to the defense education of citizens. We should especially pay attention to today's youth and only children. According to statistics, there are presently over 350 million children 14 years old and under in China, making up over one-third of the total population. And, in another five or six years this generation will gradually become the source of China's military recruits. The quality of defense education of this generation of young people will directly affect the quality of China's defense at the end of this century and the beginning of the 21st century. We must formulate a series of realistic and feasible measures to proceed in an orderly way to begin defense education. Educating the whole citizenry to be concerned about defense and to be aware of carrying out their sacred duty to protect their homes and defend their country is laying the ideological foundation for building a formidable Chinese Great Wall in the next century.

Second, strive to improve the educational level of the population to adapt to requirements for developing quality armed forces and future high-technology military billets.

With the constant development of science and technology, weapons and equipment are continuously being replaced and updated and the style of fighting is also undergoing unprecedented change. The development and application of automatic control and artificial intelligence technology is especially rapid. Computers are being introduced into military systems on a grand scale and such things as precision control and guidance; telemetry and remote sensing systems; electronic countermeasure technology; automated command, control, communications, and intelligence systems; and even an endless stream of automated equipment, operational robots, and specialized artificial intelligence systems are springing up. These new changes in defense and military activities will inevitably have even more mature manifestations in the next century. Objectively they will require equally qualified military personnel to master them and will require an educational level of the whole population capable of satisfying future defense and military requirements.

Now, although China is the most populous nation in the world, the educational level of the population is much lower than that of the developed countries. The national illiteracy rate is still about 25 percent, and in some old, minority, border, and poor areas it is as high as 30 percent. The vast majority of society's working population has only an elementary school education. According to an analysis of 1982 census material, only 30.73 percent of 13 to 18 year olds have entered middle school, and more than 45.95 million 6- to 11-year-old children are illiterate. And these are precisely the people who will be the mainstay of the work force at the turn of the century. Their educational level is bound to affect the quality of military manpower sources. So, we must increase our investment in learning to improve the educational level of the whole people and from a qualitative perspective lay the foundation to provide China with a future source of military manpower.

Third, adjust the military personnel structure to properly increase the proportion of women in the military

Properly increasing the proportion of women in military service is an important measure to ensure that the channel for China's future military manpower sources is open and to make up for the shortage of military manpower caused by some families not wanting their only sons to join the service.

Adding women as a group to the conventional military ranks is something new that appeared in the 20th century. With the women's liberation movement, it is no longer rare for women to join the armed forces. But in an era where physical strength is a clear sign of a force's combat capability, women's physical characteristics are still a major obstacle to their direct participation in combat. So, several countries have generally stipulated that women may not exceed a percentage of total active duty personnel and their billets were strictly limited. With science and technology advancing the numbers into the 1980's, the number of women in several countries' armed forces is increasing constantly and has far exceeded past limitations. Today there are over 500,000 women troops in the world. The United States has over 200,000 armed forces women, making up over 10 percent of total military personnel. Armed forces women's billets also have gradually expanded, including almost every billet in the armed forces. In one respect this reflects greater women's liberation; in another respect it reflects the requirements of scientific and technological progress on women, thereby changing the structure of military manpower sources.

In the Chinese defense and military area, the proportion of women could also be suitably increased. In addition to scientific and technological developments, it is also important to consider the fetters placed on Chinese women for a long time by traditional feudal thinking. They are still not very liberated economically, politically, culturally, or educationally. For young women to join the armed forces would objectively improve their position in society and would help to enhance their military political ideology and help them to play an active role in the socialist four modernizations. Especially with China's constant increases in only children and the emerging sexual imbalance, recruiting more women into the armed forces would have an even more positive affect in reversing people's feudal concept favoring giving birth to boys over giving birth to girls, balancing the birth rate, and increasing the supply of military manpower.

Fourth, gradually reform and perfect the military service system to meet future requirements for military manpower

At present, China has a combined compulsory and voluntary military service system. This military service system generally still fits China's defense needs, but also has some places where it needs to be reformed and perfected. Some people point out that, since China is a commodity economy, the military service system also should reflect the material benefit principle on which the commodity economy is based. Otherwise, the population of the appropriate age could not actively choose their military billet, and the conduit for military manpower would be blocked. There are also some who directly write articles demonstrating the necessity of China's recruitment system and military service salary system. In actually reforming the military system we certainly need to consider many factors. But the basis should be that any military service system must help to provide military manpower. China's present military service system obviously cannot totally provide for China's military manpower at the end of this century and the beginning of the next. We should begin now to conduct systematic research to come up with a military service system that suits China's future population growth.

In summary, future population growth is a major issue for China's social development. We must not only deal with population growth from an economic and social perspective, but we also must investigate it from a defense perspective, so that population growth can meet economic, cultural, and scientific and technological requirements and also can meet defense requirements.

EAST REGION

Jinan Paper Warns Against Undervaluing Education

91P30080A

[Editorial Report] Jinan DAZHONG RIBAO in Chinese of 3 January 1991 carried on page 3 an article by Li Zhifan (2621 1807 5400), who warns that if China continues to undervalue education as a factor in economic development, future economic growth will be harmed.

The author quotes *The Complete Works of Marx and Engels* to point out that Marx understood the link between education and production: "Education can produce labor." (Volume 1, Chapter 26) Li adds, "Although education cannot directly produce practical value, it nevertheless determines the quantity and quality of material production," and "being like a factor of production," is a necessary component in gross social production. Li also points out that education raises the cultural level of the masses, of which the average level in China is low, and is "the primary means of expanding people's knowledge and improving their qualifications." He declares, "Only when the cultural level of the masses is universally raised will China have enough experts, widespread technological progress, and further economic development." He also warns, "Any attempt to downplay education will lead to severe economic consequences. The loss of coordination between education and economics will have later and much more severe consequences than those arising from a loss of coordination among all kinds of economic relations."

Li draws attention to the key role of education in the development strategies of economically successful countries, such as Japan and Germany, which have "consistently made education an important factor in their economic development," because they recognize its interconnection with social productive forces, politics, and economics. He sees Japan's postwar policy of "using education to build the nation" as the basis for their present-day economic prosperity, and Germany's "aggressive" development of professional technical education as the "secret weapon" in their economic success. He argues that it is "especially because China is an economically backward country" that it must "first rely on education to develop the economy."

The author criticizes what he sees as "confused ideas" about education. One idea is that the national shift in priorities to economic development made by the Third Plenary Session of the the 11th CPC Central Committee means focusing exclusively on economics. Another idea is that education is part of the superstructure and has little to do with the development of productive forces. It is seen as a social benefit and as an investment in consumption rather than production. Another idea is that education competes with economic development. Li warns that if such views are not corrected, the nation's

investment in education will not improve and the foundation upon which future economic growth is based will become weaker and weaker.

Li cautions against adopting an education policy that is short-term and demands immediate results and direct economic benefits. He recommends a long-term view that recognizes not only indirect but also noneconomic benefits.

CENTRAL-SOUTH

Shenzhen Marked by 'Cultural Diversity'91CM0078A Beijing LIAOWANG [OUTLOOK]
in Chinese No 46, 12 Nov 90 pp 31-32

[Article by Cheng Qing (4453 7230): "A Brief Account of 10 Years of Cultural Development in the Shenzhen Special Economic Zone"]

[Excerpt] [passage omitted] Suitable Cultural and Economic Policies Are a Good Way To Foster Cultural Development

Such speedy cultural development in the Shenzhen special economic zone [SEZ] over the past 10 years is due in large part to the emphasis Shenzhen's leadership has placed on joint economic and cultural development. When the SEZ was first established, Shenzhen was energetically developing an economy that was externally-oriented, while at the same time trying to develop its culture. The investment climate of the SEZ has a special orientation, because its economy is externally oriented, it focuses on attracting capital, and the goals of its investors focus on obtaining profits. Because of this, a vast majority of the funds attracted were invested in material construction, and very little went towards cultural construction. To deal with this situation, the municipal government adopted flexible and practical measures to speed up construction of cultural facilities and a network of mass culture in Shenzhen.

The first measure was to increase the proportion of local funds invested in cultural construction. Starting in 1982 and continuing for three consecutive years, one-third of local tax revenues went towards cultural construction. From 1987 to 1990, the municipal government allocated 2 million yuan annually for the construction of grass-roots cultural and sports facilities. From 1982 to 1988, the city invested close to 300 million yuan in the construction or modernization of eight large cultural facilities, including a library, a museum, a theater, a science and technology center, Shenzhen University, a news and cultural center, a television station, and a gymnasium. They established a symphony orchestra, a fine arts center, and a painting academy, and expanded a Guangdong opera troupe, an art gallery, and a Xinhua bookstore, thus completing Shenzhen's system of cultural facilities.

The second measure was to cultivate the self-development of the cultural system and broadly develop the movement to "use culture to promote culture." The cultural dissemination system of the Shenzhen SEZ made great efforts to develop a whole series of industries to help with cultural development, including the publishing, video recording, printing, advertising, and entertainment industries, in order to accumulate capital to invest in cultural development. From 1985 to 1989, cultural enterprises were exempt from energy and transportation taxes. A series of wise policies has fostered the rapid growth of cultural enterprises in Shenzhen, and they remitted profits have grown continuously. In 1985 they turned over 38,000 yuan, and in 1989 they turned over 340,000 yuan. Before 1990, Shenzhen's Bureau of Culture managed only three organizations: a television company, a Xinhua bookstore, and the Shenzhen Theater; the net value of fixed assets was over 1 million yuan. At the end of 1989, the net value of fixed assets of all cultural enterprises in Shenzhen was over 20 million yuan, nearly a 20-fold increase over the original amount of fixed assets.

From "Culture Does Not Help Business" to "Using Business To Promote Culture"

The development of a commodity economy led to a mutual osmosis between the SEZ's economy and culture, and gradually fostered a situation where economy and culture were closely linked and united. Clearly, more and more of Shenzhen's entrepreneurs regard culture as a resource to be developed; subsidizing the founding of cultural activities is a model for enterprise development, and it raises the quality of enterprises. When the bonding of culture and business is encouraged, the two tend to cooperate closely and march forward in tandem. Three large restaurant-bars in Shenzhen, the Xinyuan, Yayuan, and Zhuyuan, often hold a wide variety of cultural and sports events, and they have become fertile cultural centers for people involved in the worlds of entertainment, calligraphy, painting, photography, and sports; this has increased the fame of these restaurant-bars. Another example is the Shenzhen Xinye Clothing Company, the biggest supporter of sporting events in Shenzhen; by subsidizing the Municipal Sports Committee and sponsoring trips to competitions in other places, it has established a better corporate image while also promoting its products, and thus has accrued very good social and economic benefits.

Recently, some clear changes in Shenzhen's cultural organizations have occurred. In the past few years, more public-welfare cultural organizations have been replaced by business cultural organizations. The larger scale cultural activities, such as the first Shenzhen beauty contest, the first national and municipal flower exhibition, the first Chinese fashion show, and the annual Lychee Festival, include people from cultural and business backgrounds who are working together to emphasize both the social and economic benefits.

A tendency toward socialization is still emerging in Shenzhen's cultural construction. For the past few years, socially initiated investment in cultural entertainment measures has far exceeded national investment. Shenzhen is still following the policy of attracting foreign investment, encouraging internal links, and obtaining capital for cultural construction from many sources. The total investment in start-up enterprises engaged in cultural construction has reached 450 million yuan, and a mass cultural network has already formed among Shenzhen's cities, counties, districts, villages, and among the masses. Offices on every street of every city have established cultural stations or cultural activity centers. Book distribution networks are constantly growing, film networks are mature, and an average of 20,000 people have access to movie theaters. There has also been great cultural development in rural villages.

Shenzhen was built as a "laboratory" for a special kind of Chinese socialism, therefore, most of the cultural and economic activities conducted in Shenzhen have a "pioneering" or "experimental" quality. The people of Shenzhen who "dare to be first" confer on Shenzhen a unique strength. This culture is characterized by its progressive strength, its emphasis on ethnic, cultural traditions, and the daring to be different.

A kind of full-strength cultural diversity has taken shape in Shenzhen. However, in looking at the future, without a doubt the bitter lesson to be learned by Shenzhen's people is how to avoid the ills of capitalism that may arise under these conditions. Only by bringing in the finest of the world's culture and constantly renewing the great, native cultural traditions can a great, social cultural model be established that is mutually compatible with a continually developing, socialist commodity economy.

Standardizing County-Level Leadership System

*91CM0100A Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese No 10,
16 Oct 90 pp 3-6*

[Article by Zhao Peiyi (6392 1014 5030), head of Hunan Province Party Organization Department: "Reforming the County Leadership System by Focusing on Limiting Authority—An Initial Look"]

[Text] For many years, China's county-level leadership system has had an enormous effect upon the socialist revolution and socialist construction. However, under the new situation of reform and opening up, corrupt practices unsuited to the needs of productive forces and social development have gradually come to light. The most prominent manifestations of this are that the county leadership has ambiguous limits to their authority, their actions are untidy, they engage in petty wrangling, and their efficiency is low. This will certainly steadily weaken and erode the flesh-and-blood ties between the party and the masses; it is an important problem that should be seriously studied and resolved.

Overall, the factors affecting the actions of the county leadership system come from the leadership system itself and from its people. However, in comparing the people with system, the latter factor is the more important. This is just as Comrade Deng Xiaoping pointed out: "It is true that the various mistakes that occurred in China's past were connected to the thoughts and style of some leaders. However, problems in the organization and work systems were even more important factors. ... This is not to say that the individual had no responsibility, but that the nature of the problems in the leadership and organization systems was more basic, general, steady, and longer lasting." (*Selected Works of Deng Xiaoping, 1975-1982*, p. 293) Actual conditions show that the most important problems in the county leadership system are that the leadership system was set up in a sluggish and laggardly manner; it has a low rate of systemization; it is excessively influenced by human subjectivity, leading to people doing things as they please; and it relies largely upon the capability and feelings of the leaders and leadership, which are very fragile and unstable. Therefore, in reforming the county leadership system, we must start by reforming the leadership system at the county level. Also, because the most glaring problems in the relationships between county leadership structures indicate that the limitations of authority are ambiguous, reforming the county leadership system must focus on establishing a sound delineation of authority.

I. Basic Ingredients and Requirements for Establishing Sound Limitations to County Leadership Authority

The so-called limitation of authority is the general term defining the norms for the relationship between party organs at the county and national levels, and for the area of responsibility of leadership cadres. It is a system that guarantees the leadership system will move in a good direction. If we establish a system to limit authority properly, the system can enable the positions, functions, and relationships between county-level party committees, the NPC [National People's Congress], the government, and the CPPCC [Chinese People's Political Consultative Conference] to attain a coordinated, integrated, and organic structure. This will enable county-level leadership organizations to fully exercise their functions.

The basic ingredients for limiting county leadership authority can be divided into two types: One stipulates the powers and responsibilities of the county-level leadership structure. This kind of stipulation provides clear and definite limits to such powers and responsibilities, and prevents abuses of authority using a static point of view. The second prescribes procedures for exercising authority and responsibility. This kind of prescription clearly constrains the exercising of authority and responsibility, and prevents abuses through an active approach. Authority limitations are the limiting regulations which act on authority and responsibility in a systemic way. These kinds of restrictions will reinforce and improve leadership, give full play to positive factors, and will work together to realize the common, overall objective. The basic requirements for establishing limitations to

county-level leadership authority are as follows: Under the premise of adhering to the four cardinal principles, project the core leadership position of the county party committee, yet avoid supplanting the government with the party. Fully exercise county government's function as the overall manager of the county's economy and executive administration, yet fully implement the idea of democratic consultation with the county-level CPPCC, and guarantee the legally prescribed powers of the county committee of the NPC. Specifically, the ingredients and requirements are in the following three areas:

1. Toughen limitations on the authority and responsibilities of the county-level leadership structure. The authority and responsibilities of the county-level leadership structure are already delineated in the nation's constitution and in relevant laws and regulations. In this regard, there must be systemization, limitation, and specification based on reality, in order to avoid generalized or elastic interpretations.

First of all, we must guarantee the core position of the county party committee in the county leadership organization system. We must practically explore core leadership responsibilities and authority, and the process and method in which they are exercised, and gradually shape them into a standardized system. This will be used to guarantee that the leadership of the party committee is integrated in all its work, and yet the leadership will stay out of executive affairs, respecting the county NPC and the county CPPCC as they correctly carry out their responsibilities.

Next, we must create a standardized, specified, and relevant system of authority and responsibility for the county's NPC and CPPCC, and use it to guarantee that the NPC, the government, and the CPPCC will correctly exercise their respective authority and responsibilities.

2. Strengthen the authority limitations governing the interrelationships between county-level leadership structures. The degree of systemization of the interrelationships between county leadership structures determines the stability and maturity of the county leadership system. A sound system for limiting the authority governing interrelationships between county leadership systems includes:

First, correctly dealing with the relationship between the county committee's and the county NPC's authority to make policy on major issues. The county committee must support the lawful exercise of power by the county NPC. The latter should voluntarily accept the political leadership of the former and protect the core leadership status of the county committee.

Second, correctly dealing with the power relationship between the county's government, NPC, and CPPCC. The county government's responsibilities determine that it is the intersecting point for conflicts of interest between all concerned, and it is also the organization that is most restricted and supervised. Herein lies the crux of handling the relationships between the county's

government, NPC, and CPPCC. In its decisions on major agenda items, the county NPC must respect the opinions of the county government and county CPPCC. While the county's NPC and CPPCC supervise the county government, they must constantly support it in its work. They must ensure that their supervision is in accordance with the limitations to their authority and responsibilities, and must not be overly lenient or strict. The county government, for its part, must voluntarily accept such supervision.

Third, correctly dealing with the relationship between enhancing the county committee's core leadership powers and protecting the government's executive authority: in other words, the separation between party and government. According to the requirements for reforming the system, it is necessary to separate the functions of the party from those of the government, however, a complete separation is not possible in many major undertakings. Thus, it is necessary to let party and government authority proceed in a parallel, rather than a contrary, fashion. We must allow them to bask in each other's glory and become one powerful, collaborative force. This is a difficulty that any limitation system must pay attention to and resolve.

3. Strengthen the limitations governing the way the county leadership structure wields its authority and responsibilities. A system for limiting the authority and responsibilities of the county leadership structures and their interrelationships must, in the end, conform to necessary procedures before it can be realized. For this reason, there must be specific procedures guaranteeing that authority and responsibilities are exercised effectively, and we must focus on dealing properly with the following two relationships:

The relationship between authority and responsibility and the operational procedures. Authority and responsibility must follow necessary procedures in order to be protected and limited; a violation of procedure violates the limitation of authority. Conversely, the procedures must be in accordance with the limits on authority and responsibility before they can be practical and correctly oriented. Only when the two are organically merged will they form the complete ingredients for limiting authority.

The relationship between the operational procedures and the operational mechanism. Operational mechanism refers to the process of systematizing the operational procedure. This not only includes systemic factors, but also human and structural ones. Systemization of the operational procedures is the amalgamation of all the factors described above. It will give a series of normal starting, intermediate, and end points for limiting the leadership structure's authority and responsibilities. Any reversals or mistakes in procedure will hinder the normal movement of the leadership mechanism.

II. Establish a Sound County Leadership System by Focusing on Limiting Authority

The establishment of any new system stems from certain contradictions. Systems come about in response to events, and are not determined by man. A sound county leadership system must face its most important contradictions and establish a closely linked system. As a test for reform, one can start with the four facets of the county-level leadership's functional powers: policy-making, supervision, personnel appointments and removals, and administrative authority.

1. A sound system that limits policy-making powers. This kind of limiting system should elevate democratization and scientification in the county leadership's policy-making, but it should also do its utmost to reduce the links in policy-making and the time spent making policy, and raise the efficiency rate. This system includes primarily: a. rules concerning the county standing committee conference system and its decisions on major issues; b. rules governing county NPC standing committee conferences and their decisions on major issues; c. rules governing conferences by the county government covering daily business and decisions on major issues; d. the system used by the county CPPCC for discussing major issues.

2. A sound system that limits supervision. The main purpose of such a system is to prevent abuses of authority; to enhance close relations between party and government organs and the masses; and to keep the various leadership bodies on a normal track as they exercise their authority and responsibilities. Supervision functions as a mutual restraint, and uses the system to restrict the supervisory power itself, in order to prevent abuses. When supervising, we must always keep in mind the need to raise the efficiency rate of government leadership work and reinforce the establishment of honest government. The principal ingredients for this are: a. scheduled reports by the county standing committee to the entire committee; b. detailed rules of the county NPC standing committee for supervising the work of "one government and two councils" [yi fu liang yuan 0001 1650 0357 7108]; c. the system of regularly scheduled reports concerning the work of the county government party section, which the section submits to the county standing committee; d. the system of regularly scheduled reports by the county government to the county NPC standing committee; e. the system dealing with democratic supervision by the county CPPCC; f. regularly scheduled reports by the county NPC standing committee's party section and the county CPPCC which are submitted to the county party standing committee.

3. A sound system that limits personnel appointments and removals. The purposes of formulating and executing a system for limiting authority to appoint and remove personnel are to adhere to party organization principles for examining and utilizing cadre; strengthen the organizational construction of the nation's organs of political authority; and reflect the principle of unity

between the party's will and the people's will. The systems that county leadership bodies use when appointing or dismissing cadres differ in terms of procedure, methods, scope of their targets, knowledge of details of cases, and yet their principles and requirements are the same. Limitations to the authority to appoint and remove personnel must correctly manifest the general principles of the party's cadre management, and must pay attention to the principle of reasonableness and consistency between management of affairs and of people. The important ingredients of a system which limits the authority to appoint and to remove personnel are: a. a system for the county standing committee to recommend key cadres for assignment to positions in county-level state organs; b. regulations governing county NPC standing committee appointments to and removals from posts in county-level state organs; c. county government rules for appointments to and removals from posts in county-level state organs; d. a system governing how the county CPPCC may recommend important cadres from the county party committee to work with the CPPCC.

4. A sound limitation system that concerns the power to make policy over major issues. Basically, reform successes by county-level leadership can be attributed to executive functions and to how the development of economic construction was promoted. The objective of a sound system that limits executive powers is the full protection of the county's concentrated and integrated authority to manage the its economic and administrative matters. Currently, the responsibilities of the county government are far more numerous and complex than before, yet it does not have the appropriate authority to meet its responsibilities. For this, we must set up a system with clear limits. The important ingredients of such a system are: a. rules on how the county's government and party organizations execute the policies of the county standing committee; b. rules on how the county government implements resolutions by the NPC committee; c. rules on how the county government accepts the CPPCC's recommendations on major matters; d. rules on how county leadership organs deal with major and unexpected matters affecting the whole county.

When planning the above-mentioned leadership system, which focuses on limiting authority, we should clearly delineate authority, responsibilities, and their interrelationship. We should also include procedural principles for exercising different kinds of authority. At the same time, we must allow for the fact that, while limiting authority is the heart of the leadership system, establishing authority limitations over the cadre management system and the organizational system will have an important affect upon the leadership system. Also, the ultimate perfection of the overall leadership system awaits improvements in the development of economic construction and in the improvement of the quality of citizens.

III. Establish and Strengthen an Operational Mechanism for the County-Level Leadership Structure Which Takes the County Standing Committee as Its Heart

In order to satisfy the basic demands of an authority limitation system for county-level leadership, and establish a county leadership system with an authority limitation system as core, it will be necessary to set up a sound mechanism that can provide procedures to harmonize the relationships between the county leadership's structure, authority, and responsibilities. This kind of mechanism should be set up centered around the county standing committee. This will enable the standing committee to really take hold of the direction, coordinate all forces, and support the various county leadership organs as they fully exercise their functions, as well as help them to coordinate the mutual relationship between authority and its limitations, and control the leadership core of social administration. Thus, from a systemic point of view, we must establish a county leadership system that has "one center, and is multifunctional, coordinated, and united." Moreover, it must give full play to its overall function.

The major ingredient for the operational mechanism for county leadership organs basically follows from the demands of the county leadership system. It revolves around the two major aspects of people and affairs; it forms a normal work procedure based upon the three main links of affairs, policy, and execution. To this end, we must make an all-out study of personnel and work policies and their implementation, as well as a study of supervisory procedures. We must determine a series of systems and regulations that are interrelated and interconnected, and then use this series to guarantee the normal formation and movement of the leadership structure.

Realistically, with regard to making policy and implementing supervisory procedures concerning people and affairs, the focal point of the contradiction is apt to be concentrated in the policy procedures area. To strengthen a county leadership structure's operational mechanism that is centered on the standing committee, we must firmly handle policy procedures. Thus, it will be necessary for county leadership structures to make an overall delineation between between the policy-making models, powers and limitations, and the sequence used towards people and those used towards affairs. This will enable the formation of an integrated, organic system whose parts are dissimilar and yet mutually responsive.

There are five types of policy-making. In the first type, the county's committee, NPC, government, and CPPCC each bear their own share of responsibility, and do not need to consult outside sources or opinions in order to make policy decisions. In the second type, the county's committee, NPC, government, and CPPCC must all participate, or at least two outside organs must participate, in overall policy-making. The third type deals with

developments that arise during the implementation process, or with changes required because a new situation has arisen that requires revised policies. The fourth type deals with important, emergency matters which require that current policies be stopped immediately and other policies be executed in response. The fifth type is devoted completely to affairs or policies concerning major items on which the county leadership structure cannot agree, and thus the county committee acts as arbitrator. The types most commonly used in actual work by county leadership structures are the first three: self-determination, the overall policy, and policy changes due to changing situations. The latter two, flexible response and arbitration, occur far less often than the first three. These five are basically appropriate for making policies that concern personnel, such as appointing or dismissing important cadres. In policy-making that concerns personnel, the more commonly used types are self-determination, the overall policy, and arbitration; policy changes due to changing situations is infrequently used, and the flexible response type is avoided. Policy-making that concerns personnel is much more complicated than that concerning affairs, so care must be taken. Thus, according to the party's principles for cadre management, the cadre work policy, and legal requirements, when we implement the cadre management system, we must differentiate between cadres appointed or dismissed by the county committee, cadres selected by the county NPC, cadres appointed or dismissed by the county NPC standing committee, cadres appointed or dismissed by the county government, and cadres selected by the county CPPCC, and select the correct policy type according to the appropriate laws and regulations. Regardless of the policy type and whether it deals with personnel or with affairs, we must strictly adhere to specific content and procedure, and manage and supervise effectively, so as to avoid policy errors.

With regard to policy implementation and supervisory work at the county level, we should still make the county committee the core. We should differentiate between various situations; determine specific, different limitations, work procedures, and mutual relationships; and determine a set of related and connected systems to form a normal operational mechanism.

Reforms of the county leadership system which focus on limitations to authority will start with one part and spread to the whole system. They will involve reforming the overall climate, and even touch on reforms of the political and economic base, on social psychological receptivity, and on other terms. They will also include a complete set of measures concerning vertical and horizontal relationships, structural reforms, and cadre corps construction. Reforming and strengthening the county leadership system by focusing on authority limitation protects social stability, and enhances the important fundamental, general, stable, and long-term measures brought about by the blood ties between the party and the masses. Reforms must certainly start from the top, involve leadership and planning, and move progressively

forward. They must be based on conditions and requirements, as well as on the degree of awareness of cadres and of the masses, and must be gradually deepened.

NORTHWEST REGION

Rural Xinjiang Plans Socialist Education Campaign

91CM0189A Urumqi XINJIANG RIBAO in Chinese
9 Dec 90 p 1

[Unattributed article: "Socialist Education for This Winter, Next Spring Begins in Rural, Pastoral Areas"]

[Text] In accordance with the decision taken by the autonomous region party committee to conduct socialist education in the rural and pastoral areas of Xinjiang this winter and next spring, on 8 December the party committee's Propaganda Department made suggestions for arranging the relevant propaganda work.

In the suggestions the department pointed out that this education, closely centering on its core part, namely, upholding the socialist path, will emphasize giving the peasants and herdsmen education on patriotism, collectivism, and socialism. Through this education the peasants and herdsmen of all nationalities will gain a clear understanding of the enormous changes that the 10 years of reform have brought to the rural areas, the present excellent situation in the rural areas and the party's policies for the rural areas, and their proper obligations and responsibilities to the state and the collective. The education will enhance their concepts of socialism and collectivism and enhance their concepts of safeguarding the motherland's unity and strengthening the unity of all nationalities. Thus, it will make the ties between the party and the masses of peasants and herdsmen closer, promote the deepening of reform and the building of the two civilizations, and guide the peasants in constantly casting off poverty and creating wealth and in unflinchingly taking the socialist path.

The Propaganda Department has organized the relevant departments to compile and print jointly the *Materials for Publicizing and Explaining Socialist Education in the Rural Areas*, comprising eight parts: 1) the current situation and tasks in the rural areas; 2) continue the thorough implementation and execution of the party's rural policies; 3) strengthen one's belief in socialism and resolutely take the socialist path; 4) depend on science and technology to develop production and to cast off poverty and create wealth; 5) conscientiously strengthen the building of grassroots organizations with the township and village party organizations as the core; 6) enhance the unity of nationalities and oppose the splitting of nationalities; 7) comprehensively, correctly, thoroughly implement the policy of freedom of religious belief; and 8) strengthen leadership, make overall plans, and build socialist civilization well.

The suggestions for arrangement of the work pointed out that socialist education should be closely integrated with the ideological reality of the peasants and herdsmen, so that the education has a definite objective in view, is focused, and is convincing. At present the main realities in the rural areas are: 1) There are "dualities" in the peasants' thinking, namely, the coexistence of the idea of taking the socialist path and the vestiges of the idea of private ownership, the interweaving of the consciousness of the commodity economy and the concept of the small-scale peasant economy, and the common existence of the attitude of holding science and technology in high esteem and of clinging to ignorant, backward practices. 2) There are "three fears" and "three pursuits" among the peasants, namely, fear of policy changes, fear of increases in the prices of the means of production, and fear of a breakdown in public order; and pursuit of wealth, pursuit of knowledge, and pursuit of happiness. 3) In the rural areas, particularly in southern Xinjiang, religion is very influential, and from time to time there occur instances of religious interference or religious interference in another guise in administrative, judicial, and educational affairs. 4) The building of grassroots-level party and government organizations in the rural areas is universally weak, and the ideological-cultural front in the rural areas is only gradually being rebuilt. In conducting socialist education we certainly must seek truth from facts, and we certainly should not avoid the actual problems of concern to the peasants and herdsmen.

In this education, results must be emphasized and preaching that is devoid of content must be avoided by all means. Besides imbuing the peasants and herdsmen with the principles of patriotism, collectivism, and socialism, we must, suiting measures to local conditions, adopt flexible and varied forms of education and that are loved by the peasants and herdsmen, for example, holding exhibits, putting up wall newspapers, performing programs, watching videotapes, engaging in a mass maixilaiifu [a Xinjiang folk dance], and starting up newspaper- and book-reading activities. We must give play to rural wired broadcasting and villagers' broadcasting rooms so that the education is made vivid and dramatic and easy for the peasants and herdsmen to receive, thereby convincing them by reason, making the education a pleasure for them, and causing the education to strike root in their hearts.

The suggestions for arranging the work imposed difficult demands, on separate levels, on the objects of the education: 1) For the party members and cadres, the main demand is to improve their political quality, giving them education on the party's aims, and establishing in them the ideas of wholeheartedly serving the people and of displaying the vanguard, exemplary role of party members. 2) The ordinary peasants and herdsmen, who are the main object of the education, must be given education on the superiority of socialism and on collectivism and nationality unity. In the education, good ideological work must be done patiently and painstakingly on major households. 3) For the staff and workers of township and village enterprises, ideological education on collectivism and socialism must be conducted to enhance their consciousness of being professionals and masters. 4) For individual households and private businessmen, the main part of the education is to publicize to them the party's policies on the private economy, the idea of not forgetting, while making money, the collective, and the idea of observing discipline and abiding by law, thereby helping them to correct the direction of their operations, heighten their socialist consciousness, and guide the private economy and private enterprises to a healthy development.

The suggestions for arranging the work calls for large-scale publicizing of the deeds of advanced figures and advanced units in the rural areas, for using models to lead the way, for popularizing good experiences, and for displaying the spirit of self-reliance and arduous struggle.

Ideological education should permeate the whole course of this socialist education, and ideological education should be closely integrated with agricultural production, the deepening of reform, and the building of grassroots organizations, and the specific deployments for the arrangements made by the working group of each county. The propaganda departments of the party committees of the prefecture, autonomous prefecture, city, and county should adopt the method of "getting a grip on the individual site and bringing along the whole area," go deeply into the rural areas and get a good grip on one or two sites, and help to sum up, exchange, and guide educational activities.

This education in the rural areas will start in mid-December and can be arranged so that it ends before next spring's plowing.

Military Opposes Taiwan Independence

91CM0059A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 250, Nov 90 pp 70-71

[Article by Liu Chien-sheng (2692 1696 3932): "Opposing Taiwan Independence—The Taiwan Military's Political Campaign"]

[Text] Since Li Teng-hui announced the establishment of the National Unification Council and officially settled the criticism of "Taiwan independence" or an "independent Taiwan" on the part of outside circles and the Communist Party of China, the Democratic Progressive Party [DPP] has reacted to Li Teng-hui's goal and concept of a "unified China" by passing a resolution, titled "The Actual Sovereignty of Taiwan Does Not Concern Mainland China or Mongolia," at the second plenary session of its fourth congress in early October. This has brought Taiwan's government and public into a debate over "unification versus independence," and has again caused a political disturbance.

From Anticommunism to Anti-Taiwan Independence

During the debate deadlock, media organizations attached to the military, as well as several military leaders, openly launched unprecedented criticisms against the resolution. They even equated the DPP's theory of "the actual sovereignty of Taiwan" with the theory of "Taiwan independence," saying that if it should be hastily put into the DPP constitution, it would immediately result in a notable security crisis for Taiwan. Because the military is taking a strong stand against Taiwan independence, and is finding it difficult to tolerate the theory and methods of Taiwan independence, some people hint that the military's "anticommunist" line of the past has been gradually replaced by the education on "anti-Taiwan independence."

The military is the most powerful real institution which has changed qualitatively from "anticommunism" to "anti-Taiwan independence." It indicates that the military line of "army building" has obviously changed.

According to some military officers, the reason the military has rapidly and vigorously started an "anti-Taiwan independence" education program in the armed forces is mainly because of "security" considerations. The military believes that once Taiwan takes the road toward independence, the Communist Party of China will react with misgivings and concern, and furthermore, it may resort to the massive use of force to resolve the problem of unification. In addition, the "General Principles of Political Warfare" promulgated by the military postulates that "anticommunism and recovery of the nation" is the sacred mission of the "National Revolutionary Army". If the reasoning and the belief behind national unification are abolished, military morale will surely dissolve. In such a case, the Communist Party of China will also pressure Taiwan with force, throwing Taiwan's security into a dangerous situation. For all these reasons, the military's education opposing Taiwan

independence is done in the hopes of using political education to inform both the military and civilians of their position in a perilous political environment.

In reality, there have been different opinions about whether the military should get involved in the debate over unification or independence. There are, however, few people who are willing to conscientiously learn about the reasons behind the military's attitude opposing Taiwan independence.

Military Questions Li Teng-hui's Stand

Military personnel openly pointed out that, although there were many reasons why Li Teng-hui had not been getting along with the military since he assumed the presidency, one of the major reasons was that the military doubted his stand on the issue of Taiwan independence.

According to unofficial statistics from the military, the military circle was extremely shocked when, two years ago, Li Teng-hui officially and publicly admitted that Taiwan's "administrative right" excluded mainland China. Particularly in the two years since he has been in office, Li Teng-hui has rarely stated his personal stand on the issue of Taiwan independence. Even when the military leader requested that Li Teng-hui severely punish those who were for Taiwan independence, Li expressed an ambiguous attitude, which greatly surprised the military officer.

In the past, education opposing Taiwan independence always started with the president's speech on the importance of opposing Taiwan independence. However, since 1988, the president's speech on opposing Taiwan independence has been replaced by that of Hau Pei-tsun, indicating that the military has suspicions about Li Teng-hui. Later, when Hau Pei-tsun repeatedly reported to Li Teng-hui about the achievements of education opposing Taiwan independence and asked that awards be given to those who rendered outstanding service, Li Teng-hui gave no indications of this, other than saying that he "was aware" of the achievements.

Additional military statistics reveal that, between 1988 and mid-1989, there were only 12 criticisms of Taiwan independence theories written by Li Teng-hui. Of these 12 documents, six were issued during the period when Li Teng-hui was trying to transfer Hau Pei-tsun from staff headquarters. Due to these unusual actions, some military leaders believe that Li Teng-hui's stand against Taiwan independence was obviously done for political principles, which leaves some latent factors for future political conflicts.

Repeated Statements of Position Receive No Understanding Or Appreciation

During the period of political conflicts, Li Teng-hui clarified his personal stand against Taiwan independence in practically every speech, attempting to seek political stability and the military's support. He was,

however, not understood or appreciated by the military. During that time, Li Teng-hui spoke against Taiwan independence 20-some times. Yet some people questioned his stand, based on his provincial citizenship. It was not until Li Teng-hui appointed Hau Pei-tsun to be premier of the Executive Yuan that he found an opportunity to improve his relations with the military.

The process was as follows, according to a description by some veteran military officers: Once, when Li Teng-hui met with veteran military officers in the president's office, one veteran officer asked Li Teng-hui to state his personal stand on the issue of opposing Taiwan independence. Li Teng-hui put on a unhappy expression, saying that he had made many statements opposing Taiwan independence, and he wondered why the military still showed suspicion about his stand. Although his unhappy expression appeared only momentarily, the veteran officers had a different impression.

Because Li Teng-hui's stand against Taiwan independence has been weak, the military has shown no "understanding." Although the military did not take a strong position towards Li during many of the political conflicts, at a "military conference held in September some military leaders still questioned "somewhat" commander in chief Li Teng-hui's stand opposing Taiwan independence. In order to dispell the military's doubt, Li Teng-hui immediately stated his position opposing Taiwan independence, and expressed his hope that the military could strengthen the education on opposing Taiwan independence.

Military personnel analyze this special phenomenon as follows: As supreme commander of the armed forces, why must Li repeatedly and publicly state his stand against Taiwan independence? In the past, during Chiang Ching-kuo's administration, such a strong position was never made regarding the issue of opposing Taiwan independence. However, Li Teng-hui is different: he has repeatedly publicized his position. If he cannot make himself understood by the military, it would indicate that such an issue is a very sensitive political issue. Once a problem involves "politics," it will become hard to sort out right and wrong, kindness and enmity. Therefore, if the problem of his stand against Taiwan independence is not resolved, it will naturally create many pressures and distractions for Li Teng-hui's administration.

Basically, if Li Teng-hui does not find a way to resolve the Taiwan independence problem, the military and intelligence system will doubt his stand. In the long run this could lead to complicated problems. Despite the military's support of Li Teng-hui in some respects, before the crux of the issue is resolved, there will still be discrepancies between Li Teng-hui and the military and intelligence agencies, and naturally this could lead to political waves. Particularly at present, during a sensitive time when the military and intelligence have made Taiwan independence their primary enemy, the strength with which Li Teng-hui holds his stand opposing Taiwan

independence is closely related to the extent to which the military and intelligence will support him. Thus it is obvious why Li Teng-hui set up the National Unification Council.

Great Likelihood of Government and Public Conflicts

Military personnel openly admit that the military has had some plans for education opposing Taiwan independence since 1984. At that time, Hau Pei-tsun was beginning to take power in the military. Later, as the political situation changed, education opposing Taiwan independence became the major course in the political warfare education in the military. Especially during last year's general elections, when Hau Pei-tsun was transferred to head the Ministry of National Defense, the execution of such education became the basis for evaluating military officers. Education opposing Taiwan independence has thus been established as a characteristic of military culture. Many officers have been promoted due to their excellent performance in carrying out education opposing Taiwan independence. In other words, one may say that education opposing Taiwan independence has become a surging "political campaign" in the military.

As military education opposing Taiwan independence leaves the sphere of political warfare and becomes a separate political campaign, it indicates that the military's attitude opposing Taiwan independence is no longer a matter of one's personal stand. It is now a question of "political ethics." This, together with the promotion of a "secure defense", means that Li Teng-hui faces a severe political test. Thus, at an unusual time when the military makes opposition to Taiwan independence the key to Taiwan's security, Li Teng-hui must handle this sensitive issue cautiously, as if he were walking a tightrope. Otherwise, the slightest lapse may lead to government and public conflicts. This situation is cause for concern. Under such circumstances, regardless of whether they are institutions advocating or opposing Taiwan independence, all must act with great caution.

Challenges Facing Kuomintang Administration

91CM0092A Hong Kong CHING PAO [THE MIRROR] in Chinese No 160, 10 Nov 90 pp 76-79

[Article by Li Xueyan (2621 7185 0917), dated 24 September 1990: "The Kuomintang Is Beset With Crises"]

[Text] "Find Lost Party Members"

In the 1989 election, the Kuomintang's [KMT] votes dropped to 60 percent or so from the previous stable 70 percent or so. In some areas, the KMT got only a little more than 50 percent. The ruling party status of the KMT has been challenged under the multiparty democratic political system.

The KMT Central Organizational Work Committee has on file more than 4 million party membership registration cards, but personal information is available on only 2.53 million of them. Among these 2.53 million members, how many exactly have already died? How many have left party organizations? How many are still controlled by party organizations at different levels? Nobody knows. It is really "a mess." The force the KMT organizations can mobilize is declining year after year. Even among existing party organizations, small groups that meet regularly make up no more than 0.1 percent. The rest are inactive. Most small group leaders have no idea how many members there are in their group. Some do not even know or have any contact with one another. Since there is little contact between the party and its members, the party's influence on its members has naturally diminished. The party had not realized the seriousness of its organizational crisis until it suffered a setback in the 1989 election. After that, Li Teng-hui personally called for efforts to "find lost party members."

But some data show that the leading echelon of the KMT has not yet found the source of the illness. Therefore, it is all the more difficult for them to find the right cure. Besides, the power echelon of the KMT regards party members mainly as the means of control and considers all democratic views as heresy. The party newspaper, CHUNG YANG JIH PAO, constantly abused those who advocated democracy in the party such as Kuan Chung [7070 0022] (former deputy secretary general of the KMT Central Committee) and Chao Shao-kang [6392 1421 1660] (one of the key personnel in charge of the New KMT Coalition of the Legislative Yuan). It treated them worse than it did enemies. This is an obvious power struggle. The KMT was divorced from its early revolutionary beliefs long time ago. It was not prepared ideologically nor adjusted organizationally during its transition to the parliamentary and democratic political party systems. Now it relies only on the redistribution of political and economic resources under its control to attract and maintain some people. The relationship between the party and its members is about nothing but haggling over interests. It cannot form an ideological and revolutionary coalition. No wonder those who were rejected want to separate and form new parties. Members at the grassroots level come and go depending on whether there is anything to gain. Most college students think joining the KMT is a shame.

People's Representatives Are Not Popularly Elected

It is not that the KMT does not have any talented people. They are concentrated mainly at the higher echelons of the KMT and government. For instance, Sung Chu-yu [1345 2806 3842], Kuan Chung, Cheng Hsin-hsung [6774 1800 7160], Hsu Li-te [1776 4539 1795], Shih Chi-yang [2457 6386 2254], Ma Ying-chiu [7456 5391 0046], Chien Fu [6929 1788], Kuo Wan-jung [6753 1238 1369], Chen Lu-an [7115 1462 1344], Wu Po-hsiung [0702 0130 7160], Wang Chien-hsuan [3769 1696 8830], Chang Hsiao-yan [4545 1321 0917], and Shao Yu-ming

[6730 3768 6900] are all outstanding talents in our time. They are by no means inferior, if not superior, to the new generation of leaders on the mainland. And they are all conceited, arrogant, and content with the current stable situation. They cannot comprehend the importance of "taking the mainland into consideration." As the saying goes: Swallows and sparrows nesting in the hall are unmindful of the spreading blaze—oblivious of imminent danger.

The quality of lower-level people's representatives varies. Except for a very few who have ideals and know their duties, almost all are linked to money and violence. For instance, legislator Lin Yu-hsiang [2651 6877 4382] who upholds "one country, two governments" and indigenous doctor Hung Tung-kui [3163 0392 2710] came into office with the support of the Changjung Shipping Company. Chou Chuan [0719 5425], a female reporter who has a very good image, came into office with the support of the Weiyuan Financial Group. Singer Chang Ti [1728 5530] (real name Chang Chih-min [1728 1807 3046]) won the election with only NT\$60 million [new Taiwan dollars] because he was famous. Wu Te-mei [0702 1795 5019] who herself alone has over NT\$10 billion in assets is a backbone of the "iron and steel faction" in the Legislative Yuan. A legislator's election campaign costs NT\$50-100 million. Even the election campaign of the lowest villager's representative costs NT\$1-2 million. Nobody can become a people's representative without money. After these people entered the legislative Yuan and other levels of people's representative organs, the first thing they consider is how to use their privilege and position to "recover" their losses—capital plus interest. The second thing they consider is how to escort their backstage bosses. Everybody is busy taking care of their own business. Nobody is really examining the bills. Nearly 400 bills are reportedly gathering dust in the Legislative Yuan. Even if there were 10 more sessions, legislators would not be able to finish examining these bills at the current rate. The Legislative Yuan cannot take any action on many urgent matters because the legislative process has not been completed. Only heaven knows what kind of role the so-called people's representative organs play in politics.

What is more, the mainstream and nonmainstream members of the Legislative Yuan recently joined hands to seek power from the KMT Central Committee in an attempt to replace the Standing Committee of the KMT Central Committee with legislators with KMT membership. Their argument is that none of the leaders of the KMT Central Committee and the members of the Standing Committee of the KMT Central Committee has a "popular basis." Their power fanaticism has come to the point of becoming irrational. In their eyes, neither Li Teng-hui, Hao Pei-tsun, or Sung Chu-yu has a "popular base" and should be therefore replaced by them. They are completely ignorant of Dr. Sun Yet-sen's theory of dividing powers and functions. It looks like that the word "crisis" is not enough to describe the KMT's problems. Future developments depend on KMT

leaders' navigation ability and on whether they can escape the whirlpool of power struggle.

These are only political crises within the KMT. There are all kinds of conspiracies going on outside the KMT which are even harder to guard against. Because there are collaborating forces within the KMT, unforeseen crises can occur anytime. For instance, in the past, the Democratic Progressive Party (DPP) could not control the national assembly and vigorously advocated the cabinet system, attempting to go after the control power of the Legislative Yuan. Now, taking advantage of the KMT's weaknesses, the DPP suddenly proposed to elect the president through a popular election. This is a new shortcut that enables the DPP to go around the national assembly and seize political power. If older members of the Legislative Yuan and older representatives of the national assembly (they are all against Taiwan independence) are excluded from constitutional and political system reforms, the popular presidential election may become the new rule of the game. Since most of the so-called supplementary members are in for personal interest and regard the party as a tool to seek personal gain, so the KMT authority has no way to control them. The best example is that on 21 September at a party and government operation forum, newly elected members of sublevel organizations of the Legislative Yuan joined hands to oppose the KMT Central Committee. One day, the KMT might lose political power through an election. Once the KMT loses its political power, the replacing political party would never let it come back again. By demanding that the governor be popularly elected, the DPP tries to make the president and the Executive Yuan a mere figurehead. Under the banner of "democracy," the DPP attacked older members and people's representatives, saying that they do not have a "popular base." Having a "popular base" means realizing the "self-determination of Taiwan residents" as specified in the DPP constitution. Everybody knows that this is a make-shift bridge leading to "Taiwan independence." The problem is that there are people in both mainstream and nonmainstream factions of the KMT willing to collaborate with the DPP to seek their personal gain.

Current Economic Predicament

Because Taiwan's payments surplus increased year after year, foreign exchange reserves increased continuously, and the government failed to adopt necessary measures, the supply of Taiwan dollars went out of control in 1986. About NT\$600 billion [new Taiwan dollars] in savings deposits were not effectively utilized in that year. And under the pressure of the United States, the Taiwan dollar appreciated as much as 41 percent, thus weakening the competitiveness of Taiwan's exports. Idle funds overflowed into stock, real estate, and foreign exchange operations, causing stock and real estate to go up continuously. In order to prevent inflation from getting worse, the Taiwan Central Bank began in March 1989 to adopt a strict tight monetary policy. This move checked speculative activities but failed to hold back the

recession. Moreover, in the past few years, environmental protection awareness gained ground, the labor movement was active, social order deteriorated, the labor supply was tight, wages increased sharply, and it costs almost as much to buy a piece of land as to build a factory in Taiwan. Because of all this, investment desires are low and funds are transferred out of the island to seek outlets.

According to information from the Ministry of Economic Affairs of Taiwan, in 1989 Taiwan's civilian overseas investment amounted to 62.87 percent of civilian domestic investment. In the past few years, because the overseas investment of the manufacturing industry continued to increase, the internal gross output of the manufacturing industry declined by NT\$300 billion. In recent years, the proportion of overseas Chinese and foreign investment in Taiwan's manufacturing industry, especially heavy industry, has declined substantially, indicating that Taiwan is losing its appeal to capital-intensive industries. This is why people with insight worry about the deprivation of Taiwan industry. And, due to the recent Persian Gulf crisis, oil prices have soared, thus worsening the inflation which had already been climbing slowly. The economy is going down as prices are rising rapidly. This shows that a stagflation has been formed. Taiwan's economic growth rate in 1990 has been changed from the original 7 percent to 5.24 percent. If oil prices continue to rise, large amounts of funds continue to flow out of the country, and internal investment desires cannot be aroused, the growth rate of 1990 may not be able to maintain even this figure. The Taiwan Economic Construction Commission thinks that if the growth rate drops to 3 percent, it would be equivalent to negative growth.

Japanese Investors Control Taiwan Market

A problem that must not be ignored in Taiwan's economy is that Taiwan's trade deficit with Japan is increasing year after year. In 1989, the trade deficit with Japan was \$7 billion. In the first eight months of 1990, the deficit reached \$5.1 billion. Anyone who has been to Taiwan will find that specialty shops selling Japanese goods are everywhere and that almost 80 to 90 percent of things used in households, offices, and public places are made in Japan. In early years when Taiwan's wages were low and protectionism was adopted, Japanese made large investments in Taiwan and shipped spare parts and components to Taiwan to be assembled. This gave an impetus to the development of Taiwan's economy, but the majority of Taiwan industries are controlled by Japanese. Of the first 100 items imported from Japan, all but one, fish powder, are critical parts needed by all levels of industries in Taiwan. Since Taiwan practiced trade liberalization and substantially reduced tariff in 1987 and since Taiwan's wages soared, Japanese have gradually reduced the assembly industry in Taiwan and replaced it with a marketing network to sell finished products directly to Taiwan. Taiwan's financial and economic authorities are not completely unaware of Japan's vicious economic colony policy, but they have

not adopted an effective measure to change this situation. As a result, it is getting worse and out of control. Now even 30 to 40 percent of foreign trade is also controlled by Japanese investors or companies under their control.

In the past few years, trade relations between Taiwan and Mainland China have developed rapidly (based mainly on indirect trade). Taiwan investors' investment in Mainland China has also increased year after year. From Taiwan's lifting of travel ban on the mainland to the development of economic and trade relations, prospects for peaceful solution of the relations between both sides of the strait were developed. This has virtually reduced the speaking rights of bellicose conservatives on the mainland. Of course, economic cooperation benefits both sides of the strait. Both sides should be sincere in discussing face-to-face a concrete way to cooperate and should coordinate with each other in regard to laws and policies. This not only can solve current economic problems for both sides but also has a far-reaching influence on the future political and economic trends of both sides and on the prosperity and development of the Chinese nation as a whole. However, the current policies of the authorities on both sides seem to defeat this purpose.

Hesitate To Make a Move on the Mainland

Everybody knows that Mainland China is on top of the list of places that have not yet been fully developed but have great potential. From the viewpoint of businessmen, Mainland China is a place that investors cannot but carefully study (South Korea is one of the most interested). Compared with other countries, Taiwan has more and better conditions. To solve Taiwan's current economic problems, economic advance into the mainland ought to be the best choice. However, as of today, Taiwan has treated this problem with the attitude of an enemy. First, it prohibited everything. When this failed, it changed to the "direct" and "report" policy. (This is to ban direct trade and investment, report indirect investment under \$1 million, and conduct policy-related examination of individual cases that are above \$1 million. Investment items are limited to 3,319 general items. Almost all important industries are included in the ban.) As a matter of fact, Taiwan has its feet firmly planted in the "ban." First, Taiwan is afraid that excessive investment may help economic development on the mainland. Second, Taiwan is afraid that it may fall under the control of the mainland in the future. Economic and trade activities between the two sides of the strait currently account for about 5 percent of Taiwan's total trade volume. Copying Japan's plan, Taiwan tries to keep such activities under 10 percent, fearing that more than 10 percent may put Taiwan in a passive position and affect political initiative. In the first half of 1990, many industrial and commercial organizations in Taiwan organized inspection groups to go to the mainland, stirring up a so-called "mainland fever." Fearing that this may affect Taiwan's policy, the authorities immediately declared a six-month freeze on the relations between the two sides. (They banned the import of

vegetables from the mainland even when a typhoon caused a vegetable shortage and the island needed to import vegetables.) Relevant departments of the ruling party made individual efforts to dissuade (even threaten) manufacturers from planning to invest in the mainland. Because of this, Wang Yung-ching's [3769 3057 1987] Haicang investment plan was also obstructed. After he returned from an inspection tour of the mainland, Kao Ching-yuan [7559 3237 1959], famous entrepreneur in Taiwan and president of the Tungi Group, complained that "many of our current economic and trade investment policies on the mainland are formulated by those who are either conservatives or do not understand the actual conditions of the mainland." "Our government's mainland policy says one thing and does another. It will worsen the relations between the two sides of the strait and is even more likely to cause local enterprises to miss business opportunities and lose confidence in local development." It appears that the preventing and blocking policy is unpopular and inefficient. If Taiwan fails to quickly carry out a long-term, across-the-board policy readjustment, and change blocking to guiding, it probably will suffer double losses.

But this problem should not be blamed only on Taiwan. Currently, the mainland implements basically a planned product economy. Its political system is also designed to meet the needs of the planned product economy. Although it has carried out the reform and open policy for 10 years and it once tried to introduce the commodity economy to increase productive forces, it had some setbacks and had to stop everything. There is no free market operation and no good investment environment. There are many unexpected political risks. Under these circumstances, we can understand why Taiwan adopted the above policies. If the mainland can adjust production relations to meet the need of the development of productive forces and eliminate investors' economic fears and the Taiwan Government's political fears, the relations between the two sides of the straits are bound to develop further in a direction that is conducive to reunification.

What the "National Reunification Committee" Does

On 12 September the Standing Committee of the KMT Central Committee adopted a document on eight main points for the founding of the "National Reunification Committee." The first point explains its purpose, namely: "In order to speed up, under the principle of freedom and democracy, the reunification of the country and to study and consult on major policy issues concerning the reunification of the country, the president organizes, in the form of mission groups, the National Reunification Committee." The chairman of the committee is the president. Two of the three vice chairman positions of the committee were assigned to the vice president and the head of the Executive Yuan. The third vice chairman position was originally assigned to Huang Hsin-chieh [7806 0207 0094], chairman of the DPP, but Huang turned it down due to the opposition in his party. A nonparty personage, Kao Yu-shu [7559 3768 2885],

who is a senior statesman was then invited to serve on this post. There are 25 to 31 members of the committee. They are all appointed by the president.

The founding of the "National Reunification Committee" was reportedly discussed before Li Teng-hui assumed the office of president in May 1990. This committee and the "National Affairs Conference" are twins. Li Teng-hui's plan is to unite the "independence" group through the "National Affairs Conference" and unite the "reunification" group through the "National Reunification Committee." The plan was studied and finalized in July and revealed for the first time to the press on 17 August by Chiu Chin-i [6726 6651 4135], deputy secretary general of the presidential palace. In late August, Li Teng-hui met with political aides, some strategic advisers, national policy advisers, high-ranking party and government personnel, scholars, and experts to solicit their opinions. They all supported the idea, so Li decided to officially establish the committee in September.

After convocation of the "National Affairs Conference," many people had misunderstandings about Li Teng-hui, thinking that he might collaborate with the "Taiwan independence" group. The founding of the "National Reunification Committee" played a role in clearing up this misunderstanding and pacifying the "reunification" group, which is dominated by mainlanders. But as of today, there have been two not-so-minor twists.

Li Teng-hui's "New Tool"

The first time was when Chiu Chuang-huan [6726 0482 3562], Li Teng-hui's trusted follower and political aide at the presidential palace, told the press on 28 August that a legal basis may be established for the "National Reunification Committee" during revision of the constitution. If so, the committee would turn into an organ with decisionmaking power and the Executive Yuan would become a figurehead and a simple enforcement unit. As a result, a power struggle began between the presidential palace and the five Yuans. But Chiang Yan-shih [5592 1750 1102], secretary general of the presidential palace, quickly cleared it up by saying, "This committee is only a research and consulting organ, and the decisionmaking power of major policies is held by the president." There are probably good grounds to support both statements, but the committee was denied decisionmaking power during the finalization of the plan.

The second twist was the reaction of the DPP. Li Teng-hui met with Huang Hsin-chieh, chairman of the DPP, on this matter. After the meeting, Huang told reporters, "The name of the 'National Reunification Committee' may cause misunderstandings and make other nations think that Taiwan has agreed with the mainland on the status of reunification. Taiwan people are afraid of reunification with the mainland. For these reasons, the DPP cannot join the committee." Other

DPP members, however, said that reunification contradicts the "self-determination of Taiwan residents" specified in the DPP constitution. By so saying, they exposed the nature of "Taiwan independence" of the DPP. Residents' self-determination originally meant that residents may choose "independence" or "reunification." The current interpretation of the DPP is to choose "independence" and oppose "reunification," thus making its political identity even clearer. In addition, Huang Hsin-chieh also said, "Even if Li Teng-hui is sincere, he is not bold enough. Hau Pei-tsun and Chiang Yan-shih are overbearing." By saying so, he suggested that Li Teng-hui is not interested in reunification, but he has to do so because of the pressures from Hau and Chiang. To discover the truth, we will have to wait for future developments.

As a matter of fact, the "National Reunification Committee" is only a political instrument. Because all of its members are appointed by Li Teng-hui himself once a year, it can help Li Teng-hui promote as well as obstruct reunification.

Relations With Soviet Union Seen Improving

91CM0174A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 47, 15 Nov 90 pp 64-65

[Article by Wang Kai-ti (3769 0418 5530): "The Hostile Stance Against the Soviet Union Is Turning Into One of Alliance With the Soviet Union—A Pro-Soviet Fever Spreads Throughout Taiwan"]

[Text] At a time when Taiwan's diplomacy is suffering setback after setback, there is Russia in the far north that is making several moves to become friendly again. Crowds of people have visited Taiwan or are about to visit Taiwan: the mayor of Moscow Popov, his deputy Zhuniji [2616 1441 1015], the chairman of the assembly of the Russian Republic Yisakenuofu [0181 5646 4430 6179 1133], the Soviet Minister of Culture Guziku [0657 5417 1655], Kenuoqite [4430 6179 1148 3676], editor in chief of the Soviet weekly ISKRA, and so on. All these visits have spurred a "pro-Soviet fever" to a high pitch among all sectors of the Taiwan society, especially among industrialists and the business world, and have demonstrated that an important breakthrough has been achieved in Taiwan's "realpolitik." In the foreseeable future Taiwan will further strengthen its economic, cultural, and political ties, and in its foreign economic relations will possibly open up an entirely new era, which will, it is hoped, raise Taiwan's international position to a new height.

Popov, who visited in response to an invitation from Chou Yin-hsi 0719 7299 0823, chairman of the board of the Chunghsing Textile Company, is not merely an ordinary city mayor; he is a supporter and "comrade-in-arms" of Yeltsin, the leader of the radical reform party, and himself also a scholar who once served as dean of the famous Economics Department of Moscow University and, as such, as famous as Yeltsin and Sakharov.

His coming indicates that the Soviet Union, one of the members of the communist camp, has now to some extent also reached a phase of "thoroughly remolding itself," and that it is making strenuous efforts in its search for a "magic medicine from abroad" to cure the Soviet economy which is in a deep crisis. Zhuniji indicated that Taiwan's successful economic development has made a "deep impression" on people, so that many Soviet functionaries in industry and commerce are now very eager to enter into economic and trade cooperation with Taiwan. In the establishment of normal commercial relations, which is all that is hoped for at this time, focus is primarily on industries that provide the basic necessities of the people's livelihood, but "that does not preclude the possibility of future exchanges with Taiwan of technical and scientific products of international repute, when the time for such exchanges will have matured."

Actually, much economic and trade consultation had already taken place earlier between Taiwan and the Soviet Union on a private basis. In October 1988, an investigation group, sponsored by the Taiwan Provincial Import-Export Federation and headed by Lin Tzu-ching [2651 6327 3237], a national assemblyman, visited the Soviet Union for a 19-day inspection. At that time, Shen Chang-huan [3088 2490 3562], chief secretary of the office of the president, was still alive and attacked the investigation group as "violating fundamental national policy." However, little by little the gap was finally bridged. In May 1989, two Soviet officials, Ivanov and Yakelaman [0068 0344 2139 2581] visited Taiwan as observers to participate in the Conference on the Economy of the Pacific Basin; this was the first time that Soviet functionaries had visited Taiwan in their official capacities. In January 1990, the first Taiwanese businessman, I Li-te [0122 5461 3676], signed a contract with AZO, an enterprise run by the Georgian Soviet Republic, for the establishment of a cosmetics factory. In February, Taiwan's Executive Yuan officially decided to legalize direct trade with the Soviet Union, and in April decided to declare the Soviet Union open for direct investments and all other commercial activities as a free trading country. In view of all this, the large-nosed Soviets also adopted correspondingly well-intentioned responses. On 28 July, Shumeike [5289 2734 4430], Minister of Light Industry of the Russian Soviet Federated Socialist Republic, led a group on an inspection tour of Taiwan. One day later, Li Chang-lu [2621 2490 7047], deputy director of the Taiwan Trade Bureau, also went on a trip to visit the Soviet Union. In September, Dr. Wa'erdumin [3907 1422 2629 2404], director of the Soviet Institute for Foreign Market Research, came on a visit. On 1 November, the International Trade Bureau of Taiwan's Ministry of Economics promulgated 10 supplementary measures in favor of expanded Chinese-Soviet trade. On 15 October, the Soviet Union eased up on the issue of commercial visas for Taiwanese, and also reduced the lag for issuing tourist visas to 48 hours.... What a lot of traffic of so many people coming and going! When Popov visited on 27 October, he had a historic meeting with Taiwan's Deputy Foreign Minister Chang

Hsiao-yen [1728 1321 0917], and by then the economic and trade relations between Taiwan and the Soviet Union had truly entered a substantive stage.

Popov informed Chang Hsiao-yen of Moscow's intention to establish on Taiwan a trade office similar to a chamber of commerce, and Chang Hsiao-yen promised to pursue this matter, and also expressed the hope of establishing an economic and cultural center in the Soviet Union.

On 27 October, Taipei's mayor, Huang Ta-chou [7806 1129 1558], gave a banquet in honor of Popov and exchanged with him experiences in city administration. Huang quoted Confucius: "Is it not a pleasure to have friends come from afar?" and also sang a song with a friendship theme. What a spectacle! It showed that Taiwan's national policy of hostility against the Soviet Union had already become a record of past history. Popov also invited Huang Ta-chou to visit Moscow.

The Ministry of Foreign Affairs of the People's Republic issued a statement on Popov's visit to Taiwan, in which it pointed out: "We are firmly opposed to having countries with whom China has diplomatic relations take up relations with Taiwan and initiate official exchanges." Taiwan as well as the Soviet Union have taken note of this statement. Popov had all along emphasized the value of the "Taiwan experience," and the need for "private enterprises" to strengthen mutual relations, which means that the purpose of the present visit was merely to talk business and to enhance one's business expertise.

In all the "pro-Soviet fever" among industrial and commercial circles, important people in the Taiwan Government are still clear-headed and tend in general to believe that the relationship should indeed be on a private basis, that the foreign ministry must not be much in evidence, that it must be through economic forces that diplomatic effects may be achieved, that to conform with conditions within the Soviet Union, substantial relations should first be established with the various republics and things be worked out from the bottom toward the top, and that expansion be accomplished starting with single points, and broadening out later over the entire area.

To lend support to the need for improving relations between Taiwan and the Soviet Union, Taiwan's Foreign Minister Chien Fu [6929 1788] recently stated clearly at the Legislative Yuan that the Ministry of Foreign Affairs has lifted the ban on contacts with Soviet officials on foreign posts, and, furthermore, that the Soviet Union is considered a preferential partner in connection with the fund for the development of foreign economic cooperation, and that it is hoped the Soviet Union will make proposals on its own initiative to obtain credits.

He candidly expressed the hope of the Foreign Ministry to establish contacts with the central authorities of the Soviet Union, but the other side has stated that their intention is limited to economic and trade relations without any official contacts. One cannot, therefore,

expect in the near future any breakthrough in the matter of raising the level of bilateral relations.

It is also easy to see the particular standpoint of the Soviet Union in this matter. At its present stage of economic reform, the Soviet Union is compelled to expand its foreign trade relations, but it would on the other hand also not be worth its while to stir up political trouble and offend Communist China.

On 28 October, Popov, accompanied by Feng Hu-hsiang [7458 3337 4382], a professor at Central University, went to visit Wuer Kaixi [0710 1422 7030 1585] at the Jungmin Hospital to convey the respect of the citizens of Moscow for the students of Beijing. The two were photographed embracing each other, and Wuer Kaixi stated that it is of a unique significance to have a meeting between one who is exiled by a dictatorial communist regime and one who is a true reformer coming from a communist country.

“On to Moscow, let us trade!” After Popov had contacts with leaders of Taiwan’s industrial and commercial circles at a banquet and had, on the spot, invited investments at such favorable terms that would make certain that Taiwan’s businessmen would not incur losses, interest by Taiwan’s industrial and commercial circles in the Soviet market rose to new heights. Quite a number of those industry and commerce fellows considered organizing an “industrial and commercial investigation tour of the Soviet Union” to find out personally and on the spot what the Moscow market is like.

Such top Taiwan enterprises and groups as Taiwan Plastics, Chungfang, Weichuan, Hotai, and Shengpao, have already prepared to enter the Soviet market. Taiwan Plastics has already supplied the Soviet Union with polyester fiber from its own production. The Chongfang Group has marketed various kinds of garments and underwear, and is considering establishing a factory in the Soviet Union. As a consequence of all these undertakings, orders to the value of \$100 million have been received from the Soviet market.

Niguziku, minister of culture in the Gorbachev Cabinet, and his wife, in a party of five persons, will visit Taiwan on 11 November. He will bring along for exhibition documents and letters exchanged between Sun Yatsen and Lenin, now on display in the Lenin Museum, and will help to arrange Taiwan performances of the Soviet Imperial Ballet, and has also indicated that he may arrange for Taiwan ballet students to come to the Soviet Union for training.

Early in October, the Soviet star ballet, the famous Bolshoi Ballet, for the first time broke the political taboo and performed publicly at the Taiwan National Theater. The “Bolshoi” is the oldest and most famous ballet in the world and has altogether 280 dancers, selected at the rate of 1 out of 100. Another world-famous ballet, the Kirov, has performed on the same stage and opened up new vistas for the Taiwan audiences. For these occasions,

Taiwan’s “Hsinhsiang” had designed a novel and courageous advertising poster which showed the “blue sky, bright sun” national emblem of the Republic of China next to the “hammer and sickle” emblem of the Soviet Union, an extraordinary and certainly eye-catching combination indeed.

Kenuoqite, editor in chief of ISKRA, the Soviet Union’s largest-circulation weekly, has accepted an invitation by Taiwan’s SHIH PAO newspaper and will visit Taiwan in January of next year. Kenuoqite is a Ukrainian poet and during his tenure of office from 1985 to today the circulation of ISKRA has jumped from only several hundred thousand to over 4.5 million.

Furthermore, the president of Moscow University will also visit Taiwan in the near future and is hoping to establish a sister relationship with Taiwan University. Taiwan is presently actively seeking communication (telegraph), postal, and shipping relations with the Soviet Union. The European route of China Airlines is at present seeking overflight rights through Soviet air space.

Analysis of Expanding Trade With Soviet Union

*91CE0127A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 44,
5 Nov 90 p 31*

[Article by Chang Yi (4545 1837): “Taiwan-Soviet Economic and Trade Relations Expanding”]

[Text] In the process of liberalizing and internationalizing, Taiwan’s economy has targeted eastern Europe first, followed by the Soviet Union, to expand economic and trade relations. From recent events, it appears that Taiwan-Soviet economic and trade relations can look forward to further progress.

Trade Contacts Clearly Up in 1990

In the past decade Taiwan has liberalized trade with many eastern European countries. Its trade with the Soviet Union primarily has been via Japan and West Germany. Taiwan sells to the Soviet Union mainly consumer goods, electronics products, textiles, toys, and automobile parts. It imports from the Soviet Union mainly wood products, minerals, and industrial raw materials.

In the past year, particularly in the past quarter since Taiwan liberalized direct trade with the Soviet Union, there has been a clear increase in the number of trade contacts between Taiwan and the Soviet Union. According to statistics by Taiwan’s “National Trade Bureau of the Ministry of Economic Affairs,” Taiwan’s exports to the Soviet Union increased greatly beginning in 1988. In 1988, Taiwan’s import figure from the Soviet Union was \$7.78 million, while exports were nil. In 1989, Taiwan imported \$54.78 million worth from the Soviet Union and exported \$20.64 million. In the first three quarters of 1990, Taiwan imported \$37 million

from the Soviet Union and exports leaped to \$39 million, an increase of 286 percent over the same period in 1989. This was the first favorable balance of trade for Taiwan.

Feasibility of Developing Economic and Trade Relations

Although in recent years there has been a further increase in economic and trade relations between Taiwan and the Soviet Union and East Europe, the "National Trade Bureau" believes that the market offers great potential even though it accounts for a small percentage of Taiwan's total trade value. The Soviet Union in particular, the guiding force of this market, is a vast land of immense population and rich natural resources as well as advanced science and technology. It is a market worth developing. Thus Taiwan hopes to expand trade with the Soviet Union.

Likewise, since Sino-Soviet relations have normalized and the Soviet Union has promoted reforms and liberalization policies, the Soviet Union itself has desired enhanced economic and trade relations with Taiwan. At present, the Soviet Union's plans for economic construction are to: in the short term, mainly to import or autonomously produce goods for the people's daily lives, including food products, electronics, and finished clothing. In the medium term, the Soviet Union will transform high science and technology and national defense military industries into civilian ones. It also will welcome foreign investors to invest in producing high technology products. In the long term, plans are to import various electronics products, computers, and automobiles, while concurrently exporting high technology products. Just as Taiwan can provide the Soviet Union with products for use in the people's daily lives and electronics goods, it can import Soviet high technology.

Therefore, there are good future prospects for Taiwan-Soviet economic relations since they are mutually supporting.

Taiwan Puts to Good Use Various Related Measures

In March 1990, when Taiwan's "Executive Yuan" formulated plans for direct trade with the Soviet Union, it decided to proceed in three stages: One, to participate in exhibitions, invest, and set up offices and branches of firms; two, to negotiate on liberalization of aviation, currency, posts, and communications; and three, to promote bilateral physical education, science and technology, and cultural exchanges. The Taiwan "Foreign Trade Association" has been working hard for several months towards these ends to set up bilateral channels and establish good relations as quickly as possible. For example, it organized a group visit to the Soviet Union and held an exhibition of Taiwan products in Moscow so as to develop sales inroads in the Soviet market for businessmen from Taiwan.

Recently, to further develop trade with the Soviet Union, the Taiwan government actively promoted various measures. These include: foreign exchange banks have won permission to decide autonomously on setting up direct exchange relations with Soviet banks; liberalizing direct dial telephone services for Soviet customers; carrying out customs procedures on goods according to customary practices; the Taiwan Overseas Cooperation Fund has made the Soviet Union a suitable target for cooperation; encouraging "Foreign Trade Association" and businessmen to organize economic and trade delegations to enhance trade with the Soviet Union; actively promoting establishment of commercial strongholds in the Soviet Union; actively winning Taiwan-Soviet mutual MFN status via customs and tax system channels; actively participating in commercial exhibitions organized by the Soviet Union. Taiwan now will participate in the coming Moscow Computer Exhibition and the January 1991 Moscow consumer products exhibition. With regard to aviation, at present Taiwan's "Ministry of Transportation" is consulting on how to realize actual plans.

The aforementioned situation indicates that Taiwan-Soviet economic and trade relations have entered the second stage. It appears that the third stage is about to begin.

The Soviet Union has responded to the various measures taken by Taiwan. It not only hopes to develop trade with Taiwan, engage in joint ventures and other forms of cooperation, but also to promote higher level Taiwan-Soviet economic and trade relations and establish direct ties. Moscow also is prepared to establish a trade organization in Taipei, thereby creating a direct channel for trade and enhancing trade relations between Taipei and Moscow. One high level Soviet official after another has visited Taiwan.

Hindrances to Further Expanding Economic and Trade Relations

The Soviet market has potential. It is easy to see why Taiwan wants to expand relations with it. Nevertheless, entrepreneurs and scholars believe that certain hindrances with regard to investment must be overcome.

Their reasoning is that at present various Soviet policies are not stable enough. For example, exchange rate fluctuations are too great. One cannot say whether investment surplus can be repatriated. Therefore, in the Soviet domestic market there has been some move towards goods for use in the people's daily lives, and the transformation of high technology products and national defense industries. But investing and setting up factories seem to be slow.

At the same time, public opinion holds that some Taiwan businessmen have engaged in trade with the Soviet Union via third country channels in the past decade, but most have been in terms of barter trade. Few have really engaged in direct, cash trade for goods via

third countries. In this regard, the Soviet Union's international trade abilities must improve further.

Others believe that the lack of foreign exchange and aviation conduits between Taiwan and the Soviet Union is a barrier to expanded bilateral economic and trade relations. All must be resolved by interpersonal means. With regard to aviation lines in particular, in the near future the Soviet Union will open the port of Haicanwei [3189 0639 5524]. Taiwan's civil aviation firm may consider whether starting air service would be beneficial to transporting goods.

Still others feel that the blind spot in Taiwan-Soviet trade lies in the fact that one economy is large, one small. There is a large gap. It is difficult to discuss relative trade. With the support of both governments, they might resolve the problem by setting up an intermediary organization for relative trade.

Of course, there are still many problems with expanding economic and trade relations between Taiwan and the Soviet Union. Nonetheless, people estimate that there will be great developments in economic, trade, and investment relations in line with mediation on currency and aviation channels.

Entrepreneurs Discuss Pros, Cons of Investing

91CE0069A Taipei TSAI HSUN [WEALTH MAGAZINE] in Chinese No 103, 1 Oct 90 pp 44-55

[Article by Chiu Yung-han (6726 3057 3352): "Taiwan Capital Fills the Gap of Foreign Investment in Mainland China—Some Thoughts After an Observation Tour of the Special Economic Zones in Mainland China's Coastal Areas"]

[Excerpts] After the 4 June Tiananmen incident last year, all the advanced countries unanimously agreed to suspend investment and loans to mainland China. Not until the summit meeting of the advanced countries this year did Japan suggest that because of the special relationship between Japan and communist China, Japan wanted to lift a part of the ban on public lendings. Since no special objections were raised at the summit meeting, Japan resumed offering loans to communist China, which had been suspended for a year. Then the question of who should go to mainland China as Japan's special envoy caused quite a headache within the Liberal Democratic Party.

It is really strange that Japan, the lender, should go to the borrower to explain itself as if "it is not easy to win back a borrower of its money." It is even stranger that there could be so much dispute and disagreement within the Liberal Democratic Party in choosing between Kiichi Miyazawa and Noboru Takeshita as Japan's special envoy to Communist China. Now, even though Communist China is again receiving Japanese loans, its political situation remains turbulent and unstable, and there is no way for it to succeed in its modernization. Perhaps Japan will realize eventually that "as long as Communist China

fails to put its economy onto the right track, it cannot possibly repay its debts on schedule." Maybe Japan is already psychologically prepared for this eventuality, which, of course, is another possible explanation. But, Japan, as the lender, did act with great humility toward Communist China, which, to a certain extent, is perhaps an act of atonement on the part of the Japanese Government.

To Communist China, Japan's decision to offer loans to it again is like a much-hoped-for timely rain, enabling it resume work on some of the suspended construction projects. The writer paid a second visit to Hainan Province in May and June this year. I saw everywhere unfinished tall buildings, which during my first visit had been a scene of bustling construction activities, but were now forced to stop due to lack of funds. The harbor development project, backed by Japanese Government funds, was also suspended. I heard that the airport construction project, financed by France, was also stopped, though I did not go to the construction site to see for myself.

The suspension of so many development projects in Hainan Province, which relied on foreign assistance, has dealt a serious blow to Communist China. Communist Chinese authorities have repeatedly stressed that the policy of opening to the outside world remains unchanged. Even if the Chinese Communists really think so, it is not accepted by other countries. The lack of responses from other countries does not help things in Communist China. The Hainan Island has separated from Guangdong Province to become a province itself. At the same time, the entire province has been designated a special zone. The so-called special zones enjoy the special privilege to import and export duty-free, and enterprises in the special zones are exempt from paying income taxes. At present, Mainland China's designated special zones include: Qingdao in the north; Pudong in Shanghai; and, in addition to Hainan Province, Xiamen, Shantou, Shenzhen, and Zhuhai in south China.

Japanese, European, and American enterprises have planned to set up plants and invest in these special zones. But they have stopped making progress since the occurrence of the Tiananmen incident. However, businesses with capital from Hong Kong have mushroomed in Shenzhen, and the facilities utilization rate there has exceeded original expectations. Taiwan's capital, however, is largely invested in Xiamen and Shantou, filling up the gap of suspended investment funds from other countries. Taiwan's investments are most conspicuous in Fujian Province, and the Fujian provincial authorities have set up "Taiwan affairs offices" in various places to meet investors' needs.

Why is so much money from Taiwan invested in the mainland? It is caused unilaterally by factors in Taiwan. In the last 10 years or more, with successful industrial development, Taiwan has maintained a huge surplus in trade with the United States and amassed the second largest foreign exchange reserve in the world after Japan.

But, with economic growth, a manpower shortage has developed, and personnel cost has soared. Moreover, under pressure from the U.S. government, the Central Bank has always maintained a high exchange rate for the New Taiwan dollar out of policy considerations, making it difficult for the export industries to even recover their costs. Japan's producers have experienced the same situation. However, Japan's industries are largely technology-intensive industries, producing automobiles, home appliances, semiconductors, and so forth, and they have moved to consumer nations like the United States and European countries to set up plants and start production locally to avoid trade frictions. They can beat the high wages of Europe and the United States by bringing in the latest automation equipment.

But Taiwan's industries are mostly labor-intensive industries, producing shoes, textiles, and so forth, which can only allow a limited degree of automation. It is impossible to move the plants to the consumer nations as Japan did. If plants are to move abroad, they can only move to the developing countries, where wages are even lower than in Taiwan. In fact, in the last four or five years, large amounts of capital have moved from Taiwan to Thailand, the Philippines, or the Southeast Asian region including Malaysia, Indonesia, and so forth. The largest amount has moved to Thailand. Also, a considerable number of Taiwan companies have built factories in Thailand, and capital from Taiwan has been invested in numerous enterprises in real estate and the stock market in Bangkok.

From the viewpoint of Taiwan capital, Mainland China is, of course, a promising place for investment. However, owing to the political antagonism between the governments of Taiwan and Communist China, a delicate situation has resulted for investment of Taiwan's money in the mainland. At the same time, Taiwan has long forbidden mutual trade between the two sides of the strait, and so far it is still unable to completely lift the ban on direct trade. Though direct trade and investment are forbidden politically, when there are prospects of profit, the business people will not ignore the opportunity and will act on their own initiative. Generally the business people will go first to a virgin land on the other side of the strait, where there are good prospects of profit to get themselves established, and then political measures will be adopted to follow them. Therefore, even though the Taiwan government forbids direct investment and trade across the strait, the business people will still go to the mainland secretly and engage in investment activities.

In Fuzhou, I was introduced to a businessman from Taiwan. He is the person who was seen on TV news when attending the Communist Chinese "national day" in Beijing 10 years ago and, after the footage was shown by Taiwan television stations, forbidden to return to Taiwan. At present, he is in Fuzhou, operating a factory with 600 employees, producing goods specifically for export to Japan. Another businessmen from Taiwan is in the feed production and marketing business in the

Shantou Special Zone, producing feed for eels and selling to local eel farmers. Eel culture was introduced to Shantou by eel farmers from Taiwan. In the past, almost all the mature eels imported by Japan were from Taiwan, but now about 30 percent is from mainland China. Near the sea in the vicinity of Shantou, eel ponds are lined up like those near the coast in Pingtung, Taiwan, and waterwheels are seen turning and pumping up water everywhere. It is heard that a quick refrigerating plant designed specifically for processing mature eels is now under construction.

These industrial pioneers are running the risk of breaking the law in investing in the mainland. Therefore, they are unwilling to let people visit their factories, nor do they want people to know who the owners are. However, in the last two or three years, in view of the fact that Taiwan's productive enterprises are quickly approaching the point where earnings cannot cover costs, Taiwan's business people have become increasingly bold in ignoring the restrictions. Even first-rate enterprises are one after another making inquiries about investment in the mainland. Among them, Wang Yung-ching [3769 3057 1987], head of the Taiwan Plastics Group, known as the world's largest, has expressed his idea of building plants in the Xiamen Haicang district. Thus, investment in the mainland has become a hot topic overnight in Taiwan.

About five or six years ago, Wang Yung-ching already made plans to build a petrochemical industrial base in Ilan County, and later also in Taoyuan County, Taiwan. Everything, including land, machineries, and equipment, was ready. However, because of an anti-pollution movement launched by residents around the plant sites, he could not get a building permit for the plants from the government authorities in charge. Tired of waiting, Wang Yung-ching went to the mainland, met with Deng Xiaoping, and obtained a firm promise from the CPC to provide maximum convenience. Once the main force of the Taiwan Plastics Group moves to the mainland, thousands of plastics-fabricating enterprises are bound to follow suit. Therefore, the Taiwan government cannot stand idly by and let the Taiwan Plastics Group go. At first, the government intended to tighten loans to the Taiwan Plastics Group. But, because Wang Yung-ching had already obtained about \$1 billion in unsecured loans from foreign banks, the government finally softened its stand, and the prospects of building new Taiwan Plastics plants in Taiwan have since been improving. As of now, the Taiwan Plastics Group has put its plan to build plants on the mainland on hold, but this does not mean that it has given up its Haicang plan for good.

The above example shows that investment of Taiwan capital in the mainland, secretly in the past, has been brought into the open at one stroke. Taiwan capital has also filled the vacuum caused by the cutting off of foreign investment since the Tiananmen incident. Therefore, it is a most welcome thing to the CPC, and the CPC can hardly conceal its delight that a giant new step has been taken toward China's reunification. Now that major

reforms are taking place in Eastern Europe and the Soviet Union, what impact will they have on other regions? To some experts predicting the future of Asia, this will be the focus of attention that cannot be neglected for a moment.

The Japanese press is also reporting on the enthusiasm with which Taiwan capital is invested in the special zones on the mainland coast. People in Hong Kong all know that Hong Kong currency is already in use in Shenzhen, Guangzhou, and areas of Guangdong Province adjacent to Hong Kong, and the black market exchange rate of the Hong Kong dollar in relation to the renminbi is about 30 percent higher than the official rate. When we were in the Xiamen Special Zone, some foreign exchange dealers approached us and asked, "Do you have New Taiwan dollars?" So I think that the day will come when New Taiwan dollars will be accepted currency throughout Fujian Province. It is only a matter of time. [passage omitted]

Although Fuzhou is the capital city of Fujian Province, it is not a so-called special zone. However, as everyone knows about the surging investment of Taiwan capital in Fujian Province, not only Xiamen but even Fuzhou is trying to get a piece of the pie if possible. That's why it has set up a Taiwan Affairs Office. When we asked the officials if they could introduce us to visit factories set up by Taiwan enterprises in Fuzhou, they shook their heads, saying that "the Taiwan enterprises do not even want their names to be known, much less allow people to visit their factories." However, when we invited them to have lunch with us, they introduced us to a Taiwan businessman who runs a spice factory in Fuzhou, and they also brought an official in charge of land. They pointed to the land official and said, "If you want to buy land in Fuzhou, ask him. He knows where all the good lots are." We asked questions and found out that almost all the tall buildings and large mansions on the main streets in Fuzhou are built by Taiwan businessmen.

Although the businessmen have painstakingly constructed the tall buildings, very few people are able to pay the rents, and many buildings remain unoccupied, to the distress of the owners. Even though land use right is granted for only a period of 70 years, still many people are attracted by the cheap land use price. Compared with Hong Kong, Taipei, and other economically developed areas, the price of land is extremely low in Shantou and Xiamen. But, if we think carefully, we can see that cheap land prices are a sign of economic underdevelopment, and that it may not be as good a bet as it seems. Nevertheless, every special zone is advertising its "low wages and cheap land prices," and not many people can really see that low wages and cheap land prices alone are not enough to bring about industrial development.

Even so, investment capital still comes from Taiwan like a rising tide, and the reason is as mentioned previously: Taiwan wages have soared, and the exchange rate of the New Taiwan dollar has been kept artificially high by the Central Bank. As a result, the labor-intensive industries,

whose earnings can no longer cover costs, are eagerly trying to set up factories on the mainland, where labor is cheap, in order to survive. The most simple and practical way to set up factories and do business on the mainland is: The Taiwan businessman provides all the capital and technology and handles all the marketing, while the mainland provides only the land and cheap labor. If by any chance someone is to invest in a joint venture with the mainland, he should be aware that the supervisors and joint operators of the enterprise will all be officials of the mainland people's government and quasi-official "state corporation" staff members. These people are full of grievances all the time and extremely inefficient in work, and they can only become a heavy burden to the management. A Taiwan entrepreneur running a factory in Shantou pointed out with emotion, "Anyone who wants to invest in business on the mainland must never choose the form of a joint venture. He must make sure that it will be a sole proprietorship. The officials in joint ventures often do not know what kind of business they are in, grumble all the time about things which have nothing to do with the business, and are extremely overbearing in attitude and behavior. Fortunately my company is a sole proprietorship from the very beginning, and I have been spared of these annoyances. But many Taiwan businessmen, who got themselves into joint ventures from the very beginning, have experienced these misfortunes and come to me for solutions. My advice to them was to tell the other side of the joint venture: 'I do not want to continue in this business. Please buy out my shares.' But the other side would feel that since all the capital, technology, and sales channels were controlled by our side (Taiwan capital), they could not possibly run the business alone, and, after considering all the alternatives, would finally decide to sell their shares to us. Thus Taiwan capital would take over all shares, and the business would become a genuine sole proprietorship."

These investment experiences can only be acquired personally where investment is actually made. However, the situation of external investments in the coastal special zones of the mainland as a whole can be summarized as follows:

1. Owing to the language factor, Taiwan capital is invested mainly in Fujian Province, and Hong Kong capital in Guangdong Province. At present, marked progress is being made in the industrial development of all the special zones.

2. All the special zones are taking Hong Kong as the model for their own development and hoping to become the second or third Hong Kong themselves. For example, though the most efficient plant buildings are one- or at most two-storied, tall plant buildings are being erected in Xiamen, Shantou, and Shenzhen, not because of land shortage, but because of the express desire to imitate Hong Kong and copy the distinguishing features of Hong Kong factories.

3. Goods produced in the special zones are all transported by container cars to Hong Kong to be shipped to the ultimate consumer destinations. Even if Xiamen and Shantou will some day be able to handle direct shipment of goods locally, it is improbable that letters of credit from the United States and Europe will be sent directly to these special zones. Because it is necessary for Hong Kong to handle all the import and export business, the development of mainland industry will bring even greater prosperity to commerce in Hong Kong. This trend will not change by the approach of 1997. Therefore, after 1997 Hong Kong's functions will become even more important.

In other words, because the special zones, which are expected to become Mainland China's models of economic development, are being influenced more and more by Hong Kong, it follows that as the economy of the mainland continues to develop, the mainland will also become more and more influenced by Hong Kong. During my recent observation tour of the mainland coastal special zones, I had the impression that the closer an area is to Hong Kong, the more profoundly it has been influenced by Hong Kong. I am convinced that the development of the mainland after the Hong Kong model has become an unshakable trend.

(1 September 1990, on board China Airlines flight from Tokyo to Taipei)

Diplomatic Ties Expected To 2 African Nations

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[Text] Two central African countries will reportedly announce diplomatic relations with the ROC [Republic of China] a week after Foreign Minister Fredrick Chien's return from his trip to southern Africa. Chien left Taiwan on 15 January to visit the presidents of South Africa and Swaziland to discuss increasing bilateral investment, business, and cultural exchanges. Chien's original schedule called for him to return on Friday, but he decided to extend his trip after he prepared to leave South Africa. Chien told the Foreign Ministry that he all of a sudden wanted to visit central Africa while he was in South African airport. A Foreign Ministry official said the Chien will go to two central African countries to discuss bilateral cooperation during the two-day extension. The official said the two nations severed diplomatic relations with Taiwan two years ago under pressure from Beijing. Chien plans on holding a news conference concerning his African trip when he returns on Sunday [27 January].

Assessment of Practical Issues Facing LDF

91CM0124A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 228, 16 Nov 90 pp 3-4

[Article by Jen Wo-yen (0117 2053 6056): "The Prediction of the Liberal Democratic Federation"]

[Text] The Hong Kong Liberal Democratic Federation [LDF], a political organization which is made up primarily of industrialists and businessmen, was finally officially established on 3 November, thereby becoming the third leg of a trio of "political parties" in Hong Kong which possesses genuine power. The other two are the Hong Kong United Democratic Alliance [Hong Kong Alliance], established in April of this year, and the Hong Kong Association to Promote Democracy, established in June.

Of these three "political parties," the Hong Kong Alliance has shown that it will spare no effort in striving to serve the democratic rights and the people's livelihood. To this end, the Hong Kong Alliance has sought out the support of the lower strata of society and the masses. On the other hand, Martin Lee Chu-ming [2621 2691 6900], of the Hong Kong Alliance, has actively tried to establish international connections, and has fought for foreign approval. Thus, the Association to Promote Democracy, with a number of Legislative Council [Legco] members as its core, aims to attract professionals and intellectuals. The forces supporting the LDF come primarily from business circles, although the LDF also hopes to break free from the shadow of industrial and business circles and broaden its support.

Two core members and organizers of the LDF, chairman Hu Fa-kuang [5170 3127 0342] and deputy chairman Kuo Chih-chuan [6753 1807 2938], are working to define the organizational attributes of the LDF. Hu Fa-Kuang points out that, although the main support in organizing the LDF has come from industrialists and business figures, its members also include figures from all levels of society, and do not just reflect the opinions of industrial and business circles. Kuo Chih-chuan adds that the LDF needs to devote its efforts to establishing an image that straddles social classes.

Generally speaking, it cannot be said that the major political parties in Western capitalist countries are based solely in the capitalist class. In light of this, the LDF also believes and hopes that people will not label it the political organization of industrial and business circles, so that it will be easier to establish its image of straddling social classes.

Furthermore, the political platform of the LDF matches that of the Hong Kong Alliance, as well as that of the Hong Kong Association for Democracy and People's Livelihood, which draws its support primarily from grassroots forces. The LDF has stressed all along that it is an organization that straddles social classes, and thus it is imperative that the LDF establish characteristics possessing this attribute, so that it is able to contend with

adversaries on an equal footing, and thereby win more support and achieve more votes.

Of course, when industrialists and business figures initially launched an effort to establish the LDF, they aimed at establishing a political party that could speak for industrial and business circles. However, during the planning and organizing process, three trends emerged. The most prominent figures representing industrial and business interests, such as Allen Lee Peng-fei [2621 7720 7378], Chang Chien-chuan [1728 7003 3123], and Lo Kang-ju [5012 1660 3843], successively stated that they would not join the LDF. At the same time, LDF members from district councils expressed uneasiness with the LDF's image as a political party of industrial and business circles. They felt that this would not be beneficial to members who contended directly for elected seats, and hence they hoped that the LDF could become an organization that cut across social classes. Because of the considerations described above, it is evident that the LDF will run into obstacles as it plans to raise money within industrial and business circles.

For this reason, at the same time that the LDF expresses an image of straddling social classes in order to benefit its efforts to win electoral support, it must also fully utilize its ability to speak for business circles, in order to obtain the broad-based approval and strong support of these circles, and thereby gain the support of the people. This is the key to whether the LDF can truly give expression to the organization's attributes and position.

Although the LDF wants to establish itself as an organization which crosses all social classes, in facing direct elections in 1991, membership within industrial and business circles appears to lack momentum. Core figures also hint that it is not very likely they will be able to participate in direct elections for the Legco. Rather they will seek targets in district councils with whom they can cooperate, and support their participation in the elections.

The reason this way of thinking has emerged is related in great part to the "conflict of interest" incident of Legco member Maria Tam Wai-chu [6223 1920 3796]. After the Tam affair, many people suggested having a system in which legislators worked full-time. Tam's trick to solving the conflict of interest problem when becoming a legislator was to clearly and unreservedly sell all the stock that she owned, so as to make herself a full-time legislator. However, when it comes to prominent figures in the business community, it is doubtful whether they could follow Tam's example and become full-time legislators.

Industrial and business figures who wish to transform themselves into full-time legislators must, in terms of economic benefits, make a very important decision, and the course of any adjustment period must include a time for adaptation. However, currently there is only one year before 1991's direct elections, which is an inadequate period. How can industrial and business figures adapt in

this time? For this reason it is convenient for them to have the possibility of seeking people who will represent them and participate in direct elections. Yet, when it comes to having talented people and leaders be political representatives, it is not enough to desire them and then have them appear, as the business community would like. It is necessary to make a long-term investment in fostering such leaders; looking at the present situation, such political agents are still in short supply.

Hong Kong has consistently focused on the development of the economy, and thus political development is still at an early stage, and city residents' understanding of elections is still quite shallow. Although the authorities constantly urge voters to register, will voters be able to judge the political achievements of the candidates when they go to vote in the days to come? I fear the answer is negative, because the masses still lack a mature political consciousness, and "political stars" are often able to attract many votes. There is no lack of "political stars" among the democratic factions; for example, Martin Lee and Szeto Wah [0674 1778 5478] are worshiped by a certain block of voters. The democratic factions understand the benefits of using this advantage very well, and often have the two big "stars," Martin Lee and Szeto Wah, express support publicly for a certain person. This can be of great assistance to a certain degree. The LDF, on the other hand, appears to be lacking in this respect.

If it is successful in getting Allen Lee, Chang Chien-chuan or Lo Kang-ji to join, perhaps it will be able to achieve a certain balance of power. After failing in this election, they added Maria Tam, who has a certain amount of grassroots strength, yet their momentum was weakened by the "conflict of interest" issue. Because of this, people may be even less optimistic that the LDF will be able to win several seats in the direct elections in 1991.

However, no one wants to lose faith in the LDF. This is because the LDF appears to have extremely strong support behind the scenes, and it has already obtained a certain degree of support from the Chinese side. This can be seen from the very day that the establishment of the LDF was celebrated; among the honored guests who came to extend congratulations were Wang Rudeng [3769 1172 4098], secretary of XINHUA's Hong Kong branch, and Wu Junjie [0702 6511 2212] of the Youth Work Office. Although the Hong Kong Alliance and the Association to Promote Democracy had invited XINHUA personnel, no one showed up, while the LDF obtained "approval" from XINHUA. Add to this the fact the LDF has adopted a pragmatic work style, has abundant economic resources, and the fact that workers and businessmen get along and have consistently had harmonious relations, and the support enjoyed by the LDF is not easily overlooked.

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