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NORTHEAST ASIA

'Federation for Democracy in China' Opens Branch in Japan

90CM0049A Hong Kong KAIFANG [OPEN] in Chinese No 1, Jan 90 pp 50-51

[Article by Huang Zhongfang (7806 0022 2397): "Federation for Democracy in China Sets Up a Branch in Japan"]

[Text] Ever since the Federation for Democracy in China was set up on 20 September, branches have been springing up in many places around the world. Hong Kong is too sensitive a spot for the federation to establish a foothold, so Japan became its first base in Asia with the establishment of a branch in December 1989.

According to sources, the Chinese Government was piqued to learn that moves were afoot by the federation to set up a branch in Japan. It repeatedly demanded that Japan curb all hostile democracy activities aimed at subverting the Chinese Government. When it heard that Wuer Kaixi [0710 1422 7030 1585] and Wan Runnan [8001 3387 0589] had applied for visas to enter Japan, it stepped up its representations with the Japanese Government in a desperate attempt to make Tokyo keep them out. After prolonged consideration, the Japanese Government replied that this was a matter for the Ministry of Justice and that the government was powerless to intervene. After issuing a visa to Wuer Kaixi and Wan Runnan, Tokyo approved a loan to the Chinese. For the sake of the loan, the Chinese Communists then stopped harassing the Japanese Government.

It was amid a swirl of publicity generated by the arrival of the two giants of the democracy movement—Wuer Kaixi and Wan Runnan—that the Japanese branch of the Federation for Democracy in China was set up on 16 December. This writer was honored to witness the occasion and observe a thing or two.

The Mistake of the Organizing Committee

The committee that planned the inaugural meeting made one mistake: It issued invitations only to organizations at the political center and erstwhile leftwing groups. Not a single rightwing group was invited. Those who came uninvited were denied admittance. This upset many people, some of whom complained to Wuer Kaixi and Wan Runnan. An angry Wan Runnan kept saying, "Why were they not invited? So long as they support the democracy movement in China, they should all be invited, never mind what group they belong to." By then, unfortunately, it was too late to send out written invitations. All the organizing committee could do was to make telephone calls to do some damage control. Some people who supported the Federation for Democracy in China were unable to attend the inaugural meeting. For example, Chen Fubo [7115 4395 3134], president of the Japan Overseas Chinese Industry and Commerce Federation and an influential figure in the Overseas Chinese

community, was not there. Tian Zhong Jian Zhi [3944 0022 0256 0037], who had strongly supported the democracy movement for years, was also refused entry.

Because of this mistake, only 1 million yen was raised on opening day, which made everybody nervous; without money, it would be difficult to get things done. Fortunately, several members of the democracy movement in Japan did their level best to salvage the situation in the few days afterward. Miss Peng Peng [1756 2590], a student, for instance, contacted Chao Ri Television and arranged for somebody to do a special interview with Wuer Kaixi. That netted 1.5 million yen. Yang Zhongmei [2799 0022 5019], a member of the organizing committee, raised 1 million yen. There were also other donations. By 19 December, a total of 4.60 million yen had been raised. Only then could everybody breathe a little easier.

Lively Atmosphere at Inaugural Ceremony

The inaugural meeting was held on 16 December on the third floor in Xiang Yun Room of Zhanwang Hotel in the Doutai Eastern District of Tokyo. Over 200 people, including delegates, guests, and reporters, were there. It was an exciting gathering. After the executive chairman declared the meeting open, they paid respects to the martyrs of 4 June, and the band played Beethoven's Ninth Symphony.

A couple of memorable points about the various speeches made at the meeting. 1) Miss Peng Peng told everyone that the visas of a large number of Chinese students in Japan who had contributed to the democracy movement would be expiring soon. These students faced the threat of being sent back to China to be jailed and killed. She proposed that the Japanese branch of the democracy movement make saving them from such danger a top priority. 2) A young man from Taiwan uttered these impassioned, powerful words, "Everybody here, whether he is Chinese or Japanese, is a descendant of Yan Ti and Huang Ti." The entire gathering burst into laughter. 3) The statement on the establishment of the Japanese branch enunciated a viewpoint absent from the meeting in Paris setting up the Federation for Democracy in China, "We no longer have any illusions about the Chinese Communists' dictatorial clique. We no longer have any illusions about the existing system in Chinese society and so-called reform within the system." 4) The Dalai Lama's representative in Japan, Mr. Pei Ma [3099 7456], said in his speech that Tibet did not intend to break away from China, but only demanded a greater degree of freedom.

After the meeting closed at about 1300, Wuer Kaixi and Wan Runnan called a press conference. The reporters crowded in front of the duo, jockeying for position, as the flashbulbs of almost 100 cameras and camcorders flashed nonstop. Young, handsome, and a passionate speaker, Wuer Kaixi exuded vigor and an irresistible charm. Wan Runnan, in contrast, appeared tired. His hair seemed almost half white.

Federation for Democracy Uniting All Factions Under Its Banner

After the inaugural meeting, people who had contacted the organizing meeting in advance about joining the federation moved to a secret location for a closed-door meeting from which the press was excluded. At this closed-door meeting, people who wanted to join the federation were registered. They also discussed and adopted a constitution for the branch, reviewed the state of China's democracy movement in Japan, discussed future work, and elected a board of directors and supervisory committee.

Reportedly, the Japanese branch had 50 to 60 members, most of them doctoral and master's candidates and university graduates, all very young. Bursting with a desire to serve the nation, they debated nonstop, without sleep or rest, each clinging to his opinions. The meeting was originally scheduled to end at 1800 on the 18th. As it turned out, it went on all night and did not close until 0800 on the morning of the 19th.

The meeting culminated in the election of a board of directors and a supervisory committee. Candidates were members of the United China Federation, Support China Research Society, Federation for the Promotion of Democracy in China, China Democratic Party, Chinese Alliance for Democracy, XINMIN WENZHAI, and MINZHU ZHONGGUO, as well as a number of students with no party affiliation. The chairmanship of the board was most hotly contested by Jiao Xianggu [3542 4161 0942] and Yang Zhongmei, but went to Hao Yisheng [6787 0001 3932], a graduate student at Tokyo University. Ji Qiming [0679 0796 7686] was elected vice chairman. The board of directors consisted of nine members, as did the supervisory committee. The chairman of the supervisory committee was Zhang Zuoren [1728 0155 0086]. Both Zhang Zuoren and Ji Qiming were in charge of XINMIN WENZHAI.

Hao Yisheng's election platform essentially consisted of the following: 1) Make the residency issue affecting hundreds of Chinese students in Japan the top priority. 2) Find a way to issue democracy bonds to raise funds to finance activities. 3) Work hard to open up a battlefield at home for the struggle for democracy.

It is wonderful that the various groups in the democracy movement in Japan could unite under the banner of the Federation for Democracy in China.

The Burden Is Heavy and the Road Is Long

While in Tokyo, Wuer Kaixi and Wan Runnan held a report meeting at the Youth Center in Tokyo. The Chinese Embassy sent two people to sneak into the meeting to hand a handwritten note to Wan Runnan. The note said, "If you have any demand, you can talk to us directly." Wan Runnan read the note in front of the crowd and then declared, "We have no demand other than that for democracy, freedom, and a multiparty system." The gathering burst into thunderous applause. The two employees from the Chinese Embassy never dared show their faces. This interlude shows that the federation's branch in Japan faces all sorts of challenges from the Chinese Communists in the days ahead.

About a century ago, in 1894, Dr. Sun Yat-sen founded Xingzhonghui in Honolulu, far away from China. After a 10-year struggle, his supporters were still few and far between. In August 1905, he set up Tongmenghui in Tokyo, much closer to home, and subsequently the tide of revolution rose higher and higher. Paris is really too far away from China. Now that there are no plans to move the headquarters of the federation to the East, it seems we should give even stronger support to the work of the branch in Japan. At present the branch in Japan faces enormous difficulties. Solving the visa problems of 400 to 500 students is easier said than done. The same is true of issuing democracy bonds. Since members of the branch come from so many different groups, welding them into one requires highly developed compromise skills and a good deal of tolerance. The fact that the organizing committee did not want rightwing groups at the inaugural meeting suggests that the branch in Japan still thinks in terms of reform within the system and that it is still highly parochial.

No sooner was the inaugural meeting over than a people's uprising erupted in Romania, blazing the trail for the overthrow of bloody communist rule by violent revolution. The situation bodes well for China. May the Japanese branch of the Federation for Democracy become active and thrive in East Asia to fill the Chinese Communist dictators with fear and hatred, in the same way that the Tongmenghui filled the Qing government with fear and hatred in yesteryear.

CASS Researcher Affirms Propaganda Function of Press

90ON0405A Beijing XINWEN ZHANXIAN [NEWS FRONT] in Chinese No 1, Jan 90 pp 9-12

[Article by Peng Hucheng (3403 2600 0015), assistant research fellow, Journalism Research Institute, the Chinese Academy of Social Sciences (CASS): "The Necessity To Exercise Correct Judgment—Some Arguments in Criticism of the 'Mouthpiece Doctrine'"]

[Text] Describing party journalism metaphorically as the "mouthpiece of party and people" has in recent years become a major topic much discussed among China's journalistic circles. Especially after the incursion of ideas of bourgeois liberalization, some people derided it as the "doctrine of being an organ" and considered it a "morbid affliction" of journalism and a major "obstacle" to journalistic research and journalistic development, and they have threatened to evict it altogether from the realm of journalism. It has therefore become an extremely serious topic to write about, whether for present or future application, how to properly understand and interpret our journalistic charge, how to reply without the slightest ambiguity to the mentioned attacks and criticisms, how to clearly define the character of journalistic work, how to maintain the correct direction in journalistic work, and how to ensure a healthy development of journalistic work.

We have to admit that it is not something that has come up only now that a proletarian party regards its press as the party's and the people's mouthpiece, and not as something subjectively thought out as the individual inspiration of one person. After the first official proletarian newspaper of the world, the NEUE RHEINISCHE ZEITUNG, had appeared and was persecuted by the reactionary Prussian authorities, Marx pointed out in "The Trial of the NEUE RHEINISCHE ZEITUNG that a newspaper... is an ever-present eye and ear, is the mouthpiece that always responds to every call for help when the popular spirit fervently defends its freedom." When Lenin talked of the character, the task, and the role of proletarian newspapers, although he never actually used the term "mouthpiece," but expounded on the subject repeatedly from a different angle, he also comes very close in inherent meaning to Marx's definition. During the revolutionary struggle of the CPC under the leadership of Mao Zedong, the term "mouthpiece" was used frequently to denote the character of the party press. On 10 August 1930, HONGQI RIBAO pointed out in the inaugural statement of its first issue: "This newspaper is the official newspaper of the CPC and wants at the same time to be as a matter of course the mouthpiece of the anti-imperialist and anti-KMT [Kuomintang] masses of workers and peasants throughout the whole country at the present stage of the revolution." On 6 February 1941, XIN ZHONGHUA BAO, in its editorial on the occasion of its second anniversary pointed out: "...XIN ZHONGHUA BAO is the effective mouthpiece that transmits the political ideas of the CPC

Central Committee." On 1 April 1942, JIEFANG RIBAO of Yanan pointed out in its editorial "To Our Readers": "JIEFANG RIBAO shall become the official newspaper of the truly fighting party, shall become the common mouthpiece of all who wish to destroy the enemy of the nation and who wish to establish a national state." On 22 September of the following year, the same newspaper pointed out in its editorial "The Party and the Party Newspaper": "The newspaper is the mouthpiece of the party, it is the mouthpiece of this huge collective." The "newspaper" referred to here is the party newspaper. We may express it in this way: The press of the party is the mouthpiece of the party and the mouthpiece of the people. This is originally the fundamental concept of Marxist journalism, as it is also the glorious tradition in proletarian journalistic work. The term "mouthpiece" precisely conveys the fundamental affinity and fundamental function of party journalism, clearly demonstrates the correct political direction of journalism under the leadership of the CPC, points out the crucial character of good party journalism, and determines the glorious responsibility of all engaged in the party's journalistic work.

Indeed, it is now over half a century since proletarian journalism under the leadership of the CPC was born. During that period of time, especially since the birth of New China and the later shift of focus in the work of the party following the Third Plenary Session of the 11th CPC Central Committee, great changes have taken place in China and even in the whole world, and many new situations and problems have arisen. China's journalism too had entered an unprecedented period of flourishing development. A new news dissemination network of great variety, of many levels, and oriented toward the entire society, is in the process of being formed, with newspapers, broadcasts, television, news films, and news photography supplementing each other. Is it possible, in view of all these changes, to "water down" or even do away with this concept that journalism of the party is the "mouthpiece of party and people"? Not at all. Everybody knows that the CPC is the vanguard of the working class and the most faithful representative of the interests of the broad masses, and that it shoulders the great task, entrusted to it by this era, to accomplish socialism and communism. No one should ignore this minimum of common knowledge. The reason why the CPC wants to set up and run its own news enterprise is that it intends to realize its very own propositions and accomplish its grand historical task.

Comrade Jiang Zemin [3068 3419 3046] has recently pointed out that our journalistic work is an organic component of the party's undertaking as a whole. "China's newspapers and its radio and television transmissions are the mouthpiece of the party, of the government, and of the people." Therefore, as long as the task, entrusted to the CPC by this era, of building socialism and communism has not yet been completed, and as long as class struggle still exists in the broad reaches of this society, this fundamental character and characteristic of

the party's press being "mouthpiece of party and people" must under no circumstances be weakened or changed, merely because of progress in the revolution and in construction and because of differences in specific missions and tasks. The mission that society and this era has placed on the shoulders of the party's journalists must certainly not be lightened or cast off.

It is true that in a socialist press that is so variegated and multileveled each journalistic unit shows a different character, and we must not call them all "mouthpieces of the party" or demand that the criterion of "mouthpiece of the party" be applied to all of them, for instance, to the newspapers of the CPPCC [Chinese People's Political Consultative Conference] and of the various democratic parties. But that does not preclude the fact that they shall all accept the leadership of the Communist Party and obey the law of the land, that they shall be operated according to the four cardinal principles, and that they shall give priority to propagating the pronouncements of the party, the government, and all their relevant policies.

Some people have said, if news reporting is to be a mouthpiece of the party, doesn't this mean that it has a predetermined purpose and slant? How can we then still speak of any "objectivity"?

It is correct that news reports report events that have most recently happened or occurred. News reporting is different from other types of writing such as pure literature, theoretical discourses, and so forth, in that it must adopt the method of stating facts and the form of objective reporting. We may also say that if there are no events there is no news reporting; if there is no objective reporting of events there is nothing that may be called news. However, as news reporting is based on a special social ideology and is a special product of the mind, it has, unavoidably, yet another attribute: It reflects the writer's particular inclination, it reflects the particular stand and purpose of the transmitter of the news. In today's world there is no such thing as news transmission merely for the purpose of news transmission.

In this respect, Western capitalist journalists will always begin with the protection of their own class interests and will make extreme efforts to conceal the real state of things, while proclaiming the "purely objective character" of news reporting. They declare that using news to propagate certain points of view is not "elegant" and not "sanctified and pure" journalism. However, they themselves have never been able to change or properly respond to the objective fact that, whenever it is written in a class society, news is always a selection of facts selected according to certain wishes of the journalist involved and then published after it has been processed in his brain and given expression in his words or writing. It requires only a cursory look at Western newspapers and periodicals to see that none of their news is without the expression of a certain standpoint or published without a certain purpose.

It is true that the science of journalism in the West venerates "objectivity" as a "divine law." But the "objective" news reporting that they talk about is also not at all writing reports according to the principle of seeking truth from facts and according to the true color of things, as we are requiring. In their way of thinking it refers to reporting news detached from and independent of the views and subjective cognition of the writer himself. It refers to a so-called pure "journalistic product" that is free from any influences by the writer's standpoint and inclination. Let us for the moment not discuss whether such a "journalistic product" ever existed in this world. The fact is that this theory has been the topic of incessant argument among Western journalists themselves since its inception. Especially since the 1960's when the "new science of journalism" emerged in the United States, many more people have written to expose the sham of any so-called "purely objective" journalism. News reporting has never been anything aloof or detached, but has always been produced deeply rooted in sets of political views. The American journalist Jack Newfield once pointed out, "All those men and women who control the mass media are not strictly neutral and completely unbiased as electronic computers. They have their own ways of thinking, they have a certain lifestyle and political view of their own—that is all concealed under a 'banner of objectivity.'"

Is this statement not worthy of serious thought by those who piously believe in the "absolute objectivity" of journalism, who believe in a press that is not in the slightest influenced by the viewpoint and tendentiousness of the writer? True, journalism should be and can only be reporting of objective facts. It is in this very sense that we often say of news that it is the "mirror of social life," that it is like a "condensed picture scroll," that "today's news is tomorrow's history," and so on. However, news and actual facts are not complete equivalents. News can only be the reporting and reflecting of objective facts, which means that the writing of an item of news as conceived by the writer has never been like a plain and simple mirror image or a pure "record." The objective thing and objective reality that is being reflected can and will as a matter of course express the purpose and tendency of the transmitter of the news himself. Actually, no news exists that is without a certain tendentiousness and a certain purpose. We say that the objectivity of news has as its purpose the truth and accuracy of what is transmitted as news and that it must conform to the original appearance of the objective matter. In the absence of this precondition, it would be completely senseless to speak glibly of "objective" or "impartial" news.

The press as a mass medium is a subordinate part of a certain class or group and the activity of news reporting, since it is of course done on the premise of safeguarding the interests of its own class or group, has a clear tendentiousness, and reflects a certain purpose, which is the reason for its transmission. The strong propagandistic function of the press, regardless of whether you

acknowledge it or not, is therefore an objectively extant fact that cannot be denied. The capitalist theory of journalism and news dissemination media, though they may vehemently deny this, have their news disseminating organs disseminate propaganda every minute of the day. As for the mouthpiece of the United States, the "Voice of America," boasting all the time of being "objective and impartial," was none other than its capitalist standpoint and bias quite clear in the whole series of reports broadcast to China last year at the time when spring changed to summer, reporting on the student unrest, turmoil, and counterrevolutionary rebellion in Beijing! Is this not nakedly using news for the purpose of propaganda and to stir up trouble!?

Some distort the metaphorical nature of "mouthpiece of party and people," which is indeed an accurate proposition, by declaring that "mouthpiece" denotes a "human organ" without its own ability to think. If that were so, would it not mean that news reporting is merely a medium that can only transmit by copying material, thus requiring neither initiative nor creativity? Unless we take this merely as an amusing misinterpretation, we would be showing great ignorance to think so. The metaphor of the "mouthpiece of party and people" has essentially a very clear meaning. It points clearly to the character and essential function of the proletarian press, namely to propagate, in a timely and accurate manner, the party's political line, principles, and policies among the masses and to voice the opinions of the people. It enables the masses to inform themselves of the truth and of their obligations and rights, and rallies the masses to continue in their struggle. However, as a medium for news reporting, the performance of the press in its propagandistic function is subject to the restrictions of the laws governing news dissemination and, furthermore, it has as its premise the receptivity of the masses with regard to the news that is being disseminated. Efforts would be futile if one were to rely merely on printing official releases and the transmission of material merely copied from somewhere. In other words, the viewpoint expressed in news and propaganda that is transmitted by the news media can be of social value only if, in order to find a receptive reader audience, it is transformed in the process of transmission in such a way that it has an intrinsic ideological content acceptable to the masses. Otherwise, if the masses give it absolutely no attention, it will be useless, not only in its propagandistic function, but also as bereft of any significance at all. But news dissemination is also quite different from intravenous injection in medicine or from the inculcations of a schoolmaster of the old school, and from "red-captioned documents" [important official decrees] of party and government, since it relies on its very own attractiveness to the masses. This demands of party journalists a great measure of initiative and creativity. In the gathering of material, in the compilation and dissemination of news, the laws of news transmission must be observed, propagandistic skill has to be constantly studied and improved, and different methods and forms of news reporting must be employed in a flexible manner,

depending on different circumstances, reader audiences, mentalities, and environments. At the same time, the political line and policy of party and government constitute sets of measures, means, laws, and decrees decided on the basis of historical conditions and present circumstances for the achievement of certain political, economic, and cultural objectives. However, we are not out to say that in the party's prime policy decisions of each era, which from proposal to implementation have been complex developmental processes, all have been of "grand significance" that have favorably impressed our millions of people. Naturally, there has been much contradiction and much struggle between new and old, between advanced and backward, between correct and erroneous, and between immediate and long-range interests. The abundant objective reality determined that a party journalist, when propagating party policy, must not act merely as a megaphone, sounding a certain policy, but that he must rather report in a varied and colorful way, vividly and dramatically, and with much own creativity. It follows that if a journalist lacks a keen mind, is not spiritually inspired, lacks a high degree of initiative and creativity, he is not fit to take on so important a task. Anyone who wants to act as "mouthpiece of party and government" must therefore meet high standards and demands. Precisely as it was pointed out in the foreword to the first issue of the CPC's party organ in its early years, the HONGQI RIBAO: "It shows already in this one point what determines the great task that is being undertaken by our newspaper."

By regarding party journalism as a matter of acting as the party's mouthpiece, some have asked: Would that not impose an undesirable uniformity on the functions of the news media? To assume this to be the case would be an error. Looking at the developmental history of the CPC's press, the term "mouthpiece" pointed originally to the basic function of the party press, but never precluded many other functions of the news media. In an editorial in 1942 the JIEFANG RIBAO in Yanan pointed out that the task of a newspaper, apart from its "mouthpiece" function, has such other functions as "enriching knowledge among the masses and broadening their field of vision, and so forth." But all these functions and tasks are not on an equal level of importance; the dominant function and most important task is propagating party and government policies and propositions.

Society is progressing, and time is advancing. In our present era, news dissemination is, we may say, an incessant and ever-present phenomenon. In this vast ocean of news, in this flower garden of many colors and forms, what is anyone who works as a party and people's journalist first of all to present to his readers? In my opinion, the unequivocal answer must be news that reflects the political line and policy of party and government. News dissemination by the news media has many aspects, and, furthermore, because of the different levels and positions that the various journalists occupy in the press, as well as the differences in reader audiences, there are bound to be many differences in news reporting.

However, as a socialist news medium, whether party newspaper or not, whether political or economic, or whether devoted to such subjects as the legal system, science and education, the arts, international affairs, literary digests, and so on, all must give a dominant position to the propagation of party and government policies that are relevant to their areas of concern. This is demanded not only by the need to accomplish their propagandistic task, but also by the need to perform in accordance with the laws governing journalism and the necessity to satisfy the needs of the readers.

We must realize that at the accelerated rhythm of modern social life a person has only a limited amount of time for newspaper reading. We cannot, therefore, demand of the reader that every day he read every article in his newspaper, and we can even less demand that he carefully contemplate each article he has read or eagerly transmit the news to others. That means that the reader is selective as to the news transmitted by the news media. The reader will not favor with his attention news that has no relevance to the reader or that merely parrots the views of others. However, a news item on a particularly interesting policy will often touch the heart and mind of the reader. It will have not only the immediate attention of the reader of the newspaper, but will also be later the topic of discussion among people. No wonder that people call policy news the "pearls" in news reporting. It is not without reason that they do so. In a sample survey in May 1986, it was asked, allowing six alternatives, what the reader liked best in reports on the economic reform. As a result, most of the 31 percent of the readers who answered said they most liked to read reports on economic policy.

Of course, when we emphasize that the major task of the party's journalism is propagation and implementation of the party's general and specific policies, we must never deny that journalistic dissemination also has many other functions, such as dissemination of news, providing entertainment, and the spread of knowledge. We only mean to say that among all these functions, we must never forget the propagation and implementation of the party's political line, principles, and policies. In recent years, following the influx of news-science concepts, theories, and methods into every area of the social sciences, and the gradual introduction into China of Western mass media theories, some journalists are actively proposing to water down propaganda and strengthen the news function. Generally speaking, as humanity finds itself today in an "era of news," there is absolutely nothing wrong with wanting to strengthen news transmission in contemporary journalism. However, to place the two functions into a position of hostile confrontation and, furthermore, to expand the one at the expense of the other is not only wrong practice, but also theoretically untenable. The propaganda function and the news dissemination function of journalism are in character and as a whole not at all mutually contradictory. Realization of the propagandistic educational function should draw support from a subtle and imperceptible influence of the news transmission function, while

the propositions, principles, and policies of the party, as far as the masses are concerned, also constitute news which as a matter of course they desire to know, must know, and which otherwise would remain unknown to them. And again, it is also a fact that journalism is indeed transmission of news, but what news is to be transmitted, how it is transmitted, with what intentions it is being transmitted, and so on, is, as far as the great principles are concerned, certainly not a reflection of the ideas and the will of a particular individual, but is rather controlled by the material interests of those in possession of the media. Can we still say that journalism has no propaganda function? If a journalist would as a propagandist persistently disregard facts and deliberately spread falsehoods to hoodwink the people, and negate the theory that the party's press is to be the mouthpiece of the party, that of course would be a completely different matter.

If some people regard "mouthpiece of party and government" as a "circumscribed pattern" which is apt to obstruct "freedom of the press," and which restrains the full development of journalism, theirs is an extremely dangerous "doctrine of no substantial value." We have to say that in all the universe and among the millions of things in it, everything, with no exception whatsoever, is bound up within certain circumscribed patterns. A doctrine that denies circumscribed patterns is nothing but a deception. Marxism holds that freedom in a class society, or in a society where classes still exist, is always the manifestation of the basic interests of a certain class, and that there is no such thing as general, abstract, and pure freedom. The Marxist concept of freedom is identical with the fundamental principles of the proletariat and all other working people. The present fundamental interest of all the various nationalities of China is to build up China into a socialist modern state, while upholding as precondition the principle of "one center and two fundamental points." In exercising all our rights of freedom we must not abandon this precondition. There is also no other alternative for the freedom of our party press, and it is, in fact, a necessity that it be based on the standpoint of protecting the fundamental interests of the party and the people. If we do not harbor any preconceived bias, we will be able to see that in present-day China, our socialist freedom of the press, though still in need of development and perfection, is much purer and of broader purview than capitalist freedom of the press, which cannot possibly overcome the chronic maladies of hypocrisy, deceit, and misuse of journalistic freedom. The press reflects the life of society. Success or failure of journalism is determined by the developments and changes in society itself. That is, first of all, the stability and unity of the political situation, the prosperity and thriving condition of the economy, and the constant improvement of its social culture. Journalism, therefore, cannot possibly be divorced from the entire cause of the party, while at the same time talking glibly of the need for so-called development and prosperity. Abandoning actual socialist life under the leadership of the party and engaging in empty talk of some "freedom

of the press" is merely an illusion like building a castle in the air. In a socialist country like China it is impermissible to deviate from party leadership and party policies in proposing so-called "freedom of the press" and "freedom of news reporting."

It must also be pointed out here that to be a good "mouthpiece of party and people" and to work according to the laws of journalism are two things that do not preclude one another, but that are synchronous requirements. Everybody knows that the development from the common journalistic activities of mankind to journalism of modern and contemporary significance has been a process of protracted historical development. Journalism under different social systems has common but also divergent characteristics. In a class society the press as a "social mass medium" has, of course, its corresponding particular character, which means that it is in the hands of a certain class and political group, being used by them, and made to serve a certain class and political group, and be their mouthpiece. This has been so at all times and in all countries without exception. Speaking of the need to observe the laws of journalism, if we ignore this requirement, if the will of the people is not taken as an important law of journalism, if that will is not taken note of and observed, it will not only be impossible for journalistic practice to be effective in transmission, but might even have journalism go off in an erroneously biased direction that leads to mistakes in the guidance of public opinion.

Analysis of Reform in Political Culture

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[Article by Yu Xintian (0205 2450 1131), Institute of History, Shanghai Academy of Social Sciences: "Tentative Exploration of the Problem of Reforming Political Culture"]

[Text] In order to accelerate socialist modernization and to perfect the socialist system, history calls for reform. As the Yugoslav reform has persisted since 1949, socialist reform has actually been going on for 40 years, and in China the revolutionary wave has also already lasted for 10 years, having undeniably achieved quite some successes. However, reform never ends, and just as the reform has had its rough times and errors in the past, there will also be fluctuations and complications in the future. As we reflect on the reform of the past, we must also reflect on the very nature of reform. The kind of political culture that reform is to achieve, the special characteristics it will possess, and how it will be developed are all important questions that arise in the course of socialist political development.

1. The Essence of Socialist Reform

What is it that we call reform? If we explain it according to the general meaning of social revolution, reform may also be called revolution. However, if we take revolution to specifically signify political revolution, it has quite a

different meaning, character, and modes and ways of manifestation. Political revolution is violent overthrow of the old and establishment of a new regime, but in reform innovations and self-directed perfections are carried out gradually, in a peaceful manner within the original system, which is basically preserved. In this sense the essence of reform is improvement.

There is not the slightest doubt that political revolutions have their own merits, have made great contributions, and have had their role to play in history, but once a new regime is established, the situation changes radically. The major task, from then on, will be to use one's capabilities for a gradual peaceful improvement and development of the new system, but not to effect changes in the regime through violent means. When people at such times speak of revolutionary spirit and revolutionary activity, it has to be taken figuratively as a metaphoric reference to lofty spirit or ideals and to the thoroughgoing manner in which action is conducted. When people are called upon, as in the Cultural Revolution, to employ so-called revolutionary means to strike down "capitalist roaders," it is indeed an inappropriate use of the means of political revolution, and its result is only too well known.

But revolution and reform each has its particular usefulness and each has its strong points. Looking at it from a historical point of view, reform is normal development, political revolution is abnormal development. When it is impossible to achieve one's objective through reform, one will be compelled to resort to political revolution. However, if the overthrow of the old system has been achieved, and the destruction of the old regime has been accomplished, it is still necessary to turn to reform in normal order. Although reform takes a longer time and presents greater difficulties, it will exert a smaller price, and in due time its constant efforts will yield sure success. China, which long ago victoriously accomplished the overthrow of the old system, and which has established a proletarian regime, should, therefore, as a matter of course, now shift to reform. This is precisely the point that had not been fully recognized when China committed some of its "leftist" mistakes.

To a certain extent, reform is more arduous and difficult than revolution. First, reform must oppose the conservative as well as the radical elements, and thus conduct a war on two fronts. Second, reform not only must control the social forces more skillfully than revolution, but also must control social changes with greater accuracy. It must achieve a partial change not a complete change, and this change must be a gradual one, not a violent upheaval of earthshaking dimensions. Finally, selecting the form in which the reform is to proceed and determining the most advantageous order for its progress is much more important than in the case of a revolution. Radical forces will always first demand a larger political share in the proceedings, and will only later consider social and economic changes. Conservative forces will oppose economic reforms as well as a larger political share in the proceedings. Reform must balance the

objectives pursued by these two forces and must coordinate the centralization of political power with socioeconomic reform so as to achieve an equilibrium. It is evident that if we regard reform as something as easily accomplished as pulling something out of one's pocket, if one believes success can be achieved in a short time, and if one's attitude is not one of extreme caution, it will not only be impossible to achieve success in the reform, but will actually kill off the whole reform enterprise.

We must recognize that no society is completely perfect and admirable in every respect; every society needs continuous improvement. The objectives of reform are limitless, reform is a gradual development, and, strictly speaking, is also different from the "movements" of the past. Reform moves society in an advance toward prosperity and justice by methods and along paths of peaceful change, but it is not purpose in itself. Reform must not be undertaken for reform's sake, but must be a search only for such paths that will have reform suited to the overall trend in the development of the socialist modernization, otherwise the purpose of reform will be missed.

2. Characteristics of Political Culture Reform

In the course of conducting reform, the study of how to reform the political culture is of the utmost significance, because without spiritual support from a political culture reform, it will be impossible to unite the various groups with their different interests and forms of activities under the one large banner of reform. We see from domestic and foreign experiences that political culture reform has the following characteristics:

Reform is not a matter that has congealed in an immovable pattern, but is a gradually developing change. In the course of social transformation, every class, stratum, or interest group breaks down the original equilibrium of interests and creates new contradictions. To prevent social upheaval, the government must in good time readjust economic policies, establish a new power equilibrium, and at the same time initiate a political atmosphere of consultation, cooperation, and complete unity. This is the most conspicuous characteristic of political culture reform.

In China, for instance, the CPC has an excellent tradition of rallying the people of all nationalities, classes, and strata throughout the nation to a common ideology and joint struggle. Apart from the democratic discussions and decisionmaking of the NPC [National People's Congress], the CPPCC [Chinese People's Political Consultative Conference], which was set up on the eve of the birth of the People's Republic of China, is indeed a united front organization. It is not a power organ nor an administrative organization, but each of the various parties that participate in the CPPCC represents and is bound up with a section of the masses, which makes the CPPCC a major organization implementing people's democracy and multiparty cooperation under the guidance of the CPC. Its fundamental function is to conduct

democratic discussion on major political policies of the state, on major local affairs, and on important matters concerning the livelihood of the masses; it also has a supervisory role that it exercises by submitting suggestions and criticisms. In an atmosphere of consultation and cooperation, the representatives from various social circles can easily achieve a common understanding and solid unity on all major questions, and, in extension, a common understanding and solid unity throughout society. Under these circumstances, should there even be dissatisfaction with certain flaws in the work or organizational system of the state, the fact that a unified understanding has been achieved will enable reform to progress at a steady pace.

The second characteristic of political culture reform is that it advocates and promotes a pragmatic spirit. In economic respects, it will produce action in harmony with the very laws of economics, and it will select the best developmental pattern suited to the country's national condition. In political aspects, it will show great respect for theoretical guidance without, however, allowing theory to become dogma. Although reform will not tamper with the fundamentals of the system, it will continuously pursue transformation, create new experiences, set up new institutions, and all this is difficult to achieve if one were to always adhere rigidly to the old theoretical framework.

At the start of reform in China, Comrade Deng Xiaoping reaffirmed the CPC's principle of "seeking truth from facts," thus displaying a very strong attitude of wise pragmatism. For instance, one of the basic principles of socialist society is maintaining a publicly owned economy, but, in the course of reform, we also acknowledged the necessity and supplementary function of the individual economy. Other important measures taken by China during the reform, such as the production-related contract responsibility system in the rural areas, establishment of special economic zones, opening up to the outside world, the idea of "one country, two systems," and so forth, are all permeated with a pragmatic spirit and have produced excellent results.

The third characteristic is the dialectic way of thinking. Reform is, on the one hand, not persisting in an unchangeable conservatism and, on the other hand, also not thoroughly changing the fundamental system; reform is something in between. Its way of thinking has to be extremely flexible and is incompatible with thinking in absolute terms as "either one or the other" and "either black or white."

For instance, in handling the relations between individual interests and collective interests, the emphasis, according to the Stalinist pattern, was one-sidedly on collectivism, with a disregard for the rights of the individual, but after reform, there again arose a trend toward exclusively considering the interests of the individual, completely abandoning collectivism, and thus going to the other extreme. China has been one of the three

birthplaces of the world's civilizations, with philosophical thought in China going back to ancient times, bequeathing to us an abundant legacy, and what is even more important is that China now possesses the scientific world view and methodology of Marxist philosophy. However, some of our comrades sometimes think in absolute terms. If we do not guard carefully against this way of thinking in absolute terms, it will be impossible to smoothly implement reform.

3. Starting Out From China's National Condition in Nurturing Political Culture Reform

The reasons some countries made comparatively rapid progress in their modernizations is their particular historical-cultural background and the mutual effect of a variety of internal and external conditions, such as are not extant in other countries. However, history provides latecomers with an opportunity to catch up, and latecomers can study the experiences of those before them and thereby consciously avoid mistakes and shorten their own modernization time. Therefore, as long as we begin with China's national condition, work hard to nurture reform in the political culture, apply ourselves to this task over a sufficiently long period of time, and make unremitting efforts, the result is bound to be a successful achievement that will show particular Chinese characteristics.

How did our predecessors in modernization nurture this kind of political culture? Speaking quite subjectively, they all paid careful attention to the following three questions: First, they gave a high degree of attention to their traditions, emphasizing that the political entity of today is but the result of inherited traditions. Great Britain, Japan, and Sweden are all very proud of their traditions. Innumerable facts prove that if transformations are carried out with full affirmation of traditions and within the framework of traditions, they will meet the least resistance, will exact the lowest prices, but will prove the most successful. Leaping from an agricultural society into a modernized society is a huge transformation. The old social bonds are ruptured and if new social bonds cannot be established in good time, all modernization may crack up and fall to pieces. Establishing new bonds in the political field will frequently make use of old patterns and even adopt rational components of the old relations, transforming them somewhat, adding to them or reducing them, so as to gradually changing them into new relations. This is beneficial for reducing social friction, lessening moral deviation, and diminishing centrifugal forces in society, thus providing superior conditions for reform.

Second, they soberly assessed their national conditions, especially recognizing elements that are detrimental to modernization. When modernizations were first instituted in Sweden, publicity was generally given to the facts that Sweden was a poor and backward small country, that its economic development depended mainly on the export of timber and iron ore, and that

domestic upheaval would be bound to affect its international trade and would be detrimental to Sweden's development. These ideas were deeply embedded in the minds of the people. Even today, when both Sweden and Japan are among the most prosperous countries of the world, they still preserve vigilance in these days of peace and tranquility and imbue the people with these ideas. In Japan, even common people often say that their country is an island empire without natural resources, so that there is no other way than to have everybody exert himself to the utmost in order to survive in this competitive world. A thorough understanding of their country's national conditions firmly bonds the whole nation closely together, and makes them cherish their economic development under conditions of political stability.

Third, they are expending great effort on raising the educational level of the whole nation, especially on raising the cultural quality of persons in leading positions because the higher the cultural quality of leaders, the easier it is to foster mutual understanding, the more beneficial it is for effective control of the overall modernization effort, and the easier it is to implement scientific and democratic policy decisions.

As far as China is concerned, reform is bound to be extremely arduous and difficult, because throughout all its history China has never developed a tradition of reform, and few political reforms have been successful. In modern history, the failure of the reform movement of 1898 left China with no alternative but to stage a political revolution. At the same time, historically, the central government has never established a set of effective information feedback and policy coordinating organizations and institutions. There was no way to accurately assess the social pulse and to make appropriate resolutions for the amendment of policy decisions. The masses also lacked confidence in reform, there was no restraint by the legal system, and they were easily led to choose radical means as a means of expressing their will. Every country has experienced birth pains in the early stages of modernization when the old is being replaced by the new. If the political culture of the reform does not render support, various interest groups will not acknowledge the priority of the overall interests of the nation, and once some discord occurs, the result will be social chaos and retardation of modernization. If the political culture of the reform is well established, the entire nation will unite as one, will jointly attack what difficulties there are, and will gain entry to the new era of modernization. It will then be a case of "prosperity on the mountains as in the plains," and if there should still be some contradictions, they will be fairly easily tackled.

We must realize soberly that for China, as for all the other developing countries, there is at the early stage of modernization the opportunity for advancement but also the possibility for a breakup or even regression; the latter alternative is something we must try with all our strength to avoid. Advocating the political culture of

reform can help us avoid these complications, and gain large gains in our modernization with comparatively small sacrifice.

The political culture of reform that we are advocating is different from revisionism. Revisionism rejects in absolute terms every kind of revolution, but we believe that if the old system completely obstructs social advance, political revolution is the only alternative. However, once the revolution has been successful, society's further advance must again turn to forms of improvement. The political culture of reform that we are advocating is also different from conservatism. Conservatism stands still, refuses to make progress, and is opposed to any kind of reform. We believe that a peaceful and gradual method is helpful to reform, will unceasingly effect transformations in harmony with the conditions of the time, and will, in good time, persistently, and dauntlessly, advance toward the objectives of socialist modernization.

Differences Between Capitalist, Socialist Democracy

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[Article by Xie Zuotao (6200 0155 7118) of the Department of Social Sciences at Tongji University, Shanghai; Shi Wentai (0670 2429 1966), responsible editor: "On the Relationship of the Characteristics of Democracy to the Building of Socialist Democracy"]

[Text] Clarifying the theoretical relationship of the characteristics of democracy to the building of socialist democracy is currently of vital importance in clearing up the accuracy of ideological theories, summing up the lessons learned from experience, and helping young people to acquire a correct understanding of democracy.

I. The Meaning and Characteristics of Democracy

What is the meaning of democracy? Some college students tend to think of it as an inherent right that has no limitations and that permits them to say or do anything they please, which is the only kind that is in keeping with human nature and can be called true democracy. In fact, it is a dynamic concept that has many connotations and both qualitative and quantitative limitations. Qualitatively, it is the concentrated expression of a state's political system and a matter of which class rules the state (the state system) and how state power (the form of government) is organized. Quantitatively, it is a process of development and a matter of degree. It exists to widely varying degrees in different historical periods, and is a process of continuous evolution and perfection from its establishment throughout its development. Its four basic characteristics are that it has a class nature, has historic significance, is a process of development, and contains limitations.

1. *Democracy Has a Class Nature:* As all forms of democracy in all countries throughout ancient or contemporary history have been expressions of the wills and

interests of the ruling class, and ones in which state power is controlled by the ruling class, no democracy can "transcend class."

Ruling-class democracy came into being long ago in slave society, the most typical case being the ancient Greek system of democracy in the city-state of Athens. Even though the basic system of organization in the city-state of Athens was based on general meetings of all male citizens, all laws were made by general meetings of citizens and, at first glance, things seemed very democratic, citizenship was limited to the minority of male slaveowners alone, while the masses of slaves, foreigners, and slaveowners' families (women), who were thought of merely as tools who were able to talk, were excluded from citizenship. Bourgeois democracy, which is the most perfect system of democracy among countries that are ruled by an exploiting class, has certainly played a progressive role in the history of the development of civilization. But even though it ended absolute imperial power and individual arbitrary decisionmaking by dictators, eliminated feudal privilege, and established democratic government, it advocates the establishment of political equality on one hand, while clearly favoring protection of private ownership and truly unequal relationships, such as that of employment between capital and labor on the other. This leaves capitalist countries in the dilemma of having political equality in form, but economic inequality in practice, which seemingly makes all of their members of society equal participants in the government of the state, while actually excluding a considerable number of them from participation in government due to economic inequality. Bourgeois democracy has been unable to resolve this dilemma of political equality in form but economic inequality in practice. As long as the basic goal of bourgeois democracy is to protect private ownership, democracy is bound to be manipulated by money. Therefore, even though capitalist democracy is perfected again and again, it is still democracy that is enjoyed by the bourgeoisie alone, which occupies the dominant economic position.

Although socialist democracy as a state political system is the most perfect type of democracy and is essentially different from bourgeois democracy, it is still not democracy that is enjoyed by all. Instead, it merely changes the class which enjoys democracy, allowing the masses of people who have constituted the majority of the population for thousands of years to become the masters of their own affairs and administer the state for the first time, while exercising dictatorship only over the tiny exploiting class that sets itself against the people and the hostile elements that would oppose and undermine socialism. This shows that the kind of "pure democracy" that transcends classes may exist in fantasy, but cannot be found in the real world. As Lenin said so succinctly, "Unless one wants to make a mockery of reason and history, it is obviously useless to speak of pure democracy as long as different classes exist, because the only kind that really exists is class democracy," and "pure democracy is a lie that liberals use to dupe workers."¹

2. *Democracy Has Historic Significance:* The historic significance of democracy is its inevitable, supplemental class nature. Democracy is part of the superstructure, and is born or dies along with the emergence or withering away of the state. As all forms of democracy are products of the economic bases of particular historical periods, different types of economic bases produce different kinds of democracy. Although contemporary bourgeois democracy is certainly more mature and perfect than past forms of democracy, the improvement certainly does not hinge on the subjective desires of the bourgeoisie, and is even less "a common reflection of human nature," as those who promote bourgeois liberalization would try to prettify it, but is rather the inevitable outcome of the development of the capitalist commodity economy. Because of various historical factors, each of the forms of democracy in the various Western countries has its own distinctive features. For instance, although England was the first European country to carry out a bourgeois revolution, it uses a "cabinet system" and gives "supreme legislative power to Parliament" as a compromise between the bourgeoisie and the nobility. France carried out a more thorough bourgeois revolution, developing from a constitutional monarchy to a democratic republic, later experiencing two restorations and, after over 100 years of tortuous changes, finally establishing the stable, parliamentary French Third Republic and multiparty rule only in the 1870's. The United States enjoyed the exceptional advantage of not having to undergo feudal rule because it was a British colony from the 15th to the 18th century. Along with the development of a commodity economy, its rising capitalist class led an anti-British uprising, adopting the "Declaration of Independence" on 4 July 1776, and, adopting a constitution, becoming a republic with a presidential form of government, and putting into effect a two-party system and "separation of executive, legislative, and judicial powers" in 1787. It is thus clear that the choice of type of democracy does not follow individual bourgeois inclinations, but is deeply stamped by a country's history instead.

3. *Democracy Is a Process of Development:* Democracy per se is a combination of qualitative and quantitative factors, its class nature and historic significance determine its quality, and its process of development determines its quantity. Democracy emerges under particular historical conditions and must undergo a process of gradual development and perfection from quantity to quality, which cannot be accomplished all in one step.

Democracy's process of development hinges mainly on subjective and objective factors. If we study its subjective factors from a microscopic perspective, we find that individuals are democratized to very different degrees. This is reflected mainly in aspects such as the personal sense of being a social subject and taking part in democracy and the degree to which individuals use their democratic rights and participate in democratic activity. For instance, PRC citizens in remote mountain villages who have less developed material and cultural lives have

a very different sense of democratic participation than do those in cities who have highly developed economic and cultural lives. From a macroscopic perspective, a process of quantitative accumulation also exists in the degree of democratization of societies and states, which is reflected mainly in aspects such as national policymaking, management level, establishment of legal institutions, and democratic composition. The reason inadequate attention has been paid to building democracy and legal institutions in the PRC since liberation, is highly related to our overemphasis on qualitative change to the neglect of quantitative accumulation in our understanding of democracy. As for the objective factors in democracy's development process, the degree of democratization is also closely connected to aspects such as commodity economy development, scientific and educational improvement, and the traditional impact of national culture. There is no exception to this in modern or ancient times, in China or elsewhere.

However, a number of young students, who understand neither the class nature and historic significance of democracy nor that it is a process of development, think that it can be copied mechanically from the West and that a high degree of democracy could be achieved if the party and government decided to give it the go-ahead. This is a case of trying to achieve democracy too fast.

4. *Democracy Contains Limitations:* The limitations of democracy are found in its development process. In other words, the gradual development process of democracy is a dynamic and systematic one with many factors that limit and affect each other and that is full of internal conflicts and struggles. As for its major aspects, all democratic systems are entities that oppose democracy to dictatorship, centralism, or legal institutions. If democracy loses one of its aspects, it loses its *raison d'être*.

The opposition between democracy and dictatorship is reflected in the political means that a particular class uses to enforce class rule. Democracy and dictatorship limit each other, with dictatorship implying force, but democracy relying on it. In the dialogue between the students and Yuan Mu [5913 2606] in May 1989, the issue was raised as to whether police had beaten people during the disturbances. A Westerner criticized this by saying that "since police beat people in all countries, the issue ought to be whether police should beat people."

The opposition between democracy and centralism is reflected in the political principles that a particular class uses to enforce class rule. It reflects and determines the status of citizens in the state and their nominal or actual equality in determining national institutions and controlling the state's rights, that is, rule according to the principle of the minority being subordinate to the majority. The principle of majority rule is the soul of democracy, and refers to rule by the majority of "the people." When "the people" are mainly the bourgeoisie, rule by the majority of the people is bourgeois rule and democracy is bourgeois democracy, but when "the

people" are the proletariat and their allies, rule by the majority of the people is socialist democracy. Democracy without centralism essentially violates the principle of majority rule and is actually not democracy.

The opposition between democracy and legal institutions is reflected in the procedural principles of class rule, and it reflects and determines the legal standards and institutions that citizens must observe in the rights which they enjoy and the duties that they should carry out in determining national institutions and controlling the state's rights. As legal institutions are precisely the rules of conduct that the ruling class formulates and enforces through specific state organs to safeguard its class interests and to ensure the permanence of class rule, and are a concentrated expression of the overall will and basic interests of the ruling class, they are the *raison d'être* and guarantee of all democracies. Democracy is both a right that every citizen should enjoy and a duty that every citizen should carry out, and it is both a guarantee and a limitation. No citizen may infringe upon the interests of others or of society when exercising his democratic rights. Therefore, democracy can only be relative and limited, and cannot allow people to act exactly as they please.

II. Understanding the Issues Involved in the Building of Socialist Democracy

Having clarified the meaning and characteristics of democracy, it is now essential to further guide young students to a correct understanding of the following issues that are involved in the building of socialist democracy:

1. The Relationship Between the Nature and the Level of Socialist Democracy Must Be Correctly Understood

Socialist democracy is founded on an economic basis of mostly public ownership of the means of production. As workers, peasants, intellectuals, and other patriots own the means of production and are the masters in socialist countries, and democracy implies that the people are the masters and that all citizens have equal rights and duties to participate in the administration of the state and public affairs, socialist democracy ought to outstrip bourgeois democracy in areas such as the extent of democracy, the authenticity of democratic rights, the comprehensiveness of democratic life, the openness of democratic activities, and the diversity of democratic forms, and enable society to enter a brand-new world in the political civilization of mankind. Although our long-standing theory that socialist democracy is "a new kind of democracy" and "better and more developed than capitalist democracy" refers specifically to the nature of socialist democracy, we must not confuse the two concepts of the "nature" of democracy and "the level of democratic development," which have different connotations. That socialism has founded a new kind of democracy, certainly does not imply that it had a very high level of development or was very perfect immediately after it was founded. Just as with the types of

democracies in other countries, it also has to undergo a process of development from imperfect and less developed to perfect and more developed. Moreover, this progress is certainly not accomplished spontaneously, but must be achieved by people consciously. The building of socialist democracy is bound to be a long process, especially in a country like ours that is so affected by feudal autocratic traditions. Even though the pressing demands of the masses of people to punish corruption and speed up political democratization are completely reasonable, we must still realize that individual autocracy is the social basis of our small-scale production and peasant economy, and that our cultural backwardness is a hotbed of bureaucracy. A high level of socialist democracy can be gradually achieved in China only by developing our planned commodity economy, improving our socialist education, and laying a foundation for a high level of both material and spiritual civilization. Just as there can be no modernization without democratization, it is also conversely true that there will be no democratization without modernization. In our approach to democracy, we must absolutely neither ignore its conditions and spoil things by excessive enthusiasm, nor, of course, use our backward culture and economy as an excuse to keep from making positive advances and building democracy faster.

2. The Relationship Between Socialist Democracy and Capitalist Democracy Must Be Correctly Understood

Although socialist democracy and capitalist democracy are two democratic systems that are of basically different natures, mutually exclusive, and unable to coexist, we should also realize that capitalist democracy is a significant phase of development in the history of mankind's political institutions, and that a class and historical approach must be used to analyze it. As capitalism has accumulated much experience that can be used for reference and has created certain effective forms of democratic management in several hundred years of practicing political rule, we must use a scientific approach in this reference and assimilation and proceed from China's particular national conditions, although it is absolutely essential for us to and indisputable that we should make use of and assimilate certain rational forms and methods used in bourgeois democratic systems and carry forward certain bourgeois democratic achievements that conform to the rules of political operations in the process of building socialist democracy. Chinese-style democracy can grow only in China, but cannot be transplanted or grafted from abroad; it must make use of foreign achievements, but not copy indiscriminately the models of other countries. There are plenty of precedents in the history of our relations with other countries to serve as models in this area.

3. The Relationship Between Democracy and Legal Institutions Must Be Correctly Understood

As the socialist legal system is the expression and guarantee of socialist democracy, violating socialist legal institutions would be bound to endanger socialist

democracy. Under socialist conditions, people's democratic rights and the democratization process must have constitutional and legal safeguards. Similarly, the people's exercise of all their democratic rights and the implementation of democratic reforms must also be strictly confined within allowable constitutional and legal limits, and must be carried out according to organized legal procedures. The harsh realities of the recent turmoil and rebellion have thoroughly shown us once again that, when the building of democracy jumps the track of legal institutions, anarchist trends of thought will spread unchecked, people's democratic rights will be abused, a tiny number of political conspirators will take advantage of the breach in the defenses, certain local ruffians, hoodlums, and social dregs will run wild, and the whole society is bound to be thrown into confusion or turmoil. We must never forget this lesson that we paid for with our blood.

Footnote

1. *Selected Works of Lenin*, Volume 3, p. 629.

Reform Of State-Enterprise Distribution Relationship

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[Article by Hu Jianjun (5170 1696 6511)]

[Text] Economic structural reform in China is being carried out through the adjustment of the distribution of interests. As far as the distribution relationship between the state and the enterprise is concerned, such reform means the state delegating authority and giving up profits. The enterprise fund, fixed in the early days of reform, the retention of profits by enterprises, and steps one and two of the substitution of profits with taxes—all was related to the delegation of authority and the giving up or profits. It also provided a starting point for the philosophy behind the reform of the distribution relationship between the state and the enterprise. However, because of this philosophy, we have run into many snags and are faced with a string of tough choices.

(1) Under the traditional system, the enterprise was a mere reimbursing unit as far as the finance department was concerned. It submitted its profits in full to the higher authorities and when it needed funds, it sought appropriations from the finance department. The result was a "dual" distribution system. The formation of profits was independent of enterprise inputs; inputs and outputs became separated from each other. The conversion of profits into capital was removed from the enterprise; profits and capital became separated. In the course of this kind of externalized asymmetrical economic operation, enterprises lost their autonomy and were sucked into the giant government machinery. With no independent interests, they had neither internal self-stimulus nor external market restraints. A natural outcome is inefficiency.

The idea that authority should be delegated and profits given up by the state is an acknowledgement that enterprises have their own interests. This is a major theoretical breakthrough with enormous implications for subsequent reform. The shift from enterprise fund to the profit retention system, in particular, represents a big stride forward. Under the profit retention system, the establishment of the production development fund signifies that the rudiments of profits-capital circulation have come into being. The profit orientation of enterprises was beginning to take shape, the first step in the development of enterprises as commodity producers with their own independent interests.

From the very beginning, however, authority was delegated and profits given up in a macroeconomic climate from which fair competition was absent. The result was an "unequal distribution of costs and benefits." Because of the "base figure law" in enterprise planning quotas, the taking of funds as well as differences in resources and price levels, the interests of enterprises also varied. Thus the benefits that accrued to enterprises did not necessarily correlate with how well they were managed, causing gross inequalities in distribution, which undermined the mobilization of the enthusiasm of enterprises. It was against this backdrop that the system of substituting profits with taxes was born.

(2) The guiding thought behind the system of substituting profits with taxes, accomplished in two steps, is to create a level playing field on which enterprises can compete and to ensure revenues for the government. The first step, which took place in 1983, was to levy an income tax on all state-owned enterprises other than individual contracting enterprises, turning a considerable share of the profits into taxes. After-tax profits were either submitted to the government in accordance with the plan or retained by the enterprise. The second step consisted of a series of coordinated reforms that built on the first step and went into effect in 1984. First, the industrial and commercial tax system was overhauled and a product tax, designed to reduce price irrationalities, was instituted. A resource tax was levied. To remove the differences in the use of funds by different enterprises, a fixed assets use tax was levied. As it happened, product tax rates were set too high, and many enterprises had so little profits left after paying the product tax that they could not afford to pay the fund tax, which bore no relationship to profits but was pegged to the use of funds. Consequently, the fund tax was not enforced. To prevent excessive inequality in the distribution of costs and benefits, we attached a regulatory tax to the income tax, payable at a uniform rate by all large- and medium-sized enterprises with substantial after-tax profits. Ironically this turned out to be a new way of punishing the efficient and a new kind of inequality in the distribution of costs and benefits.

The achievements of the system of substituting profits with taxes, which should be affirmed, can be summarized as follows: (1) At a time when the old price system could not be changed radically, the system succeeded in

generally eliminating the differences in the level of profit retained between different enterprises and products, playing a major role in moderating the negative effects of the price system on the industrial structure in the short run, limiting room for bargaining by enterprises, and cutting down on the opportunities for enterprises to outdo one another, thereby slowing down demand explosion. (2) It ended the downward spiral of government revenues year after year. In fact, because of substituting profits with taxes, government revenues have been rising annually as the economy expands. In 1985, the central government's domestic revenues rose 25 percent, or 11 percent after discounting irregular factors. In that same year, the government had a budget surplus for the first time since reform. Meanwhile, enterprises, particularly small enterprises, have become energized. Three, taxation has become the basic ingredient in the distribution relationship between the state and the enterprise. Not only did this further affirm the enterprise's position as a major player with its own interests, but it also nudged the distribution relationship between the state and the enterprise closer to the goal of enterprise reform.

Nevertheless, substituting profits with taxes seeks to bring about equal effective competition among enterprises through some technical arrangements within the framework of the old system, and that is not possible. We now realize that because of its dual identity—"social manager" and "owner of capital goods," the socialist state automatically exercises two kinds of functions: social management and economic management. To achieve the former, the state secures its incomes from taxes by virtue of its political power. As owner of capital goods, however, it obtains its incomes through its ownership of assets. As for the specifics of how it obtains its incomes in the latter capacity, that depends on the organizational format of enterprises. Accordingly, substituting profits with taxes should be the direction of the reform of the distribution relationship between state and enterprises.

Moreover, enterprises have not yet been truly invigorated as the distribution relationship between themselves and the state has not been completely straightened out and distribution mechanisms and enterprise management mechanisms remain imperfect. On the contrary, they are a big drain on the national coffers. For one thing, a declining share of the profits of the enterprise is now going to the government as revenues. Secondly, most of the profits retained by an enterprise are not being spent on production but as welfare funds and bonuses. In part this results from the decision to cut taxes and let enterprises keep more profits. In part it is related to the pre-tax loan repayment policy: the enterprise does the borrowing but the government does the repaying. While the state has fixed the ratio of funds that an enterprise can spend on its own, it has not been strictly followed.

It is clear from the above analysis that if we continue down the road of taxation in place of profits, there will be no substantive breakthrough in the overall income

distribution mechanism centered on the distribution relationship between state and enterprises. A new way must be found. It is too burdensome for the state to continue to give up profits. But if the state does not give up profits to the enterprise, the latter would show no enthusiasm or initiative. A logical way out of this dilemma is to revamp the distribution mechanism. In fact, the only way out is to dismantle the old distribution framework and build a new one based on the needs of the commodity economy.

(3) Does the rise of the contract system then represent such a way out? To answer this question, we must begin by analyzing the contract system at some length.

1) This is basically how the contract system works: "Set a fixed base figure quota for profits to be submitted by a contracting enterprise to the state. The enterprise keeps the portion above the quota. If an enterprise operates at a loss, it has to make up for the deficit from its own funds." It is clear that the primary objective of the contract system is to ensure revenues for the government, not to reform distribution mechanisms and overhaul the microeconomic base. It should be said that the contract system, with its overarching purpose of generating revenues for the government, has exerted some pressure on enterprises and given them a driving force up to a point. First, "set a fixed base figure," means there is no room for bargaining as far as government revenues are concerned. Distribution is well defined for both state and enterprises. On the one hand, government revenues are ensured and will not drop off because of mismanagement. On the other hand, the enterprise has a clear expectation of profits, which helps give stability to its production and other activities and facilitate normal development. Second, the fact that "the enterprise keeps the portion above the quota" constitutes an incentive. After enterprises become more profit-driven, the pursuit of self-interest has become the principal goal of an enterprise. Third, "when an enterprise operates at a loss, it has to make up for the deficit from its own funds." This has a restraining effect. Should it fail to achieve the base figure, the enterprise must make good the deficit by dipping into its own funds; for example, by using the assets of a contractor or by cutting back on bonuses. The enterprise has no alternative but to shed its dependency on the government and change its habit and mentality of "eating from the big rice pot" at the expense of the state. It is forced to learn to react to the market and develop an ability to adapt to market changes. Such are the requirements of the contract system as originally conceived.

2) The contract system lays down the distribution relationship between state and enterprises via a contract relationship. Formally, therefore, it implies a separation of the role of the state as an owner from its other roles, that is, a separation of its economic power and political power. It also tentatively establishes the status of the enterprise as a key player in distribution.

When the state enters into a contract with an enterprise, there is inescapably the sense that it is assigning an

administrative task to the latter. Be that as it may, in signing a contract with an enterprise, the state is entering into an economic relationship with the latter on an equal footing, not as boss and subordinate in an administrative organization with one issuing an order and the other obeying it. This marked the beginning of the long march of the enterprise toward achieving the status of an independent legal person, owner of assets, and major player in distribution.

Moreover, the use of civil legal relationship to draw the boundary of incomes between the state and an enterprise provides a fairly stable environment for the formation of enterprise operational mechanisms. First of all, in delineating the boundary of income, the system at the same time allocates to the enterprise much of the powers due to it, giving it a measure of independence within its own economic space. Secondly, the enterprise has a fairly clear idea of what to expect in terms of income during the period when the contract is in effect.

3) The contract system makes possible the formation of legal-person assets. The contract system repudiates substituting profits with taxes, which is a rejection of the notion of submitting profits to the government and affirms the position of the state as an owner. The participation of the state in sharing the returns on enterprise assets not only realizes the status of the state as an owner, but it also signifies the establishment of a legal-person status for the enterprise and the formation of legal-person assets. It can be said that the affirmation of the sharing of returns on assets is a prerequisite for the establishment of a legal-person status for the enterprise. Only when an enterprise owns assets as a legal person can it pool together different kinds of ownership. Although the returns on assets derives from the formation of legal-person assets, its recognition is a basic precondition for such formation. Therefore, not only does the contract system objectively require the restoration of the profit format, but it actually expedites the formation of legal person assets at a deeper level, setting the stage for the transition in the final analysis to the separation of taxes and profits.

From the above analysis, we know that the contract system is enormously significant for accelerating the reform of distribution mechanisms and straightening out the distribution relationship between state and enterprises. So far the goal of the reform of the state-enterprise relationship is beginning to emerge.

In the course of implementing the contract system, however, enterprises have been plagued by short-sighted behavior throughout. Some people look at the superficial and conclude that enterprises behave myopically because of the short contract period. Enterprises can project accurately only their short-term returns but have a hazy idea of their profits further down the road. Clearly they are not going to pursue interests they cannot foresee. Based on this theory, the solution to the problem of enterprise myopia is simple: let them contract long

term. In fact, that enterprises only think of the short term is closely related to what is inherently wrong with the current contract system.

According to the intrinsic mechanism of economic operations, the stock of assets of an enterprise and its flow of incomes are in continuous motion. Under normal circumstances, the stock of assets produces the flow of incomes, while the flow of incomes replenishes the stock of assets. What we have today is a flowing contract system. Certainly it dovetails nicely with the unequal distribution of costs and benefits, the result of the unequal distribution of assets and the irrational price system in the current economic environment. On the other hand, however, it breaks up the normal circulation between the enterprise's stock of assets and flow and hence causes it to behave short-sightedly. Thus, the first thing that is wrong with the contract system is flowing contracting.

Under flow contracting, the stock of assets is managed by the government. This means that the government adjusts and manages existing assets and expands the scale of the stock of assets among other things. The enterprise merely uses the assets and makes sure they remain intact. The flow of incomes, on the other hand, is primarily the responsibility of the enterprise. The government only demands that the enterprise ensures that a specified sum is submitted to it, leaving the balance to be disposed of by the enterprise. In this way, the circulation between stock and flow is severed at the enterprise level. Only the government can rejoin them. Government approval is required for the conversion of profits into the stock of assets and the distribution ratio of the profits generated by the stock of assets. The result is an externally driven circulation.

In this way, the enterprise can only adjust the total stock and structure of assets within the prescribed limits of its power but is rendered powerless to adjust the overall stock of assets. It cannot make over or release fixed assets within their life-span in light of market changes, which leads to inefficiency in the allocation of resources. Flow contracting also induces the enterprise to concentrate its attention on maximizing the flow of profits within the contract period. After submitting to the government what it is required to turn over, the enterprise chooses to increase workers' wages, uninterested in building up a reserve of strength.

Second, the expansion of contract quotas prevents the enterprise from freeing itself from interference by supervisory administrative agencies. This is why: For one thing, the government is worried that state assets will not be deployed properly and effectively once contracting is introduced, a concern only heightened by predatory management and the tendency toward consumption in distribution. So the government is convinced of the need for all-round contracting. Second, the functions of government agencies have not been redistributed in the wake of contracting. Thus, there is a tendency for contract quotas to gradually cover the various aspects of

production as well as profit. In the process, decision-making authority previously delegated to enterprises has returned to the hands of the government through the multiplication of contract quotas. The result is that new administrative interference is now economized and institutionalized.

As contract quotas proliferated, enterprises' new-found freedom and maneuvering room, which had been expanded because of the contract system, have again diminished. Armed with a barrage of contract quotas, supervisory government agencies are again supervising enterprise operations, evaluating and guiding them. In effect, they are intervening in the day-to-day operations of the enterprise, preventing it from making decisions independently on its own.

Furthermore, by blurring the dividing line between the two roles of the state, owner and social organizer, pre-tax contracting militates against the separation of political power and economic power at the macroeconomic level. Microeconomically it also gets in the way of the definition of the property rights of enterprises. One moment the state the owner deals with the enterprise on the market, ordering goods, signing contracts, and determining the assets return rate. One moment the state the administrative organizer issues order to the enterprise and alters the base figure unilaterally. Thus the functions and responsibilities of both state and enterprises become muddled and the economy gets that much less explicable.

(4) The contract system has not risen above the reform philosophy of "separating ownership from management rights," which is to give the enterprise full management right without affecting state ownership, that is, the right to take possession and control, and use state assets. If this kind of separation is organizationally assured, it will clearly contribute to reinforcing the profit motive and enhancing enterprise vitality. But since we have not really thought through the "separation of ownership right from management right," the two ownerships of the state, namely ownership of assets and ownership of enterprises, are still merged. So-called "separation of the two rights" is actually nothing more than a power shift involving the higher and lower levels in the state machinery. The old relationship of administrative subordination and dependency has remained unchanged. The enterprise is still an administrative entity, not an economic player, as epitomized by the fact that it has only the right to share profits but not to distribute them. What an enterprise earns does not depend entirely on its own efforts, but is largely contingent upon the government's distribution method. If we continue to reform along this line of thinking, even the shareholding system will not solve our problems. Imagine, the joint-stock company will still belong to the state; the state will still directly control the joint stock company. The state-enterprise relationship now is no different in essence from its counterpart under the old system. It has changed only in form.

As a product of production socialization, the separation of ownership from management is premised on both parties being independent economic players. When the owner of capital goods finds it does not pay for it to operate independently, he will turn over the means of production to others, earning an income by virtue of his ownership. At the same time, the party to which the capital goods are turned over also stands to make a bigger profit as the benefit of scale management. Thus the continuous transfer, movement, and organization of capital goods form a powerful engine of economic development. But note that in the process of transferring capital goods, the owner of the means of production does not take chances by just turning over his assets. The receiver must be qualified by being a main economic entity and by having ability of engaging in independent civil conduct. If the receiver does not qualify for this condition and there is a case of turning over the means of production, then we have reason to conclude that the owner has direct control over the party to which the means of production are turned over, that there is a relationship of dependency between the two. The separation between ownership and management rights resulting from this kind of transfer is transformed into a kind of division of labor with the owner. We can thus see that when an enterprise is subordinate to a certain government agency, the separation of ownership and management right is a mere slogan, at best a redistribution of power within the same owner. There can be no substantive change in the position of the enterprise.

The problem with state ownership is not that the state becomes owner of a huge amount of assets, but that the enterprise has become an appendage of the state. In other words, the problem is state ownership of the enterprise. The goal of reform is not to privatize state assets and demand that the state give up its ownership of assets. It is to make the state give up its ownership of enterprises and let the latter become "economic persons" and be totally liberated.

This way the enterprise becomes an economic player even as the assets it manages are ultimately owned by the state. The enterprise manages state assets as an independent legal person, has the right to distribute profits, and assumes risk and responsibility independently. Its relationship with the owner of assets is entirely an equal economic contractual relationship. Once it secures the right to manage a certain asset, the enterprise also possesses the legal person ownership of that asset. We may call this the "state ownership, private management" system. Under such a system, the ownership of assets is with the state while private enterprises with legal person status have the right to manage such assets. State ownership and private management should replace state ownership and state management.

Under state ownership and private management, the enterprise enjoys the status of an independent legal person, as manifested in the following: First, the enterprise possesses independent legal person assets which come about through the transfer of management right

from the assets owner or from the conversion of the enterprise's incomes, or a combination of both. Second, the enterprise has the right to dispose of the assets independently. For example, it can transfer them, take possession of them, or use them. The owner has the right to share the profits, but not the right to directly control the substance or value. Third, the enterprise has the right to distribute profits independently. The owner is entitled to a dividend or rent derived from its ownership of the assets, but otherwise has no right to interfere in the distribution by the enterprise. This way the enterprise is separated from the state and becomes an independent economic entity. In the same process, its property right also becomes well-defined. As for the form such property right should take, that can be determined depending on the specific conditions. No doubt the shareholding system is the goal we should strive for, but in view of the fact that the conditions for the introduction of the shareholding system across the board are not yet in place, it is not necessarily the best course of action to impose it under all circumstances. Instead it should be tried out in a limited way. Under the shareholding system, stocks provide the link that brings together state assets ownership with enterprise legal person ownership. On the other hand, the contract system too can ensure the realization of ownership through a legally effective contract. Under the current conditions, therefore, it is more practical and feasible to bring about "state ownership, private management" by perfecting the contract system.

(5) It will take a treatise to describe in detail how "state ownership, private management" can be carried out. What this article has done is to put forward the idea for discussion as an option in reform, followed by some preliminary thoughts on the transformation of the contract system and its transition toward "state ownership, private management."

As analyzed above, the biggest failure of the contract system as currently practiced is the divorce between the flow of incomes and the stock of capital. To eliminate this weakness, we need to change the method of flow contracting and bring about the circulation of stock and flow, thus enabling enterprises to develop steadily. This objectively requires us to give full power to the enterprise to ultimately dispose of the stock of assets. The enterprise has the right to manage the assets and become an economic legal person responsible for disposing of the

assets independently, thus setting the stage for the separation of the enterprise from the owner and the introduction of the "state ownership, private management" system.

1) The enterprise owns assets independently. This is the only way to make the enterprise behave in the following ways to raise circulation efficiency. First, adjust the scale and structure of the stock of assets in light of market conditions. Second, decide the scale, structure, distribution ratio, and use of flow based on the market. Third, determine the percentage of the flow of incomes that should be converted into stock assets based on profit projections (scale of investment).

2) Create legal person assets to legally ensure the realization of this kind of circulation. Once the owner has resold the right to manage assets, he loses direct control.

3) The value of new added assets will be realized in the next round of contracting. Their ultimate ownership belongs to the state, their legal person ownership to the enterprise.

4) When an enterprise goes bankrupt, the liability of the state is limited to paying off its assets in the enterprise.

5) The operator and the enterprise legal person should be separate to stiffen ownership restraints and prevent risk-taking by the operator. There should be a board of directors made up of representatives from the workers' representative assembly and representatives of the owner. All major decisions should be taken by the board. The operator is responsible for day-to-day management. In case of mismanagement, the operator will be dismissed. The board of directors has the power of dismissal but not the power of appointment.

6) The manager should be selected by the bidding company (which represents the owner but is actually an economic entity). If the enterprise is not satisfied with the choice, it may veto it. Once a choice is made, the operator signs a contract with the board of directors. The operator undertakes to realize a profit only. He does not undertake to submit a profit to the state. This is how the system would differ from the present contract system.

7) The power to distribute the realized profit belongs to the enterprise's board of directors. Neither the owner nor operator is allowed to intervene. After deducting income tax and rent (the former to be paid to the government, the latter to the owner, e.g., assets bureau), the remainder of the profit realized would go toward the enterprise development fund, risk fund, bonuses, and welfare fund.

NATIONAL AFFAIRS, POLICY

Advantages of Joint Planned, Market Economy Extolled

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27 Feb 90 p 3

[Article by reporter Jia Dechang (6328 1795 2490)]

[Text] The implementation of an organic synthesis of a planned economy and a market regulated economy has constituted the fundamental thinking behind the new structure that China has been building during its reform. We have now made some outstanding theoretical breakthroughs in this regard. The need now is to explore specific methods of integrating planning with market operations in actual practice.

From 21 to 23 February a "symposium to analyze the present status and trends in developing lateral economic ties" was convened. Experts, scholars, and those with practical experience who were in attendance were unanimous in the opinion that the specific operating procedures used during the preceding stage of reform to integrate planning and market practices constituted a beneficial attempt that achieved definite results. The lateral economic ties cooperation that has developed for many years now is an important link between planning and market practices and organizationally important for developing a planned commodity economy based on a system of public ownership.

The symposium made this judgement based on the following three premises: First, lateral economic coordination has the twofold function of planning regulation and market regulation. Every local economic coordinating office is a functional department of a local government. Through administrative measures, they institute planning regulation in accordance with state plans and industrial policies (that is, every local lateral economic cooperation project is accounted for in state and local government planning). During actual operations, economic combination and cooperation are also subject to market laws and the principle of mutual benefit. Deficiencies are made up from surpluses, and this is what constitutes market regulation. When operating under lateral economic associations and cooperation, we cannot ignore improving market practices while engaged in planning, and we cannot ignore state plans and state industrial policies when making use of market regulation. Second, lateral association and cooperation are products of reform and represent a new form of economic organization based on China's specific production conditions. This form of organization has up to now never existed outside of China. It is different from the overly controlled organizational forms associated with a commodity economy, and it is different from the so-called complete market economy forms that rely on spontaneous regulation. It is a completely new form of organization for a planned commodity economy appropriately based on public ownership. It upholds both reform and the four cardinal principles. Practice has shown that it possesses great vitality. Third, lateral economic combination and cooperation bring into full play natural resources that are not being used, make

optimal use of constituent parts, and guarantee greater economic stability. Pertinent data show that the manpower and material resources for projects having to do with energy, raw and processed materials, and agricultural sideline products which were developed and coordinated during the several years of lateral economic ties, although within the state plan, did not in fact come from the state plan's "great serving platter." They were resources which had been idle and were utilized by means of market mechanisms and coordination. Precisely because of this, very few of the projects associated with lateral economic combination and cooperation are interfered with in any way. They have all along been relatively stable and efficient.

Attendees at the meeting were of the opinion that the trend to develop lateral economic ties during the 10 years of reform has been a good one and that its successes have been notable. According to incomplete statistics from pertinent departments, there were nearly 100,000 economic and technically coordinated projects signed throughout the country in 1989. Approximately half of these were economic association projects. In the past several years, jointly developed projects for energy, raw and processed materials, and agricultural sideline products have rapidly increased in numbers. Total developmental investment for them already exceeds 5 billion yuan. This has brought new vitality to the economies of various localities. At present, the new growth in output value each year throughout the country for jointly coordinated projects is approaching 50 billion yuan. Attendees at the meeting were unanimous in pointing out that, with improvement and rectification and with deepening reform, lateral association work has to become stronger. It cannot become weaker. With improvement and rectification bringing into play the positive role of lateral economic ties cooperation, a more reasonable flow of key production elements can be effected that will promote economic development.

This symposium was sponsored by the China Lateral Economic Research Committee. Representatives attended from pertinent functional departments of various State Council ministries and commissions, from economic cooperation committees (offices) of local governments, as well as from certain scientific research units and colleges and universities.

Materials Minister Comments on Bonuses, Other Issues

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27 Feb 90 p 1

[Article by reporter Mao Tie (3029 6993) and trainee Chen Wei (7115 6672)]

[Text] Materials Minister Liu Suinian [2692 7151 1628], when receiving reporters the other day, unequivocally declared that all personnel selling overstocked materials and all purchasing personnel who have performed meritorious service by purchasing materials in short supply should be awarded bonuses. Even if in the past the granting of bonuses according to provisions was somewhat unreasonable, we should make our improvements

by combining experience with research and not investigate or blame those who received bonuses.

Liu Suinian explained that the work of purchasing personnel has its specific characteristics. Giving or taking bribes or receiving individual sales commissions are not permitted in the course of administrative activities. This is a discipline that must be strictly observed. However, giving reasonable bonuses is a form of distribution according to work and more pay for more work. It is a necessary means to inspire enthusiasm and invigorate the circulation of materials. We must continue to support them. At the same time, we must improve and perfect ways of handling bonuses, by for example, changing the linking of bonuses to amounts purchased and profits to linking them to work efficiency and supply levels, not allowing direct deductions by individuals from sales earnings and profits, and limiting the awarding of appropriate bonuses to only the sale of overstocked materials and the purchase of materials in short supply.

Lian Suinian stated that, during the past 10 years of reform, the circulation of materials has become much more vigorous than in the past. In addition, after undergoing improvement and rectification, the order of circulation has taken a turn for the better. Nevertheless, there are still many existing problems. The task of improvement and rectification is far from complete. We must continue to give it our close attention and, at the same time, study how to further invigorate circulation. The crucial thing at present is the need to stabilize and perfect the effective policy measures of the past few years and to draw up new policies measures that conform to the new situation to fully inspire the enthusiasm of circulation enterprises and employees.

Lian Suinian stated that, for various reasons, but especially because of the two categories of materials and the two categories of prices that are part of the plan, the variety and specifications of materials in the plan are not suitable for use, do not satisfy what is needed, are not delivered on time, and cause imbalances from time to time. To prevent materials from becoming worthless as soon as they are delivered and dislocation between supply and marketing, we have to make some necessary exchanges between materials within the plan and those outside the plan. When none of the varieties of materials within the plan, their specifications, nor the items of expenditure for their production and construction are satisfactory, when because of external reasons, they cannot be supplied to the users on schedule, and when shipping is inadequate and inventories become overstocked, material enterprises are permitted to make adjustments and exchanges for the same category of materials within the plan with those outside the plan with respect to the varieties and specifications. The price differences are to be recorded separately without any profit being derived. The profits and losses will offset each other with reciprocal benefit. Nonadherence to these principles and illegal activities, should be strictly examined and punished. Adjustments and exchanges must be submitted for

approval in compliance with provisions. Strong supervision and control must be exercised over the use of price differential funds.

Liu Suinian declared that transregional administration of material enterprises would facilitate the breakup of regional blockades, open up competition, and promote superior quality. If we are to develop a commodity economy, we cannot imprison ourselves within artificial boundaries and preserve what is backward. Using administrative measures to seal off raw materials and markets and treating transregional administration as an illegal administration for inspection and punishments are wrong. To regard the rational difference between commodity circulation of a modern commodity economy and the circulation of goods and materials as an opportunity to make an immediate profit is also wrong.

In discussing the question of fixing reasonable prices for materials outside the plan, Liu Suinian said that material enterprises that administer materials outside the plan must not exceed the maximum prices stipulated by the state. If there is no maximum price, the 1985 provisions of the State Bureau of Commodity Prices and the State Bureau of Supplies must be instituted, whereby, at slightly below the local market prices, the price fluctuates according to market conditions and is subjected to regulation through the market.

Liu Suinian stated that, in a commodity economy, it is normal to have both profits and losses, for there some time to be profits and sometimes to be losses. If we allow material enterprises to both lose money and to make money and let the profits offset the losses, they will have a reasonable rate of profit. The rate of profits from sales by material enterprises must be settled on a unified basis at the end of the year by examining the average for the whole year. If in examining the material enterprises, it is found that if a portion of each sale that exceeds the profit rate is removed, then losses cannot be controlled and it will be difficult for material enterprises to maintain normal operations. This would not be proper.

PROVINCIAL

Guangzhou Announces 1990 Economic Reform Program

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[Article by Zong Hechu (4844 0678 2806) and Gong Jiao (7895 5754)]

[Text] The Guangzhou People's Government has recently approved the Municipal Economic Reform Commission's, "1990 Economic Reform Program for the City of Guangzhou." The municipal government has called on all of its departments to focus their efforts on improving the economic environment and rectifying the economic order, enhance their leadership of particular

reform tasks, steadily deepen reform, support and perfect the reform steps that have been taken to improve the economic environment and rectify the economic order, better display a spirit of bold exploration and pioneering, and launch a suitable number of new experiments in reform and opening up to the outside world.

The City of Guangzhou's 1990 program to deepen economic reform proposes first to further deepen reform of enterprises by enhancing their vitality and their capacity to overcome difficulties, mainly by accomplishing well the following seven tasks: (1) The contract management responsibility system will continue to be upheld and perfected. The contracts of a few enterprises that expired in 1989 can be extended to 1990, and the contracts of enterprises that are due to expire in 1990 can be extended to 1992 after they are completely audited. A new round of contracts that will expire in 1995 can be signed with enterprises whose production directions and tasks for the Eighth 5-Year Plan have been clearly defined. Contract bases will be realistically modified according to the standards of the trade and enterprise development conditions, and in line with the principles of general stability, minor modifications, and contributing more to the state. (2) The method of linking enterprise payrolls to economic efficiency will be further perfected, enterprises will attain all proficiency assessment targets to ensure that payrolls increase rationally and, in addition to the major proficiency assessment target of efficiency, economic and technical proficiency assessment targets, such as product quality, consumption, safety, labor productivity, and taxes and profits paid to the state, will also be linked to payrolls. (3) Enterprise leadership will be further perfected, and relations among the party, the government, and workers will be made more rational. The factory director (manager) responsibility system will be upheld, and the key role of factory directors (managers) in areas, such as production direction, management and administration, and technical development, will be brought into fuller play. The key political role of enterprise party organizations will be enhanced, the implementation of all party and government principles and policies within enterprises will be ensured and supervised, and the socialist orientation of enterprises will be insisted upon. The working class will be relied on wholeheartedly, factory management committees will be further strengthened, the representative assembly system for staff members and workers will be perfected, and the role of staff members and workers in democratic management and democratic supervision will be brought into full play. (4) Complete sets of reforms within enterprises will be better carried out, reforms within enterprises in areas, such as selection and appointment of management personnel and installation of management and administrative setups, will continue to be carried out and perfected, and positive and stable steps will be taken to promote enterprise labor reform. (5) Enterprise mergers will be actively speeded up. The method of administrative transfer of assets can be used to handle mergers of state-owned enterprises and those that are subordinate to the same departments, and compensated mergers will be practiced and debt-liability and shareholder-attraction mergers are recommended for enterprises that are under different

systems of ownership or subordinate to different departments. (6) Enterprise blocs will be developed, and all favorable policies that are suitable for large enterprises will be similarly suitable for blocs of large enterprises, which will be given more decisionmaking power than individual ones. (7) Enterprise management will be enhanced.

In the area of deepening rural reform and speeding up the growth of the rural commodity economy, Guangzhou will to continue to support and expand the household joint production contract management responsibility system and perfect the dual management system. Based on the principle of "general stability and minor modifications," positive and safe steps can be taken to modify land contracts that have expired or which the masses want modified. Socialized economic agencies will be gradually established and perfected. Based on the principle of voluntary peasant participation, proper-sized and economical management will be steadily promoted and farming will be more commercialized and specialized wherever possible. "Food-basket" and "rice-bag" projects will be coordinated, and priority will be given to providing the production and management needs of major producers of products, such as grain, vegetables, meat, poultry, eggs, sugar, and vegetable oil. Rural S&T [Science and Technology] reform will be deepened and S&T promotion of agriculture will be speeded up. Premised on reinforcing agriculture, township enterprises will continue to be encouraged and guided to develop soundly. In order to optimize township enterprises, priority will be given to upgrading those which need to be closed down and upgraded.

Guangzhou's 1990 economic reform program also proposes to both rectify the economic order in the field of circulation and also further stimulate all markets. It calls for stimulating Guangzhou's eight major markets, i.e., for agricultural sideline products, manufactured goods for daily use, capital goods, property rights transfers, transportation, S&T, labor, and real estate.

In order to steadily promote all experimental reform work, Guangzhou will continue to conduct the following eight reform experiments in 1990: 1) Experiments in shareholding systems that are underway in enterprises will be constantly perfected, improved, and gradually standardized. Foreign-invested enterprises will actively conduct shareholding experiments, and collective enterprises will determine property ownership and conduct shareholding experiments. 2) Several enterprises will be chosen to conduct experiments in separating taxes from profits. 3) Enterprises will conduct experiments in devolving management authority to lower administrative levels. 4) An experimental management system will be set up for state-owned assets. 5) Experiments in opening up to the outside world will be expanded. The Guangzhou Economic and Technical Development Zone will conduct experiments in areas, such as using suitable international economic management laws and regulations, and developing new ways to use foreign capital. 6) Experiments will be conducted to reform the social guarantee system. 7) Multipurpose reform experiments will be carried out. 8) Positive and stable steps will be taken to promote housing reform.

In addition, Guangzhou will continue to deepen financial reform, perfect and develop money markets, and do all we can to increase fund sources and put funds to the best use. We will make full use of our favorable conditions to develop new ways to use more foreign capital. In order to keep our reform tasks and economic construction well-ordered, we will enhance and improve our macroeconomic control and establish better macroeconomic regulation and control forces.

Henan Socioeconomic Development in 1989

90CE0121A Zhengzhou HENAN RIBAO in Chinese
14 Mar 90 p 2

[Article: "Henan Provincial Bureau of Statistics Statistical Communique on National Economic and Social Development During 1989"]

[Text] Henan Province achieved remarkable success during 1989 in conscientiously carrying out policies for improving the economic environment and restructuring the economic order, and for the deepening of reform. Social demand was brought under effective control, and effective social supply increased rapidly. The conflict between total supply and demand began to ease; the rise in prices weakened month by month; economic strength increased further; and the entire national economy was developing in a fine direction. New achievements were made in science and technology, education, culture, health, and physical education. Preliminary figures show a gross national product of 83.2 billion yuan for the province in 1989, a five percent increase over 1988; and a national income of 68 billion yuan, a four percent increase over 1988. Nevertheless, the imbalance between gross supply and demand, and the structural contradictions that appeared in the overheated national macroeconomic climate of the past several years have not fundamentally moderated. Macroeconomic retrenchment has occasioned roughness in the circulation of commodities, insufficient work for some enterprises, and a decline in returns.

1. Agriculture

A fine harvest was brought in in agriculture, all-around increases being registered in farming, forestry, animal husbandry, sideline occupations, and the fishing industry. The province's gross output value of agriculture in 1989 was 44.988 billion yuan, up 9.9 percent from 1988. This included 30.222 billion yuan from farming, up 9.5 percent, a 3.0 percent increase from forestry, a 14.5 percent increase from animal husbandry, an 8.0 percent increase from sideline occupations, and a 3.9 percent increase from the fishing industry.

In the output of principal agricultural products, gross output of grain reached an all-time high; despite a reduction in the area sown to oil-bearing crops, gross output increased substantially over 1988; and outputs

of hemp, vegetables, and fruit also showed increases. However, as a result of reductions in the area sown, and the effects of natural disasters, outputs of cotton and flue-cured tobacco declined substantially.

Outputs of main agricultural products were as follows:

Outputs of Principal Agricultural Products		
	1989	Percentage Increase From 1988
Grain	31,494,400 tons	18.3
Including: Summer Grain	17,242,200 tons	11.2
Autumn Grain	14,252,000 tons	28.2
Cotton	527,200 tons	-17.3
Oil-bearing Crops	1,184,800	23.2
Including: Rapeseed	226,200 tons	163
Flue-cured Tobacco	453,500 tons	-14.7
Hemp	160,400 tons	70.6
Vegetables (including melons used as vegetables)	8,934,800 tons	5.6
Fruit	767,500 tons	2.6

New advances were made in afforestation and greening. A total of 2,454,300 mu were afforested during the year, 0.8 percent more than in 1988. In 1989, goals for the greening of the plains in eight counties were also reached. Nevertheless, instances of reckless felling and denudation of timber occurred, necessitating better protection and control.

Animal husbandry production grew steadily, the output of products continuing to increase. The number of draft animals in inventory maintained a trend toward increase; both the number of hogs removed from inventory and the number in inventory continued to rebound, and the number of goats and sheep in inventory set a new record.

Outputs of principal livestock products and numbers of livestock animals were as follows:

Principal Livestock Products and Numbers of Livestock Animals		
	1989	Percentage Increase From 1988
Gross Meat Output	1,215,400 tons	17.1
Including: Pork Output	881,200 tons	14.6
Dairy Products Output	69,700 tons	-4.8
Wool Output	6,858 tons	6.1
Porkers Removed From Inventory	10,615,800	15.3
Year-end Number of Draft Animals	11,115,300	4.0
Year-end Number of Hogs	16,802,200	5.9
Year-end Number of Goats and Sheep	13,717,700	6.5

Fishing industry production sustained development. Output of aquatic products for the province in 1989 was 98,300 tons, up 4.7 percent from 1988.

Agricultural production conditions improved. At the end of 1989, the power of farm machinery in the province totaled 21,535,000 watts in a 7.4 percent increase over 1988; there were 705,600 hand tractors and small tractors in the province, up 16.9 percent; 45,412 farm trucks, up 3.9 percent; machinery used for farm drainage and irrigation had a power of 6.051 billion watts, up 5.3 percent; the machine-farmed area was 61,655,700 mu, up 11.7 percent; 1,842,500 tons of chemical fertilizer (scalar quantity) was used in a 22.4 increase; and 4.52 billion kilowatt hours of electric power were used in rural villages, up 10.8 percent. The effectively irrigated area of the province stood at 51.57 million mu, an upsurge recurring in the building of farmland water conservancy. Nevertheless, agricultural production lacked sufficient reserve strength, and its weak ability to withstand natural disasters had yet to be fundamentally reversed.

In 1989, the gross output value of rural society in the province was 91.133 billion yuan, up 10 percent from 1988. This included a gross output value of 46.145 billion yuan from non-agricultural activities including rural industry, the construction industry, transportation, and business, up 11 percent. The entire rural economy maintained momentum toward steady growth.

2. Industry

Industrial production increased moderately despite readjustment. Preliminary statistics showed a gross output value of 95.324 billion yuan for all industry in the province, a 10.3 percent increase over 1988. This included 71.112 billion yuan from industry at the township level and above, up 8.3 percent; and 23.542 billion yuan from industry at the village level and above, up 16.2 percent. Among township and town industries, the output value of industries under ownership of the whole people was 53.675 billion yuan, up 5.2 percent; and of collectively owned industries 17.155 billion yuan, up 16.9 percent.

Heavy industry grew faster than light industry. In the gross output value of industries at the township level and above, the output value of light industry in 1989 was 31.601 billion yuan, up 6.9 percent, including a 5.7 percent increase in light industries using agricultural products as raw materials. The output value of heavy industry was 39.511 billion yuan, up 9.6 percent. Energy, and raw and processed materials industry production grew steadily.

Output of principal industrial products was as follows:

Output of Principal Industrial Products		
	1989	Percentage Increase Over 1988
Bicycles	1,225,200 units	-27.8
Television Sets	337,800 units	49.1
Including: Color Television	55,000 units	13.4
Tape Recorders	208,600 units	-33.9
Household Refrigerators	123,700 units	-23.4
Chemical Fibers	60,043 tons	8.9
Cotton Yarn	325,800 tons	6.3
Cotton Cloth	1.182 billion meters	2.5
Woolen Fabric	10,066,100 meters	3.6
Cigarettes	2,855,600 cases	-11.6
Alcoholic Beverages	579,200 tons	-10.2
Machine-made Paper and Paper Board	1,444,600 tons	7.5
Synthetic Detergent	91,520 tons	44.4
Matches	1,892,600 matches	15.2
Soap	40,020 tons	-22.5
Raw Coal	88,581,100 tons	7.4
Crude Oil	9,531,500 tons	-2.6
Electric Power	30.282 billion kwh	5.7
Pig Iron	1,614,400 tons	6.6
Steel	1,590,000 tons	14.4
Steel Products	1,249,100 tons	4.7
Sulfuric Acid	868,300 tons	15.6
Caustic Soda	117,500 tons	3.0
Soda Ash	141,600 tons	44.3
Synthetic Ammonia	1,618,500 tons	6.8
Chemical Fertilizer (scalar quantity)	1,318,400 tons	2.0
Cement	11,533,000 tons	-9.0
Plate Glass	9,815,700 heavy cases	11.9
Machine Tools	2,428 units	-26.8
Large and Medium Size Tractors	5,487 units	-24.6
Small Tractors	125,700 units	4.2

Enterprises' economic returns fell short of expectations. Sales income of state-owned industrial enterprises within local budgets throughout the province was 29.128 billion yuan, up 12.6 percent from 1988. Profits and tax receipts were 197 million yuan, up 6.5 percent. Failing enterprises had losses totaling 97,250,000 yuan, up 59.6

percent Funds tied up in finished products rose 75.6 percent; the time required for fixed amounts of working capital to circulate rose from 106 to 123 days; the capital profit and tax rate declined 2.5 percentage points; and comparable product costs rose 28.3 percent.

3. Investment in Fixed Assets and the Construction Industry

Success was achieved in curtailing the scale of investment and readjusting the structure of investment. During 1989, investment in social fixed assets totaled 18.769 billion yuan, eight percent less than in 1988. This included a 9.962 billion yuan investment by units under ownership of the whole people, 5.7 percent less than in 1988; a 1.791 billion investment by units under collective ownership, down 17.9 percent; and a 7.016 billion yuan investment by individuals, down 8.4 percent. Central government investment as a portion of the investment in fixed assets by units under ownership of the whole people amounted to 5.806 billion yuan, up 4.1 percent; and local government investment totaled 4.156 billion yuan, down 16.6 percent. The tendency toward inflation of the overall scale of construction projects was contained. There was a total of 4,041 capital construction and upgrading projects under ownership of the whole people, 2,397 fewer than in 1988 for a cutback of 1.002 billion yuan in investment. Following inventory, the province decided to halt or delay construction of 1.072 projects, thereby enabling a 2.468 billion yuan reduction in investment over the next several years.

Of the investment in fixed assets owned by the whole people, investment in construction of a productive nature totaled 8.502 billion yuan, down 0.3 percent; and investment in construction of a nonproductive nature amounted to 1.46 billion yuan, down 28.3 percent. In investment of a constructive nature, investment in farm and forestry water conservancy amounted to 339 million yuan, up 5.3 percent, the percentage rising from 3.1 percent in 1988 to 3.4 percent in 1989. The percentage of investment in energy industries also increased from 37.1 to 41.6 percent. More key projects were also constructed. Construction of the Zhongyuan Chemical Fertilizer Plant, the Qiligang Cement Plant, National Highway 107—a first class highway running from Zhengzhou to Xinxiang—and the Kaifeng Huang He Highway Bridge project were completed and the facilities put to use. Construction moved along smoothly on other key projects.

Newly added fixed assets in units under ownership of the whole people in the province had a value of 7.615 billion yuan. Principal newly added production capacity and returns therefrom were as follows: Mining of 1.88 million tons of coal, electric power generators with an installed capacity of 414,000 kilowatts, 840,000 tons of cement, 277 kilometers of newly built highways, 600 kilometers of upgraded highways, 66,600 student seats in schools of all kinds, and 3,320 hospital beds.

Gross output value for the year from construction enterprises under ownership of the whole people was 2.906 billion yuan, up 3.8 percent from 1988; and the labor productivity rate for all personnel was 11,766 yuan, up 6.5 percent. However, quite a few construction enterprises did not have enough work to do, so their profits declined, and the number of failing enterprises increased.

New advances were made in geological surveys and prospecting. During 1989, 22 mining areas were newly discovered for the supply of additional reserves of 11 different minerals, including new proven reserves of gold and coal. During the year, a total of 128,100 meters of exploratory machine drilling was done to obtain cores.

4. Transportation, and Posts and Telecommunications

Freight transportation developed steadily. As a result of passenger transportation price increases during 1989, central railroad passenger volume declined slightly, while freight transportation maintained its growth momentum. The shortage of transportation for key materials such as coal eased, and transportation earnings of all categories of transportation continued to increase. Nevertheless, the transportation industry still does not meet economic development needs.

Freight and Passenger Transportation		
	1989	Percentage Increase Over 1988
Freight Turnover Volume	112,910.5 million ton kms	4.7
Including: Central Railroads	96,164 million ton kms	3.7
Local Railroads	547.5 million ton kms	9.8
Highways	15,406.5 million ton kms	10.3
Water Transportation	792.5 ton kms	21.0
Passenger Turnover Volume	46,971.4 million passenger kms	-1.4
Including: Central Railroads	26,630.0 million passenger kms	-7.9
Local Railroads	135.5 million passenger kms	17.2
Highways	20,166.3 million passenger kms	8.4
Water Transportation	39.6 million passenger kms	6.5

Posts and telecommunications developed fairly rapidly. During 1989, posts and telecommunications volume amounted to 228 million yuan, up 21.4 percent from 1988. Long distance telephone calls numbered 20,024,000, up 10.7 percent. At the end of the year, there were 139,900 urban telephone subscribers, up 23.4 percent from 1988; urban telephone exchange capacity was

197,000 circuits, up 15.9 percent; and mail routes and delivery lines extended over 23,600 kilometers in a 5.4 percent increase.

5. Domestic Business Materials Supply, and Marketing

Markets changed quite a bit, commodity sales changing from the overly fast growth of 1988 to become flat, and in some cases sluggish. Total social commodity retail sales volume for the province in 1989 was 39.135 billion yuan, up 11.3 percent from 1988. After deducting for price increases, there was an actual 5.9 percent decline. Of total social commodity retail sales figure, retail sales of agricultural means of production amounted to 8.050 billion, up 17.8 percent; and consumer goods retail sales stood at 31.085 billion yuan, up 9.7 percent. This included 28.268 billion yuan in residents' consumption goods retail sales, up 11.4 percent. Retail sales of consumer goods to social groups amounted to 2.817 billion yuan, down 4.8 percent.

Among social commodity retail sales, retail sales figures of businesses under ownership of the whole people increased 14 percent; supply and marketing cooperative retail sales increased 16.4 percent, and retail sales figures of other collectively owned businesses increased 8.3 percent. Individual business retail sales increased 6.9 percent, and peasant retail sales to nonagricultural residents increased 25.6 percent.

Retail sales of principal commodities went back down in varying degrees from the tremendous increases during 1988. Retail sales figures for eight of 36 main commodities rose, and 28 declined, sales of household appliances, and cotton cloth declining the most.

Commercial units' profits declined markedly from the excessive growth during 1988, profits realized by businesses under ownership of the whole people and by the supply and marketing cooperative system amounting to 651 million yuan in 1989, down 26.7 percent from 1988. The number of failing enterprises increased; expenses incurred in the circulation of commodities rose; and the speed of funds circulation slowed.

Demand for means of production weakened. During 1989, materials units in the province purchased 7.722 billion yuan worth of materials, 8.8 percent more than in 1988. They sold 8.36 billion yuan worth, up 7.7 percent. Materials units sold 14.67 million tons of steel, 7.4 percent less than in 1988, and 2.231 billion tons of cement, down 6.9 percent from 1988. Motor vehicle sales declined 17.7 percent; coal sales declined 4.7 percent; and timber sales declined 20.6 percent.

The market became much more orderly. All jurisdictions took positive actions, checking and rectifying corporations, investigating and proscribing all sorts of fake, inferior, and imitation commodities, and halting buying and selling for the purpose of making a profit. They also made dealings in television sets, chemical fertilizer, agricultural pesticides, and plastic sheeting for farm use a monopoly, thereby scoring major accomplishments in

rectifying the market order. Nevertheless, dealings in some commodities remained fairly chaotic, and arbitrary collection of fees for services continued to exist.

Prices rose at a somewhat lower rate than during 1988. In 1989, the overall level of retail prices in the province was 18.3 percent higher than in 1988. This included 5.5 percentage points attributable to new price rises in the current year, which was markedly lower than the 15.2 percentage point new rise in prices during 1988. Comparison with the same month in 1988 showed a 27.8 percent rise in January; a 27.2 percent rise in May; and a month-by-month decline after June until December when the rise was only 5.3 percent. A division in terms of cities and the countryside showed a 14.5 percent rise in the overall retail price level in cities and towns, and a 20.5 percent rise in rural areas. City and town residents' "market basket" commodity prices remained basically stable. In 1989, living expenses for city and town staff members and workers rose 14.9 percent over 1988, an extent of rise vastly lower than the 21.5 percent of 1988.

Retail price changes of various categories of commodities are given below:

Retail Price Changes of Selected Commodities		
	Percentage Rise or Fall in 1989 Over 1988	Including Percentage Rise or Fall in Cities and Towns During December Compared with December 1988
Foodstuffs	13.3	-5.1
Grain	15.9	-5.6
Meat, Poultry, Eggs	11.0	-1.3
Fresh Vegetables	-6.8	-33.5
Aquatic Products	22.6	-7.7
Clothing	21.4	11.3
Daily Necessities	16.2	5.1
Medicine and Medical Treatment Items	21.9	6.3
Fuels	47.7	8.6
Means of Agricultural Production	16.8	—

6. Foreign Economic Relations and Tourism

New achievements were made in foreign trade. Imports and exports during 1989 came to \$901 million in a six percent increase over 1988. This included exports totaling \$819 million, up 9.1 percent, and imports totaling \$82 million, down 17.3 percent. Among exports, the percentage of agricultural by-products declined from 47.9 percent in 1988 to 38.3 percent, and the percentage of industrial and mining products rose from 52.1 to 61.7 percent, including a fairly substantial increase in the export of electro-mechanical products.

Henan Province continued to adhere to a policy of opening to the outside world, and it made good use of foreign capital. During 1989, the province signed 45 agreements for the use of foreign capital. Foreign loans

and direct investment by traveling businessmen produced \$113 million in useable foreign capital, 74.8 percent more than in 1988. By the end of 1989, 65 partially or wholly foreign-owned enterprises of three kinds had gone into operation, most enterprises operating very well and producing marked returns.

Both the number of international tourists received and foreign exchange earnings from tourism declined. During 1989, 70,300 people came from abroad for sightseeing, to visit people, or to engage in exchange activities of various kinds, 38.6 percent fewer than in 1988. Foreign exchange earnings from tourism for the year amounted to \$14.49 million, down six percent from 1988.

7. Government Finance and Banking

Government revenue for the year totaled 7.989 billion yuan (exclusive of taxes for takeovers of cultivated land), exceeding fulfillment of annual budget by 573 million yuan. Figured in terms of comparable items, this was an 8.1 percent increase that included 7.118 billion yuan in industrial and commercial tax receipts, up 15.2 percent. Financial disbursements for the year totaled 8.767 billion yuan, up 15 percent from 1988. This included outlays of 597 million yuan to support agriculture, up 39.1 percent; and outlays of 1.398 billion yuan for education, up 16.8 percent.

At the end of 1989, the province's banks had a surplus balance of 35.974 billion yuan in savings accounts of all kinds, 5.693 billion yuan more than at the beginning of the year; and a 51.166 billion yuan surplus balance for loans of all kinds, 6.237 billion yuan more than at the beginning of the year. Banks put a net total of 3.031 billion yuan in currency into circulation, 2.38 billion less than in 1988.

The insurance business developed rapidly. In 1989, insurance of risks of all kinds totaled 14.399 billion yuan, 50.2 percent more than in 1988. Insurance business earnings for the year totaled 501 million yuan, 1.9 percent more than in 1988. This included 480 million yuan in domestic insurance business earnings, up 1.5 percent, and \$55.16 million in income from foreign business, up 10.5 percent.

8. Science and Technology

Science and technology endeavors developed rapidly. The role of science and technology in economic and social development became increasingly prominent. During 1989, the province received one nationally approved invention award, 19 national science and technology progress awards, five national spark awards, 343 provincial people's government science and technology progress awards, and 49 awards for major scientific and technical achievements. By the end of 1989, 146 contracts had been awarded and 11,305,000 yuan invested during the year for key scientific and technical plans to tackle problems during the Seventh 5-Year Plan. Technology markets in the province were more active,

14,721 technical contracts being signed, 6,887 more contracts than in 1988. The technical contracts had a value of 360 million yuan, up 56.5 percent from 1988.

"Spark plans" continued to play a positive role in invigorating the rural economy. A total of 310 "spark plan" projects were carried out, 16 of them national projects with an investment totaling 80 million yuan. New advances were made in the agricultural development of the Huang-Huai-Hai Plain, and new accomplishments were scored in the development of high yield corn and rice.

New advances were made in industrial technology. During 1989, large and medium size industrial enterprises in the province developed 1,738 techniques, 779 more than during 1988. In 1989, Henan Province received 8 national silver awards for quality, 147 ministry awards for premium quality products, eight ministry awards for quality control, and 530 provincial awards for premium quality products. Within the province, 251 industrial plant and mining enterprises were upgraded, 42 of them to national second class, and 209 to provincial first class. Achievements were made in energy conservation work, total energy consumption of industrial enterprises above the county level per 10,000 yuan of gross output value being 6.01 tons of standard coal, 3.4 percent less than in 1988 for a saving of energy resources equivalent to 914,800 tons of standard coal.

Further advances were made on patents. In 1989, the province received 953 patent applications, 494 of which were approved. The patent technique exploitation rate was approximately 30 percent. The province now has 12 patent agencies, and eight patent agent offices staffed with 146 patent agents.

During 1989 cartographic units made 1,142 maps of various scales, and published eight different maps. New advances were also made in technical service work in meteorology and seismology, which played a positive role in economic construction and the administration of social life, and produced marked socioeconomic returns.

The scientific and technical corps continued to expand. As of the end of 1989, local units in the province under ownership of the whole people had 757,300 scientific and technical personnel of all kinds. This included 349,800 technical personnel in the natural sciences, 17,000 more than in 1988; and 407,500 technical personnel in the social sciences, 59,800 more than in 1988. Scientific and technical personnel holding medium level or higher positions numbered 206,600, up 65,700 from 1988.

9. Education and Culture

Education programs developed steadily despite economic readjustment. During 1989, 314 graduate students were enrolled; graduate students in school numbered 1,109; and 498 graduate students were graduated. In regular institutions of higher education, 26,100 students were enrolled in undergraduate and specialized

courses. There were 80,100 students in school, and 25,600 were graduated. A total of 1,788,000 adults were enrolled in all forms of adult education, and there were 1,938,200 adults in school. Students in ordinary senior middle schools numbered 495,400, and there were 2,995,100 students in junior middle school. Students in secondary vocational schools, professional schools, and technical schools numbered 323,800. There were 9,698,200 pupils in primary school, and 98 percent of children of school age were in school in the province. There were 1,134,000 tots in kindergartens. Special education for the mentally retarded and the physically handicapped also improved. However, in some places, the number of dropouts from middle and primary school is on the rise.

Cultural programs continued development. As of the end of 1989, the province had 14,246 cinema filming units of all kinds, 238 performing troupes, 125 public libraries, 205 cultural palaces, and 52 museums and memorial halls. The province had nine radio broadcasting stations, 16 broadcast transmitters and relay stations, and six television stations. It had 32 television transmitters and relay stations. The province published 700 million copies of newspapers, down 12.3 percent from 1988; 83.07 million copies of magazines of various kinds, down 37.4 percent; and 318.8 million maps, down 12.9 percent.

10. Health and Physical Education

Health programs developed further. As of the end of 1989, the province had 179,600 hospital beds, 2.4 percent more than in 1988; and it had 218,500 specialized health personnel, up 2.3 percent from 1988. This included 96,000 medical doctors, up 8.4 percent, and 42,400 health care specialists and nurses, up 22.9 percent. Maternity and child care, and disease prevention and treatment work improved further. Rural medical treatment organizations became more universal, 97.6 percent of townships and villages setting up medical treatment and health sites.

New achievements were made in physical education endeavors. During 1989, the province's athletes took nine gold medals, three silver medals, and two bronze medals in international competitions. In domestic competitions, 37 athletes became national champions, 34 won gold medals, 33 won silver medals, and 28 won bronze medals. Two athletes twice broke two world records. The mass athletics movement developed further, 5.88 million participants attaining the "national physical education physical training standard" during the year.

11. The People's Livelihood

City and town employment continued to increase. During the year, 238,000 people were placed in jobs. As of the end of 1989, staff members and workers in the province numbered 6,812,300, 115,100 more than at the end of 1988. This included 5,124,800 staff members and

workers in units under ownership of the whole people, an increase of 44,700; 760,800 people in the contract system of units under ownership of the whole people, a 160,400 increase; 1,681,300 staff members and workers in city and town collectively owned units, up 68,700; and 6,200 staff members and workers in units under other forms of ownership, up 1,700. City and town individual laborers numbered 355,500; 9,400 more than at the end of 1988.

Residents' income increased. The total wage bill for staff members and workers in the province was 10.870 billion yuan in 1989, 13.3 percent more than in 1988. This included payments of bonuses of all kinds, and wages for exceeding piecework quotas amounting to 1.804 billion yuan, up 15.7 percent; and the average cash wage paid staff members and workers of 1,628 yuan, up 10.8 percent. Random sampling shows a per capita 1,015.01 yuan income for city and town residents' living expenses, up 17.7 percent from 1988. After deducting for price increases, the actual increase was 2.5 percent. Resident's consumption psychology is stabilizing; consumption demand has been brought under control; and per capita payments to city and town residents for living expenses are 963.97 yuan, receipts balancing expenditures with a slight surplus remaining, and the consumption structure becoming more normal. Nevertheless, for some low income city and town families, real income has declined. In 1989, peasant per capita net income was 457 yuan, up 14 percent from 1988, but increasing only an actual two percent after deducting for price rises. Of the peasant's total per capita net income, 410 yuan is net income from production, up 14.2 percent.

At the end of 1989, the savings account surplus balance for city and countryside residents in the province stood at 27.052 billion yuan, 6.348 billion yuan more than at the end of 1988. This included 18.791 billion yuan for city and town residents, up 5.275 billion yuan; and 8.261 billion yuan for rural residents, up 1.073 billion yuan.

Social services continued to increase. In 1989, there were 2,780 service institutions of various kinds in the province caring for 34,700 people. Collectives cared for 31,200 orphans, old people, disabled people, and young children dispersed throughout society.

New achievements were scored in taking care of the needy. As of the end of 1989, the food and clothing problems of more than 80 percent of needy households in the province had been solved. Per capita net income of peasants in 30 counties in the province receiving most support was 341 yuan, up 19.2 percent from 1988.

Living conditions of city and countryside residents improved further. During 1989, 6,189,000 square meters of new housing was built in cities and town, and 64,0209 square meters of new housing was build in rural areas.

12. A random sampling of population changes in the province showed a 1989 birth rate of 21.99 per 1,000, a 6.45 per 1,000 death rate, and a 15.54 per 1,000 natural rate of increase. By extrapolation, the province's total population as of the end of 1989 was 82.31 million, 1.37 million more than at the end of 1988. The province is currently in a peak child-bearing age period when it will be necessary to intensify planned parenthood work.

Note: The gross national product, national income, and gross output value figures used in this communique are figured in terms of current year prices, and speed of increase is figured on the basis of comparable prices.

Henan's First Quarter Statistics Released

HK2704123290 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 22 Apr 90

[Excerpt] Statistics compiled by the provincial statistics bureau shows that agricultural investment in the province continued to grow in the first quarter. The sown area for summer crops increased by 1.9 percent over last year. Construction of water conservancy works was undertaken on an extensive scale, with good results. Industrial production improved, and the product mix was readjusted to a certain extent. Production by large and medium-size enterprises province-wide was relatively satisfactory. The production of energy, raw and semifinished materials, and goods supporting agricultural production kept rising. Production of farm-oriented electrical appliances, machinery and electrical equipment, and building materials dropped considerably. Social demand continued to decline. Fixed asset investment by state-owned enterprises decreased by 20.2 percent from last year. The investment structure was readjusted to a certain degree. Funds and materials for key projects were ensured. Bank expenditures for wages grew at a smaller pace. The total volume of retail sales of consumer goods sold to social groupings was still under control. With the deepening of economic improvement and rectification, goods were in ample supply; the economic order took a marked turn for the better; prices dropped further; the province-wide general level of retail prices increased only 2.9 percent over the same period last year. At the same time, all levels of governments sent a lot of manufactured goods to the countryside, improved the work of purchasing agricultural and sideline products, and guaranteed the effective supply of food and nonstaple food. Bank deposits continued to grow. However, many economic problems were still present province-wide in the first quarter, which mainly found expression in the following: The soft market remained unchanged, seriously hampering the smooth operation of the provincial national economy; economic returns of enterprises were still decreasing; and the irrational deep-layer structure still refused to improve. [passage omitted]

Hunan Province Yearend Economic, Social Roundup

90CE0117A Changsha HUNAN RIBAO in Chinese
14 Mar 90 p 2

[Article: "Hunan Provincial Statistics Bureau Statistical Communique on National Economic and Social Development in 1989"]

[Text] Acting under leadership of the provincial CPC committee and the provincial government, people throughout the province scored new achievements during 1989 in the diligent implementation of a policy of improving the economic environment and restructuring the economic order, and deepening reform. Effective supply continued to increase and demand was brought under control for an easing of the conflict between supply and demand; a downturn occurred in the degree of price rises; principal proportional relationships improved; and the entire national economy was developing in a fine direction. Preliminary calculations show a gross national product of 64.4 billion yuan for the whole year, up 3.6 percent from 1988; and a national income of 54 billion yuan, up three percent. Social programs in science and technology, culture and education, health, and physical education continued to develop. The main problems in development of the national economy were as follows: Continued existence of problems with imbalance in total supply and demand, an irrational structure, and poor economic returns accumulated over the years; and the advent of some new problems such as the recurrence of some roughness in commodity circulation, accumulation of goods in inventory, insufficient work for some enterprises, and increased employment pressures during macroeconomic retrenchment.

1. Agriculture

The warming of agriculture began to show results when a fine harvest was brought in. The gross output value of agriculture in 1989 was 33.748 billion yuan, up 5.1 percent from 1988. This included an output value of 16.486 billion yuan for farming, up 6.4 percent; and a 15.5, 1, and 10 percent rise respectively in the output value of forestry, animal husbandry, and the fishing industry. Output value of sideline occupations fell 9.3 percent.

Among the outputs of major agricultural products, gross output of grain exceeded the all-time high, increasing by a net 1.394 billion kilograms over 1988. Among cash crops, cotton output rallied greatly, and rapeseed output came close to setting a new all-time high record once again. Outputs of sugarcane, jute and ambari hemp, flue-cured tobacco, and fruits increased substantially.

Outputs of principal agricultural products were as follows:

Output of Principal Agricultural Products		
	1989	Percentage Increase Over 1988 (%)
Grain	26.755 billion jin	5.5
Cotton	67,000	52.6
Oil-bearing Crops	601,700 tons	10.9
Including: Rapeseed	496,300 tons	10.8
Ramie	64,900 tons	-43.3
Jute and Ambari Hemp	14,600 tons	1.7fold
Sugarcane	1,421,400 tons	29.8
Flue-cured Tobacco	144,700 tons	14.5
Silkworm Cocoons	2,300 tons	9.5
Tea	80,000 tons	-1.2
Fruit	769,200 tons	1.3fold

Forestry output saw substantial growth. During the year, 5,097,900 mu were afforested, 5.6 percent more than in 1988. All over the province a number of counties and cities renowned for afforestation and greening work came to the fore. Outputs of principal forest products increased substantially. Tung oil seed output was 48,400 tons, up 8.2 percent; and rapeseed output was 279,900 tons, up 52.4 percent. Outputs of both raw lacquer and Chinese chestnuts increased substantially.

Outputs of livestock industry products maintained their trend toward increase. Hog production continued to expand on a foundation of nine consecutive years of increase.

Major livestock products and numbers of livestock were as follows:

Major Livestock Products and Numbers of Livestock in 1989

	1989	Percentage Increase Over 1988
Pork, Beef, and Mutton Output	1,805,300tons	0.7
Number of Porkers Removed From Inventory	28,664,700	1.9
Year-End Number of Hogs in Inventory	27,275,500	1.2
Year-End Draft Animals in Inventory	3,937,800	2.2
Including: Plow Oxen	3,916,600	2.3
Year-End Number of Sheep and Goats in Inventory	686,100	7.5

Sustained increase in fishing industry output. Aquatic products output for the year totaled 515,300 tons, up 11.5 percent from 1988. This included a 502,500 ton output of fresh fish, up 10.9 percent.

Agricultural production conditions improved. As of the end of the year, the total power of farm machinery throughout the province was 12.148 billion watts, 4.8 percent more than in 1988; rural areas used 2.186 billion kilowatt hours of electricity, up 7.4 percent from 1988; 177,200 small hand tractors were in use, up 2.8 percent; drainage and irrigation machinery used in agriculture had 3.364 billion watts of power, up 5.9 percent; 1,243,600 tons of chemical fertilizer (scalar quantity) were used, up 1.5 percent; investment in farmland water conservancy construction increased; reservoir and aqueduct repair projects moved ahead rapidly; dikes were strengthened in the Dongting Hu region, and water impounding and flood prevention capabilities increased.

Speed of growth of township and town enterprises slackened. Gross output value of township and town enterprises for the year was 22.629 billion yuan, up 13.6 percent, but the rate of increase was down 9.1 percentage points from 1988.

The rural economy developed across the board. The gross output value of rural society for the year was 56.321 billion yuan in a 6.6 percent increase over 1988. This included a nonagricultural output value of 22.573 billion yuan, up 8.3 percent. Contributing to this increase was rapid development of the rural transportation industry, and rural industry, the construction industry, and business showed varying degrees of growth as well. Nonagricultural output value as a percentage of gross output of rural society increased from 39.4 percent in 1988 to 40 percent.

Rural reform moved ahead steadily. Output-related contract responsibility systems primarily for family operations were further stabilized and perfected. Both rural two-tier operations and the collective economy showed development.

Nevertheless growth of agriculture still failed to meet needs for development of the national economy; the cultivated land area continued to decline; ability to meet natural disasters was weak; and both reserve strength for the development of agriculture and the rural economy required further strengthening.

2. Industry

During 1989, industrial production maintained suitable growth. Gross industrial output value for the year (inclusive of industries at the village level and below) was 68.054 billion yuan for a 6.7 percent increase. Exclusive of industries at the village level and below, gross industrial output value was 59.523 billion yuan, up 5.2 percent in rates of increases lower than in 1988. Within gross industrial output value, the output value of industries under ownership of the whole people was 44.213 billion yuan, up 3.2 percent; output value of collectively-owned industries was 19.33 billion yuan, up 8.2 percent; and output value of individually owned industries in cities and the countryside was 4.2 billion yuan, up 30.4 percent. Output value of industries under other forms of ownership was 311 million for a 52.5 percent increase.

Heavy industry developed fairly rapidly, its output value for the year reaching 37.963 billion yuan in an 8.2 percent increase over 1988. Speed of light industry development slowed, producing an output value of 30.091 billion yuan, in a five percent increase. Among main industrial products, output of high quality durable consumer goods showed a slow speed of increase. Energy and raw and processed materials saw sustained growth, with readjustments being made to the product structure.

Output of major industrial wares was as follows:

Output of Major Industrial Wares		
	1989	Percentage Increase Over 1988 (%)
Cotton Yarn	133,300 tons	-1.6
Cotton Cloth	481 million meters	-5.9
Leather	3,493,800 hides	1.3
Machine-made Paper and Paper Board	614,800 tons	4.7
Sugar	57,300 tons	2.1
Crude Salt	414,700 tons	1.9
Cigarettes	2,523,300 cases	1.4
Ceramic and Porcelain Articles For Daily Use	728 million items	0.8
bicycles	1,072,900 units	-16
Sewing Machines	260,900 units	11.1
Television Sets	520,600 units	13.6
Including: Color Television	58,000 sets	-13.2
Tape Recorders	644,500 units	25
Household Washing Machines	32,800	-10.4
Household Refrigerators	287,000 units	-26.8
Raw Coal	369.043 billion tons	3.6
Crude Oil Processed	3,172,500 tons	0.1
Power Generated	18.334 billion kilowatt hours	5.9
Including: Hydropower	9.514 kilowatt hours	5.3
Pig iron	1,479,800 tons	6.4
Steel	1,360,700 tons	10.6
Finished Steel Products	1,166,100 tons	5.5
Sulfuric Acid	679,100 tons	-4.9
Soda Ash	53,100 tons	19.3
Chemical Pesticide	22,500 tons	18.4
Chemical Fertilizer (Scalar Quantity)	1,144,500 tons	0.3
Timber	2,302,600 cubic meters	-21.0
Cement	9,862,500 tons	-7.5
Plate Glass	3,253,500 heavy cases	-6.1

Output of Major Industrial Wares (Continued)		
	1989	Percentage Increase Over 1988 (%)
Motor Vehicles	4,,238 units	-31.4
Small Tractors	15,400 units	-48.0
Metal Cutting Machine Tools	3,539 units	4.1

Industrial enterprises continued to conduct a campaign to attain standards and improve grades in the improvement of basic administrative work. In 1989, the Changling Oil Refining Chemical Plant became the province's first national first rank enterprise, and another 86 enterprises were designated national second rank enterprises. Additionally, 336 enterprises were designated province-rank advanced enterprises. Industrial energy consumption continued decline. During 1989, industrial enterprises at the county level or above throughout the province conserved energy equivalent to 246,100 tons of standard coal. Enterprises having a 10,000 yuan industrial output value conserved energy totaling 5.33 tons of standard coal, down 1.3 percent from 1988. Consciousness of product quality improved, the industrial product premium product rate reaching 23.5 percent, which was slightly better than in 1988. Five of the province's products, including casting tungsten carbide, and Wuling liquor received national gold awards; 15 products received national silver awards, and 503 products received provincial excellence awards.

Enterprise contract responsibility systems, enterprise mergers, lateral economic partnerships, and groups of enterprises making use of premium products to open markets continued to develop. During the year, industrial enterprises at the county level and above set up 230 close or semi-close economic partnership organizations having a capitalization of 288 million yuan, a newly added output value of 509 million yuan, and newly added profits and taxes amounting to 74.47 million yuan.

However, because of a market slump, and poor administration and management of some enterprises, returns from the industrial economy declined. During 1989, industrial enterprises within local budget throughout the province returned 1.5 yuan less in profits and taxes per 100 yuan of capital provided than in 1988, and profit and tax receipts per 100 yuan of sales income were also lower than in 1980. Comparable product costs rose 20.4 percent; the number of failing enterprises increased; losses were greater; the amount of funds used to produce finished products doubled; and more products accumulated in inventory.

3. Transportation and Posts and Telecommunications

Transportation saw new development. The Hengyang-Guangdong Railroad was doubletracked, and after the project to improve the southern section of national highway 107, and the Huanghua Airfield came on stream, transportation improved, carrying capacity

increased, and the transportation shortage eased. Problems include: the heavy load on railroad transportation, underuse of highway transportation, a low water transportation utilization rate, and an insufficiently rational transportation structure.

Passenger and freight volume handled by all modes of transportation in the transportation sector were as follows:

Freight and Passenger Transportation Volume		
	1989	Percentage Increase Over 1988 (%)
Freight Turnover Volume	61.434 billion ton kilometers	10.0
Including: Railroads	55.622 billion ton kilometers	10.2
Highways	894 million ton kilometers	-10.2
Water Transportation	4.918 billion ton kilometers	11.7
Passenger Turnover Volume	31.416 billion man kilometers	-4.0
Including Railroads	18.296 billion man kilometers	-4.3
Highways	12.670 billion man kilometers	-3.3
Water Transportation	450 million man kilometers	-6.4

Post and telecommunications programs continued to develop. In 1989, posts and telecommunications earnings totaled 201 million yuan, up 23.8 percent from 1988. This included a 15.3 percent rise in long distance telephone calls, a 5.1 percent drop in letters, and a 2.3 percent decline in telegrams. As of the end of the year there were 108,800 urban telephone subscribers in the province, 13.1 percent more than in 1988; and 36,700 rural telephone subscribers, 12.6 percent more than in 1988. International communications, and communications with Hong Kong and Macao developed substantially. Nevertheless posts and telecommunications still do not meet the needs of economic development and the people's daily lives.

4. Fixed Asset Investment and the Construction Industry

The scale of investment in fixed assets was effectively brought under control. During 1989, 11.465 billion yuan was invested in social fixed assets, 18.1 percent less than in 1988. This included a 6.295 billion yuan investment by units under ownership of the whole people, a 13.7 percent cut; a 1.171 billion yuan investment by city and countryside collective units, a 37.9 percent cut; and a 3.999 billion yuan city and countryside individual investment, a 17.1 percent cut. Local projects were fairly well controlled, the total investment in local projects provincewide amounting to 8.72 billion yuan for a 22.8 percent cut. This included 7.4 billion yuan for projects under plan evaluation without violating the national

control scale. In the investment in assets in units under ownership of the whole people, 3.734 billion yuan was invested in capital construction, and 2.428 billion yuan in improvements for a 1.8 and 22.7 percent cut respectively. The structure of investment was readjusted, more being invested in energy and transportation. Investment in energy industries for the year totaled 1.505 billion yuan, 20.6 percent more than in 1988. Investment in these industries as a percentage of total investment rose from 17.1 percent in 1988 to 23.9 percent. Investment in transportation, posts, and telecommunications came to 624 million yuan, this investment as a percentage of total investment rising from 9 to 9.9 percent. Of the investment in improvements in units under ownership of the whole people, 292 million yuan was invested in improvement of quality. This was 12 percent of the total investment in improvements, slightly more than the 1988 percentage.

Investment in key construction projects was rather good. Investment during the year in 19 key engineering projects throughout the province totaled 1.293 billion yuan in 102 percent fulfillment of annual plan. This included investment in five projects that had to be completely built and go on stream. Both the Laiyang Thermal Power Plant first phase project, and the Huanghua Airfield at Changsha were completed. The Dadong Jiang No. 4 generating unit began to supply power to the grid; the Xiaodong Jiang No. 1 power generating unit has water coursing through its equipment, and installation of the No 2 power units has been completed. At the Gaoguo Sugar Refinery in Changsha, and at the polyamide fiber plant in Changsha, construction of the main production workshop and installation of equipment were substantially completed.

During 1989, 9.539 billion yuan worth of social fixed assets were added, 21.5 percent less than in 1988. This included 4.386 billion yuan worth of fixed assets for units under ownership of the whole people, a 22.8 percent reduction. Major production capacity added to units under ownership of the whole people through capital construction, updating, and transformation included the following: Coal mining, 690,000 tons; power generating unit capacity, 391,900 kilowatts; power lines, 297 kilometers; cotton textiles spindles, 46,000; synthetic fibers, 2,000 tons; cement, 503,000 tons, plate glass, 700,000 cases; running water daily supply capacity, 166,000 tons; and an effectively irrigated area of 182,000 mu.

Construction industry contract responsibility systems moved ahead steadily through trials. Units tendered contracting bids on 399 projects during 1989, up 54.7 percent from 1988.

Geology units made 105,800 meters of exploratory drillings during the year in 159 percent fulfillment of plan. They found 12 important mining areas including the Huayuan zinc mine, and the Changning boron mine, which were prospected in detail. The Department of Geology and Mining ranked three long-range surveys of

rare earths resources as new achievements in the nature of national breakthroughs. A total of 86.17 million yuan of prospecting business was done, up 1.4 percent from 1988.

In the area of foreign economic relations and trade, exports increased, and imports decreased. In 1989, the province imported and exported a total of \$854 million worth of goods, up 2.4 percent from 1988. This included exports totaling \$668 million, up 4.5 percent; and imports totaling \$186 million, down 4.6 percent. New advances were made in the use of foreign capital. In the course of the year 126 agreements were signed for the use of foreign funds. Foreign funds used totaled \$122 million, in an 8.8 fold increase over 1988, and exceeding the total for the previous six years. This included foreign traders' direct investment of \$6.43 million, down 16.6 percent; \$14.91 in compensation trade, up 2.3 fold; and a rise in foreign loans from \$110,000 in 1987 to 99.1 million, which account for 81 percent for the total foreign capital used. Foreign capital tended to be invested more rationally, 90 percent of foreign capital being invested directly in energy, and raw and processed materials industries. A number of enterprises constructed with foreign capital have gone into production, and have begun exporting to earn foreign exchange. Throughout the province, 67 of 119 "partially or wholly foreign-owned enterprises of three kinds" started up, earning \$14.45 million yuan in foreign exchange in a 63.3 percent over 1988. The pace of technology imports and exports quickened. Deals were made to the importation of 37 foreign technology projects in a 79.3 percent increase over 1988. A total of 42 contact agreements were signed during the year for projects or labor having a value of \$8.83 million yuan.

During 1989, the province received a total of 55,700 sightseeing tourists, foreigners, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan visiting relatives and friends or engaged in various exchange activities. Foreign exchange earnings from tourism for the year totaled \$8,590,700, up 22.4 percent from 1988.

7. Banking and Insurance Industries

The savings account surplus in banking institutions throughout the province as of the end of 1989 was 27.374 billion yuan, a 5.713 billion yuan increase over the beginning of the year. Thanks to measures adopted to insure the value of savings and increase savings deposits, the savings account surplus balance of city and countryside residents reached 15.557 billion yuan, up 41.7 percent from 1988. This included city and town residents' savings of 11.498 billion yuan, up 44.9 percent, and rural residents' savings of 4.059 billion yuan, up 33.3 percent. A loan balance of 42.829 billion yuan for loans of all kinds was 6.131 billion yuan more than at the beginning of the year. The amount of loans was held within the total volume. In view of cutbacks in the total volume, banks resorted to tilt policies, granting loans to good prospects and limiting loans to poor prospects.

They issued start-up funds to key enterprises four different times, which played an active role in helping large- and medium-sized enterprises develop production and get through their funds difficulties.

Removal of currency from circulation increased. Banks cash income for the year was 51.306 billion yuan, up 15 percent from 1988. Cash disbursements were 50.173 billion yuan, up 8.2 percent, a net 1.133 billion yuan being removed from circulation. When compared with the net investment during 1988, 2.886 billion yuan was actually removed from circulation.

Insurance continued to develop. As of the end of the year, insurance institutions in the province were insuring 66.57 billion yuan worth of property in the country in a 13.5 percent increase over 1988. The kinds of risks insured increased, and the scope of insurance expanded, the kinds of services provided in China increasing from more than 140 in 1988 to more than 150. The insurance industry had earnings totaling 604 million yuan for the year, up 15.3 percent from 1988. Insurance reserves also increased substantially for a strengthening of compensation capabilities. Development of insurance facilities played an active role in insuring people's lives and property, and in helping revive production.

8. Scientific and Technical Programs

During 1989, the scientific and technical front saw the launching of a "science and technology popularization year" campaign to spur progress in the province's science and technology. The province made 1,500 research achievements in the natural sciences, 32 of them being awarded national science and technology awards, invention awards, and "spark" awards, and 309 of them being awarded provincial science and technology awards and "spark" awards. Research on hybrid rice, which already holds a leading position internationally, produced still more new breakthroughs. Both the "two lines method" of hybrid rice research, and the selective breeding of new strains saw major advances. Sixty-five soft sciences research projects were worked on during the year, achieving rather marked social benefits.

Development of the science and technology corps was strengthened. As of the end of 1989, scientific research organs under jurisdiction of government departments throughout the province numbered 184. Technical specialists of all kinds under jurisdiction of local units owned by the whole people throughout the province numbered 858,000, up 10.3 percent from 1988. This included 322,300 natural sciences and technology personnel, up 4.7 percent; and 535,700 social sciences personnel, up 13.9 percent. The province had 31,000 people in high level technology jobs, and 210,000 people in medium level technology jobs, and a number of worker technicians, and peasant technical personnel came to the fore. The science and technology market was brisk. At year's end, the province had 1,675 technology development service organizations of various kinds, which signed 15,800 technical contracts and did 327

million yuan worth of business during the year. The Changsha Science and Technology Development Experimental Zone developed 167 high technology projects to get off to a good start.

More scientific research work was done at the grassroots level. As of the end of 1989, more than 100 townships and towns in the province had set up science education centers. The number of rural science and technology service organizations of various kinds expanded to 66,000, and the number of science and technology demonstration households increased to 80,000. The province's 464 large- and medium-sized industrial enterprises established 285 plant-operated technical development organizations.

Scientific and technical work to help the needy made further advances. In 99 of the province's counties (or cities), 104 deputy county (or city) magistrates were assigned responsibility for science and technology, and a number of scientific and technical personnel were also organized to go into the countryside to do contracting with township and town enterprises. During the year 138 "spark" plans went into production.

New achievements were made in patent work. The province had 1,619 patent applications, 16.7 percent fewer than in 1988. Patents were approved for 1,009 of them, 30.2 percent more than in 1988.

Meteorology, hydrology, seismology and cartography units provided large amounts of data and information for economic construction and the people's livelihood from which rather good social benefits were obtained. As of the end of 1989, the province had 99 meteorological observatories (or stations), 133 hydrology stations, and 48 seismic observatories (or stations). Cartography units did 146,000 work days of mapping work having an output value of 8.19 million yuan during the year.

Environmental protection work was able to bring industrial pollution under a certain amount of control through the promotion of objective responsibility systems, and the intensification of environmental controls. During 1989, the volume of discharge of the "three wastes" [waste water, waste gas, and waste industrial residues] per 10,000 yuan of output value was from 0.4 to 4.9 percent less than during 1988. Major pollutant accidents were reduced, and investment in harnessing pollution was substantially increased. Nevertheless the amount of urban discharge of waste gas, waste water, and sulfur dioxide showed a trend toward increase; organic pollutants increased; and more work must be done in the prevention and control of noise pollution.

9. Education and Culture

Enrollments in ordinary institutions of higher learning were brought under control. During 1989, a total of 660 graduate students were enrolled, 862 students were graduated, and 2,311 students were in college in the province. The province had 651 ordinary institutions of higher education in which 26,300 students were enrolled,

8.4 percent fewer than in 1988. They graduated 24,300 students, 1.6 percent fewer than in 1988, and 91,100 students were enrolled in institutions of higher education, up 4.4 percent. Readjustment of the structure of secondary school education continued. A total of 102,100 students were enrolled in secondary vocational schools, 111,900 were in agricultural vocational schools, and 55,800 were in technical schools in the province. This was a 9.9, 3.6, and 4.2 percent increase respectively over 1988. There were 2,496,200 students in ordinary middle schools, 0.9 percent fewer than in 1988. Student enrollments in agricultural vocational middle schools, and technical schools as a percentage of all secondary school students increased from 5.8 in 1988 to 6.1 percent in 1989. The number of primary school pupils in the province was 7,058,200, 2.2 percent fewer than in 1988. The in-school rate for children of school age was 98.3 percent. As of the end of the year, 115 counties (municipalities, districts, or farms) made primary school education universal, the population in areas having universal education amounting to 95 percent of the total population; however, in some places, the drop-out rate of middle and primary school students was a serious problem. Pre-school education continued to develop, 860,900 tots enrolled in kindergartens throughout the province, up 1.6 percent from 1988.

Students enrolled in adult institutions of higher education numbered 118,600, up 13.3 percent from 1988; 124,700 people were enrolled in adult secondary vocational schools, up 27 percent; there were 67,000 adults in secondary schools, up 14.3 percent; 410,700 adults were enrolled in adult technical training schools, up 16.9 percent; 6,140 people who sat for tests in a higher education self-study program received college undergraduate or higher diplomas during the year, and 114,900 people received certificates showing completion of individual courses. During the year, 265,100 people became literate.

New advances were made in the production of cultural films and television dramas. During 1979, the province produced seven feature films, issued 202 feature films for television, and produced a total of 152 segments for 53 television dramas of various kinds. As of the end of the year, there were 12,477 filming units, 91 performing troupes, 119 public libraries, and 43 museums and memorial halls. More than 240 copies of a film shot in the province titled, "Tears of Blood Enmity" were circulated, and were well received by the public. A film drama titled, "Peaceful Uprising in Hunan" received a national television top award second class. As of the end of the year, there were nine broadcast television stations, 26 broadcast transmitters and relay stations, and 16 central television stations in the province. There were 26 television transmitters and relay stations having a power of 1,000 watts or more providing television coverage to 86.5 percent of the province. During the year, 471 million copies of newspapers, 52,345,000 copies of magazines, and 351 million maps of all kinds were published.

Work begun in October 1989 to "get rid of the six evils" and to "eradicate pornography" played a very great role in the campaign to attack unhealthy tendencies and criminal activities for a clean up of the social environment. The province tracked down 16,400 cases involving the "six evils." Major achievements were made in cleaning up and rectifying culture markets. More than 60,000 people were organized throughout the province to conduct checks of more than 14,000 state-owned, collective, and individual units and stalls dealing in cultural materials, finding more than 2.14 million illegal books of various kinds, and sealing up for disposition nearly 150,000 lewd books and publications, and more than 140,000 video and sound cassettes. The rampant spread of lewd and reactionary books and publications, and of feudal superstition, was brought to a virtual halt.

10. Health and Physical Education Programs

Medical and health conditions continued to improve. As of the end of the year, there were 10,500 health organizations in the province, including 4,197 hospitals, and there were 144,300 patient beds, 1.8 percent more than at the end of 1988. Health technicians numbered 172,700, up 2.3 percent. This included 13,600 doctors of Chinese medicine, up 30.8 percent; 49,000 doctors of western medicine, up 24.7 percent; 16,100 medical practitioners having a secondary school education, down 32.9 percent; and 20,500 nursing personnel, up 31.4 percent. Preventive and health care work improved. Prevention and control of all sorts of infectious and chronic diseases received fairly close attention, and gynecological examinations, pre-marital examinations, and child immunizations and vaccinations became more and more universal. Nevertheless, schistosomiasis rebounded and spread in the Dongting Hu region where more preventive work must be done.

New achievements were made in physical education. During 1989, athletes from Hunan Province won 10 gold medals in international competitions, and 40 gold medals in national competitions. Five women weight lifters broke seven world records nine times, and one marksman broke one world record once. In the 25th World Cup Gymnastics Trophy Match, athletes from Hunan Province too one gold medal.

Mass sports activities burgeoned. The province held a total of 2,602 county level or above athletic meets in which 1.2872 million people took part. As of the end of the year, 3.0215 million people achieved the "National Physical Education Physical Training Standard." Physical education facilities improved, 105 new physical education grounds being built during the year.

11. People's Livelihood

During 1989, 147,000 people awaiting employment were placed in jobs through various channels. This was a 0.7 percent increase over 1988. As of the end of the year, staff members and workers totaled 5.3664 million, up 1.2 percent from 1988. This included 665,700 staff

members and workers in units owned by the whole people practicing a labor contract system, up 66.3 percent, the percentage of the total rising from 10 percent in 1988 to 16.2 percent. As of the end of the year, the province had 300,700 individual laborers in cities and towns, 2.2 percent fewer than in 1988. As a result of the market slump, some industrial enterprises either halted or semihalted production causing an increase in the hidden number of people awaiting employment in cities and towns. As of the end of the year, 123,000 people were awaiting employment in cities and towns for a rise in the rate of people awaiting employment.

Residents' consumption demand was brought under control. In 1989, resident's per capita income to meet living expenses was 1,304 yuan, up 18 percent from 1988 in a 6.5 percentage point increase over 1988. After deducting for price rises, income to meet living expenses rose an actual 0.6 percent. The total wage bill for all staff members and workers in the province for the whole year (including meat price subsidies, and the same applies hereinafter) was 9.816 billion yuan, up 10.7 percent from 1988. The rate of increase declined 10.6 percentage points from 1988. Staff member and worker per capita cash wages were 1,862 yuan, up 8.7 percent. After deducting for price rises, cash income declined 7.3 percent. According to a random sampling, real income declined in 44.9 percent of city and town resident's families since 1988, and some staff members and workers were having difficulties making ends meet. In 1989, peasant per capita net income was 558 yuan, up 8.3 percent from 1988. However, after deducting for price rises, their actual income declined 3.4 percent. In a small number of impoverished areas and disaster areas, the peasants' livelihood is somewhat difficult.

In order to insure basic needs in the people's livelihood, during 1989 government at all levels made very great efforts to stabilize prices and markets. Local governments paid 1.393 billion yuan in price subsidies for the whole year, 277 million yuan more than in 1988, up 24.8 percent. This included payments of 1.07 billion yuan in grain, cotton, and coal subsidies, up 41.3 percent.

In both cities and the countryside, people's living conditions continued to improve. Units under the system of ownership by the whole people built 2.808 million square meters of new housing, and rural villages built 45.761 million square meters of housing. The per capita living space of city and countryside residents reached 6.92 and 21.57 square meters respectively in a 0.02 and 1.09 square meter increase respectively over 1988. The number of rural houses made of brick and wood, and the number of multistory houses increased. Public facilities in cities improved greatly, the role of public utilities becoming increasingly marked in the daily lives of residents.

Social welfare programs continued to develop. A total of 2.8 million yuan in social welfare subscription funds was collected during the year through a welfare subscription campaign that offered prizes. As of the end of the year,

there were 1,697 social welfare institutions of all kinds in the province's cities and countryside, 33 more than in 1988. People in these institutions numbered 20,500 in a 3.3 percent increase. As of the end of the year, thanks to arrangements made by civil government units, the number of handicapped people employed reached 36,100, up 14.6 percent from 1988. The number of disaster-affected households and needy households in cities and the countryside receiving help and support reached 5.94 million, assistance funds amounting to nearly 100 million yuan. New advances were made in the work of helping the old, the young, and people in impoverished areas get out of poverty to become wealthy. At year end, 180,000 households in the province were no longer impoverished.

Social order took a turn for the better. The number of cases of all kinds that public security units solved and disposed of during the year increased 50.1 percent over 1988. The number of criminal gangs and individuals detained rose 57.9 and 56.2 percent respectively. The number of fires and traffic accidents of all kinds during the year declined 14.2 percent.

12. Population

A random sampling showed a 22.91 per 1,000 birth rate for the province in 1989, a 7.07 per 1,000 death rate, and a 15.84 per 1,000 natural rate of increase. The province's natural rate of increased declined .066 percentage points. Extrapolation produced a year-end total population figure for the province of 60.094 million, which was a 937,000 increase from the end of 1988. The province is in a peak period for births in which the task of controlling population increase is a daunting one.

Note: Gross national product, national income, and all gross output values used in this communique are figured at current year prices, and speeds of increase are figured in terms of comparable prices.

Li Changchun Discusses Liaoning's Economic Development

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[WIDE ANGLE] in Chinese No 208, 16 Jan 90
pp 46-51

[Article by Li Guoqiang (2621 0948 1730): "An Interview With Li Changchun (2621 7022 2504), Governor of Liaoning Province, for a Look Forward To the 1990 Development Plan"]

[Excerpts] Following the decision of the Fifth Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying the economic order, and deepening the reforms, what plans have been made for the future economic development of Liaoning, China's heavy industrial base? While improving the economic environment and rectifying the economic order, what is being done to open the Liaodong Peninsula to the outside world? How should the industrial, agricultural, foreign debt, and other problems

be appraised? For answers, this reporter had another exclusive interview with Mr. Li Changchun, governor of Liaoning Province, in his office on the afternoon of 20 December 1989.

Li Changchun said that the decision of the Fifth Plenary Session of the 13th CPC Central Committee was made a year after the policies formulated by the Third Plenary Session of the 13th CPC Central Committee were put into effect. Based on practice and unified thinking, it sets the course for sustained, stable, and harmonious development of the national economy and is, therefore, very important and absolutely necessary. In the light of Liaoning's conditions, the necessity to improve the economic environment and rectify the economic order can be seen from the following:

First, since 1984, capital investment in fixed assets in Liaoning has increased sharply at an annual rate of about 20 percent, but national income increased only about 10 percent each year during the same period. Liaoning is a major province economically, and from the conditions in Liaoning, we can see how investment in fixed assets in the whole country has grown at a rate much higher than the growth of national income and too much for the national economy to sustain. Therefore, it is absolutely necessary to curtail the scale of investment in fixed assets.

Second, consumption funds in Liaoning has increased at an annual rate of 15-20 percent in the past few years, faster than the increase in labor productivity and the growth of the economy during the same period. The excessive growth of consumption funds has inevitably caused the contradiction of total social demand exceeding total social supply, and, without improving the economic environment and rectifying the economic order, the people's excessive demands would continue to grow. Institutional consumption has also grown rapidly at an average annual rate of 20 percent. People everywhere are buying more than they can afford to. Offices are acquiring automatic equipment for which they are unable to pay. Small factories are buying cars despite poor economic performance. The practice of eating and drinking at public expense is going from bad to worse. All this has not only caused the consumption funds to grow so fast that they have gone beyond what the state can sustain, but also contributed to the increasing corruption in society.

Third, the contradiction of the irrational production structure is becoming increasingly acute. In Liaoning, the problem is more pronounced in agriculture, which is over-burdened and can no longer meet the requirements of economic development. Even though great attention has been paid to agriculture in the past few years, agricultural growth has hovered at only four to five percent each year, while industry has grown at an annual rate of 10-12 percent. In the past few years, the number of people moving from the countryside to urban areas has increased sharply, averaging 400,000 each year. In the past 10 years, cultivated land has decreased by an

average of 400,000 mu per year. Per capita grain consumption has decreased from 830 jin in 1984 to 730 jin now, a drop of 100 jin. If this trend continues, agriculture will not be able to carry the burden. In the industrial field, energy and transport are far from meeting the requirements of economic development. Although coal and power production and transport services are inadequate, their development is falling far behind the growth of the processing industry. Some enterprises cannot maintain normal production because of constant power shortage, and their products cannot be shipped out due to lack of transport facilities. Liaoning has the task of supporting the whole country's economic construction with products, but the hauling capacity of the several railways to areas inside Shanhaiguan can only meet 30 percent of the transport needs. The inadequate transport capacity also limits the hauling of coal from Shanxi and Heilongjiang to Liaoning, and coal contracts have a very low rate of fulfilment. This transport situation is hindering economic development. Yet, we have 2,200 kilometers of coastline, and the advantages of sea transport have not been tapped.

Fourth, our expenditures are greater than revenues, and we have ended up with a financial deficit year after year. At present, enterprises generally operate on a short-term basis. The distribution of wealth created by enterprises has tilted too far to the enterprises themselves and individuals, and the growth of state revenue has been slow. The growing demands for money from various quarters and soaring price subsidies in the past few years have forced the state into deficit spending. There is a pressing need now to readjust the expenditure structure, enforce austerity measures, and reduce the excessive demands. Financial deficits at various levels will inevitably become national financial deficits, and financial deficits are themselves a manifestation of excess distribution. Excess distribution will stir up inflation and adversely affect the entire national economy.

It is especially important to note that for a long time cadres at various levels have failed to pay attention to the previously mentioned phenomena, and they are still swelled-headed. Therefore, said Li Changchun, the decision of the Fifth Plenary Session of the 13th CPC Central Committee is completely in keeping with the realities in Liaoning and in China as a whole.

Further Deepening the Reforms and Opening to the Outside World Through Improving the Economic Environment and Rectifying the Economic Order

What is the relationship between improving the economic environment, rectifying the economic order, and deepening the reforms? Does improving the economic environment and rectifying the economic order mean that there will be no more reform and opening to the outside world? These questions have evoked all kinds of views and misgivings among people abroad.

Li Changchun said that the Fifth Plenary Session of the 13th CPC Central Committee reaffirmed that the line,

principles, and policies adopted since the Third Plenary Session of the 11th CPC Central Committee will remain unchanged, and it placed special emphasis on stability as it is in the overall interest of the country. Economic stability is the foundation of political stability, and the most important task at present is to achieve stability through improving the economic environment and rectifying the economic order. The decision of the Fifth Plenary Session of the 13th CPC Central Committee insures the continuity of major policy decisions, including the important policies on reforms and opening to the outside world. He said: the party Central Committee has reiterated time and again that the one focus and two basic points; that is, making economic development the nation's central task while adhering to the four cardinal principles and persevering in reform and the open policy, will not change. For example, in the course of China's development, inflation has occurred. Inflation is not the inevitable result of reform and opening to the outside world, but it is a problem in the process. If the problem is not solved, it will be difficult to carry out the reforms and the open policy. And improving the economic environment and rectifying the economic order is to solve the problem. Therefore, improving the economic environment and rectifying the economic order is a measure to further develop the results of the reforms and the open policy and continue to improve the reforms and the open policy. Li Changchun said: Liaoning has also had its failures in the course of the reforms. To be specific, we have done a lot of exploratory work for invigorating the microeconomy, but have failed to pay sufficient attention to taking coordinated measures in the area of macroeconomic regulation and control. In the process of improving the economic environment and rectifying the economic order, coordinated measures will be taken where they have not been taken before, and the process of taking coordinated measures is one of improvement. At the same time, a lot of work in improving the economic environment and rectifying the economic order can only be accomplished through reforms and opening to the outside world. To reduce some of the difficulties in improving the economic environment and rectifying the economic order, we also need to have more room for maneuvering by opening to the outside world. An important goal of improving the economic environment and rectifying the economic order is to solve the contradiction of total supply falling short of total demand. To achieve this goal, it is necessary to expand exports and earn more foreign exchange to meet the repayment peak, which makes it all the more important to do a good job in opening to the outside world. Improving the economic environment and rectifying the economic order, which will certainly be helpful to the work of opening to the outside world and bring changes to the chaotic field of circulation, will help, and not restrain, the state in opening to the outside world and expanding exports, and will also be of help to foreign businesses. The retrenchment policy in the process of improving the economic environment and rectifying the

economic order will also inevitably require some enterprises to reduce their surplus personnel, and it is necessary to take advantage of the favorable conditions provided by opening to the outside world to expand export of labor services and contracting for construction projects to help solve the personnel problem. Naturally, in the period of improving the economic environment and rectifying the economic order, some measures for reforms and opening to the outside world should also be geared to the goals of the economic readjustment.

Li Changchun explained that because inflation has now become a problem and needs to be solved through improving the economic environment and rectifying the economic order, the price reform cannot be carried out as previously planned, but should be slowed down. At present, in opening to the outside world, our use of foreign funds and import of technology should also be combined with the readjustment of the industrial structure and the product mix. Projects, which will deal in goods that are beyond consumers' purchasing power, over-extend the processing industry, and strain the transport facilities and supply of energy and raw and semi-finished materials, must be cut back as requested by the economic readjustment. Therefore, the objectives of improving the economic environment and rectifying the economic order and of the reforms and the open policy are identical. The two are united in the common goal of enabling our country to embark on the road of long-term, sustained, stable, and harmonious development.

Exports Through Liaoning Ports Topping \$4 Billion in 1989

[passage omitted] The decision of the central authorities on opening China to the outside world has produced great results in Liaoning in the past two years. Foreign exchange earnings through exports have increased considerably. Exports through Liaoning's seaports totaled more than \$4 billion in 1989. Exports of Liaoning's local products in 1989 totaled more than \$2 billion, up about 11 percent from 1988. Though smaller than the 24.3 percent increase in 1988, the 1989 increase was still the largest in the whole country. The drop in growth rate in 1989, as compared with 1988, was caused by higher costs in terms of foreign exchange and changes in the international environment after the "Beijing disturbance." It is noteworthy that the export mix has also begun to change. The proportion of machinery and electrical products in exports has increased, about twice what it was before opening to the outside world.

Liaoning Is Successful in Using Foreign Funds

Liaoning has used increasing amounts of foreign funds in the past few years. The foreign funds used include government loans, commercial loans, investments by foreign companies, and rented equipment. Agreements signed for the use of foreign funds were worth \$3.7 billion in 1988 and \$4.2 billion in 1989. Liaoning falls behind Guangdong, Shanghai, and Fujian in attracting direct investments by foreign businesses, but ranks first

in using foreign government loans, a total of \$1.7 billion. Liaoning is using the loans for major construction projects. The following are the larger ones:

An ethylene plant with an annual production capacity of 115,000 tons is now under construction in Panjin, using loans from the Japanese and Italian governments.

An ethylene plant in Fushun with an annual production capacity of 115,000 tons, built with loans from the Japanese and Canadian governments, has begun production.

After completion, the above two plants can actually produce 300,000 tons of ethylene.

A harbor is under construction in Jinzhou, using a Kuwaiti government loan.

Agreement has been signed on the construction of a 520,000-ton annual capacity urea plant in Jinxi with a French government loan, and construction will begin in 1990.

Also, a Japanese government loan will be used to build the Guanying reservoir.

In addition, Liaoning is using loans from the World Bank for the development of the Liaohe delta and the construction of water supply facilities in several cities.

The foreign government loans to Liaoning are used mainly on agriculture, energy, transport, raw and semi-finished materials, and so forth, which is in keeping with the country's requirements in readjusting the industrial structure. At present, these projects are all moving along smoothly. Li Changchun told this reporter that the increased foreign exchange interest rates have made the repayment burden somewhat heavier, but there is no question about Liaoning's ability to repay what it has borrowed so far. Most of the loans will be repaid by way of compensation trade, but some will be repaid out of the foreign exchange earnings retained by Liaoning. Liaoning would like to obtain more foreign government loans, but has to slow down for the time being.

Plant Buildings and Equipment of Old Enterprises Used as Capital in Chinese-Foreign Joint Ventures

There are only some 700 joint ventures with direct foreign investment in Liaoning, far less than in Guangdong. But joint ventures in Liaoning have a special characteristic: Equipment and plant buildings of Liaoning's existing enterprises are used as Chinese capital, and foreign funds are used to import technologies, thus combining the technological transformation of old enterprises with opening to the outside world. One third of the joint ventures in Liaoning are of this type. Liaoning calls it "one factory, two systems," that is, one factory with two forms of ownership. It appears that this type of joint venture has great vitality. It has a number of advantages: First, it makes it possible to combine improving the economic environment and rectifying the economic order with opening faster to the outside world. Because

of the tightening of money supply during the economic readjustment, there is a lack of investment funds for joint ventures, but the problem is solved by using the factory buildings and equipment of old enterprises as investment capital. Second, it combines the technological transformation of old enterprises with opening to the outside world. Third, it requires less investment but produces quick results. Foreign businessmen also like this type of joint ventures because they do not want to invest a lot of money in factory buildings.

Large Chinese-Japanese Joint Venture Began Construction in Dalian at End of 1989

Many new plants are also being built as joint ventures by foreign firms and old Chinese enterprises. The largest one is a joint venture by Japan's Onoda Cement Corporation and the Dalian Cement Plant. Construction began with a foundation stone laying ceremony on 12 December 1989. The total investment in the joint venture is \$160 million. It is scheduled for completion in June 1992 with an annual production capacity of 1.37 million tons of cement, 71 percent of which for export. It is the largest joint venture in Liaoning and the largest building materials enterprise in China. The number of wholly foreign-owned enterprises has also begun to increase, mainly in the Dalian Economic and Technological Development Zone.

New Development in Trade With the Soviet Union

According to Li Changchun, Liaoning will open wider to the outside world while improving the economic environment and rectifying the economic order. In the future, Liaoning plans to engage in more joint ventures with factory buildings and equipment of old enterprises as capital, obtain more government loans, and expand barter trade with the Soviet Union and East Europe.

Discussing trade with the Soviet Union, Li Changchun said that from Liaoning's viewpoint, trade between China and the Soviet Union is mutually complementary, but there are problems. The major problems are the lack of choice in what the Soviet side can offer China and insufficient transport capacity. At present, Sino-Soviet trade relies on railway transportation, and the items provided by the Soviet side are bulky and hard to handle. Chinese and Soviet railways are of different gauges, and goods have to be unloaded at the border to change trains and are often delayed. Efforts are being made to trade with the Soviet Union by sea routes. Trade agreements signed between Liaoning and the Soviet Union were worth 180 million Swiss francs in 1988 and about the same in 1989. Liaoning has also signed a number of labor contracts with the Soviet Union. In 1989, more than 300 laborers went to the Soviet Union to grow vegetables, build houses, and fell trees, each earning an average monthly wage of more than 400 rubles.

High Priority Given to Agriculture in 1990

In Liaoning, as in the whole country, agriculture depends on nature, and the ability to fight natural disasters is

limited. Liaoning suffered from floods in 1985 and 1986 and droughts in 1988 and 1989, and the drought in 1989 was extremely serious, the worst in a century. The whole province joined efforts to support agriculture, and 70 percent of the crops were saved. If this happened in old China, probably no crop could be saved, and people everywhere would flee from the barren land and famine, a picture too dreadful to contemplate. At present, governments at various levels in Liaoning are still handing out relief grain and grain sent back by the state in the rural areas. The peasants are secure, and are eager to help themselves through production. The peasants say, "God has no feeling, but the party has."

In 1990, Liaoning will give top priority to agriculture. To put an end to passive reliance on nature, a number of agricultural capital construction projects will be started in 1990. The major projects include: construction of the Guanying reservoir in the Taizihe valley and the canal to draw water from the Fuerjiang to the Dahuofang reservoir in the Hunhe valley. At the same time, the province will continue to mobilize all trades and professions to support agriculture. In Shenyang, the urban development bureau has started work on the Xinkaihe construction project to provide irrigation water for agriculture.

The greatest problem for agriculture in 1990, said Li Changchun, is the low water level in the reservoirs, which makes it difficult to transplant rice seedlings in the reservoir-irrigated areas. According to forecasts, Liaoning will face another drought in 1990. The peasants are sinking wells to fight the expected drought. Another problem is the shortage in chemical fertilizers. Efforts are being made to solve the fertilizer problem. In 1989, owing to the catastrophic drought, Liaoning's grain production dropped to 20 billion jin, as compared with 26 billion jin in 1988. Li Changchun said: If there is no catastrophic natural disaster in 1990, grain production can be restored to 26 billion jin. Because of the encouraging government policy and the good grain prices, the peasants are very enthusiastic for growing grain crops.

No Negative Industrial Growth

Liaoning's industry grew slowly in 1989. From January to November, industry grew 4.2 percent. Heavy industry's growth was slower as a result of the reduction of investment in capital construction. The light and textile industries were affected by the sluggish market in the latter half of 1989, and products were piled up in warehouses. But there was no negative industrial growth in Liaoning. In November last year, Liaoning's industry grew 0.9 percent, the same as the national growth rate.

Continuing To Develop the Political Situation of Stability and Unity

Li Changchun said that in the latter half of 1989, while implementing the guidelines of the Fourth and Fifth Plenary Sessions of the 13th CPC Central Committee, Liaoning Province carried out ideological and political

work in the entire society with emphasis put on education of the current situation. Through education, people have come to understand "the international macroeconomic climate and the domestic microeconomic climate" and the nature of the "turmoil and counterrevolutionary rebellion," explained in Deng Xiaoping's speech, and further unified their thinking on opposing bourgeois liberalization. The "4 June" incident also had an impact on Liaoning, and several days of turmoil broke out in Shenyang and Dalian. However, owing to the work of party organizations at various levels, relying on the people and the working class of the entire province, there was no great chaos. With the passage of time, the people are becoming increasingly united in their understanding of the nature of the incident. The recent changes in the international situation have enabled the people to see more clearly the great significance of Deng Xiaoping's speech and the wisdom in the party Central Committee's actions to quell the counterrevolutionary rebellion.

At present, Liaoning is continuing to develop the political situation of stability and unity. The antipornography campaign and the elimination of the six pests throughout society have won popular support. Pornography and pests are not serious problems in Liaoning, but the people have complained. The party Central Committee headed by Jiang Zemin has shown great courage and resolution and has achieved remarkable results in eliminating pornography and the six pests. In the meantime, Liaoning has implemented the circular of the Supreme People's Court and the Supreme People's Procuratorate and achieved obvious results in cracking down on economic crimes. The building of the party at the grassroots level has also been strengthened.

Inflation, which was serious previously, has been curbed. With the vigorous efforts of all concerned, market prices have been brought down, and the people are reassured.

There Are Both Difficulties and Hopes, Both Pressures and Opportunities, in 1990

Li Changchun predicted that the situation in 1990 is one with both difficulties and hopes and both pressures and opportunities. The people of the entire province are confident in laying a solid foundation for the economy to embark step by step onto a road of sustained, stable, and harmonious development. [passage omitted]

Ways To Improve Xinjiang Local Financial Problems

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23 Feb 90 p 4

[Article by Yuan Licheng (5913 4539 2052): "Take Measures To Improve the County-Level Fiscal Picture"]

[Text] For many years now, fiscal operations at every level of government, from the center down to the local level, have been difficult, and the difficulties at the

county level have been especially pronounced. Overcoming county-level fiscal difficulties and improving the county-level fiscal picture is not only an economic problem; it is also a social and political one.

In 1987, 46 counties (municipalities) experienced fiscal deficits totalling 30 million yuan. In order to balance county-level budgets, the Autonomous Region gave a one-time subsidy of 26 million yuan to counties (municipalities) where expenditures exceeded revenue. In 1988, the Autonomous Region again gave county-level fiscal systems 37 million yuan in subsidies, and included this money in the base figure. Despite this, 48 counties (municipalities) still experienced deficits totalling 50.8 million yuan. After higher fiscal authorities again increased part of the fiscal resources of the counties (municipalities) whose expenditures exceeded their revenues, 28 counties (municipalities) still carried deficits totalling 20.337 million yuan into 1989. In 1989, the Autonomous Region again took several measures to increase county-level fiscal resources, but the number of counties experiencing deficits still increased, as did deficit aggregates. It appears at the present time that this trend will not be easily turned around in the next few years.

There are many causes for these county-level fiscal difficulties:

1. Stagnant economic development. Due to such limiting factors as history, natural conditions, the course of development, level of equipment, level of management, technological state, transportation distances, and the level of market maturity, many counties (municipalities) encountered unprecedented difficulties associated with the change from one historical era to another as they switched from a natural, closed economy to a planned socialist commodity economy. In 1988, state-run industries in the 72 of Xinjiang's 86 counties (municipalities) which are subsidized only had 1.233 billion yuan in total output, which was 12.93 percent lower than the 1.416 billion yuan in fiscal expenditures by these subsidized counties (municipalities) in the same year. Among Xinjiang's various county (municipalities) industrial enterprises, there are few which produce high returns to the state. Industrial enterprises in 47 counties (municipalities) in Xinjiang in 1988. Not only were they unable to contribute efficiently to fiscal revenues, they needed subsidies to make up for their losses. These facts show that the revenues of the county-level fiscal system based upon this foundation cannot possibly offset expenditures.

2. Low level of self-sufficiency. The degree of fiscal self-sufficiency in the counties is too low. It was only 55.9 percent in 1985, and had fallen to 50.4 percent by 1988. Among the 72 subsidized counties (municipalities) in Xinjiang, the fiscal self-sufficiency rate of the great majority is below 50 percent, and in certain counties (municipalities) it is only one percent. This means that even if fiscal revenues grow at a full rate of speed, they can only support expenditures which grow at half speed.

For county-level fiscal revenues, the potential for growth is small, and expenditures are nonelastic. The degree of self-sufficiency is low, and the deficits from the last few years have yet to be paid off. This assures that there will continue to be difficulties for county-level fiscal revenues for a long time to come.

3. Changes to the contract system. When the county-level fiscal system first began to implement the contract system in 1986, base numbers for revenues and expenditures were set relatively high. But because county governments supplement a fixed amount every year which is progressively increasing, they could still get by, albeit with difficulty. When the central fiscal authorities cancelled this progressively increased supplement for minority areas, and took a series of measures to concentrate funds, it caused both "congenital shortages" and "acquired shortages" for county-level fiscal systems during the contract period. The county-level fiscal picture, which was relatively difficult to begin with, began to slide into a valley of hardships.

A lot of hard work will be needed to alleviate county-level fiscal difficulties and improve the county-level fiscal picture.

1. County-level fiscal difficulties are a major problem which limits the Autonomous Region's economic development. Changing the difficult county-level fiscal situation is, at the same time, a social and political problem. In the last few years, county-level fiscal difficulties have received serious attention from party committees and the government at every level, and they have gradually begun to take measures to resolve the problem. At the present time, we ought to make it a strategic objective of fiscal work, economic work, and all of social life to strengthen the county-level fiscal system and make county-level economics prosper. We must further implement the program by which "work hard in all areas and apply a dual approach simultaneously." We must band together and contribute our brains and energy in order to revitalize the county-level economy and improve the county-level fiscal situation.

2. Send down an appropriate amount of specially earmarked funds, increase county-level fiscal resources, and expand county-level fiscal authority. At the same time, we must, in accordance with the resources and the industrial base of each county (municipality), arrange some projects for the counties (municipalities) which require little investment, reap quick returns, and result in good profits to the state. Every responsible department, and large-and medium-sized enterprise should actively provide assistance to corresponding counties (municipalities) in order to help the counties (municipalities) to establish an economic base as soon as possible.

3. In recent years, the Autonomous Region has given subsidies ahead of schedule. As we sum up this experience, we must expand the scope of county-level fiscal experiments in a timely and appropriate manner in order to strengthen the ability of county-level governments to

contribute construction funds. Every region and prefecture should earnestly organize relevant departments to delve deeply into actual conditions, get a clear idea of the advantages each county (municipality) has in terms of resources, find out what industries have development potential, and cultivate dependable revenue sources. Upon this foundation, we must identify a feasible program to enable county-level fiscal systems to achieve self-sufficiency in order to direct all regions and prefecture.

4. Every county in Xinjiang basically depends on agriculture and animal husbandry. Production and commercial operations in agriculture and animal husbandry, particularly food grains, have a great impact upon the county-level fiscal situation. By last year, Xinjiang's agriculture had enjoyed its 12th consecutive year of bumper crops. The per capita grain output is nearly 20 percent higher than the national average, yet per capita income for peasants is roughly 10 percent below the national average. Though there are other factors, the main factor is the problem of agricultural product prices—especially grain prices. We buy grain from the peasants at a relatively low price and supply it to urban residents at an even lower price. This inverted relationship between purchasing and selling prices has caused fiscal subsidies to rise steadily, and bumper crops have turned out to be a mixed blessing for county-level fiscal systems. In order to enrich the counties and the people, revitalize county-level economics, and improve the county-level fiscal picture, it is extremely important that we carry out price reforms at the proper time and reduce the scissors differential between the prices of industrial and agricultural products.

5. The ponderous size and redundancy of China's governmental and party machinery, particularly the requirement that every organ have branches all the way down to the grassroots level, not only affects the efficiency with which affairs are handled, but also adds greatly to the fiscal burden at the state and, in particular, the county level. Already, Xinjiang county-level fiscal revenues are insufficient to cover personnel salaries in county-level organs. In the future, higher level departments should create as little drain on county-level fiscal systems as possible, or refrain from such actions altogether. They should not force them to reduce revenues or increase expenditures. They should also accelerate the pace of reforms to an appropriate degree. This is not only required if we are to achieve a comprehensive deepening of reforms; it is also a requirement for overcoming fiscal problems, particularly at the county level.

6. County-level fiscal difficulties are a nationwide problem. The problem is even more pronounced in minority areas that are yet to be developed, have greater expenditures than revenues, and are dependent on subsidies from the central government. We suggest that the central leadership restore the progressively-increased fixed amount of supplement which had been established under the fiscal contract system, or that subsidies to minority areas be progressively raised in proportion to

the rate at which state revenues increase. The central leadership could also progressively raise subsidies at a rate matching that of price index rises in order to alleviate county-level fiscal difficulties. On the basis of our resources and level of development, we suggest that the central leadership treat Xinjiang as a special economic zone, and that it act on the basis of macroeconomic returns by implementing a policy in which investment in Xinjiang is given priority. As the central leadership's policy of concentrating funds is introduced, it should not treat Xinjiang the same as it does all other provinces and Autonomous Regions. This would strengthen Xinjiang's ability to develop itself. Since there is a relatively clear differential between benefits handed over to the state by enterprises in Xinjiang as compared with those in the interior, we suggest that different grades of the interest rates and the tax rates which are different from those used in other provinces and municipalities be implemented in Xinjiang in order to further exercise the regulatory function of credit and taxes.

7. Counties (municipalities) must truly change their ideological concepts. They must work earnestly to tap their own potential, promote a spirit of self-reliance, and overcome their dependent way of thinking. They must continually improve their ability to manage funds, and leave no stone unturned in exploring avenues of economic development. They must control expenditures and find new ways to fundamentally improve the county-level fiscal picture. At the same time, they should attach great importance to birth control and pursue the issue vigorously.

Drinking Water Improved in Southern Xinjiang

OW2604022590 Beijing XINHUA in English
1402 GMT 25 Apr 90

[Text] Urumqi, April 25 (XINHUA)—Some 800,000 farmers and herdsmen in the southern part of the Xinjiang Uygur Autonomous Region now have access to clean drinking water thanks to a water-improvement project.

The project has also made clean water available for 1.36 million head of livestock in the drought-stricken prefectures of Hotan, Kashi, Aksu, Kizilsu and Bayingolin.

In the past three years the regional government has allocated a total of 90 million yuan to sink wells, build waterworks and lay pipes.

Zhejiang Reports Increased Tourism in First Quarter

OW2204172090 Beijing XINHUA in English
0710 GMT 22 Apr 90

[Text] Beijing, April 22 (XINHUA)—During the first three months this year, Zhejiang Province, which boasts one of China's most beautiful scenic spots—West Lake, received 76,025 overseas visitors, 13 percent more than last year's same period.

This is the result of various efforts made by different tourism departments throughout the province to promote its international tourism.

Early this year, Hangzhou, the capital city of Zhejiang, organized a large tour for representatives of foreign travel agencies to famous mountains and waters from Hangzhou to Mt. Huangshan, China's another most beautiful scenic spot in southern Anhui Province via the Qiandao (one thousand islands) Lake which was formed after construction of the Xin'anjiang Hydro-Power Station on the river, Xin'anjiang.

The tour included representatives of 103 travel agencies from eight countries and regions.

According to the Zhejiang Provincial Tourism Department, Hangzhou received in the first quarter of this year 67,230 visitors from other countries as well as from Hong Kong, Macao and Taiwan, a 11.8 percent increase over the same period of last year. They also stayed longer days in Hangzhou.

According to the tourism department of Tai'an, the nearest city to Mt. Taishan in Shandong Province, another renowned scenic spot in China, 380 foreign visitors come to climb Mt. Taishan during the first half of this month. More groups are expected to come.

FINANCE, BANKING

Balanced Budget Solution To Fiscal Problems

90CE0100A Shanghai SHANGHAI JINGJI
[SHANGHAI'S ECONOMY] in Chinese
No 1, 31 Jan 90 pp 23-25]

[Article by Xu Riqing (1776 2480 3237) and Qin Zimin (4440 1311 2404): "A Cursory Discussion of China's Straitened Financial Circumstances and the Way Out of Them"]

[Text] 1. Consecutive Year Fiscal Deficits

China has come a very long way financially in recent years, but normal operations are impeded at the present time. There is both a large scale draining away of financial revenues, as well as disguised and spurious revenues, but financial expenditures mount to the point where the financial deficit goes on endlessly, and the government is in an extremely difficult financial predicament.

During the 10 year period from 1979 through 1989, the budget was balanced with a slight surplus, except for 1985 when revenues were abnormal. In each of the other nine years, there was a deficit, the cumulative deficit reaching 65 billion yuan. In 1979, the state began to borrow abroad, and in 1981, it began to issue treasury bonds inside the country. Today, its external and internal debt amounts to as much as a 100 billion yuan. In 1989, the deficit and the debt together amounted to 35 billion yuan. Income obtained by going into debt is increasing year by year as a percentage of

financial revenues, and this is the peak internal debt repayment year. Next year is the peak year for repayment of external debts.

In addition, most of the country's financial revenue comes from industry, but industrial revenue is not available, for the most part, until the process of products leaving the factory is completed when a portion of the surplus product value is tendered to the state. It is not tendered after the social value of the products is ultimately realized. Consequently, when an irrational product mix makes products not readily marketable, or when poor quality and high prices make consumers unwilling to accept them and they accumulate along the distribution chain, their ultimate social value not being realized, this makes for "spurious revenues but real expenditures" giving rise to disguised fiscal deficits. The writing off after verification, scrapping products and taking losses that was practiced formerly was in this category.

In addition, enterprises' depreciation funds are figured and paid by multiplying the original value of fixed assets by the depreciation rate. As prices rise steadily, if the originally withheld depreciation funds are used to purchase and upgrade equipment after fixed assets are scrapped, they will be far from sufficient. Some fixed assets compensation funds are also included in actual financial revenues, and this is also a form of "spurious revenues" in government finance.

2. Decline of Financial Revenues As a Percentage of National Income

Financial revenues have markedly declined as a percentage of national income. This is an inevitable manifestation of serious blockage of the financial regulation and control mechanism that makes financial regulation and control impossible. Blockage of the financial regulation and control mechanism is manifested in the whole process and all aspects of government financial operation, principally as follows:

(1) Changes Have Occurred in the Government Distribution Pattern; Enterprises Make Much, But the State Cannot Get Much. Financial revenue as a percentage of national income declined from 31.9 percent in 1979 to 19.3 percent in 1988, the lowest point since founding of the people's republic. Many reasons account for this, but changes in the distribution relationship between the state and enterprises is a major one. State financial income has declined year by year, but enterprises' retained profits have increased year by year. When the first step of replacement of profit payments with tax payments was instituted, the state got the lion's share, and the enterprises got a modest portion. During the second stage of replacement of profit payments with tax payments, the state got 49 percent, and enterprises got 51 percent. After the institution of contracting systems, the state got 30 percent, and enterprises got 70 percent. State-owned enterprise retail sales profits increased from 8.65 billion yuan in 1979 to 70.21 billion yuan in 1988.

According to 1988 data, state owned industrial enterprises covered by the budget nationwide realized profits of 70.877 billion yuan, 14.1 percent more than the previous year. However, not only was there no increase in the portion of profits paid the state, but rather an 11.3 percent decline. At the same time, enterprises' retained profits were 19.9 percent higher than in the previous year. The increase in enterprises' profits is the main source of increases in funds outside budget.

(2) Increasingly Heavy Subsidy Burden; State Unable To Bear the Heavy Load. In order to insure a stable standard of living for the people and steady improvement in it as production develops, the state has to subsidize grain, pork, and vegetable prices; however, these price subsidies and subsidies for enterprises' losses become increasingly heavy every year. In 1988, various price subsidies borne by the national treasury amounted to 31.68 billion yuan. This meant an annual 39.8 percent increase from the 1.11 billion yuan of 1978, greatly surpassing the annual 8.2 percent rate of increase in government revenues during the same period. National treasury subsidization of state-owned enterprise losses amounted to 44.65 billion yuan in 1988 for an average 13.6 percent annual increase from the 12.49 billion yuan of 1978, also greatly surpassing the 8.2 percent annual rate of increase in government revenues during the same period. Price subsidies and enterprise loss subsidies reduce government revenues and increase government expenditures by nearly 80 billion yuan annually. They have reached the point where they must be controlled and cannot go on.

(3) Steady Increase in Use of Before-Tax Profits to Repay Loans. Initially, repayment of loans before taxes served to make good on shortfalls, but it has now developed to the point where its negative effect is too great. It goes beyond the limits of national strength. Economists in China and abroad all regard this way of doing things as extremely irrational. Some see it as being tantamount to a one time depreciation; others regard it as a national treasury repayment of bank loans; and some regard it as a major reason for the loss of control over investment. All advocate change to after-tax repayment of loans. This problem is not as serious in Shanghai as in the country as a whole; however, before-tax loan repayments as a percentage of total profits is steadily rising. It was 6.3 percent in 1984, 6.8 percent in 1985, 8.9 percent in 1986, 14 percent in 1987, and 17.9 percent in 1988. As a result of the before-tax repayment of loans, actual income tax collections from all jurisdictions are now far below the 55 percent tax rate, reaching only 10 percent in some places. This cannot but be regarded as a difficult problem that causes financial difficulties.

(4) The Irrational Economic Structure Adversely Affects Speed of Growth of Government Financial Revenues. Industries under ownership of the whole people are the backbone of the country's industry, and they are also the main source of financial revenue. During the first half of 1989, national government revenues increased 7.5 percent over the same period in 1988. The main reason that they did not reach the 9.6 percent called for in the budget

was failure to straighten out the economic structure. During the first half of the year, the output value of industries under ownership of the whole people increased 6.1 percent over the same period in 1988; the output value of industries under collective ownership increased 12.1 percent; and the output value of township and town industries increased 22.8 percent. Government financial revenues come mostly from industries under ownership of the whole people, but since township and town industries show poor returns, consume a lot, and compete with industries under ownership of the whole people for raw materials, funds, and markets, they have a very great adverse effect on the development of industries under ownership of the whole people, causing a slow growth of national financial revenues.

(5) Softening of Government Financial Control, and Serious Evaporation, Escape, Leaking, and Disappearance of State Revenues Tax cheating and tax evasion by enterprises and individuals is serious, between 40 and 50 percent of enterprises and individual cheating on or evading taxes. Tax cheating and tax evasion by individual households is even worse, 85 percent or more of tax paying households cheating or evading taxes, thereby reducing their tax payments by between 60 and 70 percent, their actual tax payments amounting to between only 30 and 40 percent of what should be paid. Where proof does not exist, individual households pay virtually nothing. Cheating and evasion in payment of the individual regulatory tax is also rather serious. The inherent mandatory nature and timeliness of tax collections is becoming increasingly weak.

The softening of budget control directly impairs a balanced fiscal budget in the following ways: 1) consecutive year deficit budgets; 2) instances of open-ended written instructions in the process of implementing the national budget also occur sometimes; 3) year-after-year additions to budget expenditures. In every year between 1979 and 1987, except for 1981 and 1987 when the final accounting showed less spent than the budget called for, expenditures were tacked on to the budgeted ones. In some years, these additions amounted to 11.8 percent of budgeted expenditures.

Problems with enterprises and specialized banks owing taxes and holding on to tax funds are extremely prominent. As of the end of June 1988, enterprises nationwide owed 11.96 billion yuan in taxes. This included enterprises being in arrears on the payment of 3.26 billion in industrial and commercial taxes, and 8.6 billion yuan in arrears on the payment of customs duties and and product taxes and value added taxes that the customs collects alternatively. Defaults by some contracting enterprises on payments of profits are not figured in these totals.

3. How Can a Balanced Budget Be Attained?

(1) Need To Refute the Theory That Financial Deficits Are Harmless, and To Carry Out the Principle of Incurring No Fiscal Deficits.

(2) Need To Take Effective Action To Increase Government Financial Revenues as a Percentage of National Income. In 1988, government financial revenues accounted for only 19.3 percent of national income; thus, achievement of a balanced budget became so much empty talk. A fundamental way in which to increase government financial revenues as a percentage of national income is to make rational readjustments of the portions of national income obtained from the state, enterprises, and individuals. In particular, adjustments have to be made in the overly high portion of enterprises and individuals who do not have to pay.

For example, all income derived from raising prices illegally should be confiscated and turned over to the central government for use as a price rise fund. Those peasants who have already become rich should be required to make a greater contribution to the state. Strict control should be exercised over tax collections from individual households and privately-owned enterprises. In addition, it is necessary to broaden the government's financial creditworthiness, hastening the leasing of land use rights in all coastal cities. Experiments in this regard are currently underway in Shanghai, Tianjin, Xiamen, Fuzhou, and Hainan. They should be carried out more aggressively. Some counties, such as Kunshan County in Jiangsu, and Leqing County in Zhejiang are also experimenting with the leasing of land within the country.

(3) Restructure and Control Subsidies. Complete cancellation of all government financial subsidies is unrealistic. Government financial subsidies also serve as a form of financial lever; however, it cannot be denied that various subsidies now constitute an onerous burden on government finances. Methods should be devised to reduce them gradually. A beginning can be made in the following regards: First, across-the-board consideration of the use of government financial distribution, price distribution, wage distribution, and credit distribution to share the burden equitably as a means of controlling and reducing government financial subsidies. In particular, wage reforms should increasingly change hidden subsidies to open subsidies. Second, overall planning that takes into account the interests of the state, enterprises, and individuals, each of them sharing the load. Third, a complete analysis of production, commodity circulation, and consumption, selecting areas where control of subsidies may be exercised. In some cases, changes should be made to provide subsidies in the production area rather than in the circulation area. Better supervision and control of data and evidence on which subsidies are based. Losses not attributable to official policies should not be subsidized, and more stringent control should be exercised over losses that are attributable to official policies.

(4) Strict Tax Collection Discipline To Overcome Serious Tax Cheating and Tax Evasion. Tax collections are an uncompensated levy that the state makes through the use of its political authority. They must be collected in accordance with policies and the tax code, reductions

and exemptions from taxation and preferential treatment being rigorously controlled. Instances in which authority is exceeded to grant reductions and exemptions from taxation must be rectified according to law. Tax rebates on exports must be strictly controlled, and export products must also be diligently checked at the same time. Energies should be concentrated to address weak links; state-owned, collective, township and town businesses, as well as privately owned businesses and individually owned industries and business should be checked in all cases, and forces organized to emphasize checks of priority households. Some places that resort to trickery, posing as one of the "four false enterprises" (false collective enterprise, false newly opened enterprise, false school-operated enterprise, or false civil government enterprise) in order to escape from or cheat on taxes should be punished according to the law. The tax code must be rigorously enforced for the "three kinds of partially or wholly foreign-owned enterprises" to prevent resort to deception, tax evasion, and escape from taxation. Experiences in administering socialist tax collections should be summarized to heighten taxpayers consciousness about paying taxes, relying on the masses to effect supervision, and heightening the political and professional qualifications of tax collection personnel. Tax collectors should do their work with impartiality, and adhere to principles.

(5) Needed To Decide To Change Before-Tax Repayment of Loans to After-Tax Repayment of Loans. The before-tax repayment of loans now practiced intensifies the government's financial difficulties, and has become a major obstacle in the way of normal government financial operation. Therefore, a prompt decision should be made to accelerate a change from before-tax repayment of loans to after-tax repayment of loans. Problems remaining from the past in the repayment of loans may be handled on a case-by-case basis, but before-tax payment of loans should not be permitted henceforth. In addition, one way of handling matters is to make a distinction between profits and taxes. The regulatory tax can be abolished, and the income tax lowered from 55 percent to 35 percent. When a change is made from before-tax repayment of loans to after-tax repayment of loans, after-tax profits can be apportioned between the state and enterprises according to contacts or by a sharing of bonuses.

(6) Encouragement of Arduous Struggle and Curtailment of All Unnecessary Expenditures. Capital construction expenditures continue to exceed national capabilities. They must continue to be curtailed. In addition, administrative expenses must be curtailed, and the purchasing power of social groups must be curtailed. Consideration may be given to levying a purchase and consumption tax on social groups.

(7) Improvement of the Legal Principles On Which the Budget Is Founded. Improvement of the legal position of the national budget is extremely necessary. The following must be done in this regard: First, once approved by national people's congresses at all levels, budgets at all

levels are to be rigorously obeyed, no one being able to reduce, of his own free will, receipts and increase expenditures that result in shortfalls. Second, there must be use of reserve funds in accordance with examination and approval procedures. Sufficient financial reserves must be retained, and should not be used too early. Third, emphasis should be placed on each level striving to achieve a balanced budget, doing only what their money allows without deficit budgeting. Fourth, if less than the budget provides is collected at each level, less should be spent. However, if more is collected, more may not be spent. Receipts in excess of expenditures are to be retained for use in the following year, or part of the surplus used in a revolving fund that is to be used for compensation. Fifth is strict enforcement of budget discipline. Honest budgets should be drawn up and reported; the preparation of false budget should not be allowed.

(8) Reform of the Revenue-Sharing System In a Transition to a Tax-Appportionment System. A relatively thorough tax apportionment system should be instituted in coastal regions first. Other areas should adopt transitional measures should as a tax apportionment system with tax-sharing system. In subsidized areas, a tax apportionment system with a subsidy system should be instituted.

Effects of Readjusting Interest Rate Viewed
90CE0031A Beijing JINGJI RIBAO in Chinese
7 Mar 90 p 2

[Article in the "Weekly Economic Observations" column by Yan Kalin (7051 0595 2651): "Interest Rate—Whether or Not To Consider Another Readjustment"]

[Text] In the previous stage of improvement and rectification, banking departments controlled loans and raised interest rates, which played a key role in keeping down demand and lowering speed. Now, to spur a rise in the industrial production rate, besides appropriately relaxing restrictions on bank loans, can we appropriately lower the interest rate on loans? This is a question worth exploring.

A little earlier, figures in economic circles said that in China's control of the macroeconomy the main thing was the control of banknotes. This includes currency circulation, credit range, and interest readjustment. Since the fourth quarter of 1988, though raising interest rates and practicing value-maintained savings, the state has not only eliminated the phenomenon of drawing money from banks and rushing to purchase goods, but also has effectively controlled society's demand, so that the pressure on the market has been greatly lightened.

Of course, following the changes in the economic situation, particularly under the circumstances in the second half of last year in which the consumers' actual income and buying power both fell, the fairly high interest rate to

some extent adversely affected the normal sales of commodities. However, in the final analysis, what is the extent of this effect? It is said that the views of the banking and enterprise circles are not completely the same. Figures in financial circles acknowledge that value-maintained savings are a factor causing the market slump, but not the main factor. The enterprise circles think that the level of interest rates formed by value-maintained savings and the several raisings of the interest rate attract too much of the consumers' funds, so that consumption collapses after one setback and difficulties occur in commodity sales. At the same time, the interest on loans rose, causing the enterprises to bear the burden of higher interest payments.

Some economic problems often seem difficult to state clearly. However, an undeniable fact is that since the beginning of last year, while the amount of individual savings deposits rose, the total amount of commodity retail sales in society continued to fall, and the phenomenon of product overstocking in industrial and commercial enterprises became more and more serious. According to statistics, in 1989 in China as a whole, over 100 billion yuan in industrial finished products were newly added—this is about the figure for savings deposits newly added by urban and rural residents. Even more noteworthy is that, because of the product overstocking and the selling difficulty, many enterprises have stopped production or half-stopped production. An accompanying problem is that the industrial rate is falling, economic results are sliding, the phenomenon of losses is becoming stronger and stronger, and the number of unemployed people or people who have stopped working is constantly increasing. This situation both increases the pressure on state finances and brings some new unstable factors into society.

At the same time, the product overstocking has caused the enterprises to encounter difficulties in funds turnover. According to a report, last year the turnover of the enterprises' norm circulating funds was extended from 97 days in the previous year to 108 days. The funds turnover is ineffective, which without a doubt means an increased burden of interest payments on the 70 percent of enterprises whose production funds depend on the support of bank loans.

Under the planned commodity economic system, the interest rate is one of the important means by which the state regulates the national economy. To promote economic expansion, it needs to lower the interest rate; raising the interest rate can contract the economy. To be sure, China's current interest rate level is not very high. Speaking of the interest rate on loans, although since 1988 banks have twice raised it—from 7.92 percent to 11.34 percent—it is still lower than the price level of 17.8 percent. Taking another look at the interest rate on deposits, in March the subsidy rate in renminbi on value-maintained savings fell to below zero. Moreover, in the current situation with the lowered interest rate, it is equivalent to giving up income due the central

finances of the localities; for the enterprises, it is equivalent to the banks' turning over to the enterprises part of their interest income.

However, at present, prevailing over everything else is stability. If the economic situation is unstable, it will be impossible to change the situation of the market slump, causing work and production to fall off further. The enterprises not only must bear the interest payments, but also must continue to face a series of economic and social problems, including product overstocking, an insufficient startup of work, as well as an increase in unemployed people. Thus, in order to be on top of the overall situation and to make production rise as fast as possible, while appropriately relaxing restrictions on loans, it is obviously highly necessary to appropriately lower the interest rate.

Looking further, we see that in the fourth quarter of last year although the banks increased their loans by more than 120 billion yuan, this did not give much impetus to the enterprises and the markets. Now, if they were to blindly increase loans, there is the possibility of causing a greater overstocking and inflation, and lowering the interest rate at the appropriate time would be both comparatively feasible and comparatively reliable. To adjust the interest rate in a situation in a society in which total supply and total demand are gradually loosening up, inflation has clearly been brought under control, and price levels month by month are dropping right after a rise, not only would not be too risky, but can also rationally guide consumption and appropriately stimulate demand, lessen the pressure to increase loans, and lower the enterprises' administrative costs, thereby helping to harness inflation.

Under the conditions of money market retrenchment, lowering the interest rate seems irrational. However, because of China's enterprises' demand for funds, they are usually not restrained by the existing interest rate. In other words, if the interest rate is low they will borrow, and if the interest rate is high they will still borrow. Banks can only, through controlling the money put into circulation, achieve the goal of retrenching money markets. Therefore, even if the interest rate on loans follows the lowering of the interest rate on deposits, it will not have a direct effect on the tightness on the money markets.

The readjustment of the interest rate is without a doubt an important facet in economic life. Now people are paying fairly close attention to the more than 500 billion yuan in savings deposits, and even look upon them as a tiger that could come out of its cage at any time. Actually, from a look at the savings structure, the depositors' psychology, as well as the results in the past year or more of harnessing inflation, the greater part of the deposits do not appear either under circumstances in which there is a little change in supply or demand, or in which there is a readjustment of the interest rate. Therefore, the relevant quarters, in line with the current

situation, completely and decisively adopt various measures, including lowering the interest rate, in order to guide consumption and invigorate markets. Otherwise, there could appear a situation in which the more the individual deposits and their interest, the bigger the industrial and commercial reserves and funds overstocking, the heavier the interest burden on enterprises, and the more possible new inflation and rush to purchase. Of course, the readjustment of the interest rate should be based on considerations of safety, and after supply and demand tend toward being in balance, consideration should be given to again raising the interest rate.

FOREIGN TRADE, INVESTMENT

Export Promotion Value of Renminbi Devaluation Questioned

90OH0457A Beijing GUOJI SHANGBAO in Chinese
10 Feb 90 p 3

[Article by Xie Hong (6200 5725) and Si Qing (0843 3237): "Correctly Evaluate the Role of Foreign Exchange Dumping in Expanding Foreign Trade and Export"]

[Text] Recently a viewpoint has been gaining popularity in the financial and foreign trade circles: Foreign exchange dumping, or devaluation of the renminbi, can greatly promote China's commodity exports and increase the competitiveness of Chinese goods abroad. We hold that this is a biased viewpoint because it has failed to analyze the problems in the light of China's actual conditions and foreign trade situation. In fact, foreign exchange dumping has many limitations in China and can hardly promote China's foreign trade and exports.

The so-called foreign exchange dumping refers to a country purposefully devaluing its own currency and raising the value of foreign exchange, reducing the value of its currency to a greater extent abroad than at home, so that its goods can be sold in foreign markets at prices lower than before. However, there are conditions to be met for foreign exchange dumping. The devaluation of paper money at home is caused mainly by price rises and inflation; however, in addition to its own changing value at home, the value of a country's paper money in relation to foreign currencies has also affected the changing domestic value of the paper money of the foreign countries concerned and the foreign exchange supply and demand situation in these countries. To succeed in foreign exchange dumping, a country must first have its paper currency devalued to a lesser degree internally than externally, which is the necessary condition. If we want to devalue the renminbi externally in order to succeed in foreign exchange dumping, we, too, must first meet this condition.

There are internal as well as external factors which can affect China's ability to succeed in foreign exchange dumping. Internally, if domestic prices keep rising, the

condition for foreign exchange dumping will be lost when the renminbi is devalued to the same extent internally as it is externally. When practicing foreign exchange dumping, the Western countries would also adopt the policy of freezing wages and prices for a number of months to create the necessary conditions for foreign exchange dumping. In 1982, while devaluing the franc, France also froze prices and wages for four months.

Externally, first of all, there is resistance from the commodity-importing countries. It is because the practice of foreign exchange dumping to export large quantities of goods will inevitably hurt the economic and business interests of the importing countries. Consequently the importing countries may take the following measures: (1) the tax measure, the imposition of countervailing and antisubsidy duties, for example, to increase the importers' costs and restrict exports from our country; (2) the trade measure, setting quotas and limits to our export commodities, in addition to the usual import licenses, to force an automatic export limitation on our part; and (3) the currency measure, devaluing their own currencies externally, usually known as waging a currency or exchange-rate war. Secondly, there is resistance from competitors to our export goods, namely, the related enterprises in the commodity-importing countries. Because foreign exchange dumping will inevitably affect the competitors' traditional market, the competitors, in order to protect their existing market, can resist the imported goods by dumping their own goods and using the currency means.

Our renminbi exchange rate system has also put a limit to our ability to practice foreign exchange dumping. In the past, our renminbi exchange rates were basically unrelated to prices and divorced from the realities of foreign trade. Thus we were unable to use exchange rates as a lever to regulate foreign trade, and the interest of foreign importers in importing Chinese goods was dampened as a result.

Our foreign trade system is yet another limiting factor to our ability to practice foreign exchange dumping. Because our exports consist mainly of primary products, the elasticity of demand is rather small abroad, and because of the low prices of primary products, there is not much incentive to export more. As to imports, the items and quantities of commodities to be imported each year by China are determined by the State Planning Commission according to economic development requirements, with little flexibility. Therefore, raising exchange rates will have no significant effect in curtailing imports.

Fundamentally speaking, China's backward level of economic development is the main restricting factor to its ability to succeed in foreign exchange dumping. Because we are economically underdeveloped, backward in science and technology, and unable to turn out a lot of good products, particularly high-tech products, and because our level of management and labor productivity are low,

our exports have to be limited to some energy, raw and semifinished materials, and primary products. Even if the renminbi is devaluated further externally, it will not make much difference in the competitiveness of our export commodities.

Free trade is to a very large extent based on the following principle: So long as trade is voluntary, it will be profitable for both sides; otherwise, they would not be trading with each other. With free trade, all countries in the world can make full use of their respective advantages and improve the world economy as a whole.

Although the benefits of free trade have been proven by countless examples, the United States and other countries have to a certain degree always played a protectionist role. It is because free trade works for the benefit of most of the people, while protectionism benefits only the special interest groups.

Recent Trends, Prospects for Shanghai Exports

*90OH0485C Beijing JINRONG SHIBAO in Chinese
15 Feb 90 p 1*

[Article by XINHUA News Agency reporter Xia Ruge (1115 0320 7041)]

[Text] At the end of 1989 Shanghai ports conveyed inspiring news: The fact that total exports for the year broke through the \$5 billion barrier for the first time ever proclaims that Shanghai exports have thus risen to new heights and that we stride into the 1990's bearing a new stature.

Over 10 years of reform and deregulation Shanghai's overseas trading enterprises have undergone considerable change. The original 20-plus overseas trading companies have multiplied to more than 120 companies. They have established trading relationships with 30,000 traveling businessmen from more than 170 nations and regions and have dispatched 70 trade organizations of various kinds to 21 different nations and regions. Shanghai now exports more than 3,000 kinds of export commodities, up from more than 2,000 in 1978. Finished manufactured goods have risen from 60 percent of all exports ten years ago to 83.6 percent today. Since 1985 the machine, chemical, electronics, and health industries have been technological exporters, transacting tens of millions of dollars' worth of business in the past few years. Shanghai ports occupy first place nationwide in terms of import/export business returns.

A Common Sense Attitude in Shanghai: Moving Toward Economic Internationalization

In China's restructured greater domestic trade structure, Shanghai, which formerly monopolized first place in export trade nationwide, has to some extent fallen by the wayside. Reform and deregulation have broadened the experience of Shanghai residents. They have shifted their sights from the domestic market to the overseas market,

and they firmly believe that economic internationalization is the only road to follow in order to remold Shanghai's foreign trade image and restore its robust style. Shanghai, which is China's largest industrial base, encompasses more than 11,000 industrial enterprises distributed over 157 different categories, and its processing and assembly capacity is second to none. There is a scientific and technological contingent of over 400,000 workers in Shanghai, which, overall, is far stronger than that of Asia's "Four Small Dragons." Although Shanghai has no mines or coal fields, its technology, products, and ports are incomparable. In recent years, based on the need to develop foreign trade, Shanghai has invested its efforts in organizing processing on imported raw materials, expanding the use of imports to produce exports, and following the "both ends abroad" route. Clothing import/export companies, which created more than \$400 million worth of foreign exchange in 1989, imported cotton, wool, and polyester for processing enterprises. The volume of business in raw-materials processing enterprises shot up 60 percent. On the other hand, silk import/export companies, which also created more than \$400 million worth of foreign exchange in 1989, actively launched processing businesses with traveling merchants from the United States and Japan. They produced \$110 million worth of foreign exchange on the Japanese market in 1989. It is understood that Shanghai spent over \$1 billion to develop processing industries in 1989, which represents a 20 percent increase over 1988 and is 3.3 times as much as it spent in 1986.

A Shortcut To Capturing the International Market: Substitute Higher Grade Products

In the process of opening up to the outside world, Shanghai has discovered a shortcut for increasing its capacity to create foreign exchange and for capturing the international market: substitute a higher grade of products. In 1989 scientists and technicians from various departments and disciplines in the institutions of higher education and the scientific research institutes began to integrate thousands of scientific and technical achievements with production. At Shangwu Plant No. 18, traditional products began to evolve into high-tech, multi-function, new-style goods, and the plant rapidly began to put out new, high-tech color televisions featuring remote control, split-screen and multiscreen features, and composite screen displays. The Sifang Boiler Plant is manufacturing 12 large oil-field thermal extraction boilers that previously could be produced only in the United States, Japan, and Canada. A U.S. expert has praised these boilers as "the most satisfactory product available outside the United States itself." A succession of traveling merchants from the United States, Indonesia, and Oman have inquired about the price. In the textile industry Shanghai has also formed key technological task forces in the "13 dragons": cotton, linen, silk, real spun silk, knit outerwear, and so forth. These have successfully developed a series of mercerized and singed products and a series of products made of cotton topped with polyester, wool, or linen, both of which have found favor with

foreign merchants. In the light industrial sector more than 2,000 kinds of new products were developed in 1989, and the rate of product rejuvenation has topped 13 percent. The appearance of new products one after another has changed Shanghai's export commodity mix: the proportion of heavy industrial, chemical, light industrial, and textile products in exported goods has risen significantly, and there has been an even greater increase in exports of mechanical and electronic products. We have achieved notable success in finished machining and multiple processing.

Changing the Foreign Trade System and Strengthening Cooperation Between Industry and Commerce

Another prominent feature of foreign trade efforts in Shanghai over the past few years has been the changing mechanism of foreign trade operations and the strengthening of cooperation between industry and commerce. These changes have also been important in promoting export growth. After granting approval for export autonomy in 10 or more production enterprises, in April 1989 the Shanghai government also decided to promote overall industrial-commercial "two-line contracts" and an export agency system in the textile industry. In 1989 the industrial-commercial "two-line contracts" in the textile industry produced \$1.02 billion in foreign exchange.

In this new, restructured domestic economic and trade pattern, the Shanghai Foreign Trade Bureau has reorganized its economic and trade relationships with other provinces and regions. It has established thousands of assorted economic associations with more than 20 provinces and regions, and, via joint operations, purchasing and sales agents, and export agents, it has increased the many sources of goods so that Shanghai can expand exports. In 1989 sources available through lateral ties with other provinces and regions accounted for one-third of Shanghai's export procurement sources.

The Key To Exporting Is To Open Up the International Market

Once the export goods are in hand, the market becomes the key ingredient. In recent years Shanghai has been gradually a pursuing policy of expanding marketing pathways in many directions and opening up the international marketplace. In addition to utilizing 70 trading organizations set up abroad to open up the international market, Shanghai also sends telegrams and letters constantly to traveling merchants, inviting them to come and talk business, and arranges all sorts of trade talks. Shanghai has also organized various kinds of expo sales organizations and sales promotion groups to get out and do business. The first time they went to the United States—to Los Angeles—to set up a commodity exposition, in less than a month they had concluded transactions worth several tens of millions of dollars. They were also successful the first time they attended the Soviet

Union and East European Export Product Sampling Fair. In 1989 Shanghai broke an all-time high for export business transacted.

As the new year begins Shanghai's foreign trade sector is in the process of further expanding the import processing business, readjusting its product mix, and developing mechanical and electronic products and products which earn a high surcharge for multiple processing. The city is continuing to work through export agencies and industrial and commercial "two-line contracts," and is handling the rights and responsibilities relationship between the two sides. Shanghai is improving and intensifying the agency system on its existing foundation so that more industrial enterprises can get into international competition. It must also pursue the multidirectional market strategy further: At the same time as it is consolidating the development of markets in Hong Kong and Macao, Japan, the United States, and West Europe, it must also strive to expand markets in the Middle East, Africa, and Central and South America, and expand trade with the Soviet Union and East Europe.

Concern Over Competition in Hong Kong Textile Market

*90CE0053A Beijing GUOJI SHANGBAO in Chinese
20 Mar 90 p 3*

[Article: "Hong Kong Textile Market Competition Intensifies; China's Problems in Exporting to Hong Kong In Need of Prompt Solution"]

[Text] Forecasts call for a slack market for Hong Kong textiles with little hope of major changes during the first quarter or even the first half of 1990. It should be noted that the tremendous expansion of textile equipment in Southeast Asia will result in further intensification of competition among textiles entering Hong Kong from elsewhere. Trends in cotton yarn from Pakistan are a matter for extreme concern. Because China's gauze semi-manufactures continue to hold a dominant market position, how to hold fast to a decisive position in sources of supply and methods, whether export controls can be effectively strengthened in 1990, and whether quality problems can be solved rapidly will continue to be key issues affecting future market changes. This estimate is based primarily on the following:

1. Slowing of Western economies, but some growth continuing.

There is a general consensus that Western industrialized countries will average a three percent economic growth rate during 1990 in a decline from the four percent of 1989. This includes a decline from 2.9 percent in 1989 to 2.5 percent in 1990 for the United States, and a decline from four percent and two percent respectively to 3.4 percent and 1.25 percent for West Germany and the United Kingdom. Despite the general slowing of Western economic growth, no recession is in the offing during the near future.

2. Reportedly 1989 Christmas sales of readymade clothing were off, and firms have a limited amount of orders on hand right now. Nevertheless, a steady rise is predicted for Europe during 1990. As a result of the opening up of East Europe, and the Hong Kong dollar's tracking of the United States dollar's decline against West European currencies, demand will increase substantially, and may partially compensate for the decline in American orders. In addition, there has been a little easing of the large scale flight of processing of the past more than two years. For example, orders for readymade clothing have rebounded, and Hong Kong firms will continue to have a certain amount of real demand for gauze semimanufactures.

3. Rapid escalation of costs curbing business activity.

During the past year, various expenses such as rents and interest have risen enormously in Hong Kong; the labor shortage has not been fundamentally solved; business difficulties remain great; and market buying and selling remains cautious, sellers taking fewer risks, not daring to sell futures or to sell on credit; as well, buyers are reducing warehouse rentals and interest payments, not wanting to hold large inventories. This has placed a lot of pressure on market trading and prices.

4. Uncertainty in textile raw material prices, and continued weakness in prices of semimanufactures.

International cotton prices have risen steadily since 1989. The New York market price of SLM 11/16 American cotton for near delivery was \$.5675 per pound at the beginning of 1988. In mid-August 1989, it reached a maximum of \$.7630, resuming a gradual decline thereafter to \$.6910 at year's end, but still nearly 20 percent higher than at the beginning of the previous year. The international Cotton Advisory Committee predicts a world cotton output of 80.8 million bales during the 80/90 year [sic, possibly 89/90 year], less than the previously forecast 82.1 million bales. At the end of the year, 25.2 million bales of cotton were in storage, slightly less than the previously forecast 30 million bales, drawing supply and demand closer together than formerly. However, as a result of no major improvement in the international textile market as yet, a decline in the use of cotton by major textile exporting places, and a decrease in inland China's purchases, the short-term forecast calls for the likelihood that international cotton prices will tend to remain stable in the absence of any special factors. Wool prices resumed a decline following a rally. At the end of the year, the Australian Wool Company Index was approximately 15 percent lower than its beginning of the year high. Reportedly, stocks on hand in Australia's wool warehouses have greatly increased over 1988, and are estimated to be in excess of 1 million bales. With no recurrence of the tense situation between supply and demand, a major bounce back from wool's present low position is unlikely. The tremendous decline in raw material prices, and a reduction in China's purchases halted a rise and brought about a sudden decline in chemical fiber prices. This was evidenced

most prominently in prices for polyester-cotton fabric. Since China intends to continue to curb imports, another rise in prices of chemical fibers is not likely. On the basis of the raw materials situation, it appears that prices of semimanufactures cannot be supported.

5. China's problems with exports to Hong Kong in need of solution.

China is still feeling its way on a foreign trade administrative system, and both problems with foreign trade procurement funds and the cotton shortage stir apprehensions. Turmoil in export channels cannot be solved in the absence of strong control measures, nor can the decline in quality be completely improved within a short period of time. Moreover, the vigorous expansion of textile equipment in southeast Asia during the past two years (10 million spindles of newly added spinning capacity according to one fairly conservative estimate) is now continuing to go into production. Furthermore, since the equipment is advanced, quality is consistent and standards are quite excellent. In the international situation prevailing today in which the trend is toward high quality, and an attendant rise in requirements for facing materials, sellers [sic; buyers probably intended] purchase goods on a selective basis, and foreign products will compete more intensely with China's products. This will include Pakistan cotton yarn, Taiwan T/C cotton yarn, and Thai cotton cloth for which developments must be particularly watched.

Wuhan Sets 1990 Foreign-Capitalized Project Goals

90CE0053C Beijing GUOJI SHANGBAO in Chinese
20 Mar 90 p 1

[Article by Correspondent Hu Jianhua (5519 1696 5478): "Wuhan City Sets Focus for Importation of Foreign Capital During Next Few Years"]

[Text] The recently convened 1990 Wuhan Municipal Conference on Foreign Capital and Foreign Economic Work spelled out the focus of future importation of foreign capital. Projects include the Tianhe Airfield, the Chang Jiang Highway Bridge, production of 300,000 sedans and associated spare parts, portable communications, program-controlled telephones [chengkong dianhua 4453 2235 7193 6114], a "double 7 million" transformation of the Wuhan Steel Mill, and a 115,000 ton ethylene project.

In addition, the conference also identified some new steps and methods to be explored for the further opening of Wuhan to the outside world. These included things such as turnovers of land for compensation to foreign traders in the contracting of tracts for development, accelerating construction of the Donghu New Technology Development Zone and the Dunkou Sedan Development Zone, importation of foreign capital to develop new (high) technology and the production of spare parts for sedans; and the building of a Wuhan International Economics and Trade Center.

By way of providing support to the realization of the foregoing foreign capital import objectives, the conference discussed and studied policy documents including "Wuhan Municipal Administrative Regulations on Foreign Traders' Investment in Enterprises," and "Wuhan City Provisional Regulations on Encouraging the Assimilation of Foreign Trader Direct Investment in the Transformation of Old Enterprises." In view of the current difficulties in the three kinds of partially or wholly owned foreign enterprises, the conference made specific proposals about the coordination of funds in foreign-funded enterprises, material supply and product marketing, and improvement of the quality of Chinese managerial personnel.

Guangzhou Trade Fair Posts Record Electronic Product Sales

*OW2004222490 Beijing XINHUA in English
1408 GMT 20 Apr 90*

[Text] Guangzhou, April 20 (XINHUA)—Contracts for electronic products concluded during the first five days of the 67th China Export Commodities Fair held in Guangzhou, the capital of Guangdong Province, totalled 71.4 million U.S. dollars.

Qian Benyuan, head of the electronic products trading delegation, said the number of transactions for electronic products at the fair is 11 times that of last year's spring export fair and 2.32 times that of last year's autumn export fair.

TV sets were the biggest sellers, accounting for 42 percent of transactions, said Qian.

Qian said that in the first quarter of this year, the China Electronics Import and Export Corporation had a record 115 million U.S. dollars in exports, up 42.74 percent from the figure for the same period of last year. Contracts signed involved 164 million U.S. dollars, an increase of 90.53 percent over the same period of last year.

Qian attributed the improved sales of the country's electronic products mainly to improvements in quality, and an increase in the varieties and designs.

Liaoning's Foreign Trade Volume Increases

*OW2604092290 Beijing XINHUA in English
0144 GMT 23 Apr 90*

[Text] Shenyang, April 23 (XINHUA)—The foreign trade volume of Liaoning Province, one of China's major industrial producers, reached 1.244 billion U.S. dollars in the first quarter of this year, 130 million U.S. dollars or 11.7 percent more than the same period of last year.

Statistics from the provincial committee of foreign economic relations and trade also showed that the province's export volume of oil products amounted to 603

million U.S. dollars, a 19.2 percent increase over that of the same period of last year.

The export volume of foreign-funded enterprises in Dalian City doubled in the first three months of this year, reaching 31.58 million U.S. dollars.

Anhui Preferential Treatment to Foreign-Funded Projects

*OW2304224890 Beijing XINHUA in English
0532 GMT 23 Apr 90*

[Text] Beijing, April 23 (XINHUA)—XINHUA highlights ECONOMIC DAILY report that the government of Anhui Province will offer preferential terms to 120 foreign-funded projects in use of energy, credit and raw materials and in transportation and taxation.

Fujian Launches Fuguang Foundation

*OW3004092490 Beijing XINHUA in English
1438 GMT 26 Apr 90*

[Text] Fuzhou, April 26 (XINHUA)—The Fuguang Foundation, funded by Lee Mingtee, an Australian entrepreneur of Chinese origin, was launched today in this capital of Fujian Province.

With a donation of 20 million Hong Kong dollars from Lee, the foundation is intended to help Fujian train economic and financial experts.

At the founding ceremony, Wang Zhaoguo, Fujian's governor, presented a gold medal to Lee, whose ancestral home is in Fujian's Nan'an county.

ECONOMIC ZONE

'Window' Bursting With Vigor

*90CE0018A Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 15, 5 Mar 90 pp 6-8*

[Article by Zhong He (6988 3109)]

[Text] The "Decision on Further Improving the Economic Environment, Rectifying the Economic Order, and Intensifying Reform," adopted by the Fifth Plenary Session of the 13th CPC Central Committee, put forward a significant idea, namely that of combining the improvement of the economic environment and the rectification of the economic order with reform and the open policy, an important part of which is to make the special economic zones [SEZ's] an even bigger success, encourage the coastal opened areas to develop an export-oriented economy, and reinstate that the basic policy on SEZ's and coastal opened areas will not change and will be further improved through practice.

Not only does this demonstrate China's ironclad resolve to reform and open to the outside world, but it also shows that the government will utilize the groundwork laid by the decade-old open policy to take part in the

international economic circulation through the SEZ's and opened coastal areas. Equipped for international competition, SEZ's should further develop an export-oriented economy, fulfill its role as a "window" and a "base," help ease some of the current economic difficulties, and expedite the successful conclusion of the task of improving the economic environment and rectifying the economic order.

The Coast as an Engine of National Economic Development

The development of the coastal areas, spearheaded by the establishment of SEZ's, is China's geographical strategy in place in the past 10 years as it scored victory after victory in developing foreign trade, attracting and utilizing foreign capital, importing advanced technology, bidding for contracts, and promoting labor cooperation, tourism, and cultural exchange. The strategy is based on China's characteristics—huge territory, severe regional imbalances in level of development—and focuses on the coast, forming a multifunction pattern consisting of multiple players: the SEZ's, opened coastal cities, coastal economic opened zones, and the interior. Externally this pattern satisfies the needs of international economic and technical cooperation because the coastal areas are well-placed geographically and in terms of economic, human, historical, and traditional conditions to be the first in the nation to take part in international competition and exchange. Internally, with their formidable industrial base and robust scientific and technical forces, the SEZ's attract and assimilate funds and technology from abroad and then transmit them toward the interior, thereby fueling development and construction there. Preliminary results have proved the above strategy correct and feasible. The achievements are clear: during the past decade, the coastal areas absorbed over 80 percent of all foreign investment projects in China, accounted for over 60 percent of technical imports and assumed more than 60 percent of export tasks.

Needless to say, a widening gap between the east and west is inevitable in the course of development. Further macroeconomic coordination over a long period of time is needed to narrow the gap. On the whole, the SEZ's and opened coastal areas have changed profoundly. The hope that they serve as a window and base has been tentatively realized.

Almost Quadrupling in Four Years

After a decade of construction, the four SEZ's—Shenzhen, Zhuhai, Shantao, and Xiamen—have developed from backward impoverished border towns into brand-new modern cities and constitute a favorable investment climate, having absorbed about one quarter of all foreign investment in China. Since 1986, in particular, the focus of work has shifted from groundwork and construction to production, the improvement of standards, and the pursuit of efficiency. Social productive forces in the four SEZ's have grown sharply. In 1988, gross industrial output value reached 16.38 billion

yuan, a 200 percent increase over 1985, and may have passed the 20 billion yuan mark last year, almost quadrupling in four years. An industrial base, the mainstay of which is such industries as electronics, textiles, light industry, building materials, food, plastics, and machinery, has come into existence in the SEZ's. At the same time, a wide array of foreign exchange-earning agricultural products has been developed with multiple processing. The SEZ's have created the rudiments of an export-oriented economy that is primarily industrial, relies mainly on foreign capital, and exports most of its output.

In the three years between 1986 and 1988, the SEZ's attracted a total of \$1.78 billion in foreign investment, 26.1 percent more than the total for the preceding six years. Last year they posted another significant gain. In 1988, the combined exports of the four zones reached \$3.14 billion, an increase of 290 percent over 1985. Despite policy adjustments, the rising costs of earning foreign exchange, and fund shortages last year, exports continued to rise and are expected to exceed \$3.5 billion, a four-fold increase over 1985. Whether it is self-made products or manufactured industrial goods, the share of exports has been going up significantly. In Shenzhen, over 50 percent of self-made products are exported, as are 60 percent of manufactured industrial goods. In the past two years, as the relations between the two sides of the strait improve, the Xiamen SEZ has made impressive headway in attracting Taiwan capital, establishing a host of enterprises with much development potential, and has increasingly shown a tendency to build a large number of major enterprises. Thanks to production expansion, revenues in the four zones have also risen by a wide margin. In 1988 revenues were up 69 percent compared to 1985. More revenues were collected in the first nine months last year than in the entire year of 1988. Instead of being chronically short of foreign exchange, the four zones have now achieved a basic balance and even come up with a surplus. All this shows that the economic benefits of the zones have increased and contributed to a positive cycle of economic activities.

A latecomer less than two years old, the Hainan SEZ, nevertheless, has intensified capital construction since last year, markedly improving its investment climate. Foreign investments have been brisk; both industrial and agricultural production, and foreign economic activities, have shown a new vitality.

Taking advantage of their export-oriented economies and cooperating and conducting economic and technical cooperation with enterprises in the interior, the zones have become a bridge linking the interior with the international market. They are serving construction in the interior by disseminating international economic and technical information as well as imports, opening up foreign trade channels, and training economic and trade personnel.

In addition, in searching and experimenting in the creation of an investment climate consistent with international practices, the reform of the old economic system, and the establishment of a planned commodity economy, the zones have accumulated some successful experiences, which provide a useful lesson for nationwide reform. In the long haul, this is even more significant than generating output value and earning foreign exchange.

The Rapid Rise of Opened Coastal Areas

Opened coastal areas consist of two parts: opened coastal cities and economic and technical development areas and economic opened areas. In attracting foreign capital and technology, the 14 opened coastal cities stress the transformation of old enterprises, having signed contracts for close to 6,000 technical transformation projects, of which three quarters have been completed and put into operation, generating economic benefits. According to studies on some cities, about 80 percent of the equipment imported was on a par with the best in the world in the late 1970's and early 1980's. In Shanghai, the ratio was 95 percent. In cities like Fuzhou and Nantong, 80 percent of the textile, electronic, light industrial, and food industries have been technologically transformed. Technical advance has beefed up these cities' industrial muscle, raised product quality, enhanced their ability to manufacture complete sets of products, and augmented the manufacturing capacity of basic materials industries, electronic machinery industry, as well as the shipbuilding, automobile, and aviation industries, narrowing their gap with the most advanced in the world. Taking advantage of their solid industrial base and robust technical resources, Shanghai, Dalian, Tianjin, Guangzhou, and Qingdao have built a host of large-scale and technically advanced projects using foreign funds. To the rest of the nation they are setting an example in technical matters. Opened coastal cities have imported, assimilated, and transmitted to the interior tens of thousands of pieces of applicable technology. After five years of construction, the 12 economic and technical development areas have become a magnet for foreign investors looking for a place to build plants. So far over 600 foreign-funded industrial enterprises have been approved. A number of projects turning out new products, using new technology, and generating both economic and social benefits have been well established. Practice proves that at a time when it is impossible to make the entire nation fall in line with international investment practices, it is highly effective to create "microeconomic climates" in the form of development areas.

The development of coastal economic opened areas has worked in two ways. One, it has strengthened the opened coastal cities and economic zones as hinterland so that they are well equipped to carry on with the open policy. Two, it is a way to take advantage of their abundant and good-quality labor resources and highly commercialized agriculture to develop labor-intensive

industries and foreign-exchange-earning agriculture and broader international economic cooperation. Gratifying results have been achieved after a few years of practice. Both the economy and exports have been growing at the rate of 30 to 40 percent annually, rapidly putting an end to the chronic poverty and backwardness in these areas. Relying on the "three forms of processing and compensation trade," the Zhu Jiang delta and the triangle in southern Fujian, in particular, boast over 10,000 enterprises. They have imported hundreds of thousands of pieces of technical equipment and employ over one million people. In the Zhu Jiang delta, earnings from the three forms of processing and compensation trade already account for 57.9 percent of the gross output value of the rural society and have been an engine of growth for the textile, electronic, plastic, and domestic electrical appliance industries. Industrial products have been entering the international market in large quantities, fueling local development powerfully. The gross agricultural and industrial output value of Foshan, Jiangmen, Zhongshan, and Dongguan grew 166 percent in 1988 compared to 1984, with industrial output value soaring 268 percent and export-derived foreign exchange earnings rising 237 percent. In the Chang Jiang delta, the numerous township and town enterprises have been engaged in an export drive, forming a vital new force in the push to create an export-oriented economy. In the Shandong Peninsula, Liaoning Peninsula, Qinhuaungdao, Tangshan, Cangzhou, and other newly opened areas, all kinds of processing and production destined for the overseas market are in full swing. At the same time, economic opened areas have been adjusting the agricultural product mix and developing such agricultural byproducts as fruit, melon, aquatic products, and poultry for export to earn foreign exchange. By importing good varieties, technology, and equipment for use in multiple processing, they have increased the value of exports and promoted the intensive cultivation of traditional crops like grain, with improved profitability.

Serving as a Window and Base Amid Economic Rectification

The climate of economic austerity that will prevail in the next two years and more presents the SEZ's and opened coastal areas with the grimmest situation they have ever faced. But it is also a favorable opportunity for them to develop an export-oriented economy and gear even more enterprises toward the international market.

In SEZ's and opened coastal areas, the improvement of the economic environment and the rectification of the economic order has a two-fold meaning. First, as part of the national economy, the SEZ's and opened areas are dependent on the sustained, steady, and coordinated development of the entire economy. Thus anything that goes against stabilizing the overall situation and tends to cause economic frictions with the interior falls within the scope of economic rectification and

should be adjusted vigorously. Second, unstable elements and discordant factors within these areas should be weeded out. Continuous fast growth has created a string of problems—the incompatibility between the infrastructure and processing industries, irrationality within the industrial structure, lax enterprise management, loss of control over consumption funds, and inflation. Another problem is that some of the technology imported is not of a high standard. Since last year, the drive to improve the economic environment and rectify the economic order has begun to pay off, cutting economic growth rate by 10 to 20 percentage points, which nevertheless is still a long way off from our target. The areas must continue to control overheated demand and curb the overly rapid expansion of consumption funds in accordance with the central plan to ensure the coordinated development of all economic relationships.

Economic rectification notwithstanding, the CPC Central Committee and the central government have reiterated time and again that the basic policy on SEZ's and opened coastal areas will remain unchanged. Now practical measures must be taken to carry this out. It should be seen that it was justifiable for the state to adopt a number of preferential policies to foster the SEZ's and opened coastal areas in the early days of the open policy. With increasing self-accumulation, however, these preferential policies have been gradually phased out, which is consistent with the direction of development. When we say there will be "no change in policy" these days, strictly speaking we are referring less to the idea of "regional preference" and more to the notion of "industrial preference." That is, the preference is for the export-oriented economy in the SEZ's and opened coastal cities. The general principle, therefore, is that anything that contributes to the export-oriented economy does not affect the interior, and does not need comprehensive balance by the state, should be encouraged as appropriate so as to grasp the present favorable international opportunity, attract more foreign funds, expand exports, and increase effective supply. The state should exercise broad control over the SEZ's and opened areas, but it should also designate a small area within which the areas themselves can make decisions on their own. That way they can react flexibly to complex changes in the international marketplace.

In their next phase of developing an export-oriented economy, the opened coastal areas will mainly concentrate on improving management, optimizing structure, and raising efficiency. Since they are not doing very well in these areas at present, the potential for improvement is tremendous. Not only does the domestic economic situation require them to master these three aspects, but international economic competition too compels them to do so. Special economic zones and opened coastal areas must waste no time in reaching the highest management standards in the nation and try to match and overtake the best in the world. The key to optimizing the mix of foreign investments is a good investment climate.

The investment climate in the zones and areas must be such that it can attract major projects that meet the need of the industrial policy, are technologically sophisticated, involve substantial investment, and can upgrade the industrial structure. Even in developing labor-intensive products, they must take pains to catch up with international standards, raise the complexity of processing, increase technical contents, and move in the direction of labor- and technology-intensive industries. Another important aspect of making the export-oriented economy more profitable is to open up the international market and gradually establish their own sales network.

Strengthening bilateral ties between SEZ's and coastal opened areas, on the one hand, and the interior, on the other, is yet another vital task. Simply put, SEZ's and opened coastal areas should rely on the interior's scientific and technical forces and industrial base to develop an export-oriented economy and build up a capacity for opening up all round. At the same time, they should serve as a window and base, diffusing and transmitting to the interior a steady flow of international information, technology, and funds. The idea is to expand the national economy by taking advantage of the international market so that while we engage in construction by opening up to the outside world, we avoid being affected by global economic fluctuations even as we enhance our self-reliance. In taking one step ahead of the nation in the opening up process, SEZ's and opened coastal areas must try to do more than just achieve local prosperity. They must make serving the nation the guiding principle of their work and take the initiative to assist development and construction in the interior. On the macroeconomic level, the state should intensify overall organization and coordination and properly import and assimilate several major pieces of technology, increasing their Chinese-made parts and components and disseminating and popularizing them inland. The technical transformation of a host of key enterprises in the interior should be accelerated by importing funds and technology through the SEZ's and opened coastal areas. Efforts should be made to develop a number of projects that exploit raw materials in the interior with investment from enterprises funded by the three capital sources in the coastal areas. Information and channels in the SEZ's and opened coastal areas should be used to help the mainland develop an array of popular products for export to earn foreign exchange. That way the entire nation will come to life together.

AGRICULTURE

Cereal, Oils, Food Imports in First Quarter

HK2704092990 Beijing CEI Database in English
27 Apr 90

[Text] Beijing (CEI)—Following is a list showing China's imports of cereals, oils and foodstuffs in the first quarter in 1990, according to the primary statistics released by the General Administration of Customs.

Item	Unit	Jan.-Mar. 1990	Jan.-Mar. 1989
cereals	ton	2,979,895	2,747,158
wheat	ton	2,649,522	2,451,594
soybean	ton	144	197
sugar	ton	172,173	322,920
animal oils and fats	ton	8,825	19,530
edible oil	ton	195,964	129,798
other oils	ton	184,843	84,116

Oils, Food Exports in First Quarter Reported

HK2604123190 Beijing CEI Database in English
26 Apr 90

[Text] Beijing (CEI)—Following is a list showing China's exports of cereals, oils and foodstuffs in the first quarter in 1990, according to primary statistics released by the General Administration of Customs.

Item	Unit	Jan.-Mar. 1990	Jan.-Mar. 1989
pig	head	682,367	725,965
poultry	in 10,000	1,112	1,048
beef	ton	7,222	5,769
pork	ton	17,890	14,385
chicken	ton	6,050	4,656
rabbit	ton	2,424	4,361
egg	in 1,000	122,297	148,894
aquatic	ton	84,348	59,917
fish	ton	10,948	9,535
prawn	ton	25,909	13,494
cereals	ton	944,373	1,332,051
rice	ton	51,830	67,331
soybean	ton	246,245	177,244
pulses	ton	156,198	77,034
maize	ton	416,871	684,863
vegetables	ton	155,955	146,277
fruit	ton	50,485	40,958
orange	ton	24,079	21,418
apple	ton	17,238	9,181
sugar	ton	127,867	5,399
canned food	ton	93,769	107,818
pork	ton	11,722	8,381
vegetables	ton	56,850	76,503
fruits	ton	17,264	15,488
others	ton	7,933	7,445
vegetable oil	ton	25,139	3,080
peanut	ton	92,011	58,433

Past Development, Future Prospects for Hybrid Rice

90OH0428A Beijing NONGYE KEJI TONGXUN
[AGRICULTURE SCIENCE AND TECHNOLOGY
NEWSLETTER] in Chinese No 1, 17 Jan 90 pp 5-6

[Article by Lou Xizhi (1236 1585 4364): "Grow More Hybrid Paddy For the Vigorous Development of Grain Production"]

[Excerpts] [Passage omitted] A review of the development of hybrid paddy production in China shows the following several major features:

(1) **Steady Expansion of Growing Area.** Hybrid paddy in China is a darling among farm crops that has seen rapid spread and shown fine results in increased yields. In 1974, the test planting in the whole country of 100-odd mu began, and in 1975, 5,600-odd mu were planted. In 1976, the development phase began, meaning a rapid expansion from 2.07 million mu in 1964 [as published] to 74.51 million mu in 1979 in a nearly 20 million mu annual increase. Because of the lack of different strains and low resistance to natural hazards, the planting area fell to 71.83 million mu in 1980 only to revive to 76.76 million mu in 1981. The year 1982 saw new development when a more than 7.4 million mu expansion occurred, bringing the total planting area to 84.25 million mu. In 1983, the 100 million mu mark (101.24 million mu) was broken for the first time, and in 1984 new height was reached (132.67 million mu). As a result of cutbacks in grain during 1985, the hybrid paddy growing area fell to 129.18 million mu. From 1986 through 1988, there was sustained and steady development of hybrid paddy, the growing area for those three years being 143.43 million mu, 164.57 million mu, and 199.95 million mu respectively. According to 1986 statistics for 13 southern provinces, municipalities, and autonomous regions, provinces having a hybrid paddy growing area of more than 20 million mu were Sichuan and Hunan; and of more than 10 million mu, Jiangsu, Guangdong, Jiangxi, and Hubei.

(2) **Steady Increase in Yields Per Mu** When the growing of hybrid paddy first began, because growth and development characteristics and high yield growing methods were not very well understood, nationwide yields averaged only approximately 300 kilograms per mu. As growing conditions improved and growing techniques advanced, yields per unit of area also rose quickly to 316 kilograms in 1976, 343 kilograms in 1980, 354.5 kilograms in 1981, 425.4 kilograms in 1983, 434.6 kilograms in 1986, and 438 kilograms in 1987. An all-time record was created in 1988 with a yield of 443.65 kilograms. In comparison with 1976, this was an increase of 127.65 kilograms per mu for a more than 40 percent increase. Provinces having the highest yields were Jiangsu, Sichuan, and Hubei where yields averaged approximately 500 kilograms per mu. In Zhejiang and Hunan, yields of late hybrid paddy averaged more than 400

kilograms per mu. Yields from late paddy have always been lower than from early paddy in China. Because of the spread of late hybrid paddy over large areas, not only have quite a few areas changed the low and inconsistent yields of late paddy, but they have also achieved their desire for late paddy yields that surpass early paddy yields.

(3) Steady Improvement in Growing Techniques. China's hybrid paddy growing techniques are based on a continuation of experiences gained in its growing of paddy, and have gradually formed and developed out of the pattern of growth and development of hybrid paddy. When first promoted, scientific growing methods were used. Thus, hybrid paddy was grown in close to optimum natural conditions. Strengths were used to advantage and shortcomings avoided to solve the problem of a relatively low fruiting rate in order to turn around the situation of a "prospect of 500 kilograms but a yield of 400 kilograms," and to surmount the shortcomings of "more than enough vigor at the beginning but insufficient vigor at the end; large panicles to spare, but insufficient setting of grain; and more than enough tillers, but an insufficient number producing panicles." As a result of measures such as improvement in methods use to raise seedlings, a saving of seeds in the growing of hybrid was realized. All jurisdictions used a summarization of individual techniques in conjunction with local warmth and light conditions and the pattern of hybrid paddy growth and development to form a body of measures that spread like wild fire throughout the country, effectively improving the level of hybrid paddy growing techniques. In Jiangsu Province, high yields of hybrid paddy were grown on more than 10 million mu, making the province the first in the country to produce hybrid paddy yields of more than 500 kilograms per mu. In 1983, Hunan began research on the growing of two crops of hybrid producing a ton of grain per mu, which was between 100 and 200 kilograms more than the local yield per mu obtained from two crops of hybrid paddy. In 1987, results of this research were applied to 4 million mu throughout the province, 3 million mu of which produced more than a ton of grain each. With the development of strains having different ripening periods, Zhejiang, Jiangsu, Hubei, and Guangxi used mostly hybrid paddy in the growing of wheat followed by paddy, or paddy followed by a dryland crop, this pattern also yielding a ton of grain per mu over large areas. In some paddy growing areas of south China, where the season is more than long enough to grow a single crop of paddy but not long enough to grow two crops, high yield hybrid strains having strong ratooning capabilities were selected to obtain after-growth rice. This was a means of increasing yields that required little investment, and saved both labor and seeds. Statistics for 1988 showed ten provinces and regions, including Sichuan, as having a 6.333 million mu ratooning rice growing area that produced 510 million kilograms of paddy.

(1) Steady Improvement in Seed Production Techniques. All jurisdictions shaped a fairly complete system for seed

breeding and seed production, as well as high yield seed breeding and seed production techniques. thereby enabling a rapid increase in seed production output, which gave powerful impetus to the high speed development of hybrid paddy. In 1981, 1.656 million mu nationwide were devoted to seed production, but yields averaged only 44.6 kilograms per mu. By 1982, the country's seed production area stood at 2.319 million mu producing yields of 60.6 kilograms per mu. In 1983, 2.082 million mu produced a yield of 86 kilograms; in 1984, 1.571 million mu produced a yield of 94.3 million kilograms; in 1985, 1.315 million mu produced a yield of 110.3 kilograms; in 1986, 1.508 million mu produced a yield of 133 kilograms; in 1987, 2.311 million mu produced a yield of 134 kilograms; and in 1988, 2.037 million mu produced a yield of 108.45 kilograms. [passage omitted]

Hybrid paddy holds a huge production potential for future development. Specific things to be done include the following:

(1) Expansion of the Growing Area. According to analyses prepared by hybrid paddy professional advisory units throughout the country, the growing of hybrid paddy on 200 million mu is entirely possible by 1990. More than 90 million mu of the country's 140 million mu early paddy growing area is suited to the growing of hybrid paddy, but it is being grown on only 25 million mu today. In the Chang Jiang basin, in particular, hybrid paddy is grown on only slightly more than 10 million mu of the more than 90 million mu early paddy growing area. By making full use of existing strains, expansion to 25 million mu is within the realm of possibility. In north China, japonica rice is grown on only slightly more than 2 million mu, so there is very great potential there as well. Hunan, Fujian, and Zhejiang provinces could also grow some late hybrid paddy, and in Yunnan and Guizhou provinces, there is substantial room for the growing of intermediate paddy.

(2) Selection of Fine Strains. As the years passed, hybrid rice strains that formerly played an important role in production became mongrelized or degenerated to varying degrees, with attendant decline in heteroses and resistance. Thus, the key to whether new expansion of the hybrid paddy growing area was possible, and whether new breakthroughs could be made in yields lay in constant selective breeding to provide new strains. Prior to the time when new strains obtained from the "second generation" method were used in large area production, it was still necessary to select "third generation" new strains of multiple types, having multiple resistance, and ripening at different times for use in different areas, in different growing system, and in different soil and farming conditions in the planned replacement of old strains. In recent years, China has produced a number of new strains having distinctive traits that all jurisdictions should introduce to cultivation and demonstrate as quickly as possible to find successor strains suitable for growing locally in order to maintain sustained increase of a certain area for steady increase in outputs.

(3) **Promotion of Suitable Techniques.** Further improvement of farming techniques and an increase in the farming level are imperative in order to expand the growing area and yields per unit of area. First is thorough familiarity with the proper sowing time, the age of seedlings when transplanted, and the optimum times for panicle formation and flowering in order to insure safe and full heading. Second, seedling growing techniques must be improved to produce strong seedlings that produce numerous tillers. Third is close attention to water and fertilizer management so that they are applied during the period of optimum growing conditions. Fourth is the need to pay attention to disease and insect pest forecasts for prompt prevention and control. The summarization of experiences should form a basis now for the vigorous spread of "ton grain field" high yield techniques, prototype growing techniques, and two stage seedling propagation techniques for growing mostly hybrid paddy. In south China, the growing of ratooning paddy has developed over a 10 million mu area during the past two years. Yields of 150 kilograms are entirely attainable. In north China, particularly in some dryland field areas lacking water, full use should be made of hybrid paddy that resists drought and that is highly adaptable for the spread of hybrid rice to dryland farming.

(4) **Good Performance in Seed Breeding and Production.** Provinces, prefectures (or municipalities), and counties should all strengthen leadership of hybrid paddy seed work, devoting attention to planned seed production, and adopting Sichuan Province's program for "satisfying needs with a slight surplus," doing all possible to meet seed production and development needs. In seed breeding and production work, the hybrid paddy seed breeding and production system in which "provinces plan, prefectures (or cities) breed, and counties grow seed grain" should continue to be applied. Places having requisite conditions should designate scientific research or production units responsible for the purification and management of "third generation" parent pair seeds. In the allocation of seeds within prefectures, seed inspection and seed quarantine systems should be enforced to guard against the spread of diseases and insect pests. In order to do a better job of storing surplus hybrid paddy seeds, all jurisdictions should construct low temperature storage facilities for the storage of seeds in order to moderate uneven availability of seeds from one year to another.

Hybrid paddy production requires a lot of skill and planning. It affects a fairly wide area of activity, and it requires a fairly large number of steps. Leadership must be strengthened, and organization and planning has to be coordinated to insure the smooth development of paddy.

Effect of Scissors Differential on Peasants' Income

90CE0048A Beijing JINGJI CANKAO in Chinese
20 Mar 90 p 4

[Article by Wang Fu (3769 6346): "Scissors Differential on Industrial and Agricultural Products Not Yet Widened; on Prices Peasants Gain More Than They Lose"]

[Text] Over the past several years the cry "the price scissors differential on industrial and agricultural products is tending to widen" has risen from all directions. The formulation "because of the rise in the prices of industrial products and the means of agricultural production, on prices the peasants lose more than they gain" was also in vogue. After studying this issue we have come to the opposite conclusion.

On the Scissors Differential

The price scissors differential on industrial and agricultural products is an image summing up the relationship in which, during the exchange of industrial and agricultural products, there is an exchange of unequal values in which the prices of industrial products are higher than their value and the prices of agricultural products are lower than value.

Customarily, people use the comprehensive parity index for industrial and agricultural products to analyze the scissors differential, but this analytic method is highly inaccurate, because a price is the manifestation in currency of value, and the exchange of unequal values of industrial and agricultural products is precisely the result of the deviation in the proportion of prices from the proportion of value. Following the changes in the labor productivity rate in industry and agriculture, the output value of industry and agriculture is not immutable. Only if the changes in the output value are included can the situation and tendency of the scissors differential be reflected on the spot. The method is to use the specific value of the labor productivity rate index in industry and agriculture to correct the comprehensive parity index in industry and agriculture. The formula is:

Industrial and agricultural scissors differential index=

Rural area industrial product retail price index (over)
Agricultural and sideline product purchase price index X
Industrial labor productivity rate index (over) Agricultural labor productivity rate index

Here, the agricultural labor productivity rate means the gross output value of agriculture created by every agricultural labor force (agriculture, forestry, animal husbandry, fishery, and water conservancy); the industrial labor productivity rate means the gross output value of industry created by every staff member and worker (all-people and collective) (including industries run by villages and at levels under the village).

Based on this, we calculated data covering the period 1978-1988, which shows:

1. From 1978 to 1988 the scissors differential for industrial and agricultural products constantly narrowed. The 10-year grand total was a narrowing of 52.4 percent, a yearly average of 4.3 percent.

2. The rate of narrowing the scissors differential slowed year by year. In 1979 the rate of narrowing was 27.5 percent, in 1980 it was 11.3 percent, in 1981 it was 13.9 percent, in 1982 it was 4.6 percent, in 1983 it was 3.7

percent, in 1984 it was 3.5 percent, in 1985 it not only did not narrow but rather widened 4.4 percent, in 1987 it was 2.7 percent, and in 1988 it was 1.3 percent.

3. Because the changes in the labor productivity rates in industry and agriculture are different, the rate of the narrowing of the scissors differential in different periods plays an accelerating or decelerating role. Before 1984, because the rise in the agricultural labor productivity rate was higher than the rise in the industrial labor productivity rate, the rate of the narrowing of the scissors differential in industrial and agricultural products was accelerated. For example, in 1979 the comprehensive parity index for industrial and agricultural products was 82, 18 percent less than that in the previous year. However, because in the same period the industrial labor productivity rate index only increased 6 percent, the agricultural labor productivity rate index increased 20 percent. Thus the industrial-agricultural scissors differential index was made to fall to 72.5, and the rate of the narrowing of the scissors differential was raised from 18 percent to 27.5 percent, a rise of nearly 10 percentage points. From 1985 to 1988, because the increase in the industrial labor productivity rate was higher than the increase in the agricultural labor productivity rate, the rate of the scissors differential for industrial and agricultural products slowed. For example, in 1985 the comprehensive parity index for industrial and agricultural products was 95, a five percent reduction compared with that in the previous year. However, because the industrial labor productivity rate increased 22.7 percent while the agricultural labor productivity rate only increased 11.7 percent, the industrial-agricultural scissors differential index was 104.4; the scissors differential not only did not narrow, but on the contrary widened 4.4 percent.

The Problem of Prices Causing an Increase in the Peasants' Revenue or Expenditure

The key to studying the problem of prices causing an increase in the peasants' revenue or expenditure is determining and calculating specifications.

In the method of calculating the peasants' increase in revenue because of prices, the fairly unanimous specification now is the subtraction from a given year's total amount of purchased agricultural and sideline products in society the total amount of purchased agricultural and sideline products in society of the previous year. The remainder is the increased revenue that the peasants got in the given year from the rise in the purchasing price for agricultural and sideline products. In 1979 this increase in revenue was 12.92 billion yuan, in 1980 it was 5.58 billion yuan, in 1981 it was 5.32 billion yuan, in 1982 it was 2.32 billion yuan, in 1983 it was 5.33 billion yuan, in 1984 it was 5.54 billion yuan, in 1985 it was 13.3 billion yuan, in 1986 it was 12 billion yuan, in 1987 it was 25.4 billion yuan, and in 1988 it was 56.1 billion yuan. The ratios of the increase in revenue because of the rise in prices to the increase in revenue because of the increased amount of sales of agricultural and sideline products were: in 1979 it was 83:17, in 1980 it was 43:57, in 1982

it was 18:82, in 1983 it was 30:70, in 1984 it was 32:68, in 1985 it was 55:45, in 1986 it was 39:61, in 1987 it was 67:33, and in 1988 it was 89:11 [as published, no ratio for 1981 given].

There is a fairly big controversy on how to calculate the peasants' increase in expenditure because of prices. At present a fairly universal method is to calculate it in accordance with the total amount of commodity retail sales in the rural areas and in accordance with the retail price index in the rural areas. We think that the biggest drawback to this method of calculation is that it puts that part that is sold by peasants to peasants in the peasants' expenditure, not calculating as an increase in the peasants' revenue the selling of this part of the agricultural products (the total amount of agricultural products sold does not include this part), thereby exaggerating the increase in the peasants' expenditure because of prices. We think that a comparatively accurate method is to make the calculation in accordance with the total amount of industrial product retail sales in the rural areas, and in accordance with the retail price index for industrial products in the rural areas, leaving out that part sold by the peasants to the peasants.

The range of commodities in the total amount of retail sales of industrial products in the rural areas and the price index for industrial products in the rural areas are industrial products, including small commodities such as vegetable oil, dried vegetables, condiments, sugar, tobacco, alcoholic spirits, tea, candy, pastry, milk and dairy products, cans, Western medicine and medical products, and also including large commodities such as daily-use industrial products, clothing, recreational articles, books, newspapers, and magazines, fuel, and means of agricultural production.

The difference between the total amount of retail sales of industrial products in the rural areas found by subtracting the given year's prices from the given year's total amount of industrial product retail sales in the rural areas, is the peasants' increased expenditure in the given year because of the rise in the prices of industrial consumer goods and the means of agricultural production. In 1979 this increased expenditure was 70 million yuan, in 1980 it was 650 million yuan, in 1981 it was 880 million yuan, in 1982 it was 1.56 billion yuan, in 1983 it was 1.1 billion yuan, in 1984 it was 3.97 billion yuan, in 1985 it was 5.02 billion yuan, in 1986 it was 5.7 billion yuan, in 1987 it was 9.93 billion yuan, and in 1988 it was 30.17 billion yuan.

Given that revenue balances expenditure, the net increases in the peasants' revenue because of prices were: in 1979 it was 12.85 billion yuan, in 1980 it was 4.93 billion yuan, in 1981 it was 4.44 billion yuan, in 1982 it was 770 billion yuan, in 1983 it was 4.23 billion yuan, in 1984 it was 1.57 billion yuan, in 1985 it was 8.28 billion yuan, in 1986 it was 6.3 billion yuan, in 1987 it was 15.45 billion yuan, and in 1988 it was 19.9 billion yuan.

In the 10-year period from 1979 to 1988, the grand total of the peasants' increase in revenue because of the rise in prices of agricultural and sideline products was 143.77 billion yuan, nearly 60 percent of the total increase in the peasants' revenue. Because of the rise in the rural areas of the prices of industrial consumer goods and the means of agricultural production, the peasants' increased expenditure was 65.05 billion yuan. Making revenue balance expenditure, the peasants' net increase in revenue was 78.72 billion yuan, an average yearly net increase of 7.87 billion yuan. The rise in prices did not cause the peasants to lose more than they gained, but the proportion of the net increase in revenue fell year by year.

Several Opinions and Suggestions of a Policy Nature

1. For several years it will be inadvisable to again greatly narrow the industrial and agricultural scissors differential.

For industry to develop to a certain degree, it is necessary to gradually narrow the scissors differential in order to protect the foundation—agriculture, raise the peasants' revenue, expand the rural markets, and promote the coordinated, stable development of the entire national economy. Practice since the founding of the PRC proves that any time the parity of industrial and agricultural products is fairly rational, at that time there is a fairly big development of agriculture. In 1950, in the initial period after liberation, the exchange parity of industrial and agricultural products in China as a whole on average expanded 31.8 percent compared to that in the seven years (1930-1936) before the War of Resistance to Japan. Not long afterward, the state began to solve the scissors differential problem. In 1952, compared with 1950, the exchange parity of industrial and agricultural products had shrunk 9.8 percent, an average yearly shrinkage of 4.79 percent. In 1957, compared with 1952, the shrinkage was 17 percent, an average yearly shrinkage of 3.2 percent. By 1965 the parity of agricultural and agricultural products had shrunk 14 percent compared to the parity before the War of Resistance to Japan, and there appeared an unprecedentedly good situation in agricultural production and in the entire national economy. In the 13 years from 1966 to 1978, although the purchasing prices of some agricultural products still rose and the prices of industrial products were stable, the exchange parity of industrial and agricultural products only shrunk 17.1 percent, an average yearly shrinkage of 1.22 percent. Under these circumstances, the cost of agricultural production constantly rose. The purchasing prices for many agricultural products were only equal to or a little higher than the costs, and the purchasing prices for a small number of them were lower than costs, causing the profit rate in agriculture to be extremely low, and some peasants even lost capital. The peasants' enthusiasm for production was very low. After the beginning of 1979, following the deepening of the reform of the rural economic system and the reform of the price system, the agricultural labor productivity rate rose greatly, and the scissors differential narrowed

greatly—a 10-year total shrinkage of 52 percent—which greatly promoted the development of agriculture.

However, the degree of narrowing the scissors differential certainly must be appropriate and must be suited to the national condition and the national strength. This, on the one hand, is because it is the task of all people in China to accumulate funds for modernization, and, on the other hand, because exceeding the permissible degree of the national condition and the national strength in order to narrow the scissors differential is bound to cause financially straitened circumstances and a drop in the living standard of staff and workers. China must achieve national industrialization and agricultural technological transformation, and must also accumulate funds on the agricultural side. Besides directly levying agricultural taxes, the main way of doing so is through exchange of unequal values, buying agricultural products at low prices and selling industrial products at high prices, so that part of the value created by agricultural departments is transferred to industrial departments. Part of the funds accumulated for China's modernization must come from agriculture, and this policy, at the very least, will not be easily changed within a certain number of years in the future.

2. Narrowing the scissors differential cannot solely depend of the rises in the prices of agricultural products.

There are only two ways of narrowing the scissors differential: one way is to raise the labor productivity rate in agriculture; and the other way is to raise the relative prices of agricultural products. It is necessary to appropriately raise the prices of some agricultural products. However, the final manifestation of the rise in prices of agricultural products is that money is taken from the state's finances and given to the peasants; the state's financial power is limited, and there cannot be a big rise in the prices of agricultural products. Therefore, we should not solely depend on this method of raising prices. From the long-term view, the main way to narrow the scissors differential should be to raise the labor productivity rate in agriculture. With the rise in the labor productivity rate, the amount of value embodied in a unit agricultural product will be low. Even if the prices are not readjusted or are readjusted only a little, the profit rate on agricultural products will rise and the scissors differential will narrow. To improve agriculture's labor productivity rate, we must increase agriculture's revenue, accelerate the pace of readjusting the industrial structure, open up the ways of production in the rural areas, transfer more agricultural labor forces to nonagricultural labor, spur the concentration of experts on tilling the land, and achieve results to scale.

3. An appropriate ratio must be maintained in the peasants' increase revenue because of rises in the prices of agricultural products.

We think that the ratio of the peasants' increased revenue because of price rises and the peasants' increased

revenue because of the increase in the amount of agricultural and sideline products sold should be maintained at 40:60, roughly the average level in the Sixth 5-Year Plan period. Exceeding this level very easily makes the peasants' expenditure for increased revenue from the rise in the price of agricultural products soar. In 1987 and 1988, this ratio was respectively 67:33 and 89:11, which obviously was detrimental to arousing the peasants to put forth efforts to increase revenue by increasing output. On the contrary, it caused the peasants's expectation of price rises to constantly soar, forcing the state every year to raise the prices of agricultural products.

Peasant Inducements To Grow Cotton Explored

90CE0137A Changsha HUNAN RIBAO in Chinese
15 Mar 90 p 2

[Article by Correspondent Wang Liya (3769 0448 0069): "Puzzlement and Hope in the 'Silver' Land. Problems in Developing Cotton Production and Ways To Solve Them"]

[Text] The good earth of Hunan Province has been called a land "dripping with gold and flowing with silver." The gold is its gleaming kernels of grain, and the silver is its dazzling white cotton. But it is hard to say just when cotton, this master crop in the province's agriculture, went into gradual decline, and cotton textile enterprises faced a serious shortage of raw materials along with it.

In mid-February, the correspondent went to the provincial Textile Industry Department where he met some comrades in charge who were agonizing over cotton problems. A look at some statistical tables revealed a whole string of disturbing figures: The province's textile industry has a total of 905,000 spindles, 160,000 of which were idle awaiting materials as of 22 February. A survey shows that most of the enterprises that are now producing are using reserve stocks of cotton. The state allocated 15,000 tons of cotton for shipment into the province, but as of the middle of February only 2,500 tons, or 20 percent, had been shipped despite very great efforts. Some textile mill managers felt very anxious about this.

In contrast to textile enterprises that think about cotton with a sense of extreme urgency, quite a few peasants have little interest in cotton, some of them even shaking their heads when the subject of growing cotton is raised. Naturally they also have their reasons for being unwilling to grow cotton. It has been estimated that it takes 50 work days, from planting until harvesting, to grow 1 mu of cotton, while it takes only 20-odd work days to grow two 1 mu crops of paddy. More work is required to grow cotton than to grow grain. Returns from growing cotton are also not as good as from growing grain. Only two crops can be grown on a mu of cotton land for an income of less than 400 yuan. After deducting costs, real income per mu is only about 300 yuan. On 1 mu of paddy fields, however, three crops can be grown for a net income of approximately 400 yuan. Between the two, the peasants

are more interested in growing grain. More importantly, the peasants unwillingness to grow cotton does not stem from economic reasons alone; they also have to be concerned about the problem of having food to eat. In 1990, the province plans to grow 1.8 million mu of cotton for a gross output of 2 million dan, 1.8 million dan of which the state will procure. It has also been decided to increase to 120 million kilograms the fixed grain purchase quota for cotton growers. The province has already made a very great effort to allocate more than 100 million kilograms of grain, but this still falls short of solving cotton growing peasants' actual needs for grain rations, so the cotton growing peasants still have misgivings.

What can be done to increase cotton output? There are ways of doing it. Hunan Province has a long history in cotton production. By relying on the vast expanses of fertile land in the Dongting Hu region, the province's cotton growing area reached more than 2 million mu during the 1970's, and during the 1980's, gross output broke the 1.8 million dan mark. Growing cotton was also a job that very many peasants were also experienced in doing. The crucial problem today is how to solve the cotton growing peasant's nagging worries.

First of all, the cotton growing peasant's worries about having food to eat have to be addressed. The province grows 2 million mu of cotton, so it is impossible for the province to take on the entire task of providing grain rations for the cotton growing peasants. If the whole task is bucked down to a lower level, the lower level cannot handle it either. There is only one way to solve the problem and that is "many hands make light work." Reportedly, a substantial portion of the fixed grain purchase quota for growing cotton is not used for cotton production. Many factory contract workers, individual households who have come into the city, as well as vegetable growing peasants and others eat part of the fixed grain purchase quota intended for cotton growing peasants. County governments must organize checks to insure that fixed purchase quotas of grain intended for cotton growing are really issued to cotton growing peasants. In addition, counties and townships can think of positive ways whereby places that grow cotton can do all possible to plant more grain in winter for harvesting in the spring, planting cotton and grain in rotation. Counties and townships having requisite conditions might also allocate a moderate amount of grain to subsidize cotton growing peasants. In short, the grain situation today is much better than during the 1970's. If only ways can be found, solving the cotton growing peasants' food problem will not be a difficult matter.

Next, it is necessary to continue to draw up and implement preferential policies to encourage cotton production. Formerly, many places gave special treatment to cotton growing peasants when assigning fall and winter water conservancy repair tasks, allowing them to concentrate their energies on cotton production, and on growing cash crops to augment their income somewhat. This had a calming effect on the cotton growing peasants. Some places that are not main cotton producing areas also

reduced somewhat the amounts cotton growing peasants turned over to the state and had withheld. Additionally, both counties and townships provided material rewards to peasant households that provided large quantities of ginned cotton to the state. These methods exhilarated the peasants, and should be continued. Naturally, if peasant zeal is to endure without flagging for a long period of time, it will be necessary to focus on increasing economic returns from growing cotton, emphasis being placed on the promotion of new techniques for increasing cash income. For example, the intercropping of mung beans and vegetables on cotton land is one such fine method, a single mu being able to increase net income by 50 or 60 yuan. A great deal can also be done on cotton varieties and growing techniques. Increasing yields per mu by five kilograms of ginned cotton is not at all difficult. In short, just by getting the state to provide preferential policies, local governments to provide more support, and with science and technology as a backstop, the good earth of Hunan can bring forth a large cotton growing army. Then, the province's cotton production can get out of its predicament and make the most of advantages. There will be new hope for the province's textile industry, and even for the entire economy.

Hunan Grain Sales Down

40060046B Changsha HUNAN RIBAO in Chinese
27 Mar 90 p 1

[Summary] According to the Hunan Grain Bureau, the province has procured 5.75 billion kilograms of commodity grain, but farmers still have 500 million kilograms of surplus grain on hand. Farmers are having difficulty selling grain because of insufficient funds and storage capacity. Financial departments have raised 300 million yuan to procure grain.

Hunan Grain Procurement

40060046C Changsha HUNAN RIBAO in Chinese
11 Apr 90 p 2

[Summary] In March Hunan Province procured 242 million kilograms of grain at negotiated prices, a 100 percent increase over February.

Jiangxi Early Rice Area

40060046E Nanchang JIANGXI RIBAO in Chinese
26 Mar 90 p 1

[Summary] Jiangxi Province has sown 23,279,000 mu to early rice, of this 7,404,000 mu was sown to hybrid early rice, an increase of 3 million mu, or 63.8 percent over 1989.

Shaanxi Farm Loans, Rural Savings

40060046F Xian SHAANXI RIBAO in Chinese
18 Mar 90 p 1

[Summary] In January and February agricultural banks and credit cooperatives in Shaanxi Province provided

700 million yuan in farm loans to support spring planting. In January and February rural saving deposits increased 470 million yuan.

Jiangxi Cotton Area

40060046D Nanchang JIANGXI RIBAO in Chinese
1 Apr 90 p 1

[Summary] In 1990 the planned cotton area in Jiangxi Province is 1.2 million mu, and gross output is expected to be 1.38 million dan. In 1989 the planned cotton area was 1.2 million mu, but only 11,500 mu was actually sown.

Urgent Need for Grain Storage Facilities in Yunnan

90CE0137B Kunming YUNNAN RIBAO in Chinese
13 Mar 90 p 2

[Article by Dai Wenhan (2071 2429 5060): "Province's Grain Storage Facilities Seriously Inadequate; Hope Government Will Devote Serious Attention to Granary Construction"]

[Text] Comrade Editor:

"Grain storage facilities are seriously inadequate; granaries are filled to bursting; there is no place to pile grain; and there is a grain storage crisis!" This is the cry of grain bureau directors everywhere in the province.

In 1989, Yunnan Province harvested a bumper grain crop, gross output reaching more than 9.75 billion kilograms in the second largest bumper harvest year since liberation. Now 2.75 billion kilograms of parity price and negotiated price grain is in storage throughout the province, much more than the actual storage capacity of the province's existing granaries. Furthermore, different kinds and qualities of grain must be stored separately. They cannot be lumped together, and this makes an already extremely pressing shortage even more pressing.

This problem is particularly glaring a transportation lines and in major grain growing areas. Grain storage capacity under direct supervision of the Honghe Hani-Yi Autonomous Prefecture is only 10 million kilograms, but 18 million kilograms of grain is already stored there. Grain departments in Dehong Dai-Jingpo Autonomous Prefecture have only close to 100 million kilograms of granary capacity. With the continuous increase in grain output during 1989, more than 110 million kilograms of grain has been purchased and stored there. Because of the lack of grain storage facilities, the prefecture has no choice but to stack bags of grain in the open air. This prefecture is also semitropical with high temperatures and humidity. Unless the grain is promptly shipped and stored properly, huge losses will ensue.

The province's granaries are old, out of date, and urgently in need of upgrading. This is also a problem that cannot be overlooked. The ledgers show a more than 4 billion kilogram granary capacity in the province, but most of it was built during the 1950's and 1960's. It is all

structures of mud and wood originally intended for civilian occupancy, some of it converted civilian houses, and some of it pre-liberation temple buildings. Most of these granaries are "on extended active service." Condemned granaries and granaries awaiting approval for condemnation account for 53 percent of the province's total storage capacity. Because they are old and out of repair, the walls of most lean and their beams slant; there are cracks in the floors, and once grain is stored in them, they become extremely unsafe. Most noteworthy is the building of granaries in earthquake disaster areas. Following two large earthquakes in November 1988, 400

million kilograms of grain storage capacity in Lincang and Simao was destroyed or seriously damaged. As of now, plans call only for the rebuilding of 4,200 kilograms of granary capacity. Because local grain departments have no place to store grain, they have to store needed grain reserves in other prefectures and counties 200 or 300 kilometers distant. Not only does this take up the grain storage space of others, but it also makes it inconvenient for these places to supply grain to the local public. Personnel concerned have issued appeals about this in the hope that government at all levels will devote serious attention to granary construction.

Reaction to Criticisms of Mao's Literary Thought

90ON0359A Hong Kong CHENG MING
[CONTENDING] in Chinese No 147, Jan 90 pp 88-90

[By Huai Bing (2037 0393)]

[Text] Recently, two literary theoretical publications have gotten into trouble for having published articles criticizing Mao Zedong's conduct and his thinking on literature and art. First, issue No. 3 of the Anhui Literary Union's BAIJIA [HUNDRED SCHOOLS], which published Li Jie's [2621 0512] "The Phenomenon of Mao Zedong," was confiscated and destroyed and its sales discontinued. It is said that the author has been arrested. Second, Xia Zhongyi's [1115 0022 5030] "History Cannot Be Evaded," which was carried in issue No. 4 of WENXUE PINGLUN [LITERARY REVIEW] (published 15 July [1989]) has been under attack. Because of this, examination and rectification of the magazine has begun (issue No. 6 carried eight articles on examining and rectifying the magazine.) This, of course, is a pretext for the diehards to take advantage of the current situation and to retaliate against the publication and take it over for its having for many years opposed literary and artistic shackles and advocated literary and artistic freedom.

Tyrants Who Slaughter Intellectuals

In his treatment of intellectuals, Mao Zedong was the cruelest tyrant who ever lived, either in China or abroad. Qin Shi Huangdi's burning of the books and burial of the scholars was cruel enough, but he was an amateur compared to Mao. He buried only some 460 Confucian scholars. But look at how many hundreds of thousands of intellectuals died at the hands of Mao! Chinese Communists have touched only lightly on the reasons for Mao's cruelty to intellectuals, saying that it resulted from the ultraleftist thinking of "taking class struggle as the key link." They say his motives seemed good and that what was done did not relate to his conduct. The "unjust case against Hu Feng" was clearly the result of Hu Feng's literary and artistic views being completely out of step with Mao's. Just before he died, Hu Feng said that he was blamed, "because he (Mao) suspected that I didn't respect him." However, the Chinese Communists avoid this point, saying that Mao established Hu Feng as a counterrevolutionary "mainly because of errors that were created in the class struggle concerning socialism." (Kang Zhuo [1660 3451]: "WENYI BAO [LITERARY AND ART JOURNAL] and the Unjust Case Against Hu Feng" [continuation], published 11 January 1989 by WENYI BAO) The basis for this argument is the Central Committee "Resolution on Certain Historical Questions of the Party Since the Founding of the People's Republic," which states, "During this period, Comrade Mao Zedong's errors regarding the theory and practice of the class struggle under socialism became more and more serious. His individual, arbitrary style gradually undermined democratic centralism, and worship of the individual gradually developed. The party Central Committee was unable to correct these errors in a timely

manner." Thus, the formula that Mao imperially sanctioned when he manufactured this unjust case became the one that was "universally applicable."

Perceptive people are not satisfied with this explanation. A number of people who have bravely undertaken to delve deeply into the issue, using Mao Zedong's family background, his experiences, and his psyche as points of departure, have come up with fresh conclusions. The young scholar Li Jie is one of these people.

Turning away from the conclusions set forth by the Chinese Communists on Mao, Li with some feeling asked, "How many people truly comprehend Mao Zedong? And those few who do come to the same conclusions." Li does not see the main obstacle as a lack of intelligence on the part of the Chinese, but rather the thick fog that Mao himself intentionally and unintentionally created with the language he used. Mao's writings, his speeches, and even his ideological behavior created an indefinable magnetism that attracted countless Chinese. Anyone caught in this magnetic field was incapable of genuinely discerning the secret of its attraction. Once they entered this field, anyone, whether a scholar of great learning or shallow learning or a person of great merit or of little merit, would develop blind spots and would appear to have entered a mysterious darkness. Because of this, the current doctrinaire methods are incapable of escaping Mao's magnetism. A spirit of scientific rationality has to be established, using the viewpoints of modern psychology and comparative cultural studies, to understand Mao's innate character.

The "Hated Father Syndrome" of Childhood

Li Jie traced Mao's conflicts in his youth (at the age of 13 years) with his father, using material from Edgar Snow's *Red Star Over China*. He found the father had a mean disposition, was stingy, and often viciously beat the brothers. Clashes were common and on a number occasions they even occurred in front of guests. Once, after a fight, Mao threaten to jump into the well. Only after going down on his knees and kowtowing before him did the father finally agree to stop his cruel beatings. Li Jie thinks that the psychologically repressed "hated father syndrome" that Mao suffered from in his younger years resulted in a counterreaction, a hundred times more cruel than the terrible beatings he had endured, which Mao launched a half century later against several hundreds of thousands of Chinese intellectuals. Thus, with the son's personality physiologically molded by the flesh and blood of a tyrannical father and the son's mind deeply imbued with the psychological effects of that tyranny, we had a series of political campaigns of the fifties and even the Great Cultural Revolution of the sixties in which the son was simply acting out the role of the father.

A related factor in Mao's annihilation of the intellectuals later on was his "having suffered petty annoyances at the hands of foreign professors" during the period when he was an assistant at the Beijing library around the time of

the May 4th Movement. In *Red Star Over China*, Mao told Edgar Snow, "My position was lowly. No one paid any attention to me. Part of my job was to register the names of those who came to the library to read periodicals. To most of them, however, I didn't exist. I recognized the names of some who came as being prominent in the New Cultural Movement, people such as Fu Sinian and Luo Jialun. I was extremely interested in them and wanted to chat about politics and cultural questions. But they were all too busy and didn't have time to listen to a library assistant speaking in a southern dialect." Mao was extremely sensitive and could not tolerate being coldshouldered in this way. The more he was snubbed the more his self-respect suffered. Afterward, when Mao condemned Hu Feng over and over again in the comments he wrote on the case and when during the antirightist campaign he issued order after order to struggle against the rightists, very few of the victims clearly understood that they were in a certain sense suffering for the faults of others. Being snubbed by intellectual authorities created in him a lifelong dislike for high-ranking intellectuals and their institutions. Because of the ties that the objects of his hatred had to Western culture, he hated that as well. It even extended to clothing. (It seems that, throughout his life, Mao never wore a Western suit.) Thus, for several decades after 1949, the fate of Chinese intellectuals was in this way decided.

Obviously, his paternal upbringing and the disappointments and suffering he experienced during his youth in Beijing caused Mao to cruelly persecute intellectuals. These points, which are in total disagreement with the official Chinese Communist explanation, destroy the image of a person who, although having made mistakes, was still a "great proletarian revolutionary," an image established by those now in power who are ignoring objective facts and merely acting in their own self-interest. Naturally, these points cannot be tolerated and must be completely suppressed as soon as possible.

The Shackled Creativity of Literary and Artistic Thought

Mao Zedong's literary and artistic ideas have shackled artistic and literary creativity. Until they are removed, there is essentially no hope for literature. The evidence for this is that, from the time the Chinese Communist regime took over until the gang of four was toppled, literature and art were a complete blank. After 1978, the shackles were smashed one by one, and the literary world became a flourishing scene. This is a fact that anyone can see for themselves. Even though Chinese Communist officials still cherished Mao's literary and artistic ideas and proclaimed the slogan "first, carry on, and, second, develop," literary artists, in the process of development, step by step began to abandon these ideas in their creative practices. One by one they began to criticize concepts such as "literature and art serve politics" and "literature and art can only praise heroes," until the whole body of thought was repudiated. Xia Zhongyi's "History Cannot Be Evaded" in the 1989 issue No. 4 of

WENXUE PINGLUN is a concentrated expression of this across-the-board repudiation.

When tracing 40 years of macroscopic trends of literary and artistic theory since the founding of the Chinese Communist regime, Xia understood that he had to take the time to dissect the core, the development, and the final stages of Mao's literary and artistic thinking in order to get to the crux of his ideas. Literary theoretical and historical research for the entire period was either almost nonexistent or a muddle-headed mess. The core of Mao's literary and artistic thought can be summed up in his statement insisting that literature and art be subordinate to politics. Consequently, its political usefulness was stressed and its essential examination of beauty and aesthetic function was forgotten. The orientation of literature and art was designated "the worker, peasant, soldier orientation." Most of those from academic circles who evaluated Mao's discovery of this orientation did so from an ethical and moral point of view and were, therefore, deeply grateful for his cultivation of the people. In fact, however, the basic thrust of "the worker, peasant, soldier orientation" was not ethical but political. Mao fully understood that the essence of the Chinese revolution consisted of a peasant war under the leadership of the communists. Whether the peasantry could be controlled was thus absolutely crucial to the revolution's success or failure. What was needed to control them? First, from a material standpoint, the land had to be divided; and second, from a psychological standpoint, there had to be a grievance campaign to stir up the political situation. In this regard, Mao saw that literature and art would be invaluable components of his political machine. By using them he could more effectively inspire the peasants in and out of uniform to attack and eliminate the enemy. Briefly put, writers and artists, in accordance with the "Talks at the Yanan Forum on Literature and Art," had to live among the peasants, workers, and soldiers. They had to transform their positions, their viewpoints, and their attitudes. They had to stress the dissemination of literature and art and the improvement of its popular base. They also had to promote themes that were Chinese in style. Unless this was done, they would not be complying with the core concept of the political function of literature and art. Thus, the statement that "all our literature and art are for the people, and first of all for the workers, peasants, and soldiers" would be more accurately stated with just the phrase "first of all for the workers, peasants, and soldiers." For many years now, the mutually supportive, deeply significant, and tightly constructed formulas of "literature and art serve politics" and "literature and art serve the workers, peasants, and soldiers" were promoted. The former stipulated the essence of the latter, while the latter clarified the orientation of the former. Actually, however, it is by means of "literature and art serving the workers, peasants, and soldiers" that the goal of "literature and art serving politics" is realized.

The Model Operas Fully Embody Mao's Thinking on Literature and Art

Describing Mao's thinking on literature and art as having only a political function and no aesthetic function and as having caused Chinese literature and art to lose its way prior to the Cultural Revolution has created deep dissatisfaction in the present regime, a regime that persists in the four cardinal principles (especially when these same people consider the views of Deng Xiaoping on literature and art a development of Mao's views on the subject). Xia Zhongyi has also equated Mao's views on literature and art with those of the gang of four. Mincing no words, he has declared that the "principles of the model operas" are "a development of Mao Zedong's thinking on literature and art." This has caused people in the present regime to fly into a rage. Xia thinks that, in discussing the logical structure of Mao's thinking on literature and art, you have to include the new democracy stage and the socialist stage. However, the theoretical pattern of his thinking and the resultant artistic models were, prior to the Cultural Revolution, stuck at the Yanan level, that is, the new democracy stage. Basically, they were models based on the theory of the "Yanan Talks" and on the wartime artistic and political trends typified by *The Marriage of Xiaoerhei* and the *White-Haired Girl*. It can be seen that, during more than 10 years following the founding of the people's republic, there was no essential progress. Mao, who did not have the time himself to do the actual writing of a work so large as the "Yanan Talks," and Zhou Yang, still very uncertain how to develop the Yanan principles under the new conditions, were unable to begin. The task was, as a result, left to Jiang Qing. It is the current fashion to attribute Mao's enthusiasm for the model operas to Jiang Qing's influence. They claim that Mao was greatly attracted to the model operas mainly because they satisfied his desires. Thus, the model operas used original, creative principles and artistic patterns, which creatively and without revision adhered to and developed his ideas on literature and art and raised them to the stage of socialism. We can see from this that Mao not only enjoyed the model operas, he also took part in modifying them. For example, the leading role in the Shanghai opera *Embers in the Reeds*, from which *Shajia-bang* was taken, was the underground party member, sister A Qing. However, later, because they wanted her to stand aside (she had done work in a white area supported by Liu Shaoqi), they let Guo Jianguang of the New 4th Army come to the forefront, thereby realizing Mao's political and military views of achieving political power through armed struggle.

The emperor died long ago, and his idols all collapsed with him. In the people's minds they are all smashed. The question is how to restore them. What good is there in prohibiting, destroying, and suppressing these critical articles? Such actions only deepen people's hatred and contempt and cause them trample on what is left of the smashed idols. Using literary hacks to praise "Deng

Xiaoping's Discussion of Literature and Art" as a development of Mao's ideas will only make laughingstocks of those who do it. Theories maintained by armed force are sooner or later doomed.

Wang Meng Comments on Absurdity of Certain Logic

90CM0043A Beijing DUSHU [READING] in Chinese
No 2, 10 Feb 90 pp 11-13

[Article by Wang Meng [3769 4235], former minister of culture: "A Discussion on Logic"]

[Text] Many years ago I handled a "case" while I was "assistant dadui commander" in a village commune in Xinjiang. A member of the commune, whom we will call "A" and who had come to Xinjiang from Qinghai, came forward in a huff to lodge a legal complaint. It seems that he had more than 10 fine hens and all of them had been poisoned to death. He maintained that "B," a manager of the production brigade, had dumped pesticides used for the wheat crop in front of "A"'s house, and that "B" should both compensate him for his loss and be punished. Backing up a bit, several days earlier "A" and "B" had quarreled over the ownership of an egg. And, of course, we should point out that the two were neighbors.

"A" was hurt and angry and demanded that the brigade take action on his behalf. I conducted a sweeping investigation, which included an interview with "B" where I exhorted him to place the truth above personal gain or loss and encouraged him to confess. "B," however, steadfastly denied that he had anything to do with the poisoning of the hens. I was in a difficult position. And "A" was without mercy in his demand that we immediately punish "B." I explained that there was not enough evidence to punish "B," but "A" basically did not listen to me. He got extremely excited and it seemed as though he thought that I was deliberately covering up for "B."

At that time I wondered when we would ever be able to spread the teaching about the three steps of formal logic. All persons who quarrel are persons who have poisoned each other = major premise; "A" and "B" are persons who have quarreled = minor premise; thus, "B" poisoned "A"'s hens = conclusion. Using such a formula, things become very clear. If the major premise cannot be established, then the conclusion cannot stand. I pitied "A" for his loss, I understood his pain, his suspicion was not unreasonable, but his demand that "B" immediately be punished was unreasonable. Neither policy nor logic can be replaced by emotion.

Again, we often encounter discussions that fall a bit short in logic. For example: "ABC can do such and such, so why can we not do such and such?" "We have solved all of our XYZ problems, so why can we not solve this problem?" And so forth. Of course, it is always good to keep morale high, encourage people, and not dampen people's spirits. But, as scientific proof, such logic falls short. Here, the major premise can be attacked. To say that "we certainly can do anything ABC does" is correct

in a rough sense, but if we look more closely we may find that the backgrounds between us and ABC are different, the foundations are different, and conditions are different. In short, things cannot always be compared side by side. To speak more concretely, one would say that "we are temporarily incapable of doing what others have done," or, "there are others who cannot do what we do well." It is difficult to equate these things. To say that "XYZ problem has been resolved, so certainly the other problems can be resolved" is premature. First one must see if one has selected the correct plan to deal with the other problems or if one has fully mobilized all of the active elements. As the saying goes, the boat may make it up the mighty river only to be overturned in a small sewer channel. If we lower our guard, or if we are too arrogant or drunk, then we too may find ourselves tripped up by the little obstacles.

That was an example of replacing logic with morality. There is also a certain kind of extreme judgment that can be called "going beyond the intermediate stage." The classical example of this is how Comrade Liu Shaoqi was criticized for "betraying" the dictatorship of the proletariat with his book, *Self-Cultivation*. The reason for the criticism was that, whereas *Self-Cultivation* quoted Lenin, it failed to simultaneously cite or discuss anything about the dictatorship of the proletariat. According to this kind of logic, if one fails to raise, cite, or discuss certain things, then one has "betrayed" someone. This is absurd.

There is another kind of argument that proceeds by progressive increments or decrements. With this method, the rhetorical technique of appearing to be cultured allows one to freely pass on an argument that otherwise does not stand the test of logic. For example: "Those who would create world peace must first rule their own country, those who would rule their own country must first get their own household in order, those who would get their own household in order must first cultivate their own moral character, those who would cultivate their own moral character must first have a righteous mind, and those who would have a righteous mind must first be sincere." To put it conversely: "if one is sincere one can be righteous, if one is righteous one can have moral character, with moral character one can put one's household in order, if one's household is in order one can rule the nation, and if one can rule the nation one can create world peace." All of this reads like an irresistibly good poem. Yes, there is a place for discussing the importance of ethics and morality and the need for each person to focus on taking the first step with his own life. However, the logical rules employed in this example are all suspect. How can one conclude that political matters of ruling the nation and creating world peace are related to cultivation of individual character and sincerity? This kind of simple, running logic is irresistible, but it can also be false.

In Chapter 74 of *Dream of the Red Chamber*, entitled "In Which the Great Wonders Garden Is Searched for Evidence of Guilt," Madame Wang first decides that "the

embroidered purse with the obscene picture on it" belongs to Phoenix. She makes the accusation with "tears in her eyes and a quivering voice." Madame Wang then says "who else in the family but you and your husband would have any use for such a thing? Naturally, it must have been that worthless Lian'er who got hold of it and gave it to you. And yet, you still deny it is yours!" Here, Phoenix is frightened, and she gets on her knees to appeal to Madame Wang. Phoenix provides five different reasons why the purse is not hers, and then she argues that the accusation is false. Later, Wang Shanbao's wife enters the scene and proposes a search, and offers a bit of her own logic: "We can assume that whoever had this has other incriminating things as well. And if we find other incriminating things, then of course that person owns this purse as well." This goes to illustrate the absurdity of confusing things that are estimated to be probable with conclusions judged to be certain. Madame Wang says that "naturally" the purse belong to Phoenix and Lian'er. Wang Shanbao's wife says that they need only find other incriminating items and "naturally" the purse will belong to the same person. What a natural conclusion, how natural for higher-ups to be in the habit of viewing a suspicion as warranting a conclusion, and actually, what a string of non sequiturs! The fact is, the logic used here is faulty. Lian'er may indeed be a worthless scoundrel, Lian'er and Phoenix may indeed be too preoccupied with eroticisms, and all of the other things involving the young maid and the old matriarch may be true, but the most one can conclude is that Lian'er and Phoenix are suspects. There is no way we can form a conclusion about them. How much can Madame Wang know about the young maid and the old matriarch? She does not even know anything about her trusty co-inquisitors! The natural, subjective logic of Wang Shanbao's wife (if one exists then there must be two, and if two then one) is even more damaging. In the end it backfires, as it did in this case, harming her granddaughter, Siqu. Putting the ideological and cultural elements aside, this portion of the *Dream of the Red Chamber* reflects the fact that we should remember that customary "natural" logic is illogical, and that it is not "natural" to form conclusions based on suspicion.

We can find in our classical novels many such instances of similar logical problems. Our famous judges and magistrates are often found employing faulty logic. For example: An honest official disguises himself as a bad guy, goes to a shop near the government offices, gets drunk with the suspect official, and then conducts a secret interrogation late at night. This ploy is actually quite questionable. The crook may see through the disguise and stick to his story, or the crook may be so drunk and scared that he starts popping off with wild, false confessions. And it goes without saying that a "judge" should not be engaging in this sort of psychological blackmail. Here, the key problem is that the major premise will not hold up under scrutiny. Can we assume that once an official has gone bad, he will then come clean? Some would say that this is a legal problem, not a logical problem. Well fine, but is it not logical to

show a few examples of muddle-headed thinking employed by book characters in this DUSHU journal?

Chairman Mao said on many occasions that he hoped that the people would "study a little logic." Would it not be gratifying to live among people who are increasingly more logical?

Article on Implementing Intellectual Policy

90CM0032A Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 4 Mar 90 p 1

[Article by Yin Yungong (1438 7301 0361) entitled: "An Old Adage Appears Again"]

[Text] The esteemed and beloved Premier Zhou Enlai, who was a high-level cadre famous in the party for being adept at intellectual work, had a famous saying: "leading cadres must engage in friendship with intellectuals."

It may well be said that Premier Zhou did the most careful and meticulous intellectual work. He was adept at understanding the intentions of intellectuals, was cordially received by them, and he could speak frankly and sincerely and have a heart-to-heart talks with intellectuals. He often went to the homes of intellectuals and to units where there was a high concentration of intellectuals, engaging in small talk, about ups and downs, the joys and difficulties experienced at work, while experiencing, taking notes and understanding their joys, interests, hopes and ideas. For those intellectuals with morale problems and complaints, Premier Zhou always worked patiently and carefully to bring them around. For those intellectuals experiencing difficulties and troublesome situations, Premier Zhou also frequently extended a timely helping hand. He had, on many occasions, invited intellectuals for a sojourn at his Zhongnanhai home, sharing the pleasure of a sunlit and enchanting scene of spring at the Xihua Hall. Without putting on the airs of a "premier for the whole country," he was modest in dealing with people, courteous and respectful towards ordinary people, open-minded and magnanimous, so much so that when taking a group picture with intellectuals, he often did not stand in the middle of the group, but instead slipped over to the sides and corners... Premier Zhou persevered over many years in carrying out this type of work, enabling him to become intimately familiar with the state of mind of intellectuals and the ups and downs of their morale, and be perceptive of the minutest detail. As a result, he was naturally able to gain the great respect and the greatest possible love and esteem of intellectuals. To this day, a great number of senior specialists and senior professors recall that this close friend of innumerable intellectuals could not bear the sight of tears trickling down their cheeks! Of course, we still have old general Chen [7115] and marshal Nie [5119] who is alive and well....

Nevertheless, in recent years, very few have mentioned the topic of engaging in friendship with intellectuals, and it seems that it has become an outdated and unnecessary idea. In fact this is not the case. Some senior comrades, when discussing the political disturbance of last spring, thoughtfully pointed out that in addition to the factor of the serious

and unchecked spreading of bourgeois liberal thinking, there was another critical factor, namely, the fact that in the last few years relations between the party and intellectuals have been weakened. For some time now, due to mistakes in our work, discontent and disillusionment have accumulated in intellectual circles.

Under these conditions, cadres at all levels should become like Premier Zhou, going into the midst of intellectuals, conscientiously listening to their views, promptly solving their problems, and even if for a short time a problem is not resolved, this is alright as long as the reasons are clearly stated. They should believe that intellectuals are capable of having cardinal principles in mind and taking the overall situation into account. If one is not friendly with intellectuals, how will one be able to listen to them when they speak with heartfelt words and about their innermost thoughts? How will one understand what they think and what they do? How will one be able to take the pulse of the situation existing in intellectual circles? If you do not make as great an effort as possible to help intellectuals extricate themselves from their predicament, and do not make great efforts to win their sympathy, understanding and support, will this not engender enmity and misunderstanding towards you on their part? If there are no unobstructed channels for the interchange of emotion and the interchange of information, it is easy for an overbearing manner to emerge. It is thus evident that when speaking of leading cadres, engaging in friendship with intellectuals is not simply a method of conducting affairs involving making friends and entertaining guests, but is a critical issue and a major political question which is related with the stability of the country's overall situation. At the same time, successfully handling intellectual work, since it concretely reflects the carrying forward of the fine tradition of the party, is also an important aspect in the implementation of the party's policy of maintaining close ties to the masses. Only in this way can the party's embodying power, appeal and centripetal force among intellectuals be strengthened.

Indeed, though the adage "leading cadres must engage in friendship with intellectuals" is an old one, it is an old adage which cannot but be mentioned anew, and there is still hope that leading cadres at all levels will conscientiously, and steadily and surely set about this work. It is work involving a long-term period and some persistence, and we must at all costs avoid merely skimming the surface and failing to go deeper or making it a decorative facade. In this way, our undertaking will certainly be filled with hope and ample prospects for success.

Jiangxi Reaffirms Socialist Role of Literature, Art

90CM0081A Nanchang JIANGXI RIBAO in Chinese 15 Mar 90 pp 1, 3

[Article by Zhu Dian (2612 7820) and Yu An (0151 1344): "Propagate China's Splendid Civilization; Make Socialist Art and Literature Prosper"]

[Text] Adherence to a socialist orientation in literature and art, propagation of China's splendid civilization,

making socialist literature and art prosper, and striving to build a distinctively Chinese socialist culture was the consensus of the provincial exchange meeting on the status of literature and art work jointly convened by the provincial CPC Committee Propaganda Department and the provincial Department of Culture, the provincial Radio Broadcasting and Television Department, the provincial Publications Bureau, and the provincial Literary Association.

Attendees at this meeting were party members in charge of propaganda, culture, radio broadcasting and television, publishing, and literature and arts groups throughout the province, and some party member authors, artists, and literature and arts critics, totaling 160 people in all. Acting on behalf of the provincial CPC Committee, Wang Taihua [3769 1132 5478], provincial CPC Committee Standing Committee member and director of propaganda, addressed the meeting on 12 March.

Wang Taihua called upon literature and arts workers throughout the province to use Mao Zedong's *Talks at the Yanan Forum on Literature and Art*, and Deng Xiaoping on *Literature and Art* as ideological guides in carrying out the spirit of the speeches given by Comrades Jiang Zemin and Li Ruihuan [2621 3843 3883] at the National Seminar to Exchange Information About Literature and Art Work, to uphold the four basic principles, to uphold opposition to bourgeois liberalization, to uphold a socialist orientation in literature and art, and to propagate China's splendid civilization. They should plumb socialist construction and real life, and reflect the magnificent age in the creation of literature and art that has both a socialist content and a national form, as well as a distinctive local Jiangxi character that the masses love to see and hear, and strive to contribute to the prospering of socialist literature and art, and to build a distinctively Chinese socialist culture.

Wang Taihua said that, according to the Marxist view, the age in which we live in is still an age of the revolution of the proletariat and socialism against imperialism. In worldwide terms, the contradictions between the proletariat and the bourgeoisie, and between socialism and capitalism are the most fundamental contradictions. On the one hand, imperialism is vainly trying to wipe out the communist movement and the socialist system. Its fundamental standpoint and fundamental strategy of regarding socialist countries with hostility and practicing subversion and "peaceful evolution" have not changed. The essential characteristics of imperialism that Marx revealed and that Lenin expounded on have not changed, nor can they change. On the other hand, the communist movement is filled with vitality by nature and proclivity, and it flourishes more every day. The objective laws of socialism's ultimate triumph over and replacement of capitalism that Marx revealed has not changed, nor can it change. Despite the current international changes, the onward surge of the communist movement positively will not be obstructed, much less will the objective laws of development of human society

be changed. Take China, for example. The line, plans, and policies that our party has formulated since the Third Plenary Session of the 11th CPC Central Committee have been correct, and the achievements made in socialist modernization, reform, and opening to the outside world are acknowledged throughout the world. Despite the existence of temporary difficulties, so long as we unite more closely, rally our spirit, be of one heart and one mind, practice self-reliance, and struggle arduously, we will be able to move ahead in the magnificent undertaking of building a distinctively Chinese socialism. Literature and art are the product of an age, and they are also a nerve [shenjing 4377 4737] and a barometer of the age. The age calls out to writers and artists, and it also bestows a historical mission and the responsibilities of the age on writers and artists. Our writers and artists should shoulder this mission and this responsibility, using all their talent and wisdom, as well as their originality to render a fine performance in all literary and artistic work. They should employ a healthy and rich cultural life, and produce more and better literary and artistic works to make the people's spiritual life joyful and satisfying, to stabilize society, and to encourage the people to rally their spirit to build and create their own new life.

In speaking about upholding a correct political orientation, and intensifying opposition to bourgeois liberalization and consciousness, Wang Taihua said that "literature and art that serve the people and that serve socialism" are the application and development of the Marxist view of literature and art under socialist conditions. It both clearly expresses the socialist nature of our literature and art, points the political orientation of literature and art, and also simply and profoundly reveals the relationship of literature and art to politics, and of literature and art to the people.

We do not require that literature and art be subordinate to temporary, specific, and direct political tasks, but that certainly does not mean that literature and art can be completely divorced from or transcend politics; much less does it mean that literature and art can depart from the political orientation of serving socialism. The view that separates literature and art from politics is completely wrong. Likewise, the view that estranges literature and art from the people is also completely wrong. In literature and art, "the question of 'why is man' is a basic question; it is a question of principle." Socialist literature and art are essentially an undertaking of the people. Literature and art belong to the people. The people need literature and art, and literature and art need the people even more. The people are the mother of literature and art. The lives of all progressive writers and artists are linked to the flesh and blood of the people. Writers and artists can only consciously take nourishment from the lives of the people, using the rallying spirit of the people in creating history to make themselves accomplished. Only in this way can they produce fine works.

Wang Taihua said that for the past several years bourgeois liberalization has run rampant in the world of

literature and the arts, and has done much harm. Literature and arts circles in the province are fine overall, and the showing of a majority was also good during the disturbances of 1989. Nevertheless, the influence in our province of the bourgeois liberalization trend of thought cannot be underestimated, and the harm it does cannot be regarded lightly. It is necessary to realize fully the danger of bourgeois liberalization and the long-term nature of the struggle against it. Opposition to bourgeois liberalization is the touchstone for testing whether we are upholding the four basic principles, upholding reform and opening to the outside world, and upholding the "two fors" [for the masses and for the basic level] orientation. Criticism of the bourgeois liberalization point of view is an important political task, and it is also a solemn scientific research job requiring complete attention to policies. In order to make socialist literature and art prosper, simultaneous with opposition to bourgeois liberalization we must continue to carry out the "double hundred" policy [let a hundred flowers blossom and a hundred schools of thought contend]. The "two fors" separated from the "double hundred" will not work; and the "double hundred" separated from the "two fors" will cause a loss of direction. The two are organically united and cannot be separated. Real life in our society is complicated and complex, rich, and varied. Literature and art to match it must have many components, many levels, and be diverse. This is the only way that multiple needs in the spiritual life of the masses of people can be satisfied.

In speaking about propagating the splendid civilization of the Chinese people and rousing national spirit, Wang Taihua said that Jiangxi should apply its talents to the full in propagating the splendid Chinese civilization. Jiangxi has both a long, ancient civilization and a glorious contemporary and modern civilization. First was the gathering of talent throughout history. Whether holding high regard for political reform, remaining steadfast in national integrity, or developing science and technology, creating poetry and songs or drama, China reached the acme at the time. China's pottery culture and bronze culture were renowned not only in China but abroad as well. Second was the splendor of China's revolutionary civilization. The great workers' strike at the Anyuanlu Mine, the 1 August Nanchang Uprising, the Hunan-Jiangxi border autumn harvest insurrection, the founding of the Jinggangshan revolutionary base, the establishment of the revolutionary base in northeastern Jiangxi, the setting up of the central workers' and peasants' democratic government at Ruijin, the land revolution in the old revolutionary base areas, victory in four escapes from encirclement, and the unfolding of guerrilla warfare in southern Jiangxi were a series of revolutionary events that that were profoundly inspiring and that move one to songs and tears. They all occurred in Jiangxi. Third, national folk culture and art is extremely rich. Jiangxi opera and tea-picking drama [caicha xi 6845 5420 2070], which is general throughout the province, possess a strong local Jiangxi character. We should carry forward the revolutionary spirit of Jinggangshan

and make full use of favorable conditions to develop the splendid civilization of the Chinese people. Creativity should accentuate mostly revolutionary historical themes and realistic themes in an effort to extol the spirit of our age and play a melody of the times. In the performing arts, Jiangxi opera should be made to flourish, and vigorous support should be given to fostering the splendid tea-picking drama, songs, and dances with a local character that are being diligently written and performed. In providing services, the province's main front should be the rural villages where major efforts should be made to serve the peasants. The workers and the peasants are the mainstays of society, so we should first consider how to help them. Propagation of the splendid Chinese civilization, and rallying national spirit is a requirement of the time. The province's workers in literature and the arts should and can make major achievements in this regard.

In talking about efforts to strengthen and improve party leadership over literary and artistic work and to make the most of the enthusiasm of socialist literature and arts workers, Wang Taihua said that leading party units at all levels should regard propagation of the splendid Chinese civilization as a major part of building socialist spiritual civilization, place it on their agendas, designate responsible people, conduct regular study and discussion, and supervise, urge along, and inspect work promptly. It is necessary to establish an outlook that guidance is service, and to use a high sense of responsibility in the bending of efforts to creating all the conditions needed for a flourishing literature and art, and to do all possible to help functional units solve problems. As regards the province's current problems with an aging of the ranks, a shortage of expense funds, aging facilities, and insufficient space, we will have to act to the extent that our ability allows, and do our best. We will have to do thorough and painstaking ideological and political work among literature and arts workers to make sure that socialist literature and art develop healthily along a correct orientation. First is concern about their politics, organizing the study of Marxism and Mao Zedong Thought in order to establish a correct world view, outlook on life, value concepts, and view of art. It is necessary to become bosom friends of literature and arts workers, thoroughly understand their thinking, appreciate their joys and woes, and accept their reasonable demands and suggestions. Second is to help solve real problems in their work and daily life. The accomplishments of their mental labor should be respected. Fourth [as published] is commendations and rewards for outstanding works having a Chinese flavor and style that help socialist modernization, that can stimulate people to blaze trails and pioneer, and that make the country strong. More should be done to build the party, to do a good job in providing for leadership teams at all levels so that leadership authority for literature and the arts truly lies in the hands of those who are loyal to Marxism. The party organization in literature and arts units at all levels should play a role as a fighting force. Party member literature and arts workers should play a model role as

vanguards to strengthen the party's cohesiveness and combat strength, to arouse all positive elements, and to unite all forces that can be united to struggle for the building of a distinctively Chinese socialist literature and art.

In making a summary, Zhou Luanshu [0719 7019 2579], deputy director of the provincial CPC Committee Propaganda Department, reviewed and reflected on manifestations within the province of the effects of the bourgeois liberalization trend of thought. He called for

education and struggle against bourgeois liberalization. He also expressed some preliminary ideas about the propagation of China's splendid civilization, and the building of socialism imbued with the splendid traditions of the Chinese people and Jiangxi Province's local character. Comrades in charge from the provincial Department of Culture, the provincial Department of Radio Broadcasting and Television, the provincial Publications Bureau, and the provincial Literary Association made speeches at the meeting.

Transport of Military Conscripts in Progress

90P30019A Changsha HUNAN RIBAO 16 Mar 90 p 1

[Article by Long Xinqiang (7893 2450 1730) and Xuan San (1357 0005): "Transport of Our Province's New Soldiers Continues"]

[Text] The work of transporting our province's new soldiers has been going on since 10 March. On the afternoon of the 12th, Zhuo Kangning [0587 1660 1337], vice governor of the province and deputy chief of the provincial Conscription Leadership Group; and Xiao Qiuru [5135 3061 1172], deputy commander of the provincial Military District and deputy chief of the provincial Conscription Leadership Group, and other leading comrades went to the Changsha Train Station in order to see off more than 1,000 new soldiers.

Since this year's conscription work in our province began on 10 February, all levels of leading and military organs have paid great attention [to this task]. More than 3,000 medical personnel and nearly 10,000 political investigators have been transferred, and they diligently accomplished examinations of the recruited youths' health and political investigations, in order to ensure the quality of the new soldiers. Since entering the transport stage for new soldiers, all levels of public security and transport departments have combined their strength to transfer vehicles and actively accomplish each aspect of the transportation work. Up to the present, our province has already dispatched more than 6,000 new soldiers, and, in accordance with the plan, the transportation of all new soldiers will be complete by the end of March.

EAST REGION

Shanghai Cleaning Up 'Six Vices'

90ON0419A Shanghai SHEHUI [SOCIETY] in Chinese
No 1, 20 Jan 90 p 12

[Article by Reporter Kong Zijun (1313 5261 0193) and Special Correspondent Bai Donghai (2672 2639 3189): "Shanghai Launches a Comprehensive Unified Operation to Wipe Out the 'Six Vices'"]

[Text] In recent years such socially repulsive phenomena and criminal activities as prostitution; the manufacture, sale, and distribution of obscene materials; the abduction and sale of women and children; private use and trafficking in narcotics; congregating for gambling; and the use of feudalistic superstitions to swindle and endanger people (called the "six vices" for short) have increased somewhat in Shanghai. These activities not only pollute society, corrupt values, and incite crime, but they also seriously sabotage the development of socialist spiritual civilization, endanger the healthy growth of the younger generation, and influence China's international prestige. For this reason, the Ministry of Public Security issued a special notice on 30 September 1989, demanding that the entire country unite in launching a special struggle to wipe out the "six vices." On 13 November, the State Council also convened a telephone conference to draw up a plan of unified action for the entire country to wipe out the "six vices." Afterward, such relevant units as the Shanghai Municipal public security and judicial organizations and cultural publishers under the unified leadership of the municipal party committee and the municipal government launched a special struggle to wipe out the "six vices" on a grand scale throughout the entire metropolis. According to statistics, from 1 October to 30 November 1989, throughout the metropolis over 4,000 cases of such "six vices" as prostitution and the manufacture, sale, and distribution of obscene material were broken; over 16,200 lawbreakers were apprehended; and over 3,377 obscene videotapes, and over 127,700 obscene books and magazines, photographs, and poker cards were confiscated. In addition, 149 rather important "six vices" criminal gangs were uncovered, dealing a serious blow to "six vices" criminal activity and flushing out socially repulsive phenomena.

The Shanghai Municipal Party Committee and Municipal Government, and party committees and governments at all levels took this struggle to wipe out the "six vices" extremely seriously. After the State Council convened the telephone conference, that very day Comrade Ni Hongfu [0242 7703 4395] of the municipal party committee conducted a mobilization on what was heard in the conference. On 20 November, the municipal government specially convened leaders of municipal departments, party committees, and offices, and various districts, counties, and relevant bureaus to conduct a specific mobilization. After the meeting, the municipal government and various districts, counties, and bureaus

established a working group to wipe out the "six vices" with important leading comrades serving as group leaders. It was carried out at each level, and the active support of every stratum, every system, and every department was mobilized, and public security organs were coordinated to launch a special struggle to wipe out the "six vices," making a concerted effort to tackle the problem in a comprehensive manner.

Since the special struggle was launched, Shanghai public security organs at all levels have played a functional role, sparing no effort to initiate an attack and adopt several ways and means to attack the "six vices" criminal element. One method was to organize assistance to and reinforce public order patrols in complicated public places to discover and apprehend "six vices" unlawful elements, such as the Huangpu Public Security substation in the busy local market area, concentrating on such places as the Bund, People's Square, Xizang Road, Da Guangming Movie Theater, and the International hotels that the criminal elements frequently haunt and transferring able police officers to form squads to wipe out the "six vices" and repeatedly launch attacks. Between 1 and 25 November alone, they broke 265 "six vices" cases, apprehended 792 people from unlawful elements, and confiscated 6,274 pieces of obscene material and a batch of other illicit goods and money. The second method was to penetrate the area to launch investigations and get to know the real situation. Shanghai's Fengxian County aimed at that county's continuously spreading situation of the dissemination and sale of obscene videotapes. They organized able public security police officers to investigate inside and out and spent over two months. Recently they apprehended three major obscene videotape copying, sale, and distribution gangs involving over 430 people from 12 townships, 2 towns, and 23 bureau-level units, and four municipal units of that county, comprising 17 percent of its grassroot unit party member cadre factory directors, managers, and heads. Presently four people from these three gangs have already been arrested and brought to justice and nine people are receiving reeducation through labor. The third method is to launch extensive public order pickets, combined [anti-crime] units, and other public order maintaining teams to catch criminals in the act. According to statistics, from 1 to 20 November, the public order units and the combined units throughout the metropolis, by their their patrolling, broke 493 "six vices" cases and apprehended over 2,200 unlawful scoundrels on the spot. The fourth method is to, point by point, thoroughly pursue and meticulously investigate clues, cracking down on important "six vices" criminal gangs and chief criminal elements. In a specific struggle the Zhabei Substation uncovered an especially vile criminal gang that organized and forced women into prostitution. It involved 16 people headed by a certain Yao [1202], a certain Luo [5012], and a certain Ni [0242] who were all ex-convict elements. Because their individual businesses were not prospering, they formed a gang and used the five methods of deceit, treachery, coaxing, coercion, and domination. From May 1988 to August 1989 they made

arrangements, tricked, and coerced over 20 young women to go to such places as Guangzhou, Zhongshan, and Zhuhai for prostitution, making a profit of close to 50,000 yuan and causing some of the young women to contract venereal disease and suffer serious physical and mental damage. Presently, 12 people from this criminal gang have already been arrested according to the law by the procuratorial organ.

The previous segment of cases investigated in Shanghai, not only forcefully proved the importance and necessity of launching this unified operation by the State Council, the Ministry of Public Security, and the municipal party committee to wipe out the "six vices," but it also amply reveals the seriousness and the danger of the present "six vices" lawless criminal activity.

This special struggle already achieved an initial victory in wiping out the "two scourges" of prostitution and the production, reproduction, and dissemination of obscene materials. Recently the Shanghai Municipal Party Committee and Municipal Government have produced a new plan to further gain firm and effective control in decisively wiping out the serious effect that the "six vices" have on the security and atmosphere of society in the Shanghai area.

NORTHWEST

Armed Police 'Key' to Continued Stability in Xinjiang

90CM0106A Urumqi XINJIANG RIBAO in Chinese
19 Jan 90 p 1

[Article by Fei Zhaoxin (6316 0340 2450); and Army reporters stationed in Urumqi Tian Xing (3944 6717), Xiao Qin (1420 0530), and Shun Hai (7311 3189): "At an Enlarged Meeting of the Xinjiang Armed Police Headquarters Party Committee, Wang Enmao and Song Hanliang Emphasize Reinforcing the Armed Police Forces To Safeguard the Socialist System"]

[Text] At an enlarged meeting of the Xinjiang Armed Police Headquarters party committee on 17 January 1990, Wang Enmao [3769 1869 5399], vice chairman of the CPPCC [Chinese People's Political Consultative Conference] and chairman of the Xinjiang Uygur Autonomous Regional CPC Advisory Committee, and Song Hanliang [1345 3352 5238], secretary of the Xinjiang Uygur Autonomous Regional CPC Committee, called on Xinjiang Armed Police Headquarters party committees at all levels to conscientiously act in the spirit of the Enlarged Meeting of the Central Military Commission, reinforce political indoctrination and military training for the Armed Police Forces, preserve a high degree of military stability and unity, improve combat effectiveness, successfully fulfill all official law enforcement duties focused on countering outbreaks of rebellion, consolidate and develop the stability and unity of the political situation in the Xinjiang Uygur Autonomous Region, guarantee the successful accomplishment of the

tasks of improving the economic environment, rectifying the economic order and deepening reform, help to achieve a sustained, steady, and coordinated growth of the national economy, and make new contributions to safeguarding political stability.

Comrade Wang Enmao spoke at the meeting approximately as follows: The Xinjiang Armed Police Headquarters is to be praised for its major 1989 achievements of quelling the dangerous riots involving beating, smashing, and looting that occurred on 19 May, stabilizing the Xinjiang Uygur Autonomous Region, fulfilling all official law enforcement duties, safeguarding border area security, maintaining public order, protecting the life and property of all nationalities, enhancing unity among our various nationalities, helping to build local socialism, taking part in emergency disaster relief efforts, building closer relations with the masses of various nationalities, producing many model units and exemplary individuals who promoted unity among various nationalities and between the police and the people, reinforcing the Army, adding more troops, improving military equipment, reinforcing military training, improving combat effectiveness, enhancing party leadership, party building, and ideological and political indoctrination, strengthening military organization and discipline, greatly reducing the number of accidents and discipline violations, and developing a new, satisfactory look.

Although the whole country, including the autonomous region, is stable now, we must soberly realize that unstable factors still exist, heighten our vigilance, prepare for the possibility of disturbances like those that occurred in 1989 or even more dangerous disturbances and counterrevolutionary rebellions, be able to quell them quickly as soon as they break out, and absolutely not allow them to spread or grow.

We must emphasize upholding the four basic principles, one of which is the people's democratic dictatorship. As the people's major armed force and the pillar of the people's democratic dictatorship, the People's Armed Police must do a good job of enforcing the people's democratic dictatorship by safeguarding stability, the leadership of the party, the people's political power, the socialist system, and the successful accomplishment of the tasks of improving the economic environment, rectifying the economic order, and deepening reform, by helping to achieve a sustained, steady, and coordinated growth of the national economy, and by fighting resolutely against imperialist peaceful evolution, bourgeois liberalization, national divisionism, and forces both at home and abroad that are hostile to socialism.

In order to ensure stability, the People's Armed Police must take strict precautions against, intensify its training to prevent, strike, and put down, and always be ready to quickly quell any disturbances or counterrevolutionary rebellions that may break out, intensify its intelligence work so that it can understand conditions promptly and accurately, develop better news contacts, do a good job

of maintaining nationalities unity, build closer relations with our people of various nationalities, win the support of all nationalities, establish better contacts with the PLA [People's Liberation Army] and the Production and Construction Corps so that it can enjoy their support whenever necessary, enhance its party leadership, party building, and ideological and political indoctrination, and ensure that its leadership and command are controlled by Marxists who have absolute loyalty to the party, the country, and all nationalities.

Comrade Song Hanliang spoke approximately as follows: As 1990 is the first year of the nineties and a crucial year for improving the economic environment, rectifying the economic order, and deepening reform, the key to achieving our struggle objectives for the nineties will be preserving political and social stability, which is the only way that the successful accomplishment of economic construction, reform, and opening up to the outside world can be ensured. As the armed force that safeguards domestic security, the Armed Police Headquarters will have graver responsibilities and be faced with harder tasks in 1990.

It should be emphasized that although the counterrevolutionary rebellion has been quelled and conditions throughout China have been stabilized, grave unstable factors still exist and the struggle situation is still grim. The Armed Police forces are the key factor in ensuring political and social stability in the Xinjiang Uygur Autonomous Region, and they will be able to remain invincible no matter what problems arise, as long as they maintain a high degree of unity under all conditions and are always on the alert.

The Armed Police Headquarters party committee and leaders at all levels are being called on to make stabilizing their forces a matter of prime importance and to further intensify their political indoctrination, in order to cope with the new historical conditions and ensure that all of their forces under all conditions unswervingly uphold the absolute leadership of the party and maintain a high degree of ideological, political, and operational unity with the party Central Committee, and to make new contributions to defending Chinese unity, enhancing nationalities unity, consolidating and developing the stability and unity of the political situation, and safeguarding the successful accomplishment of the four modernizations, improving the economic environment, rectifying the economic order, and deepening reform in the Xinjiang Uygur Autonomous Region.

Gao Huanchang [7559 3562 2490], commander, and Tang Guangcai [0781 1639 2088], political commissar, of the Xinjiang Military District; Ba Dai [1572 1486], member of the Standing Committee of the Xinjiang Uygur Autonomous Regional CPC Committee; and Guo Gang [6753 0474], member of the Xinjiang Uygur Autonomous Regional CPC Committee, also attended the meeting.

Xinjiang United Front Officials Focus on Stability *90CM0108B Urumqi XINJIANG RIBAO in Chinese* 9 Feb 90 p 1

[Article: "Autonomous Region, Prefecture, City Committee United Front Department Heads, Religion Bureau Heads Forum Emphasizes Stabilizing General Situation in Xinjiang, Maintaining Unity of Ancestral Land"]

[Text] Reporter Nan Qiu [0589 3808] reports that the four-day forum of autonomous regional, prefectural, and municipal committee Religious Bureau heads and United Front Department heads concluded on 8 February in Urumqi. Ba Dai [1572 1486], chairman of the autonomous region party committee Standing Committee and CPPCC [Chinese People's Political Consultative Conference], spoke at the meeting.

The comrades attending the meeting conscientiously studied "Views of the CPC Central Committee Concerning Upholding and Improving Multiparty Cooperation and the Political Cooperation System of CPC Leadership" and discussed enthusiastically the topic of our region's united front and religious work, with close attention to upholding Xinjiang's political and social stability. The meeting felt that doing united front work and nationalities and religion work is of crucial importance to the stability of Xinjiang and that in future local, prefectural, and municipal united front work and religious work we must firmly establish the thinking that "stability prevails over everything." With nationalities work and religious work as the focal points of united front work, we should stress the central task of upholding the unity of the ancestral land, opposing division, and increasing nationalities unity, uniting with all forces that can be united, mobilize all positive factors that can be mobilized to contribute to the general situation of stabilizing Xinjiang.

In his speech, Comrade Ba Dai said that the "Views of the CPC Central Committee Concerning Upholding and Improving Multiparty Cooperation and the Political Cooperation System of CPC Leadership" is a powerful ideological weapon for our united front work in the new period in Xinjiang and should be conscientiously studied and understood in depth, and we should strive to carry it out in our future work practice. He said that, looking back on our region's united front work since the Third Plenary Session of the 11th party Central Committee, under the correct leadership of the party Central Committee and the autonomous region party committee and in line with the principle of seeking truth from facts, the region's party organizations and united front departments at all levels had established united front policies, conscientiously carried out "Nationalities Regions Self-Governance Law," improved nationalities unity, safeguarded the party's policy on freedom of religious belief, won over, united, and educated the broad religious figures, and constantly improved and developed the multiparty cooperation and political coordination

system of the Chinese Communist Party leadership. The targets of the broad united front had actively brought their own advantages into play, made clear achievements for the building of two civilizations in the autonomous region, and become an important force in our region's four modernizations, stability, and unity, and in uniting the ancestral land.

In his speech he stressed that this is a pivotal year in China's putting things in order and reorganization and in-depth reform. To guarantee the smooth completion of our region's mission this year, maintaining social stability is the first task. This conforms to the common aspirations of the people, and is also the locus of the fundamental interests of all the nationalities of the region, including in the united front the democratic party factions, people's organizations, and figures from various circles. Doing united front work, especially doing nationalities work and religion work, is of utmost importance to the stability of our region. He hopes that comrades of the autonomous region united front departments will rouse their spirits, unite as one, and struggle forward, and that as before, under the leadership of the autonomous region's party committee they will rally the targets of the region's united front around the party Central Committee and struggle side-by-side to realize the missions proposed by the Fourth and Fifth Plenary Sessions of the 13th CPC Central Committee and the 14th meeting of the region's Third CPC Committee.

Liu Fang [0491 2455], director of the autonomous region party committee's United Front Department, gave the summary talk.

Editorial Stresses United Front Work in Xinjiang

90CM0108A Urumqi XINJIANG RIBAO in Chinese
9 Feb 90 p 1

[Editorial: "Carry Out United Front Work; Maintain Xinjiang's Stability"]

[Text] United front work is an important part of the party's general line and general policy. Xinjiang is a region with many nationalities and religions, therefore, doing nationalities work and religion work and consolidating and developing the broadest patriotic united front have very important significance for Xinjiang's stability. Since the Third Plenary Session of the 11th CPC Central Committee, the autonomous region has conscientiously carried out the party's united front policy, nationalities policy, and religions policy, has improved the party's cohesive and centripetal forces, and has united nationalities circles and public figures outside the party to make a contribution to safeguarding the unity of the ancestral land, strengthening nationalities unity, and beginning to build Xinjiang.

The united front is the party's magic weapon. The proletarian revolutionaries of the older generation, such as Mao Zedong, Zhou Enlai, and Liu Shaoqi, have very brilliant expositions on the united front and earnestly practiced what they preached, passing this on to friends outside the party and personally doing united front work. Comrade

Deng Xiaoping said that in the new historical period "the united front is still an important magic weapon and cannot be weakened, but should be strengthened; it cannot be diminished, but must be expanded." General Secretary Jiang Zemin said that the united front is an important part of the work of our entire party. We should unite with all the people who can be united to devote their efforts to our enterprise. The united front not only cannot be contracted, it must be strengthened. All departments of the party should pay serious consideration to united front work. The region's party organizations at all levels should review and study the principles and policies on the united front, improve their understanding of its importance and necessity, and learn to use this magic weapon.

The united front's fundamental mission is to unite with all forces that can be united and mobilize all positive elements that can be mobilized to realize the party's general mission. Stability is currently the central mission that prevails over everything. In Xinjiang, nationality unity is the precondition and guarantee of all work. The situation in the autonomous region's nationalities work now is very good. Yet, with the sudden change in the situation internationally, our region's united front work should stress safeguarding the unity of the ancestral land, improving nationalities unity, and opposing divisive and destructive activity. We should continue in-depth development education on the Marxist view of nationalities, nationalities policy, and nationalities unity and we should firmly resist and oppose words and acts that are unfavorable to safeguarding unity of the ancestral land and nationalities unity. Nationalities should further establish solidly the ideas of "the two inseparables" and the "five mutuals" and really understand that stability is the locus of the common interests of the nationalities. Without stability there will be no Xinjiang development, no national prosperity, and no bright future for the nationalities. We should develop this year's nationality unity education month activity solidly, continue to expand commendations for advanced nationalities unity collectives and individuals, create more advanced nationalities unity model counties and cities and raise our region's nationalities unity work to a new level. Simultaneously, we should conscientiously carry out the party's nationalities policy and develop new socialist nationalities relations of equality, unity and mutual assistance further.

Carrying out the party's policy on freedom of religious belief conscientiously and thoroughly and mobilizing the initiative of religious figures and religious masses to serve socialism and to contribute to maintaining Xinjiang's stability is another important mission of united front work. The party's policy on freedom of religious belief should be propagandized and implemented comprehensively and accurately. The "Provisional Stipulations on Management of Places of Religious Activity in the Xinjiang Uygur Autonomous Region" should be broadly studied and propagandized now. Nationalities cadres and masses should observe these laws and regulations in a model fashion. Only if we carry out these laws and regulations can the masses' freedom to believe or not believe in a religion be respected and protected. We should carry out the party's principle of

winning over, uniting, and educating religious figures, and educate religious figures to uphold the party's leadership, resolutely take the socialist path, cooperate with the party and government, and jointly maintain the stability of Xinjiang. We cannot permit religion to interfere with education, the law, and administration and should prevent all unfriendly foreign organizations and individuals and the extreme domestic minority of splittists from using religion for destructive activity.

We should guide and urge religion to adapt to and cooperate with socialism.

Publishing "The Views of the CPC Central Committee on Upholding and Improving a System of Multiparty Cooperation and Political Coordination of the CPC Leadership" was a great event in China's political life and a great event for the united front. Its drafting and implementation is an important measure for promoting reform of China's political system and improving socialist democratic political construction. It is a sharp weapon for opposing the Western multiparty system, opposing bourgeois liberalism, opposing the "peaceful evolution" of international hostile forces, and it plays an important role in a stable general situation and will have a positive impact at home and abroad. Relevant sections should study and propagandize this document extensively, understand its spiritual essence, and carry it out conscientiously and thoroughly.

Party committees at all levels should improve leadership of the united front and emphasize doing united front work, for united front work not only is the task of united front departments. All party departments should give serious consideration to united front work. We should regularly research and discuss the major principles and policies of united front work. Responsible party committee comrades should get personally involved in united front work: They should cooperate closely with figures outside the party, listen to their views or criticisms and become understanding friends. Party committees and government at all levels should be concerned about and resolve real problems of united front, nationalities, and religious work departments and improve the organization and ideology of these departments.

We believe that through the efforts of the region's party organizations and relevant departments at all levels, the autonomous region's united front work will definitely reach a new stage.

Xinjiang Addresses Problems During Reform

90CM0021A Urumqi XINJIANG SHEHUI KEXUE
[SOCIAL SCIENCES IN XINJIANG] in Chinese No 1,
15 Feb 90 pp 21-25

[Article by Wu Zibin (1566 1311 1755), Xinjiang Economic Management Cadre Academy: "Seeking Truth From Facts Steadily Promotes Xinjiang Construction and Reform"]

[Excerpt] [passage omitted] China's 40 years of socialist construction and 10 years of reform and relaxation have proven that in construction and in reform we cannot be

impatient for quick results. This conclusion conforms completely to the actual situation in our construction and reform in Xinjiang. Thus, if we carry out economic construction and systemic reform in the scientific spirit of seeking truth from facts and understanding the situation of Xinjiang from a deeper level, we can better proceed from Xinjiang's actual situation and steadily advance Xinjiang's construction and reform.

Earthshaking changes occurred in Xinjiang construction over 40 years, especially the 10 years of reform, which were 10 years of enormous changes in Xinjiang, when agricultural production had bumper harvests every year, industrial production maintained steady development with higher speeds, revenue increased year by year, foreign trade expanded year by year, and the people's lives generally improved. At present, because the state is readjusting the industrial structure, it has formulated a policy stressing development of the agricultural, energy, communications, and raw materials industries. Xinjiang's abundant resources have attracted the attention of relevant state ministries and commissions and various localities nationwide, and this has provided an excellent opportunity for development of our Xinjiang economy. Xinjiang has the conditions to develop major agriculture and may become an important national base for food, cotton, and economic crops. The base, conditions, and opportunities for greater development of Xinjiang's light industry, textile, and food products industries based on agricultural and animal products raw materials are unusually good. Due to major breakthroughs in geological explorations of the Tarim Basin oilfield and preliminary results in geologic exploration of ferrous metals, major development of Xinjiang's petroleum and petrochemical industries is imperative, and there are broad prospects for the ferrous metals industry. Proven reserves of Xinjiang lake salt basins are very large and the salt and salt chemical industries will become one of Xinjiang's developmental focuses.

However, what is very prominently and intimately connected with Xinjiang's resource superiority is that the elements that do not favor Xinjiang's resource superiority turning into overall economic superiority are also very prominent. Xinjiang's economic development has many difficulties and faces challenges in many areas. In spite of what was said above, in the past 10 or so years of reform in Xinjiang the national economy has developed smoothly and in harmony and there have been no major ups and downs, but in the past few years the situation has appeared nationwide and also in Xinjiang to varying degrees that inflation has clearly become more severe, there is an overall imbalance, structure is not sensible, economic benefits are low, and economic order is chaotic, with some areas being more serious. After a year of readjustment and putting things in order we are beginning to see results, but the crisis is not yet past. Many deep-layer problems in the national economy have not yet been resolved and many new situations and problems have appeared in the process of readjustment and putting things in order. Thus, just as in provinces, municipalities, and autonomous regions nationwide, Xinjiang

should strive to realize long-term sustained stable and coordinated development of the national economy through further putting things in order and readjustment and in-depth reform.

Not only is this case, but we also recognize that our Xinjiang economy is rather backward, the economic foundation is rather weak, we cannot stand major disturbances in economic development, and, thus, our pace should be steadier and we should do even more of what we are capable. At a recently convened expanded meeting of the autonomous region party Standing Committee, Comrade Song Hanliang [1345 3352 5328] said, "We definitely should uphold the principle of seeking truth from facts, doing what we are capable of, and advancing steadily." This is absolutely correct. First of all, the regional situation of Xinjiang should be analyzed and understood in a seeking-truth-from-facts manner. This is the precondition for firmly grounding the guiding ideology of the national economy's sustained, stable, and coordinated development. We should sum up and analyze such elements as the two basic circumstances that Xinjiang is a border region with a high concentration of many ethnic groups and is a relatively independent economic region where economic culture is rather backward and the superiority of Xinjiang's potential, the opportunity and challenges facing Xinjiang, and the conditions that Xinjiang already has or may have (including more favorable state policies and more investment). And we should strive to understand Xinjiang's regional situation comprehensively and objectively, that is, to see Xinjiang's enormous potential and honestly recognize that there definitely is a large gap between Xinjiang and the nation and advanced regions in terms of overall economic development, and honestly recognize that Xinjiang's actual position in terms of the stages of economic development is at a rather low level. Doing this is more favorable for placing our principles, policies, and measures on a more seeking-truth-from-facts foundation, truly doing what we are capable of doing, and advancing steadily. Next, we should correctly understand that in the past 10 years of reform Xinjiang has been stable politically and socially because there was a foundation of economic stability and the economy was stable because the autonomous region's party committee upheld the guiding principle of sustained, stable, and coordinated development of Xinjiang's economy and do what we are capable of doing in economic construction. This is a fundamentally successful experience in our economic work in Xinjiang. Thus, we should summarize well this successful experience and generalize it, make our understanding go deeper so that not only in practice but also from a theoretical standpoint we understand profoundly the dialectical relationship between stability and development speed and benefits and truly uphold throughout the entire socialist modernization process the fundamental principle of sustained, stable, and coordinated development of the national economy.

Reform of Xinjiang's economic system has made great achievements. However, overall, the old system has not

yet been completely smashed and the new economic operational mechanism combining a planned economy and market regulation has not yet taken shape. In terms of opening up to the outside world, the capital, technology, equipment, and advanced management experience imported by Xinjiang is still not sufficient as far as our modernization is concerned. Thus, reform and relaxation cannot stop at the present level, but must go deeper and expand. Like a boat sailing against the current, if reform does not advance, it goes backwards and we should have a sense of the urgency of reform.

However, in reform of Xinjiang's economic system we cannot be overeager for results. This is primarily because: 1) The level of productive forces in Xinjiang society is low, the socialist commodity economy is still in the stage of cultivation and, compared with many provinces and regions in the interior, Xinjiang's circumstances are more complex. Thus, establishing a new economic operational mechanism that combines a planned economy with market regulation may be more difficult and take longer. 2) Overall, reform of the economic system has gone from shallower levels to deeper levels and with the completion of the task of putting things in order and readjustment, reform will go to deeper levels, the difficulty will be greater and the task will be harder. 3) From one perspective, in Xinjiang for many years agriculture has had bumper harvests, industry has developed stably, energy and raw materials have been sufficient, the environment of reform has been rather relaxed. But from another perspective, the influence of external economic intrusions on Xinjiang's economic development has been very profound, the rate of financial self-sufficiency has been very low and the margin left for reform has also been very small. From yet another perspective, to adapt to Xinjiang's strategic goal of quadrupling the gross value of national production by the end of this century we must appropriately accelerate the pace of reform to better facilitate organizationally the elimination of obstacles for economic development. But, from another perspective, such elements as being a border area, the high concentration of minority nationalities, and the unbalanced development within the area also demand that the pace of reform be more stable and more careful and cautious. It could be said that this is a difficulty of reform of Xinjiang's economic system and is also a characteristic feature of the reform of Xinjiang's economic system. Thus, we must proceed realistically from Xinjiang's actual situation so that the reform measures are beneficial to capitalizing on strong points and avoiding weak points and realize the attempt to move ahead in stability.

We think that for the reform of Xinjiang's economic system to advance stably we must stress these several tasks: First, we should carry out in-depth survey and research more accurately to grasp the characteristics of

Xinjiang's situation, firmly establish the comprehensive and long-term strategic ideas of reform, and engage in long- and medium-range planning for reform. To adapt to the strategic targets and deployment of economic development we should organize our forces and launch research of reform plans for Xinjiang's economic reform for 1990-2000. This will be advantageous for clarifying the main direction of attack for reform, and for the continuity and stability of policy. Second, in the period of improvement and rectification, we should research in-depth the question of how, around the reform nucleus of gradually building an economic operational mechanism that integrates a planned economy and market regulation, to obey and serve improvement and rectification. Specifically, 1) to study in depth how to stabilize, enrich, readjust, and improve the reform measures of the past few years; 2) to study in depth how to adapt to increased centralization on the basis of the additional demands on planning during the period of improvement and rectification; 3) to study in depth how to gradually establish a macroeconomic adjustment and control system that can promote stable economic development while continuing to engage in microeconomics. Second, we should study in depth how reform serves the long-term sustained, stable, and coordinated development of Xinjiang's economy. There are three main issues here: 1) How reform is to serve the purpose of readjusting, improving, enhancing, and upgrading Xinjiang's industrial structure. This is a central issue of reforming and promoting stable economic development. We think that industrial policy is the central policy of economic development, thus we should study specifically and in depth the issue of how reform measures benefit the thorough implementation of industrial policy, so that reform truly plays a role in spurring agriculture, energy, communications, and raw materials to achieve key-point development. 2) How to promote effectively the technological and managerial advancement of enterprises through improving the enterprise contracting management responsibility system. Technological and managerial advancement are the two decisive factors in improving enterprise economic benefits. Constantly improving enterprise economic benefits through promoting technological and managerial advancement has become the central link in all our economic work and the key to realizing the sustained, stable and coordinated development of the national economy. 3) How to improve and invigorate in a key way the large and medium-sized enterprises owned by the whole people. Xinjiang's large and medium-sized enterprises owned by the whole people are the primary mainstay of Xinjiang's economy, the most important material foundation of Xinjiang's economic development, and the primary bearer of Xinjiang's directorial planning and financial income. However, for most of Xinjiang's large and medium-sized enterprises owned by the whole people equipment is antiquated, they are operating in debt management, their burdens are heavy, and they are in a predicament. Thus, we should study in depth how to engage in a key way in invigoration of large and medium-sized enterprises. The key issues now are how to put the state's

partial policy in place as soon as possible. Invigorating large and medium-sized enterprises in a key way and improving the economic benefits of large and medium-sized enterprises is not only the key to a stable Xinjiang economy, but also the key to strengthening and developing the socialist system of ownership.

Xinjiang is a multi-ethnic autonomous region and ethnic unity is the general situation in Xinjiang. Thus, maintaining unity of the ancestral land and improving ethnic unity are preconditions and guarantees of steadily promoting Xinjiang's construction and reform. We certainly should uphold the four basic principles, and constantly strengthen and develop the political situation of ethnic unity and social stability in Xinjiang.

Amudun Niyaz Outlines Measures for Xinjiang Stability

90CM0104A Urumqi XINJIANG RIBAO in Chinese
20 Feb 90 p 1

[Report from Kaxgar City by Fu Dasheng (0265 6671 3932): "On a Fact-Finding Tour of Three Southern Xinjiang Areas, Amudun Niyaz Repeatedly Emphasizes the Need To Conscientiously Improve Nationalities Unity and Religious Work"]

[Text] On a fact-finding and work-inspection tour of three areas in southern Xinjiang, Amudun Niyaz [7093 2606 0392 1441 3660 1320], deputy secretary of the Xinjiang Uygur Autonomous Regional CPC Committee and chairman of the Standing Committee of the Xinjiang Autonomous Regional People's Congress, pointed out that the task of ensuring local political and social stability will severely test the ability of party organizations at all levels to control the situation and will be an important criterion by which to measure the actual contributions of cadres at all levels.

Amudun Niyaz arrived in southern Xinjiang on 4 February 1990, toured certain counties, cities, and villages in Hotan County, Kaxgar City, and Kizilsu Kergez Autonomous Prefecture, familiarized himself with the local political and economic situation, the people's living conditions, nationalities unity, and religious activities, interviewed certain peasant families, visited the armed and public security police and held informal discussions with well-known religious figures in all areas, had wide-ranging contacts and conversations with the masses of cadres at all levels, and held important talks with party members and cadres from departments above the county level in all localities and autonomous prefectures. He repeatedly emphasized the following matters in each area: All areas, sectors, and departments must regard preserving stability as the primary and central overriding task in planning 1990's work. Nothing can be accomplished without a stable and united political situation or a well-stabilized social climate. All work must be subordinated to and in the service of stability. Forces in all areas must be aroused and all positive factors must be

mobilized for a joint effort to stabilize the overall situation, and stability must be emphasized in all areas of society.

Much work must be done to ensure political and social stability in Xinjiang. Emphasis should now be placed on accomplishing the following six tasks:

A. Enhancing Party Leadership Conscientiously and Working Hard To Do a Good Job of Party Building

This is the basic way to ensure stability. Emphasis must be placed on improving party ideology, organization, and work style; efforts must be made to eliminate all corruption that exists within the party and enhance the party's prestige among the masses of people; party members of all nationalities must be regularly taught the basic theory and basic line of Marxism-Leninism and to uphold the four basic principles, oppose bourgeois liberalization, understand the relationship of circumstances to duties and democracy to legal institutions, and oppose "peaceful evolution." Conscious emphasis must be placed on improving leading bodies at all levels to really keep party leadership under the control of Marxists who are loyal to the party, the people, and socialism. Those who promote bourgeois liberalization and separatism must absolutely not be allowed to usurp party or government leadership, work styles must be conscientiously improved, closer relations must be built between the party and the masses, work must be focused on basic-level units, and conscientious plans must be made for cadres in party and government organizations above the county level to go down to work in villages, factories, schools, and grassroots units.

B. Continuing To Do a Good Job of Safeguarding Nationalities Unity Unremittingly To Give It a New Look and Raise It to New Heights.

In order to ensure permanent stability in Xinjiang, it will be necessary to fight unremittingly against nationalities separatism or local nationalism. As opposition to nationalities separatism or local nationalism is an important matter that affects the basic interests of all nationalities and national security, it must absolutely not be narrowly misunderstood as being opposition to any one nationality. Minority nationality cadres and people in particular should not think that all opposition to nationalities separatism or local nationalism is directed against their nationality, and feel dispirited or resentful about it. It is very wrong and dangerous to arouse these kinds of incorrect feelings. As all of our cadres at all levels represent the interests of all nationalities, it is important for them to correctly understand the relationship between patriotism and local nationalism. As nationality separatists want to break up national unity, destroy nationalities unity, and basically violate the interests of all nationalities, including their own, there must be no ambiguity and especially no vacillation when faced with such major issues of principle. We have thousands of reasons for upholding national unity, but none for promoting separatism or independence. Moreover, it must

be thoroughly understood that opposing nationalities separatism and upholding national unity is not a matter for any one nationality, but is the joint responsibility of all nationalities and the sacred duty of every citizen. Cadres of all nationalities, and those of minority nationality in particular, must come out boldly, take a firm and clear-cut stand, and firmly oppose words or deeds that would destroy nationalities unity or break up national unity, and should absolutely not look on unconcerned and especially not wink at or support them. Although the occurrence of various conflicts among people in normal social intercourse is hard to avoid, it should not all be blamed on the nationalities issue and create ideological confusion for people. Whenever conflicts or disputes among nationalities occur, cadres and party members of all nationalities must stand on party spirit and principles and, based on national laws, decrees, and regulations, take positive steps of their own accord to do a good job of nationalities work by teaching the masses to emphasize overall stability and unity and safeguard nationalities unity. They must absolutely not keep silent or drift with the tide, and especially not add fuel to the flames or worsen the situation;

C. Enforcing the Party's Religious Policies Firmly and Performing Religious Work Conscientiously

As Xinjiang is a minority nationality region in which over 60 percent of the population—more than 90 percent in the three southern areas—is Muslim, performing religious work well is an extremely important factor in ensuring social stability, and party committees and governments at all levels must attach great importance to performing the following religious tasks positively and safely: 1) The policy of freedom of religious belief, that is, the freedom to either believe or not, must be upheld. Believing or not believing, and taking part in religious activities or not, should be completely according to the principle of respect for individual inclination, and must not be based on any kind of pressure. 2) Religious activities should be carried out within the allowable limits of the PRC Constitution, laws, and decrees and the party's policies, and must not be unconstitutional or illegal. Religion must absolutely not be allowed to interfere in matters such as the running of the state, the administration of justice, education, marriage, culture, or public health, and the system of religious privilege, oppression, and exploitation that was abolished must absolutely not be allowed to be restored. Normal religious activities must be protected by law. Words or deeds that attack the leadership of the party, slander the socialist system, break up national unity, or destroy nationalities unity under the guise of religion must be thoroughly exposed and firmly attacked, and those who violate the criminal law must be punished severely according to law, and absolutely not be treated softly or too leniently. 3) The principle of "churches being independent, keeping the initiative in their own hands, and being self-run" must be conscientiously enforced, and infiltration, subversion, or sabotage by hostile foreign influences under the guise of religious activities

must be firmly resisted. 4) Efforts must be made to unite, educate, and continue to give preferential treatment to patriotic religious adherents.

D. Carrying Out Firmly the Policies of Improving the Economic Environment, Rectifying the Economic Order, and Deepening Reform, and Striving To Accomplish Economic Tasks Well

Firm emphasis must be given to better implementing farming and livestock-raising policies and measures, and all means must be used to strive for a 13th year of bumper harvests for farmers and herdsman.

E. Further Enhancing Work on the Military, Armed Police, and Political-Legal Fronts, and Building Closer Relations Between Civilians and the Military and Police

Party committees and governments at all levels must be concerned about and give support to improving the Army, the Armed Police, and public security troops, and make it possible for them to perform their duties well.

F. Bringing Our Political Advantages Into Full Play, and Enhancing Ideological and Political Indoctrination Conscientiously

We must take advantage of the slack period before the busy spring plowing season to organize the masses of farmers and herdsman to thoroughly study the spirit of the Fourth and Fifth Plenary Sessions of the 13th CPC Central Committee, in order to seek unity of understanding. We must concern ourselves with the lives of the masses, strive to eliminate unfavorable factors, unite with all nationalities, be of one heart and mind, and exert ourselves in the struggle to further consolidate and develop the stability and unity of the political situation in the Xinjiang Uygur Autonomous Region!

Stability, Unity Seen as Keys to Security in Xinjiang

90CM0102A Urumqi XINJIANG RIBAO in Chinese
4 Mar 90 p 2

[Article: "A Humble Opinion on Safeguarding Xinjiang Stability; Autonomous Region CPPCC Invites Representative Niuqiyiyixi (3662 0366 4135 0001 1598) To Talk"]

[Text] In my humble opinion, to make society stable and able to maintain a long-term stable political situation we must think in terms of "long-term control and permanent order." Only with "long-term control" can we have "permanent order" and only "permanent order" can provide us with a secure environment for carrying out socialist economic construction.

To make society stable and able to maintain a long-term stable political situation, first of all, our decisionmaking should be correct. Whether our decisionmaking is correct has a very great relationship to social stability and

absolutely cannot be treated lightly. Correct decision-making can not only make decisionmaking itself effective, but also can promote social stability. Conversely, incorrect decisionmaking not only can make decision-making itself ineffective, but also can increase elements of social instability and thus lead to disorder. When making decisions, necessity and possibility should be considered; and, among possibilities, being beneficial to social stability is an important aspect. If both aspects are present, then decisions should be made resolutely. If a decision is only necessary, it may lead to social instability so we should proceed cautiously. If this decision is very necessary and, in terms of long-range and overall benefits, the decision is beneficial to the nation and the people, but the masses may find it temporarily unpalatable, then through patient and meticulous ideological work we should obtain the approval of the masses and then proceed. It happens now that when making a decision only necessity is considered, and not the possibilities, especially the impact on social stability, which results in disorder and even major disturbance. We should do our best to avoid such phenomena.

To make society stable and able to maintain long-term political stability, it is also necessary to carry out ideological and political work to improve the people's ability to recognize and resolutely resist bourgeois liberalism ideology. We should carry out education on ardently loving socialism, ardently loving the ancestral land, and safeguarding national unity and make this thinking take root among the masses of all nationality groups; then we can avoid the occurrence of mistaken words and deeds that are unfavorable to socialism, the socialist ancestral land, and nationality unity. We should carry out education on cherishing stability and unity.

To maintain Xinjiang's stability we should also resolutely attack the destructive activities of hostile forces. The idea that the class struggle exists everywhere is a "leftist" trend, does not conform to reality, and should be eliminated. Similarly, the idea that the class struggle has been completely eliminated also does not conform to the actual situation and should be corrected. The most dangerous trend now is not the former, but the latter. The counterrevolutionary disturbance that occurred in Beijing and throughout the country in late spring and early summer of last year proved this point. Thus, all disturbances and destruction by hostile forces should be promptly and resolutely attacked and definitely cannot be accommodated and given in to. To do this work: 1) We should improve investigation and research and pay close attention to the subversion and destruction of hostile forces. 2) We should carefully distinguish the two classes of essentially different contradictions and deal the enemy an accurate blow. 3) Things should be done in accordance with the law and the principle that "the facts and the law are the yardstick" should be observed throughout in carrying out the struggle.

We should also do economic work. Developing the economy and constantly improving the people's lives is

the foundation of a stable situation. This is an irreversible truth. Where food and shelter have not been resolved we should adopt effective measures to actively resolve the problem of food and shelter.

Xinjiang CPPCC Stresses Nationality Unity

90CM0102B Urumqi XINJIANG RIBAO in Chinese
5 Mar 90 p 1

[Article by reporter Xu Yudong (6079 3768 2639): "When Discussing the CPPCC Work Report, CPPCC Members of Various Nationalities Indicate Stability Should Be Upheld as If Upholding Life Itself"]

[Text] Members from nationalities and various circles who attended the third plenary session of the sixth regional CPPCC [Chinese People's Political Consultative Conference] conscientiously discussed the work report of Chairman Ba Dai [1572 1486], spoke glowingly of the current situation, and emphasized that nationalities unity and political stability are currently the central mission prevailing over everything in our region.

The members said that there has been a sudden change in the international situation now and that maintaining a situation of stability is of utmost importance. Otherwise there will be no place for our reform and relaxation and socialist construction to begin. Fan Jiaju [5400 1367 7467], an 80-year-old CPPCC Standing Committee member, explained by means of his personal experiences that stability is important to the state and the people. He said, "My life can be divided into two stages, what I went through in the first half was the war years when I experienced a life of upheaval and insecurity. At the time the people were destitute and homeless, the bodies of those who had starved to death were strewn everywhere. It was impossible to maintain even the most rudimentary existence, let alone talk of developing the economy. After liberation, under the guidance of the Chinese Communist Party, the people gained stability, the standard of living constantly improved and the national economy grew by leaps and bounds. This stable situation was bought by the blood of thousands upon thousands of martyrs and we definitely should maintain stability just as if we were maintaining our own lives."

The members said that nationalities unity is the key and the foundation of political stability in Xinjiang which is a region of many nationalities. Member Maimaiti Niyazihari said that to maintain Xinjiang's stability, first of all we should stress educational work on nationalities unity; in stressing educational work on nationalities unity we not only should carry out day-to-day education of adults, but even more should begin with children to establish from a young age the ideas of nationalities unity and the inseparability of Han Chinese and minority nationalities so that all generations of nationalities will be united and friendly.

In their speeches, some members stressed that the situation in our region is generally good, but there are still some elements of instability and this is the conspiratorial activity

of nationality splittists. Hui nationality member Ding Zhefu [0002 0772 1133] said that, historically, in Xinjiang there were nationality splittists and that today they still have not given up. Many of our minority nationality CPPCC members are well-known personages and representative persons of nationalities and have great influence with their nationalities, thus they have an unshirkable historical task of maintaining nationalities unity and social stability. Member Zulali Yakufu [4371 2139 6849 3660 1655 3940] said that history proves that our party is a party which has strong collective power, it has the firm leadership of the Chinese Communist Party, it has a large group of old revolutionaries as its helmsmen, it has the support of the broad masses of the people, it has the guarantee of the socialist system, and we are fully confident of the nationalities unity and political stability of Xinjiang. Since liberation, enormous changes have taken place in Xinjiang so that I deeply believe that the future is bright. Our nationalities CPPCC should go to the grassroots level and carry out painstaking ideological work among the masses of the people and thoroughly expose and resolutely attack the conspiracies of the nationality splittists.

Safeguarding Stability During Xinjiang Election

90CM0102C Urumqi XINJIANG RIBAO in Chinese
5 Mar 90 p 2

[Article by Election Office of the autonomous region People's Congress Standing Committee: "A Stable General Situation Is the Fundamental Guiding Ideology for Election Work"]

[Text] This year's county and township election work was carried out after the decisive victory of the party and state in preventing disorder and pacifying the counterrevolutionary upheaval that occurred in Beijing and the serious "5-19" [19 May] beating, smashing, and looting incident in the autonomous region. The current political and economic situation in the autonomous region is good and stable, just like the national situation. However, unstable elements still exist and may affect election work. Since last year, there have been many changes in the unstable situation internationally and some unanticipated problems have occurred. Hostile foreign forces have carried out their ambitious designs of "peaceful evolution" with regard to China; a very few splittists have linked up with hostile foreign forces to carry out conspiratorial destructive activity; a very few people who obstinately uphold a bourgeois liberalism standpoint have vainly attempted to take advantage of the opportunity to reemerge; some of the cadres and masses have been inundated by the bourgeois liberalism trend of thought and by misconceptions of democracy in the past few years, and so forth. If these problems are not conscientiously resolved, it may create instability in society and create an unfavorable influence on election work.

Nationalities unity and social stability are the general situation in the autonomous region. The election will affect the nationalities nationwide and involve localities, the Army, all trades, and all aspects. In the election process it is necessary to pay close attention to unity, especially unity

among the nationalities. Through election work, nationalities unity should be improved and the autonomous region's political situation of stability and unity should be consolidated and developed. The election law and the stipulations detailed rules and regulations concerning nationalities election of the autonomous region's direct election should be conscientiously implemented to guarantee that each nationality, especially nationalities with smaller populations, have the number of representatives stipulated by the law in the People's Congress. When electing leaders for local and state organizations, nationalities with large populations and nationalities with small populations should have the suitable number of persons elected to assume leadership duties in local and national organizations. At the same time, attention should also be paid to improving unity between the Army and the people and between the Army and the localities. Nationality cadres, especially leading cadres, definitely should take into account the general situation, understand cardinal principles, and take the lead in improving nationality unity. People who spread factional sentiments, engage in selfish departmentalism, or even gang up, carry out illegal activity, and interfere with election work should be strictly criticized and educated. Those who damage nationality unity and damage the election should be promptly checked and dealt with severely, and those who commit criminal acts should be punished according to the law.

The political power of the county and township levels is the foundation for the state political power of China's people's democratic dictatorship. Party committees at all levels must have a high regard for election work and cannot treat it lightly. We should firmly establish the idea of "stability prevails over everything" and truly place a stable general situation in first place, especially throughout the entire process of this election work. The broad cadres and masses' understanding of the important significance of conducting the election according to the law and safeguarding the political situation of stability and unity should be improved, preparations for problems that might occur should be made early using favorable conditions to transform negative elements into positive elements in order to guarantee the smooth conduct of this election and contribute their forces to consolidate and develop the autonomous region's stability and the political situation of stability and unity.

Editorial Stresses Women's Role in Xinjiang

90CM0101C Urumqi XINJIANG RIBAO in Chinese
8 Mar 90 p 1

[Editorial: "Women of All Nationalities Must Contribute to Stability in Xinjiang"]

[Text] The first spring of the 1990's ushered in the 80th anniversary of the International Working Women's Day. May we congratulate the women of all nationalities on this glorious occasion.

Under the leadership of the CPC, women's work in Xinjiang has had enormous achievements. After the liberation, women of all nationalities stood up and

became the masters of their own fate. Like men, they played a crucial role in socialist revolution and construction. Today, the policy of improving the economic environment, rectifying the economic order, and intensifying reform has again opened up a brave new world for women to put their talents to good use. Women of all nationalities have liberated their thinking and forged ahead courageously, struggling furiously to be a mighty force in opening up and developing Xinjiang.

The task currently facing the people of all nationalities in Xinjiang is stability, which takes precedence over everything else. Accordingly, women's work should also revolve around stability. Women account for half the region's population and are distributed among all nationalities and walks of life. In agricultural and pastoral areas, women are a vital new force in production. In the textile and light industries, in primary and secondary education, in medicine and public health, and in commerce and the service sector, women have become a vital new force. In running a household, managing its budget, and raising children, women have an even more predominant position. In short, every facet of social life, from the essential, such as implementing the party's principles and policies and assuming the responsibilities of material and human production, to the trivial like domestic chores, is inseparable from women. Besides, women are crucial to domestic tranquillity. Women must fully appreciate their own role and fully utilize their intelligence and talents in their jobs. This is of enormous significance for consolidating and developing a stable unified political situation and furthering the fruits of construction.

Xinjiang is a multinationality region. Women of different nationalities and in different walks of life have different beliefs, living habits, and interests. To make all women in the region exert themselves on behalf of regional stability, we must unify thinking and action in accordance with the party's line, principles, and policies, and adhere to party leadership. Women of all nationalities and in all walks of life should follow the correct political direction closely, be consistent with the CPC Central Committee and Xinjiang Autonomous Regional CPC Committee in politics, ideology, and action, and fight for the interests of the party and all nationalities conscientiously.

Today, most women of all nationalities and in all walks of life in the region have been organized in women's federations and all kinds of women's groups at every level. These women's organizations are the bridge linking women of all nationalities and in all walks of life under party leadership and constitute a major social pillar of the regime. To make women of all nationalities and in all walks of life work even harder on behalf of stability in Xinjiang, we must take the work of these organizations seriously. Recently the CPC Central Committee issued a circular with the aim of enhancing and improving leadership over workers', youth's, and women's work. The circular is an important document in

guiding women's work in the new period. Party organizations and women's federations at all levels in our region should all study and fulfill the spirit of the circular in earnest, further mobilize the initiative and creativity of women of all nationalities, and unite everybody to make even greater contributions to stability in Xinjiang.

Xinjiang Work Reports Warn Against Separatism
90CM0101B Urumqi XINJIANG RIBAO in Chinese
18 Mar 90 p 1

[Article by He Ruilan (0149 3843 5695): "Stability Is the Universal Desire of the People of Xinjiang"]

[Text] Since the afternoon of 6 [March], deputies to the third meeting of the Seventh Xinjiang Xygur Autonomous Regional People's Congress have been meeting in small groups to examine and discuss three reports, including the "government work report."

The consensus of the deputies is that the government work report is infused with the correct guiding idea—"stability above everything above"—and the dialectical principle that only stability can ensure economic development and only economic development can consolidate stability. The "report" truthfully sums up the work last year and sets forth 11 tasks for this year in no uncertain terms, stating explicitly their guiding thought, goals, and measures. By pointing up a clear direction for all undertakings this year, the report has been most inspiring.

In their deliberations, the deputies also put forward a number of opinions and proposals in light of the real situation. Kahaer Aimaiti [0595 0761 1422 5337 6314 2251], a deputy, said, "Stability is what everyone wants. In Xinjiang, the source of the forces for stability can be found among the people of the various nationalities. Historically, all nationalities in Xinjiang have opposed separatism and preserved national unification, which is precisely why Xinjiang has always been in the embrace of the motherland. At present, however, there is indeed a handful of ethnic separatists in Xinjiang, who are the primary threat to stability in the region. As they go about carrying out their separatist sabotage, they often flaunt the banner of 'nationalism' and 'religion.' We must be even more vigilant and see through their schemes immediately. Separatists absolutely do not represent the minority nationalities or the fundamental interests of the various nationalities. They are the scum of the Chinese nation. Their behavior goes against the tide of social development and the fundamental interests of the people of all nationalities. They are bound to be opposed by all nationalities and destined to fail."

Seladamaola [5331 0171 1129 3029 2139], Qun Aji [5028 7093 0679], Saidilabaiyinaimu [6357 6611 2139 2157 5902 0035 2606], and Abudu Wufuersideke [7093 0008 6757 0710 3940 1422 0674 4104 0344], deputies from the Kashgar prefecture, said, "The autonomous region reaped its 12th bumper harvest last year, the result of a joint effort by the people of all nationalities under the correct leadership of the autonomous regional

CPC Committee and government. For this reason, people of all nationalities, including religious figures, should cherish the situation of stability and unity and create a stable environment. From their own personal experience, the people of all nationalities in the Kashgar prefecture know full well that whenever the nation is united and the situation stable, all undertakings forge ahead, that whenever the situation is unstable, all undertakings flounder and the economy suffers." Ma Cunliang [7456 1317 0081] and Xie Zhiqiang [6200 1807 1730] said, "The main danger facing Xinjiang is ethnic separatism. After 40 years of stability, some people are badly afflicted with a false sense of peace and security. To do a good job in stabilization, we must begin by making cadres, particularly party members, pay more attention to the problem. Everyone must have a clear understanding of the situation at home and abroad. The party's policies on nationalities and religion must be imparted successfully. In particular, the work of unifying all nationalities must be given top priority."

Pan Zhaomin [3382 0340 3046], Hu Xiaoen [5170 2556 1869], Shen Yu [3088 3768], Chen Xiu [7115 4423], and Jiao Yongbai [3542 0516 0130], deputies from the Armed Forces and police, said, "To realize the principle of stability, Army-government unity and Army-people unity must be intensified. To preserve the stable situation in Xinjiang, we must, on the one hand, be determined to educate members of the Armed Forces thoroughly in Marxist national outlook and the party's policy on nationalities, separatism, and socialism. We must establish firmly the idea of the 'two inseparables,' and further the excellent tradition of Army-government unity, Army-people unity, and national unity, opposing ethnic separatism unequivocally and preserving stability and unity in Xinjiang. On the other hand, we must reinforce political construction in the armed forces vigorously to ensure that the forces will remain politically qualified forever and maintain peace and stability on the border."

Reporter Xu Yudong [6079 3768 2639] reports from Urumqi:

Discharging their function of "political consultation and democratic supervision" to the full, members attending the third meeting of the Sixth Xinjiang Xygur Autonomous Regional Chinese People's Political Consultative Conference, who came from all nationalities and all walks of life, discussed in earnest the "government work report" presented by Chairman Tomur Dawamat [6993 2606 1422 6671 3907 6314 2251] and put forward many comments and suggestions.

In their discussion in the afternoon on the 6th [March] and throughout the day on the 7th, conferees took the floor one after another and the atmosphere was animated.

Ma Dengchuan [7456 4098 1557], a conferee, said, "Agriculture is the cornerstone of the national economy. Without agriculture, there can be no stability; without

grain, there will be chaos. Agricultural development measures as outlined in the 'report' are not strong or specific enough." According to his analysis, the autonomous region has been able to harvest one bumper crop after another thanks to: policy factors, 41 percent; scientific and technical factors (including scientific inputs), 44 percent; and meteorological factors, 15 percent. "To strive for a bumper harvest for the 13th year in a row, therefore, we must first maintain policy stability and then continue to increase scientific and technical inputs." Che Wengong [6508 2429 0501] said, "Our region has long ignored basic agricultural science, resulting in a divorce between science and technology, on the one hand, and agriculture, on the other. This situation has got to stop." Zulali Yakufu [4371 2139 6849 3660 1655 3940] and Abudurehman Tuohatijaji [7093 0008 6757 3583 0678 2581 2094 0039 2251 7093 0679] said, "The burden on peasants is so heavy that it is already hurting their initiative. The various kinds of apportionments and taxes are proving too onerous for them. We must work out practical measures and policies to stop demanding all manner of levies and payments from peasants arbitrarily in order to ease the burden on them."

Zhou Guangzhe [0719 0342 0772], Xia Xiuqing [1115 0208 1987], and Lu Hongfa [7120 1347 4099] said, "The construction of highways and railroads and the development of civil aviation, a prerequisite for economic development, must be accelerated." Li Xunzhuo [2621 3169 0587] said, "In energy development, our region should concentrate on building small hydropower stations, constructing them where local conditions justify, in order to supplement large hydropower stations and close the gap between electricity supply and demand."

A number of conferees commented on the problems in the drive to improve the economic environment, rectify the economic order, and intensify reform. Xin Zhenyuan [0207 2182 6678] said, "In the course of improving the economic environment and rectify the economic order, we must make a major effort to develop and nurture township and town enterprises. Compared to their counterparts in the interior, some of our township and town enterprises are still in the primitive stage, operating on a small scale, poorly equipped, and technologically backward. To develop Xinjiang's economy, we must put township and town enterprises on a sound footing and foster them with the right policies." Lu Zhongwu [0712 0022 1889] said, "In the course of perfecting the enterprise contracting system, we must stress the factory director responsibility system under the collective leadership of the party committee to ensure that the enterprise moves in a socialist direction." Wang Lan [3769 1526] said, "One of the goals of improving the economic environment and rectifying the economic order is to establish the government's macroeconomic control over society and the economy. Accordingly, we must improve the government's management capability instead of remaining at the stage of issuing the usual appeal and making inspections. If management falls behind, policies will go awry, and inefficiency will not improve."

Kashgar Acts To Promote Stability

90CM0101A Urumqi XINJIANG RIBAO in Chinese
18 Mar 90 p 1

[Article by Shi Jian (4258 1017) and An Hong (1344 4767): "Oppose Separatism Unequivocally and Work Together To Promote Stability"]

[Text] By aggressively tackling all kinds of work revolving around stability, relating them closely to the actual local conditions, and mobilizing the cadres and masses to discuss the situation, uncover hidden problems, and exchange ideas on how to respond to them, the Kashgar Prefectural CPC Committee and administrative office have created a powerful political and social environment and climate of opinion that favor stability.

Since the beginning of the year, the Kashgar Prefectural CPC Committee and administrative office have made the stability of the overall situation the central task that takes precedence over everything else. They began by convening an enlarged meeting of the prefectural CPC Committee and a conference for cadres and party members at the county, office, and departmental levels in order to analyze the current situation correctly, unify thinking and understanding, and plan what to do now in order to promote the central goal of stability. Later, the prefectural CPC Committee and administrative office organized all units to educate the cadres and masses in the situation and policies. A lecture team was dispatched to tour seven counties to give lectures. Through situation and policy education, the cadres and masses of all nationalities realized that stability was in their best interest and that they must overcome obstruction and hidden dangers to ensure political and social stability in the Kashgar area.

As part of stabilization, the Kashgar Prefectural CPC Committee and administrative office have mobilized the masses and cadres to uncover the major hidden problems in social life today, analyzing them one by one, and work out a response. Ethnic separatist activities are the principal danger to stability in Kashgar. Accordingly, the Kashgar Prefectural CPC Committee adopted the "Decision on Preserving the Unity of the Fatherland and Opposing Separatism." Moreover, the leaders of the CPC Committee and administrative office went down to the grassroots units and prepared a special report opposing ethnic separatism to mobilize the cadres and masses to remain sharply vigilance and watch the enemy closely in order to firmly nip in the bud any separatist activities. For a while, because of lax control on religious activities, religion was interfering in education, marriage, administration, judicial affairs, and similar areas. With this issue in mind, leading bodies in the prefecture have been working hard to unite religious leaders and to educate, guide, and manage them. At the same time, they have investigated religious activities fully and thoroughly, determined to stop all illegal religious activities. At present, the rectification of privately run religious and Koranic schools and religious points is under way. To

prevent traffic accidents and similar events from triggering sudden incidents, all units in Kashgar have set up classes to educate drivers in traffic regulations in depth so as to reduce traffic accidents to a minimum. As for traffic accidents that have already occurred, the departments involved are doing their best to handle the aftermath to prevent them from being exploited.

The departments involved have also been doing their best to solve the most prevalent problems in society today. Special conferences on employment have been convened; everything has been done to put unemployed youth in jobs. In a few enterprises, production has been falling and some workers have difficulty making ends meet. The departments concerned have tried to solve their problems by helping them get bank loans, adjust production mix, and improve management. In addition, since prevention is better than cure, all units in every

county and city have beefed up operations and systems that preserve social stability.

The key to preserving political stability is intensifying party construction, especially the construction of leading groups at all levels, and putting overall control firmly in the hands of Marxists. In the Kashgar prefecture, leading cadres at all levels are undergoing intense education in Marxism-Leninism, Mao Zedong Thought, and materialistic atheism. Efforts to ensure honesty in government have been redoubled. Cases of corruption, bribery, and abuse of public office for private gain, are being investigated with determination. Public trust is being earned with practical actions.

As a result of hard work, the situation in the Kashgar prefecture is stable. The economy is growing healthily, government revenue is rising steadily, the price index shows a downward trend, and market supplies are plentiful.

Need for Increased PRC-Taiwan Legal Cooperation

90CM0063A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 2, 8 Jan 90 pp 22

[Article by Ku Yung-chung (7357 3057 0022): "Legal Issues That Have Arisen in Contacts Between the PRC and Taiwan Over the Past Year, and Avenues for Resolving Them"]

[Text] The Basic Situation Concerning Legal Issues Between the PRC and Taiwan

Legislatively, right now the mainland has no special statutes for dealing with legal issues that arise in contacts between Taiwan and China. The mainland currently relies primarily on existing laws and regulations to handle this kind of problem; certain special problems require the release of judicial interpretations in order to resolve them. For example, on 14 March 1988 the Supreme People's Court and the Supreme People's Procuratorate issued a "Bulletin Regarding the Discontinuance of the Pursuit for Prosecution of Criminals Who Fled to Taiwan Prior to the Founding of the PRC," and on 7 September 1989 it issued a "Bulletin Regarding the Discontinuance of the Pursuit for Prosecution of Criminals Who Fled to Taiwan After the Founding of the PRC, But Before the Establishment of Local People's Political Power."

As for Taiwan, other than having formulated and promulgated certain administrative laws and regulations concerning contact with the mainland, it still has no special formal statutes for handling legal issues that may arise as a result of that association. Beginning in November 1988, the Taiwan authorities began the process of studying and planning ways to deal with legal issues that arise in contacts between the two shores. On 9 October 1989 the Taiwan "Administrative Yuan Mainland Working Group Bulletin" discussed the passage of "Draft Provisional Regulations on People's Relationships Between Taiwan and the Mainland," which was awaiting submission to the "Legislative Yuan" for deliberation and passage.

Many legal cases involving Taiwan and the PRC have already arisen in mainland courts. There are administrative legal cases, such as the trial of the Taiwan "Kuang-ta No. 2" cigarette smugglers in Zhumei Intermediate Court on 12 August 1989; and there are criminal cases, such as when the mainland police escorted the murderer Yang Ming-tsung [2799 2494 1350], for whom the Taiwan police had issued an arrest order, across Singapore to Taiwan on 21 April 1989.

There are also many legal cases involving both shores that have arisen on Taiwan. Marriage cases: On 3 November 1989 the Taiwan "Supreme Court" overturned a court verdict that had gone through three trials and the first level of review. After the Supreme Court retried the case of Chen Wanxiang [7115 1737 7449] (a mainlanders) versus Teng Yuan-chen [6772 1337 6297] (a

resident of Taiwan), the mainland plaintiff Chen Wanxiang lost the decision. Inheritance cases: On 14 November 1989 the Kaohsiung District Court on Taiwan decided that mainland heirs Guo Ruijiao [6753 3843 1293], Xie Xingde [6200 5281 1795], and Xie Yuxiang [6200 3768 7449] had the right to inherit the property left by Hsieh Kao-feng [6200 7559 7685] (a veteran on Taiwan). Criminal cases and events: Many cases of cigarette, home appliance, and firearm smuggling have taken place, and there have also been cases in which "mainland sisters" have been enticed or forced into prostitution on Taiwan.

The Reflected Problems and How To Resolve Them

The occurrence, investigation, and disposition of the above cases and events reflect the following three pressing problems:

First, as contacts between Taiwan and the mainland continue to expand, all sorts of legal affairs and cases involving both shores will continue to proliferate and grow more complex. Objectively, this gives rise to the following requirements: The PRC and Taiwan must as quickly as possible formulate corresponding laws and regulations or else readjust and revise the relevant existing laws to resolve the various problems that have occurred and will occur in the future.

Second, in terms of judicial jurisdiction and the applicability of laws, Taiwan and the PRC must acknowledge the objective fact of "one country, two forms of law," adopt a matter-of-fact attitude, and abandon certain practices that are not geared to actual circumstances.

Third, there should be increased cooperation between police and judicial departments on Taiwan and those on the mainland so that they do not allow criminal elements to use current affairs between the two shores to escape legal sanctions. The Taiwan authorities should discontinue their "three no's" policy and instead contact and cooperate with the mainland judicial system to eliminate unnecessary difficulties in handling legal affairs between their two shores.

To resolve the above problems the PRC and Taiwan should adhere to the following principles:

First, they should adhere to the principle of reality: That is, both sides should proceed as the current situation between them warrants, seeking to aid normal development of the relationships between them, to promote social stability, and to protect the lawful interests of individuals on both shores. They should seek out the path and methods that will resolve these issues.

Second, they should abide by the principle of equality: That is, there should be equality in resolving practical issues between them, and neither side should discriminate against the other.

Third, they should uphold the principle of gradual progress: That is, both sides should follow a policy of

handling the easy issues first and tackling the difficult issues later. They should avoid those political differences that disturb the development of the relationship between them and gradually resolve the problems that arise therefrom.

PRC Specialists Analyze Taiwan Politics in 1989

90CM0063A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 2,
8 Jan 90 pp 23-24

[Article by Li Shuiwang (2621 3055 2489) and Yang Lixian (2799 4539 2009): "A Year of Continued Great Changes in the Political Situation in Taiwan"]

[Text] *Editor's Note: The symposium "A Review of the Year in Taiwan and Prospects for the Future" was convened in Beijing on 22 December 1989, with more than 40 specialists participating. The symposium was chaired by Vice Presidents Li Chongwei [2621 1504 1218] and Jing Shuping [4842 0647 1627] of the Taiwan Studies Institute. Attending were Ren Pinsheng [0117 0756 3972] and Li Shuiwang [2621 3055 2489], deputy directors of the Chinese Academy of Social Sciences' Taiwan Research Institute; and Fang Sheng [2455 3932], Wang Kehua [3769 4430 5478], and Wu Jiatong [0702 0857 2717], specialists from various universities and research organizations.*

Here we will summarize and publish some of the speeches these scholars made.

The year 1989 was one in which the political situation in Taiwan continued to change drastically in the wake of Chiang Ching-kuo's death. The five major features of this change are as follows:

First, "political innovation" continued unabated, and the fight was very complicated. At the beginning of the year, despite fierce opposition from the Democratic Progressive Party [DPP], the Kuomintang [KMT] administration forced through the "Legislative Yuan" legislation that had been simmering for nearly two years, including a "People's Organization Law," a "Public Official Election Recall Law," and "Regulations for Resignation of Senior Central Government Representatives." Thus, they formally lifted restrictions on political parties and accelerated steps toward "parliamentary reform." However, the scope and speed of reform incorporated in political policy met consistently with fierce opposition, originating in contrasting viewpoints, from both the DPP and the conservative faction of the Kuomintang. The DPP demanded "comprehensive, thorough" reform, including popular election of the "president," direct election of governors and mayors, "local autonomy," and the return of power to "all residents of Taiwan." Certain senior KMT statesmen, on the other hand, especially "senior central government assemblymen," felt extremely anxious about the too rapid pace of reform. Faced with the pressure of demands from opposition forces outside the party and new representatives within the party to accelerate "parliamentary" reform,

these senior officials launched a so-called battle to "protect the nation and the law," and refused to retire. As of September 1989 there were only 106 senior "assemblymen," or about 13.7 percent of the total number, who "wished to retire," and the majority were still unwilling to do so. The "assemblymen's" tactics not only incited a vicious DPP attack, they also aroused dissatisfaction among new KMT representatives and confounded the authorities.

Second, the KMT's position in power faced a challenge of unprecedented intensity. New changes appeared in the competition and balance of power between the KMT and political forces not in power on the island. In 1989 various political and social forces on the island grew more active: New parties sprang up like grass after the spring rains. As of December, 40 "legitimate" political parties had already registered, control over the expression of political views had grown more and more lax, and coordination between news media representing different interests and the opposition party resistance movement on street corners and in the legislative assembly placed ever greater restrictions on the current administration. Three elections of public officials that occurred at the end of 1989 represented the first time the DPP-dominated political opposition forces in Taiwan participated in a "fair, legitimate" contest with the KMT in the political party arena. The election results show that ballots cast for KMT candidates declined to 59 percent, whereas ballots for DPP candidates rose to 30 percent. Together with unaffiliated candidates, ballots for non-KMT candidates total 41 percent. The KMT lost seven county magistrate and mayoral seats, six of which went to DPP candidates and one of which went to an unaffiliated candidate. Although the KMT held 70 percent of the seats on "major committees," the ratio of KMT representation declined and the DPP gained 21 seats. Adding DPP seats to the eight unaffiliated seats, both the bill sponsorship and voice of nonruling political parties increased. To some degree, the changes that took place in Taiwan's ruling system as a result of these elections indicate that the KMT's power base has begun to weaken. The DPP's actual strength, on the other hand, has increased somewhat, thus posing an ever greater threat to the KMT's position of dominance. The age of the KMT's power monopoly in Taiwan is over: A political pattern of single-party dominance, multiparty competition, and two-party contention has essentially taken shape.

Third, the fuss that "Taiwan independence" advocates and their activities kicked up provoked widespread concern on Taiwan and abroad. Since 1989, due to deliberate or unintentional placidity on the part of the KMT authorities, as well as their own prominent advocacy of a fuzzy one-China policy involving "one country, two governments," and "flexible diplomacy," an inclination toward "Taiwan independence" has developed on the island. In August of the same year, while the 16th "World Conference on Taiwan" was holding elections on Taiwan, the DPP's "New Tide Faction" formed a

"United Front for a New Nation" and joined forces with the "Taiwan independence" faction that is deeply involved in island activities. They publicly called for "a new nation and a new constitution" and promoted the so-called "Draft Constitution of the Republic of Taiwan." This demonstrates that the growth of the "Taiwan independence" movement on the island has entered a new, more public, better organized stage. At the yearend elections 20 of the 32 candidates promoted by the "United Front for a New Nation" were elected, demonstrating further that the "Taiwan independence" movement has truly gained "legitimacy." Although the KMT authorities loudly proclaimed that they "absolutely would not conduct a policy of appeasement or accommodation," but would "handle matters according to law," their own positions are not secure, so how can they talk about "being resolute"? Some in the "Taiwan independence" faction brazenly asserted that they would achieve their goal of "establishing an independent nation of Taiwan" by the end of this century. The "Taiwan independence" movement has grown to a degree that cannot be ignored. Their opponents, people with lofty ideals and people who advocate reunification with China, are deeply troubled.

Fourth, relations across the strait moved forward slowly and tortuously. In the past year the KMT authorities' mainland policy, based upon the "Mainland Policy Resolution" passed by the 13th National Party Congress has not changed much. Taiwan still follows the principle of "people-to-people, indirect, unidirectional, gradual contact" in handling relations between our two shores. But, under pressure from all sides, it has also adopted some more relaxed measures. For example, it has permitted some old Taiwan soldiers who had remained on the mainland to return and settle on Taiwan; it has allowed public university professors and public academic research institute personnel to go home to the mainland to visit families; it has opened telephone, telegraph, postal, and facsimile services to the mainland; it has relaxed restrictions on the range of relatives for whom mainland compatriots may attend a funeral on Taiwan; and it has permitted Taiwanese who went to the mainland prior to 1949 to return to Taiwan to visit families. To standardize relations between our two shores, the Taiwan authorities are also stepping up their efforts to formulate "Provisional Regulations for Relations Between Our Two Shores." In the past year contacts and business visits between Taiwan and China have grown. In 1989 more than 500,000 Taiwan compatriots—over 50,000 more than in 1988—came to China to visit relatives, sightsee, do business, and engage in cultural and academic exchanges; more than 3,700 mainland compatriots went to Taiwan to visit sick relatives or bury deceased family members; and the total amount of entrepot trade was estimated at \$3.2 billion—\$500 million more than in the previous year. Taiwan commercial investment in the mainland also increased considerably. Generally speaking, the trend toward relaxing relations between our two shores has not changed at all, but neither is it all smooth sailing. The Taiwan authorities

continue to stubbornly uphold their anticommunist stand and their "three no's policy," and they are taking advantage of the mainland's continuing process of opening to the outside world to step up their so-called "anticommunist" political infiltration of the mainland. This casts a dense shadow over further growth in the relationship between Taiwan and China.

Fifth, the Taiwan authorities accelerated their pursuit of "flexible diplomacy," trying hard to extricate themselves from a difficult international position. To break out of this predicament, since 1989 they have enhanced their overseas activities under the watchwords "flexibility" and "practicality." Relying on the so-called "silver-bullet offensive," the Taiwan authorities have established or resumed "diplomatic relations" with Grenada, Liberia, and Belize—three countries that enjoy diplomatic relations with China—and they are doing their utmost to rope in other Third World countries as well.

To summarize, 1989 was a year in which Taiwan's political situation evolved in the midst of turbulence, and with these changes came greater complexity. Relations between our two shores have moderated in some respects and grown more tense in other respects; there has been some contact and some conflict. Looking forward to 1990, it seems the above situation will continue.

In terms of revising the power structure, the "presidential" and "vice-presidential" elections in March will be all the more notable. The results of these elections will to a considerable degree affect Taiwan's political course for the next six years or even longer, including both personnel and policy revisions.

As for the political setup, the most prominent aspect will be the competition between the KMT and the DPP. First, the "Legislative Yuan" will undergo a change in composition: Its powers to assess and restrict administrative organs will increase. In 1990, for the first time there will be more added "legislative members" than senior "legislative members." The 29 DPP and unaffiliated "legislative members" will exert a great deal of pressure on KMT officials, and we anticipate that the two parties will enter into fierce debates over a whole series of major, sensitive issues. Second, local administrators in localities dominated by the opposition faction will repeatedly defy the central government. The population of the seven counties and cities in which the DPP and unaffiliated candidates won seats accounts for more than a third of the total population of Taiwan, and tax revenues from these areas comprise half the island's total public finances. They possess considerable strength. We can predict that in 1990 jurisdictional clashes and friction will increase between KMT authorities and local organizations controlled by the opposition, between the "provincial government" and county and municipal "governments," and between legislative organs and administrative authorities. This will add to the element of political instability in Taiwan.

With respect to relationships between our two shores, the indirect "three exchanges and four circulations" will continue to expand on the existing foundation, but it appears that it will be difficult to achieve a major breakthrough in this area. In the international forum Taiwan will continue to pursue "flexible diplomacy," and the fight will be intense and complex.

The debating and fighting over "Taiwan's future course" will grow increasingly fierce. Public advocates of "Taiwan independence" will combine forces with the secret "Taiwan independence" faction, and will greatly influence public opinion, both in the parliamentary forum and on the street corners. At the same time, they will actively vie for the electorate at the grassroots level and try hard to attain an even greater breakthrough within a few years. The developing influence of the "Taiwan independence" forces will threaten the KMT's position of power in Taiwan and affect stability on the island. As a result, the situation may touch off a series of conflicts within the party and outside it, and in society as a whole. It is not inconceivable that some actual clashes will take place.

To summarize, in 1990 unstable elements will increase on the island, and conflicts over power, between "innovative" and conservative forces, and between "unity and independence" will grow. The KMT authorities are already unable to completely control the evolving situation. The political situation on Taiwan will grow more complex and variables will increase.

LIAOWANG Views Japan's Growing Economic Influence

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[Article by Wang Jianming (3769 1696 3046): "Japanese Economic Influence on Taiwan Constantly Increasing"]

[Text] In recent years, Japan's economic influence has constantly infiltrated and expanded into Taiwan's financial and service industries. Currently, Japan has not only replaced the United States as Taiwan's largest foreign investor, it has also dramatically increased Taiwan's trade deficit with Japan. Taiwanese authorities are currently adopting many kinds of measures to improve Taiwan-Japan trade relations, including making the rapid absorption of Japanese technology an important economic and trade policy.

Special Characteristics of Taiwan-Japan Economic and Trade Relations

Today, the special characteristics of Taiwan-Japan economic and trade relations are as follows:

—Taiwan's trade deficit with Japan has increased dramatically. Taiwan-Japan economic and trade relations are extremely close, and Japan is not only Taiwan's largest import market, it is also its second largest

export market. Taiwanese imports from Japan have grown faster than Taiwanese exports to Japan; Taiwan has long had a trade deficit with Japan, and the growth of the trade deficit is accelerating: from 1952 to 1973, Taiwan's accumulated trade deficit with Japan was only \$3.58 billion; from 1974 to 1985, the accumulated trade deficit amounted to \$27.31 billion; and from 1986 to October 1989, in less than four years, the trade deficit amounted to \$20.41 billion.

The main reasons for the increase in Taiwan's trade deficit with Japan in recent years are as follows: first, the product mix of Taiwan-Japan trade is still in the form of a vertical division of labor. For a long time, Taiwan's main exports to Japan have been agricultural and marine products, with middle- and low-grade manufactured goods in second place, while imports from Japan have been the opposite: primarily mechanical equipment and parts and raw materials needed for manufacturing and processing industries, with agricultural, forestry, and marine products in second place. Since the prices of industrial products rise, prices of agricultural products show a relative decline, causing constant expansion of Taiwan's trade deficit with Japan. Second, Japan has many tariffs and nontariff restrictions on Taiwanese products, causing a decline in agricultural products exported to Japan. According to an early 1989 survey of Japan by Taiwan's financial and economic departments, there were several hundred tariff and nontariff barriers on Taiwanese products exported to Japan, causing a decline in exports; for example, marine product exports dropped 5.8 percent between 1987 and 1988, and pork, fruit, and tea dropped 22 percent, 19 percent, and 12 percent respectively. —Japan has replaced the United States as Taiwan's largest foreign investor. Since 1986, Japanese investments in Taiwan have increased rapidly, both in terms of number of cases and amount of money invested, far surpassing U.S. investments. From 1986 to the first half of 1989, Japan made 609 investments in Taiwan, amounting to \$1.34 billion. This is 2.9 times the number of U.S. investments (211) and 1.6 times the amount of money invested by the United States (\$850 million).

The rapid increase of Japanese investment in Taiwan has gradually turned Taiwan from Japan's "assembly factory" into Japan's "satellite factory." While Japan has invested in the establishment of factories in Taiwan, the products they manufacture are not sold back to Japan; they are mainly sold to the United States and then marketed in Taiwan, causing a huge deficit in Taiwan's trade with Japan and a huge surplus in its trade with the United States.

—Japan is gradually infiltrating Taiwan's service industry. Japan has gradually developed from controlling the supply of raw materials and parts for Taiwan's manufacturing industry to the service industry, including marketing. Japanese investments in Taiwan's service industry include real estate, hotels, the foodstuffs market, the consumer electronics market,

department stores, convenience stores, supermarkets, amusement parks and the like.

- Japan has begun to infiltrate Taiwan's finance industry. In the past, Taiwan strictly controlled the finance industry; it was very difficult for the Japanese financial industry to enter Taiwan, and therefore Japan made Hong Kong the focal point for foreign financial investment in Asia. However, as Taiwan gradually deregulated banks and the finance industry, Japan started to make Taiwan the focus of financial investment. The Japanese Ministry of Finance has prohibited the Japanese finance and securities industries from operating in Taiwan, and only one Japanese bank—the world's largest bank, Japan Daiichi Kangyo—has a branch in Taiwan. Actually, however, many Japanese banks, securities firms, and life insurance companies have unofficially sent representatives to Taiwan on long-term assignments. They not only deal with deposits, loans, and foreign exchange, they also obtain information about Taiwan's financial market in order to serve Japanese investment firms.
- The dependence of Taiwan's economy on Japan has increased. The dependence of Taiwan's economy on Japan is multifaceted, and this has brought about Japan's control of Taiwan's economy. With respect to technology, the development of Taiwanese industry has depended primarily on Japanese technology, but Taiwan has been unable to obtain transfer of key technology, so that the level of Taiwan's industry is far below that of Japan, and it can only maintain a vertical division of labor system. The clearest example is that of Taiwan's auto industry. Almost all of Taiwan's auto plants receive technical cooperation from Japan, but they are unable to obtain blueprints and key technology; they can only implement auto assembly, and have no real independently-produced autos. With respect to machinery and raw material, Taiwan is still unable to free itself from its dependence on Japan. Because of their technical cooperation with Japan, Taiwanese firms must use Japanese technology, equipment, and raw materials. Once they use these, due to various factors such as varieties and specifications, Taiwanese enterprises have no choice but to continue to import Japanese parts and raw materials. This not only causes dependence on Japanese products, it also increases Taiwan's trade deficit with Japan.

Measures By Taiwanese Authorities To Improve Taiwan-Japan Economic and Trade Relations

Faced with the abnormal situation of Taiwan-Japan economic and trade relations and the dramatic expansions of Taiwan's trade deficit with Japan, Taiwanese authorities have adopted a number of measures.

- Combine several methods of expanding exports to Japan. Taiwanese authorities have made increasing exports to Japan and balancing Taiwan-Japan trade the focal point of the current economic and trade

policy regarding Japan. Their principal measures are: establishing specialized bodies and formulating plan outlines; inviting various large Japanese department stores and supermarkets to come to Taiwan to make purchases, and arousing Japanese businesses located in Taiwan to cooperate with Taiwan in strengthening trade with Japan; entrusting the internationally famous business management consulting firm McKinsey and Company with studying countermeasures for improving Taiwan's trade deficit with Japan; in light of the Japanese people's liking for European goods, attracting European brandname manufacturers to Taiwan to invest in setting up factories, and then exporting the products to Japan; and establishing "Taiwan trade centers" in Tokyo and Osaka, and holding exhibits of Taiwanese products in Japan.

- Strengthening training of personnel engaged in trade with Japan. Concerned Taiwanese authorities have decided to invest a huge amount of money and, beginning in September 1989, train personnel engaged in trade with Japan at ten schools for the industrial and commercial sectors. They expect to train 2000 specialists in Japanese trade within two or three years.
- Strengthening absorption of Japanese science and technology. Taiwanese authorities have formulated a "Taiwan-Japan vertical division of labor technology transfer plan" for strengthening absorption of Japanese technology. They have decided to have the "government" and private sector jointly invest 30 billion Taiwan dollars to establish a technology transfer firm jointly managed and financed by the government and the private sector, in order to bring in Japanese technology.

If the above measures are implemented, they can to a certain degree improve the Taiwan-Japan balance of trade. However, the vertical division of labor system of Taiwan-Japan trade cannot be readily changed in a short time, and the Taiwanese economy's "dependence on Japan for imports and on the United States for exports" has existed for a long time. Japan's widespread infiltration of Taiwan's financial and service industries will further strengthen Japan's influence on Taiwan's economy, and this will have an important effect on Taiwan's future social and economic development.

Progress, Obstacles in Bilateral Communications

90ON0425A Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 6-7, 12 Feb 90 p 41

[Article by Chang Chung-shu (1728 1813 1859): "Hope That the 'Mail Horse' Will Take Wing Across the Divide Separating the Mainland and Taiwan"]

[Text] The past year was one which saw major progress in the flow of mail between Taiwan and the mainland.

After having experienced a nearly forty-year break in normal postal exchanges, since last year postal departments on both sides of the Straits have been directly

delivering airmail post and printed materials, and family members on both sides can post letters directly. Change on the part of Taiwan began in April of 1988 with the so-called "correspondence without postal communication" method of mail transfer via the Red Cross, simplifying the overly tedious postal formalities, and making it convenient for Taiwanese to post letters to their relatives and friends on the mainland.

In fact, early in the decade, the mainland put forward a proposal for the two sides to implement the "three connections" (commerce, postal service, air and sea transport), and the mainland's post and telecommunications departments took the lead in taking unilateral steps to implement postal communication, and trial telephone and telegram communication. Now, at last, a response has been obtained from the Taiwan side, and from unilateral trial communication both sides are developing open and mutual communication. This is a valuable and welcome development.

According to incomplete statistics, in 1989 the total amount of mail which passed between Taiwan and the mainland was more than 13 million letters, a more than four-fold increase compared with the previous year's total of some 3 million letters. At the same time, Taiwan has also opened telephone and telegraph service with the mainland. It is now possible to directly dial 80 cities, and though it is still necessary to go through a third area transfer, eventually relatives on both sides will be equipped with modern communications equipment, making possible prompt and unobstructed exchanges of personal feelings, and facilitating discussion of matters of urgency.

However, it should be pointed out that the relevant policy making departments on Taiwan, after last year's disturbances in Beijing, tried in vain to make use of postal communications and telephone communications to spread hostile propaganda and conduct a "political counteroffensive." According to reports in Taiwanese newspapers, Taiwan's governmental department responsible for postal service and telecommunications had wanted for some time to propose a program for simplifying postal communications and indirect telephone communications, until last year's 3 May Taiwan "Mainland Work Report" which on this topic also openly stated that "the mainland policy cannot be hurriedly pushed forward, and to avoid raising the temperature on the mainland, we will put off the discussions." But after the 4 June suppression of the counterrevolutionary rebellion in Beijing, the "Mainland Work Report" rushed on 6 June to urgently meet with departments responsible for post and telecommunications, and on 7 June, a Taiwanese "spokesman" announced the "opening of phone and postal communications with the mainland." Soon afterwards, beginning on 15 June, large quantities of letters were directly mailed. Among the letters mailed from Taiwan to the mainland, some reactionary propaganda material, "psychological war" type material, as well as postcards expressing support for the

Beijing rebellion, were unexpectedly mixed in, and political slogans were printed on some envelopes, while stamps contained anti-communist content. Some even went so far as to collect the telephone numbers of mainland teletypes to spread unfounded rumors and subversive sentiments. The use of postal communications and telecommunications to engage in the various types of dishonorable activity described above reflects the fact that some on Taiwan make laborious pretensions without contributing anything. They have no qualms about destroying the auspicious and peaceful atmosphere for communication between friends and relatives on both sides of the Straits; they go against the general trend towards "peaceful unification," and engage in futile petty tricks which are quite senseless.

The mainland's post and telecommunications departments immediately exposed and criticized these actions. Some Taiwanese officials also took exception to these actions. According to newspaper reports in Taiwan, "figures in the postal service community have asserted that using the method of anti-communist propaganda postal material to support the mainland's democracy movement is not wise." "Using slogans or writing on postal material to support the mainland democracy movement or to engage in anti-communist propaganda is a cosmetic method." Taiwan's postal service department is also calling on the populace to "as far as possible avoid using envelopes and stamps bearing politically sensitive and politically propagandistic slogans from now on when sending letters to the mainland." In fact, the problem is not due to accidental and careless use of a certain envelope or stamp among the populace as the mainland postal service departments conscientiously deliver all the letters that arrive from the Taiwan populace. The problem lies in the use by relevant departments in Taiwan of postal communications to further their hostile activity. This has already generated great concern among large numbers of Taiwanese compatriots and a succession of denunciations, which emphatically demand that the Taiwanese authorities put a stop to this activity in order to create and protect a good atmosphere for communication between relatives and friends on both sides of the Straits, and for the peaceful unification of the motherland.

It should also be pointed out that due to the fact that the Taiwanese authorities, in order to maintain their "three-no policy" (no talks, no contacts and no appeasement of the Communist Party of China), have persisted with the "no contact" policy, a variety of artificial limits and obstacles exist at present for postal communication and telecommunications between the mainland and Taiwan. For example, in order to have "no contact" with mainland postal service departments, Taiwan's postal service departments avoid sending inquiries to mainland postal service departments, going so far as to not handle registered mail, accepting only surface mail, postcards, printed material, etc. Relatives and friends on both sides of the Straits are demanding that both sides permit sending of packages with articles of everyday use, medicines and special local products, but the Taiwanese

authorities will not permit this opening. Due to the strong demands of the populace, the "Mainland Work Report" unexpectedly decided to allow forwarding of mail through Japan, Hong Kong and the United States, though the inconvenience and increased burden of postal fees this brings to users are obvious. What is particularly irrational is that small packages sent from the mainland have not been accepted and have been repeatedly sent back. Taiwanese compatriots feel furious and helpless about this situation, which seems to be not only akin to "not eating for fear of choking," but also goes against the postal service policy of "service for people's convenience."

Another example is that at present relatives and friends on both sides of the Straits can make telephone calls and send telegrams, but due to the fact that the Taiwanese telecommunications departments also can have no contact with mainland telecommunications departments, telephone calls and telegrams must pass through a third location. Cost settling for both sides cannot be done directly, but must be done through a third location's telephone department. This not only increases the formalities, but also reduces business income, with the result that Taiwan newspapers cannot help but breath an emotional sigh, noting that "this practice leads to 'the fertilizer and water flowing into foreign fields.'"

In addition, in the early stages of mutual telegraph communications, due to the fact that the standard telegraphic code used by Taiwan and the mainland are not the same, encoding and sending entail substantial difficulties. Because Taiwanese telecommunications departments accept the limits of the "no contact" policy, they also dare not respond when the mainland issues inquiry telegrams: in reality a situation where "one can send a telegram, without knowing what the results will be," bringing about much protest from the Taiwan populace. In early September of 1989, Taiwan's telecommunications departments which had been incurring censure from various quarters, were told to indicate that "the Directorate General of Telecommunications under the Ministry of Communications can provide an answer to inquiry telegrams from the mainland."

Taiwanese authorities obstinately cling to the "three nos" policy, extending its meaning and applying it to the regular postal service and telecommunications service. Consequently, a variety of irregular phenomena have emerged and those responsible have become enmeshed in a web of their own making. For example, ordinary mail can be sent; registered mail cannot. In one's own country it is not possible to receive and send small packages. It is necessary to go through another country and region to forward mail; otherwise, mail that arrives will be sent back. As for telegrams, each side would rather have the other translate the desired text and efficiency is lost, and it is not possible to reply at once to the contents. The telephone and telegraph charges of both sides must rely on a third-area representative to settle accounts... All of these things create unnecessary

difficulties for the two-way communication which has begun between relatives and friends on both sides of the Straits.

In the end, the realization of the great cause of unifying the motherland and achieving the "three connections" directly between Taiwan and the mainland are a trend of the times and the desire of the people, and over the last few years things have been developing in a favorable direction. Postal communications and telecommunications are also part of this trend, despite the fact that there are some roadblocks due to the "no contacts" policy. Yet pushed by the populace, moved by the common effort of huge numbers of staff and workers of the postal and telecommunications departments of both sides, things are continually developing and progressing. We hope that the "roadblocks" can soon be removed, that everyone can "talk about mail when at the post office," that official and direct postal and telephone channels can be opened up for compatriots on both sides of the Straits, and that the scope of reciprocal telecommunications services can be expanded.

We hope that the Year of the Horse will be a year when the mail horse takes wing!

Cheng Siyuan Discusses PRC-Taiwan Reunification

90CM0067A Beijing TUANJIE BAO in Chinese
28 Feb 90 p 4

["A Great Opportunity for Reunification With the Motherland in the 1990's—Cheng Siyuan (4453 1835 6678) Answers Reporter of TONGYI LUNTAN"]

[Excerpt] At the time when spring returns to earth and everything is brought back to life, a TONGYI LUNTAN [REUNIFICATION FORUM] reporter had an interview with Mr. Cheng Siyuan [4453 1835 6678], a renowned patriot without party affiliation and the president of the Committee to Promote Peaceful Reunification of China. The following is Mr. Cheng's response to questions of general concern inside and outside of China, such as the future of China's peaceful reunification, the so called "Taiwan experience," and Taiwan's upcoming general election in March.

[Reporter] The first spring of the 1990's has come. The ancient proverb says, "The whole year's work depends on a good start in spring." Now spring has come, so would you like to tell us about your opinion on the issue of peaceful reunification of our motherland?

[Cheng Siyuan] Thank you, I would like to take this opportunity to send my regards to those who work for TONGYI LUNTAN. Also, through those who work for TONGYI LUNTAN, I would like to wish my fellow countrymen inside and outside of China a happy spring.

With full confidence, our great motherland will continue to progress along the road of Chinese-style socialism in the decade of the 1990's. The peaceful reunification of

our motherland is such an important issue that it bears a direct effect on our Chinese nation's prosperity and national pride. It is an issue of concern for everyone in China, including my fellow countrymen in Taiwan, Macao, and Hong Kong. And everyone hopes that peaceful reunification can soon be realized. In recent years, both sides of the Taiwan Strait have shown a moderate atmosphere due to my fellow countrymen's effort in and out of China. In the current international environment and other situations, the process of China's peaceful reunification should speed up, if the Taiwan authorities can change from the past persistent policy of anticommunism and reject reunification to adopt a policy that is sensible, far-sighted, and more oriented toward the interests of our nation and people. The solution rests entirely with the Taiwan authorities' decisions. It is well known that in this century Hong Kong and Macao will be returned to China by foreign nations. Are people on both sides of the Taiwan Strait less sensible than those foreigners on the issue of reunification? Why do we have to drag this on? The delay of the issue will only hurt the interests of our nation and people. The delay will also make cultural and economic exchanges as well as other exchanges between the two sides of the strait more difficult. Eventually, any effort to prevent reunification will be punished by history. It is said that the great issue of reunification is crucial to the success and survival of the Kuomintang [KMT]. There is much truth in that statement. The issue simply cannot be ignored.

[Reporter] Some people believe that "it is too early to have a reunification because of the difference in living standards between the two sides of the strait." What is your assessment on that?

[Cheng Siyuan] Historically, living standards have always been different between the two sides of the straits. This difference, however, should not have an effect on the issue of reunification. Our policy for peaceful reunification—"one country, two systems"—has taken into consideration the issue of different living standards. This policy also respects the choice made by the people in Taiwan so we do not force them to accept our social system, ideology, and lifestyle. In this respect, our policy fulfills the requirement of our motherland's historical past and present reality. Some people oppose the policy of "one country, two systems." They suggest "reunification with the three principles of the people" instead. This is too much. This is to force the mainland to accept their system. The mainland does not force "socialist reunification" on anyone. If we all try to force our own system on others, how can we have peaceful unification? Different living standards always exist, even among different cities and provinces in the mainland. Some of our cities and provinces have pretty high-level economic development. However, the issue cannot be simply determined on the basis of a few economic figures and measures. It should be judged by overall economic power, which includes science and technology, potential,

and future development. Anyway, the difference in living standards cannot be used as a reason to prevent reunification.

[Reporter] Some people demanded the mainland "to abandon the four basic principles as a condition for reunification." Is this unreasonable?

[Cheng Siyuan] This is just another version of the "reunification with the three principles of the people." The demand is a reflection of a few people's mentality, which disregards the historical past and present reality. We have never demanded that the KMT abandon the three principles of the people. Mr. Sun Yat-sen once said that the three principles of the people is a good friend of socialism. He was far-sighted and liberal. The Taiwan authorities not only try to avoid mentioning Mr. Sun Yat-sen's statement, but further demand that the communists abandon their basic principles. This is too unrealistic. The Chinese people have struggled extremely hard for a long time to break away from oppression and slavery. During the struggle, they chose the road of socialism and communist leadership after comparing the differences. This has been proved by China's historical development in the last 100 years or so. Objectively speaking, the most crucial element responsible for China's high standing in international community and its achievement in large-scale construction in the last 40 years is the policy to uphold the four basic principles, to persist in open reform, and to build Chinese-style socialism.

[Reporter] Recently, the Taiwan authorities have repeatedly spoken of spreading the "Taiwan experience" to the mainland. What do you have to say about this?

[Cheng Siyuan] Like the people of the mainland, the people of Taiwan have inherited the industrious, ingenious tradition of the Chinese people and created enormous wealth for our national prosperity. These economic achievements are also a mutually dependent, well-integrated unity that supplies new blood to our national economic development. However, the so called "Taiwan experience" intended by the Taiwan authorities to spread to the mainland is only nonsense meant to cheat the world with usurpation. The Taiwan authorities use it to fool the people of Taiwan on the one hand and to purposely avoid certain issues on the other. The following are the issues that the Taiwan authorities try to avoid: 1) In 1949, the KMT brought with them to Taiwan in retreat about \$400 million worth of hard currency and silver from the state treasury, as well as many industrial production equipments and a considerable amount of industrial human resources. 2) During the last few decades, Taiwan has received hundreds of billions of dollars of foreign economic and military aid. 3) Taiwan made a fortune out of the Korean war and the Vietnam war during the U.S. invasions while the people of the mainland were bleeding and sweating; 4) During our struggle against the United States, Taiwan took advantage by willingly playing the role of "the unsinkable aircraft carrier." "The Taiwan experience" also

covers up severe internal oppression, serious environmental pollution, national humiliation, the loss of economic sovereignty, as well as other high costs. To boast of the "Taiwan experience" is a gross deception.

[Reporter] Some people suggested that "the mainland must return to the Chinese culture for cultural reunification." Would you like to comment on that?

[Cheng Siyuan] The Chinese culture is one of the oldest and most respected cultures in the world. The development of Chinese culture is accompanied by the development of the Chinese nation. Chinese culture is a product of history which incorporated 56 other cultures of other nationalities, including cultures from the outside. During the process, Chinese culture gradually formed its own characteristics and developed into a new culture. The KMT did bring a few thousand cases of cultural treasures to Taiwan in 1949. Chinese culture, however, remains rooted in the mainland. People from both sides of the strait as well as those who work in the cultural fields have persistently made contributions to the development of Chinese culture. In my opinion, Chinese culture, which had four great inventions in the past, will continue to blossom in the future.

[Reporter] There is another question. Recently, "the Taiwan independence movement" has been heard more and more on the island, can you explain the reasons behind that?

[Cheng Siyuan] The ideological trend of "the Taiwan independence movement" can be traced to many different causes. However, the idea has a wrong basis: It is against the fundamental interest of the Chinese nation. It should be corrected. To a large extent, the recent growth of the "Taiwan independence movement" on the island can be attributed to the support and toleration provided by some authority figures in Taiwan. For instance, some people suggested that "Taiwan should change from an independent economic entity to an independent political entity." They also proposed "one country, two systems," "flexible diplomacy," "double recognition," and so on. Once the hotbed is there, the "Taiwan independence movement" will naturally grow in it. Surprisingly, while the masses refute the ideology of "Taiwan independence," these people are advocating "toleration of different opinions" in order to encourage the spread of that ideology.[passage omitted]