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Dangers of Formalism in Rural Areas

93CM0214B Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese No 2, 11 Feb 93
pp 21-22

[Article by Zhou Shuyi (0719 2579 4135) and Cao Siqi (2580 1835 3825), research office of the Nantong Municipal CPC Committee, Jiangsu Province: "The Dangers of Formalism"]

[Text] We have toured the rural areas and listened, and our initial impressions are these: There is a desire among the vast majority of grassroots-level cadres to bring about a new phase of reform, opening to the outside world, and economic construction. Furthermore, there exists a potential vigor that is actually capable of doing a good job of it. However, in their words, formalism also exists, and the dangers of this element, combined with the formalism and bureaucratism of higher-level government agencies, must not be underestimated.

First, the practice of hiding unpleasant facts under happy news obstructs all attempts to gain full knowledge and control of the actual situation. An accurate assessment of the objective situation is fundamental for the party's formulation of its political line and its general and specific policies. There are also some comrades who, in their reports to higher authority, report "a whole series of accomplishments, precise in every detail," but—when it comes to problems—"hide, conceal, and leave out many detailed items." They even go so far as to consider reporting problems as merely "raking up one's faults and shining a light on something shameful"; "making an exhibition of oneself" in front of one's leadership; or as a "dishonorable thing" to do. In fact, there are some comrades in leadership positions who want to hear nothing but pleasant things, especially concerning work that is under their control. However, nothing in this world is completely perfect. Some rural cadres who maintain a scientific attitude have spoken to us of another aspect of the matter: "There are indeed some inflated figures concerning our production, output values, economic benefits, and income of the masses." Why is that? "If we do not inflate the figures a little, we cannot show great progress during the year, and we would not be entitled to a bonus. We would also come under some behind-the-scenes pressure."

Second, there is bluff and bluster instead of actual work, thereby fostering favorable sentiments. There are some localities that seem to feel that "the louder their bluff and bluster, the easier it is to give the impression of great determination and great achievements." Whenever any matter is to be handled, "the whole universe will reverberate with" their bluff and bluster, but no hard work will be done to accomplish the task in question. The result is a very high pitch, but a poor performance, and no progress in economic construction. We believe having all this outward "heat," covering up the "icy" insubstantiality of action, is extremely undesirable.

Third, exhausting oneself in perfunctory sham activities wastes energy, as well as manpower and public funds. Many rural cadres have mentioned that they are now compelled to deal with large and small meetings, all kinds of investigations and comparative appraisals, target achievements in competition, visits and interviews; must check and assess proficiency of deliveries before acceptance; and deal with much too much of a bewildering motley of statistical reports. "This just has us in a state of complete and utter stupefaction. All we can do is muddle through somehow." Some rural cadres said, "Every day most of our time is taken up by receptions and entertaining. At times two or three groups of people have to be looked after. This is a waste of energy and public funds, and how can we take proper charge of the central task of economic construction?"

Fourth, insistence on uniformity affects the principle of seeking truth from facts and produces errors in policy decisions. The term "insistence on uniformity" means that the higher authority issues to lower levels "steel-hard" inflexible directives which will not allow any differentiated execution. The lower levels then have to carry out the directives indiscriminately and without regard for the realities of the locality concerned. For instance, in some villages the soil is sandy, water retention is poor, and there are no supplementary water conservancy facilities: a place like this ought not to grow rice. However, the place was compelled to carry out the directive from higher authorities, which rigidly order the peasants to "give water early in the morning." As a result the place had greatly increased cultivation costs and reduced output, leaving peasants to face the bitter consequences. The same happened when new village enterprises were being set up. There was a big rush to set up certain profitable projects, or to establish certain kinds of enterprises that were being encouraged. People vied with each other to establish such enterprises, but in the end serious losses were incurred due to duplication of construction.

Formalism is bound up with bureaucratism. Bureaucratism needs formalism as its shield, and prevalence of formalism will naturally breed bureaucratism. As Premier Zhou Enlai succinctly pointed out as early as 1963, the link of formalism with cumbersome administrative structure and with overstaffed situations "has become something almost akin to a law." It shows that cumbersome administrative structure, overstaffed offices, and a bureaucratism which stands high above the masses and entertains all kinds of queer ideas are phenomena that are closely linked with each other, while both—formalism and bureaucratism—are evil practices that are harmful to public affairs, the state, and the people. We should therefore follow Comrade Jiang Zemin's precept, contained in his report to the 14th CPC National Congress: We must overcome "bureaucratism, formalism, and other such evil practices," as they constitute serious problems in that they "seriously damage the reputation of the party and endanger the relation between the party and people. Leading bodies and

leading cadres at all levels must go down to the grassroots, investigate and study, experience and observe the wishes of the masses, be concerned about the weal and woe of the masses, listen to criticism from the masses, substantially reduce meetings and paper work, do a real job, seek real results, and translate the party's fundamental aim, its excellent style, and mass line into real action." Leading bodies and leading cadres at all levels should accept this demand as a task of top priority.

Right To Development: An Extension of Human Rights

93CM0231A Beijing ZHEN DI [FRONT] in Chinese
No 1, 10 Jan 93 pp 54-56

[Article by Kong Youzhen (1313 1635 4176): "The Right To Develop Is An Extended Human Right"]

[Text] The right to development is a new idea in the modern human rights arena, with the debate being over whether or not to recognize it as a contemporary international human-rights issue.

Right To Development Is a Fundamental Human Right

The so-called right to development refers to the right "to defend and attain national, ethnic, and individual economic, cultural, social, and political development," which includes the right to equality of economic development, the right to work, the right to legal property ownership, the right to education, the right to freedom of scientific research and cultural and artistic creation, the right to a healthy life, and the right of the aged, women, children and young people to have their interests safeguarded. While the right to development has been brought up in a contemporary setting, it is a reflection of human material and spiritual development needs as to rights per se.

Rights are linked to needs. Human needs are the basis of demands for certain rights to meet them, so that no so-called rights could exist in isolation from human needs. Historical materialism holds that human needs are primarily food, water, shelter, and clothing. As "humans first need food, water, shelter, and clothing before they can engage in political, scientific, artistic, or religious pursuits" (Footnote 1) (*Selected Works of Marx and Engels*, Vol 3, p 574), the right to human existence is the primary human right. But as human needs develop in depth, "development" becomes a universal human need, making the right to development an irrevocable human right. Humans cannot present needs at will, as human needs and the time of their presentation are determined by economic status and material conditions, and humans have diverse needs. In his 1891 "Introduction" to Marx's *Wage Labor and Capital*, Engels wrote the following: Needs can be divided into the three levels of the means of production, the means of subsistence, and the means of developing and expressing all physical and mental needs. As humans always rely on certain production relations and the level of the productive forces to set

their own material needs and strive for certain rights to meet them, human needs are subject to a process of steady development from lower levels, the old, and few to higher levels, the new, and more. The right to development is presented when a society has developed to a certain stage, being a product of the age of imperialism and proletarian revolution, and a human right that is presented once the proletariat and oppressed nations have won political power. On the other hand, when the proletariat is still an exploited class in a capitalist society, with oppressed nations still being under colonial rule, human needs are first to win political power and drive the colonialists from national territory. In this sense, we can also see that the presentation of human rights substance is conditional.

In short, while humans need to exist, they need even more so to develop, including economic, scientific, cultural, and social development. Existence without development would be eliminated and wither away. That existence must be sustained through development is a proven objective law of social and natural development history. So the right to development is a fundamental human right, particularly that to permanent existence.

The Right to Development Is an Extended Human Right

That all things develop is a prominent feature in materialist dialectics. Lenin said that "dialectics is the most complete, profound, unbiased, and unflawed theory of development." (Footnote 2) (*Selected Works of Lenin*, Vol 2, p 442) Just as the natural world, societies, and humankind all develop and change, human rights and human-rights views also develop. Making the right to development a fundamental human right is an extended human right and human-rights view, marking a new-age human-rights product called "third-generation human rights." The human need to develop is an extended need, just as the right to development is an extended human right. This can be seen in detail as follows:

1. The Various Development Stages of Human-Rights Views

Human rights and human-rights views have undergone a long course of development, which can be divided roughly into the following three stages:

1. The beginning of human-rights thinking. Human rights were first presented in slave and feudal societies by certain radical thinkers as an attack on the brutality of slavery and serfdom. While such human-rights thinking was progressive, it was elementary, simple, and naive.
2. The presentation of human rights and human-rights views by the bourgeoisie for its own development in the course of opposition to feudal privilege. The idea of human rights was clear by this time, with the development of capitalism bringing a systematic bourgeois human-rights view, as well as legally solidified human-rights substance. While bourgeois human rights was a great advance on the former rudimentary human-rights

thinking, the human-rights issue certainly did not end there, as the emergence of the bourgeois human-rights view exposed the capitalist-class limitations of hypocrisy, incompleteness, and unscientific thinking.

3. The presentation of the proletarian human-rights stand by the proletariat and the masses in their struggle against the bourgeoisie. The proletarian human-rights stand has also developed, with the presentation of the right to development reflecting the efforts of the proletariat and oppressed nations to eliminate poverty and backwardness, consolidate their national independence, and promote social progress after winning political power. The presentation of the right to development is further proof that the bourgeoisie is not the sole representative of human rights. While the bourgeois human-rights view was progressive as to feudal privilege, it was merely an intermediate stage in the development of human rights and human-rights views as far as the proletarian human-rights stand is concerned.

2. The Development of Human-Rights Substance

As an idea per se, human rights should have systematic implications. As human needs are diverse, correspondingly diverse human rights are needed to meet them. While human rights is a generalization referring to the right of members of society to have their needs met, bourgeois human rights emphasized ordinary political power, because feudal production relations were obstructing the development of capitalism at the time. Engels said that "while economic relations were demanding the rights of freedom and equality, the political system was opposing their every step with the guild yoke and special privilege. Local special privileges, graded tariffs, and a host of special laws and decrees not only struck at trade between foreigners and colonial subjects, but also regularly attacked all kinds of one's own nationals. Special guild privileges always and everywhere blocked the development path for workshops and handicraft industries." (Footnote 3) (*Selected Works of Marx and Engels*, Vol 3, p 145) While the bourgeoisie's revolutionary mission was over once it acquired political power and won the rights of "freedom and equality" for its own class, the proletariat wanted to free all human-kind, so that its acquisition of political power was merely the first step in its long march. As the proletariat was using its political power to further develop the productive forces, transform production relations, and make all preparations for the arrival of an absolutely classless communist society, it was not satisfied with political rights being enjoyed by one class alone, but demanded that the broadest masses enjoy political rights as well as the rights to economic, scientific, and cultural development. Similarly as to the nationalities and countries that were to win their independence from colonial rule, the proletariat also set itself the missions of opposing the colonialists' economic pillage and exploitation, breaking free from the Western model of economic development, and striving for further national liberation and independence. So the presentation of the right to development signified an extension of human-rights substance from

political rights to uniform political, economic, and cultural human-rights, and from individual to collective and national rights.

3. The Development of the Human-Rights Struggle

While the human-rights struggle has always focused on human-rights views, the scope of the struggle has developed along with the extension of human-rights issues from a domestic to an international struggle.

Once the bourgeoisie acquired political power, it immediately raised the human-rights flag as a means of enslaving and exploiting the proletariat and the broad masses. As bourgeois thinkers did their utmost to propagate abstract human-rights theories in an attempt to obliterate and cover up the class nature of bourgeois human rights, an expose of the bourgeois human-rights hypocrisy became the major issue on which the human-rights struggle was launched. This struggle was part of the struggle within capitalist countries of the proletariat against the bourgeoisie. And by the time it had arrived at its monopoly stage, "capitalism had become an international system in which a handful of advanced countries exercised colonial repression and financial strangulation over the vast majority of the world's inhabitants." (Footnote 4) (*Selected Works of Lenin*, Vol 2, p 733) So "human rights" had again become a pretext for and means of imperialist aggression and intervention in other countries' internal affairs, an issue of widespread international attention, and an important part of the international struggle. This left the presentation of the right to development as the outcome of the struggle of peoples throughout the world against imperialism and colonialism.

New Expressions of the Denial of the Right To Development According to the Abstract Human-Rights View

A fundamental difference of opinion between the Marxist human rights-stand and the bourgeois human-rights view is whether human rights are specific and developing or abstract (and static). As the Marxist human-rights stand approaches and analyzes human rights from the dialectical relationship between politics and economics, it sees that human rights are always the product of a particular economic structure of a given time, with the scope and extent to which they are enjoyed being tied to a country's social, economic, and cultural levels. Whereas the bourgeois human-rights view is based on the theory of human nature (denying its class nature) and humanism, seeing human rights as being divorced from economic relations and essentially nothing more than a bourgeois privilege, so that the bourgeois human-rights view is abstract and hypocritical. The bourgeois human-rights view is subject to the following abstractions: 1) It holds human rights as a universal principle of the common enjoyment of rights by all people. While its legal documents seem to provide citizens with the rights of freedom and equality, they also set many restrictions, such as financial ones, which leave

the financial magnates who make up only 2 percent of the U.S. population controlling 60 percent of that country's wealth. How can the average person enjoy similar rights of freedom and equality with such tycoons? 2) It equates human rights with ordinary political rights in isolation from other rights. We can leaf through the legal documents of certain developed capitalist countries throughout the ages, finding that they rarely if ever provide their citizens with the right to control their economic, social, or national affairs.

The denial of the right to development is simply a remake of the abstract human-rights view with the following new-age expressions: 1) The UN "Resolution on the New Meaning of Human Rights" points out that "the right to development insists on the interdependence and inseparability of all human rights and basic freedoms" and, "only when the conditions are created to enable every person to enjoy economic, social, cultural, civil, and political rights can everyone be free." Those who deny "the right to development" hold that human rights should include only political and civil rights, but not others. The United States was the only country that voted against the UN General Assembly's "Declaration of the Right to Development," censuring the pertinent UN organs in the General Assembly in November 1988 for deviating from "the traditional concern for civil and political rights" and "forever stressing the existence of so-called economic and social rights." They also hold that "development" is simply an "economic objective," not a "human right." In fact, as far as the broad masses of people are concerned, human rights without economic-rights guarantees are nothing but idle theorizing. 2) "The right to development" insists on human rights premised on the sovereignty principle. The UN's "Charter of the Economic Rights and Obligations of All Countries" provides that "all countries' economic relations, just as their political and other relations," are subject to "each country's sovereignty, territorial integrity, and political independence," guided by the principle of "equal sovereignty of all countries." It goes on to provide that "every country has the inviolable sovereign right to choose its economic, political, social, and cultural systems as its people will, without any form of outside interference, coercion, or threat." This means that the right to development insists on particular human rights under differing economic systems and in different countries. Meanwhile, those who deny "the right to development" are tied to the mistaken position that "human rights have no national boundaries," mandating human rights over sovereignty, and continuing to hard-sell their abstract view that human rights transcend nations, nationalities, and time and space.

Even bourgeois academics recognize this fundamental difference of opinion over the two human-rights positions on "the right to development." The U.S. scholar Stephen P. Marcus notes the following: "The philosophical and political positions in socialist and Marxist works played a great role in promoting the social revolution against exploitation due to the 19th-century abuse of the

first generation of human rights. This transformation led to the emergence of a new generation of human rights. The essential distinction between this new generation of human rights and the first generation of passive human rights is the inclusion of economic, social, and cultural rights." (Footnote 5) (*Overview of the World Human Rights Constitution*, p 190)

Relationship Between Patriotism, Opening Up

93CM0187A Shanghai WEN HUI BAO in Chinese
19 Feb 93 p 6

[Article by Zhou Bo (1558 3134): "Opening Up to the Outside World and Patriotism"]

[Text] *Summary: Opening up to the outside world "absorbs and utilizes all advanced achievements of civilization, including those created by developed capitalist countries, in order to develop socialism."*

The development and practice of the past 14 years show that opening up to the outside world is not a gesture adopted reluctantly to extricate ourselves from a predicament, nor is it an expedient measure adopted temporarily. Instead, it is a basic precondition and long-term strategy for the Chinese nation to thoroughly eliminate the crisis of survival and realize modernization. Its content is not only economic but also political. It is a firm and sober political belief of Chinese communist party members in the face of a confused and complicated world situation.

The contemporary connotation of patriotism is developing social productive forces through reform and opening up. Opening up is one of the irreplaceable contents of patriotism.

I. The political report of the 14th CPC National Congress points out: "Opening up to the outside world is indispensable for reform and construction. To develop socialism, we should absorb and utilize all achievements of advanced civilization created by all nations of the world, including developed capitalist countries. Isolation can only lead to backwardness." Why is it necessary for China to uphold the policy of opening up to the outside world? Why is this policy "indispensable" for reform and construction? How is it related to patriotism?

First of all, this opening up policy represents the inevitable demand of the development of large-scale socialized production. Because of this, it is a global trend that cannot be changed by the subjective likes or dislikes of any individual. Large-scale socialized or internationalized production has profoundly altered the style and status of human life and existence. In the situation where development of social productive forces has broken the barriers between different regions, nationalities, and countries and where the world economy has been integrating at an accelerated speed, it is no longer possible for any nation to seek isolated development outside the ocean of the world economy. Participating in international economic exchanges of various forms has become

an essential condition for all countries' economic development. This is the international background for the economic construction of China. The future and fate of the Chinese people are inseparable from such a background. It is under this background that opening up to the outside world has become a prerequisite that cannot be ignored in China's pursuit of economic development.

Opening up to the outside world is the single wise decision made according to the special national conditions of China. China has a huge population, a low educational level, and a poor foundation to start with. It has relatively abundant natural resources, but its per capita resources are low. Due to prolonged, historical war-inflicted chaos and man-made hardships after the founding of the PRC, China's level of productive forces is low, funds are short, technology is backward, and the experience of modern management is seriously lacking. All this has constituted an extremely unfavorable national condition. To eliminate the backward situation of underdevelopment in China, we must be determined to devote our energy to economic construction. This determination finally became the common understanding and resolution of all people in China by the end of the 1970's. However, the various unfavorable conditions mentioned above were our initial conditions for modernization. Obviously these initial conditions imposed major restrictions on our efforts to accomplish our goals. These insufficiencies and restricting factors do not change automatically simply because we have resolved to focus on economic construction. We need to find new ways and means to make up the development factors that we do not have. Where do we find such supplementary factors? We cannot help but admit that the great material wealth created and accumulated by capitalism in the process of several hundred years of development; outstanding scientific and technological discoveries made by capitalism; advanced and effective modern management knowhow explored and summarized by capitalism; and "surplus" financial resources which cannot be easily digested within its mechanism due to the inherent contradictions of capitalism can supply the exact supplementary functions we are yearning for. Of course, capitalism would not give these away for free. Sometimes, capitalism is not necessarily willing even to make equal exchanges for what we need. If we were to stick to the ossified "moral standards," it would be very easy for us to just walk away from all this. However, we Chinese who have suffered so much due to poverty did not do so. Instead, we resolutely and boldly chose to open up to the outside world. This is not a spontaneous action. It is a wise decision made after a sober-minded analysis of the domestic and international situations. Considering that, when we first decided to open up to the outside world, "capitalism" was still considered to be a "fierce flood and savage beast" which silenced people or even brought about calamities, we cannot help but admit that this historic decision reflected the generosity of China's Communist Party—

represented by Deng Xiaoping—and the genuinely patriotic attitude of showing high responsibility for the basic interests of the country and the nation.

However, opening up to the outside world does not mean emulating capitalism. Opening up to the outside world is conducive to developing productive forces, raising people's living standards, and increasing the overall national strength of China. In the final analysis, it is conducive to consolidating the socialist system. After 20 some years of detours, we finally understand that poverty is not socialism. With poverty, blankness, and low living standards, it is impossible to even talk about the superiority of socialism, let alone consolidating socialism.

More than 14 years of opening up have made real achievements that attracted world attention. According to the latest data provided by the magazine BANYUE TAN [SEMIMONTHLY TALKS], the overall economic strength of China and several economic and social indexes are among the front ranks of the world. Mainly, the GVIAO ranks markedly higher in the world (this article will not provide concrete data because the people can understand this through various other channels). Every objective and fair Chinese can also feel through their own personal experience the enormous achievements of opening up to the outside world in the past 14 years or so. If we say that the bases for opening up—stressed in the foregoing paragraphs—mainly focus on theoretical deduction, the achievements of the past 14 years or so will then provide a strong, realistic support. This logic is not hard to understand: if over 14 years of opening up has been successful and achieved practical, realistic results, and if it has benefited the people of China, it ought to be continued and with better results.

The past achievements of opening up have not only found expression in the economic field but also have been reflected more profoundly as a higher standard of civilization of the Chinese nation, a new ideological outlook, and an evolution of cultural and mental structure. As the opening up policy provides a broader horizon, widened experience, abundant knowledge, and rapidly increasing information; as contacts and exchanges between Chinese and other peoples of the world increase in number and frequency; and as multiple cultural factors merge and integrate, we can really feel that the Chinese are being reborn with regard to their intelligence, concept, character, disposition, way of thinking, mode of language and behavior, and even the spirit of the entire nation. The "running water" brought in by the opening up policy is violently washing against the ancient land of China. The ancient civilization surrounding us is now at a critical point of major decisive change and transformation. The opening up policy has triggered a profound revolution in the ideological realm of the Chinese people. This realm is of great decisive significance, but obviously it cannot be demonstrated with statistics. This achievement is more far reaching and long lasting. This point will be proved gradually in the future.

Over 14 years of development and practice show that opening up to the outside world is not a gesture adopted reluctantly to extricate ourselves from a predicament, nor is it an expedient measure adopted temporarily for what it is worth. Instead, it is a basic precondition and long-term strategy of the Chinese nation to thoroughly eliminate the crisis of survival and realize modernization. Its content is not only economic but also political. It is a firm and sober political belief of Chinese communist party members in the face of a confused and complicated world situation.

II. We cannot say that everyone has thoroughly understood the relationship between opening up and patriotism. It is probably true to say that many people subconsciously still consider opening up and patriotism as two potentially opposing spheres and therefore have many worries about further opening up to the outside world. We should point out that many people have good intentions and are sincere when they worry about such things. But we should also point out immediately that many doubts, confusions, and even worries are often caused by a distortion and misunderstanding of the opening up policy and patriotism. One-sided and superficial understanding of patriotism is perhaps the primary cause. Some people worry that the tendency of increased entropy caused by opening up may create confusion in social order; that opening up to the outside world may cause imbalance in the mechanisms of social control and conformity; that developing the depth and scope of China's participation in the international economy may cause China to lose its national independence; that an increase in the proportion of foreign factors in the national economy may cause China to be controlled by others when it comes to international affairs; that opening up may cost the standard of social value and lead to the collapse of tradition; and that opening up may cause China's national characteristics to diminish, etc. All these worries and speculations are products of a literal and narrow interpretation of patriotism.

Patriotism is the "deepest feeling for one's motherland, consolidated over thousands of years" (according to Lenin). However, the concrete content of such feeling is not fixed and unchanged. I once pointed out in another article that patriotism is part of history. It is always linked to the specific and actual historical requirements of a nation during a given period. It is linked to the basic survival and development prospects of a nation and the realistic pursuits of the broad masses of people during a given time of history. (See "Reformers Are Contemporary Patriots" published in WEN HUI BAO 21 August 1992.) Without these regulating factors, patriotism may become either an empty slogan or a parochial, rigid, and exclusive "nationalist complex." To carry this point one step further, we should say that the regulations mentioned above are the "index principle" which must be followed by patriotism. I give it a mathematical term here because I want to show that, just like changes in variables can cause a whole function to change, patriotism is not fixed and unchanged. It is evolving continuously along with the changes of abovementioned factors.

The contemporary content of patriotism is developing productive forces through reform and opening up. Opening up to the outside world is one of the irreplaceable contents of contemporary patriotism.

Of course, we should admit that such worries and speculations come from those people who, deep inside their hearts, want to treasure and protect national dignity from harm. Such sentiment should of course be respected. But unfortunately protecting and treasuring national dignity in the subconscious cannot establish a logical way of thinking—unless someone can prove that isolation is conducive to protecting national dignity or that a poor and backward nation with underdeveloped productive forces can also have dignity. This is of course impossible to prove.

By reviewing even the feudal history of China, we can also come to only one conclusion: Only open dynasties, such as the Tang and Yuan, can have solid national strength and dignity, whereas isolation brings only downfall and disgrace. The late Qing dynasty is a perfect "example" for this. China's contemporary history from the Opium War is a textbook on "how isolation and backwardness cause a nation to take a beating." In the mid 18th century, when the modernization of West Europe led by British industrial revolution was surging forward, the Qing dynasty, a self-proclaimed "heavenly kingdom" that was totally oblivious of the general trend of the world, had no idea what was going on in recent world history and closed the country to international intercourse for a long period. It was complacent and refused to make progress. Its parochial arrogance and extremely corrupt politics caused the nation to fall and the people to be impoverished, and thus the country lagged far behind the rest of the world. When the western guns and canons of big imperialist powers blew open China's door, the rulers of the Qing dynasty, still dreaming and wallowing in luxury, ignored the fact that the nation would fall in no time, and they stubbornly clung to the principle that "the law of the forefathers must not change." In the end, the Qing dynasty humiliated the nation, forfeited its sovereignty, and ended up as a "westerners' dynasty" and a tax collector for big powers. By the time the Qing dynasty fell, it had signed a total of 1,182 major and minor unequal treaties, setting an absolute record of such treaties in the history of all sovereign nations. How could such a corrupt, backward, and poor country talk about dignity? People with lofty ideas at the time had no way to serve the motherland and could not help but become the victims of the corrupted regime.

More recent incidents happening before our eyes show us the exact opposite of the above example. Baoan County, the predecessor of Shenzhen Special Economic Zone (SEZ), and Hong Kong face each other across the sea. Before the SEZ was established and opened to the outside world, the entire police force of the county was dispatched to the border to stop peasants from fleeing to Hong Kong. In spite of this, peasants still risked their lives to cross the border. Military police, barbed wire, the

ocean: nothing could stop peasants from running to capitalist Hong Kong. Yet today—only 10 years later—not only have those peasants who ran away returned to their home towns, and not only has the shameful label of a “household that fled to Hong Kong” disappeared from every village, but some long-time Hong Kong residents, seeing the trend of prosperity in the SEZ, have applied to return to and settle down in their home towns. The living reality is more convincing than any argument in proving this point: only by opening up can we create and have dignity. The more open we are, the more dignity we will have. The more isolated we are, the less dignity we will have.

Of course, placing such great emphasis on opening up does not at all mean that we put all hopes of national rejuvenation on foreigners, nor does it mean that we can give up on self-reliance. On the contrary, we should emphasize more than ever the importance of self-reliance. Although the world economy has become highly integrated, the division of interests is still very clear. As long as there are different nations in the world, there will be a division of interests. Economic aid without any attachment of interests does not exist. We must never rely overmuch on foreign aid. Because of this, we can rely only on ourselves to take care of our own things. No nation should have any unrealistic fantasy in this regard. As a complementary side of opening up, the importance of self-reliance must not be underestimated even slightly. Those doubts, confusions, and worries caused by different reasons are not totally without basis. We must pay great attention to and watch out particularly for these problems in the course of construction, development, and opening up to the outside world. The crux of the issue is that we cannot interpret them as the implied, inevitable results of the opening up policy and deliberately or inadvertently equate the two, thus weakening our determination to open up. On the contrary, only by resolutely and unswervingly adhering to the opening up policy can we uproot the various possibilities of causing the above results.

The Chinese nation once made outstanding contributions to world civilization. It also created brilliant material civilization. Marco Polo, coming from a prosperous European village, repeatedly exclaimed after setting foot on the land of China, “Suzhou is so big, it covers an area of 40 li. There are so many people living here, I have lost count.” Hangzhou is “undoubtedly the most beautiful and prosperous city on earth... Nobody who has ever seen such a huge city would ever believe that it is possible to find so much food to feed so many mouths.” By the 14th century, China probably had the most open, technologically advanced, and economically powerful civilization in the world.

Reform and opening up has created a golden historical opportunity to rejuvenate our ancient civilization. After all, we have 1.1 billion people, and we have awakened from the never-ending nightmare of the past and resolutely merged ourselves into the mainstream of the world civilization. After all, we have just begun to acquire some

better conditions for development. As long as we unite and unswervingly and realistically devote our energies to our highest priority, fulfilling the “dream of revitalizing” the Chinese nation is not totally impossible. Isn't this also the most realistic content of patriotism?

In 1894, Mr. Sun Yatsen, the great forerunner of the Chinese democratic revolution, formed the revolutionary group “Revive China Society” in Honolulu and for the first time put forward the slogan of “reviving the Chinese nation.” It has been 100 years. In the past 100 years, “reviving the Chinese nation” has always been the strongest note reverberating in China, and it has been the lofty dream for which many people with lofty ideas have struggled and devoted their lives. However, for different reasons we have missed again and again opportunities for revival created for us by history. The Chinese nation has always been under the huge shadow created by the crisis of survival. Today we are faced with another rare historic opportunity, and this time the Chinese people have finally managed to seize it! This opportunity happens exactly when the old century is replaced by the new. With another 1,000 years in mankind's history coming soon, the situation represented by its occurrence is of profound significance.

Perhaps we can solemnly predict that: in the next 1,000 years, the whole world will witness the great rejuvenation of the ancient long-standing civilization, and the enormous energy released by the rejuvenation will have a decisive impact on the internal quality of future world civilization.

Difficulties, Solutions for Civil Service Salary Reform

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[Article by Yang Zhipeng (2799 2535 7720): “Difficulties and Solutions for Civil Service Salary Reform”]

[Text] Since the 1985 wage reform, the civil service has practiced a structured wage system of pay based mostly on jobs. But while this wage system has striven to link employee salaries to their jobs and responsibilities, resolving to a certain extent at the time the problem of jobs and salaries being out of line with each other, and playing a certain positive role in raising civil service salaries and arousing cadre and employee initiative, it has grown out of the former wage system, so that it has been basically unable to resolve that system's irrationalities. In addition, as salary-distribution policy since the wage reform has deviated to a certain degree from the principles of distribution according to work and basic balance, it has led to the following major increasingly glaring irrationalities in the relations between external and internal salaries:

1. Too Low Salaries

While enterprises are widely practicing the distribution method of linking payrolls to economic efficiency, realizing regular wage increases, the civil service has not yet established a regular salary-increase mechanism, leading to a large imbalance between enterprise wage growth and civil service salary increase, and increasingly glaring problems of a yearly expanding wage gap and too great income disparity. This is very out of line with civil service quality, status, and accepted public responsibility. A 1990 Ministry of Personnel survey of 520,000 personnel in 15 provinces found enterprise cadre wages averaging 22 percent higher than civil service salaries, and 20-40 percent higher for the same level of jobs. The pertinent statistics for Baiji City show monthly incomes from salaries being 40-50 yuan lower for civil servants than for enterprise employees of the same level, with the real income disparity being even greater when bonuses and various subsidies are added in.

2. Irrational Salary Standards

Policy sets starting salaries for local (municipal) public health bureau directors and deputy directors at 122 yuan and 105 yuan, respectively, without consideration of rank or scale, but for local (municipal) hospital directors and deputy directors at 131 yuan and 113 yuan, respectively, making them a grade higher than those of bureau directors and deputy directors. Starting salaries are 89 yuan for county entry-level education bureau directors, but 113 yuan for senior high school principals and 97 yuan for junior high school principals, making them three and one grades, respectively, higher than for bureau directors. High school principals have the glorious mission of training and teaching coming generations, so should enjoy higher salaries, education bureau directors have an even more important public responsibility, without receiving deservedly higher salaries than high school principals. So while most education bureau directors are selected from outstanding high school principals, the elevation of some principals to more important bureau director positions with lower salaries creates an abnormal situation of promotions being actually demotions.

While the state has raised pay for intellectuals, by instituting in October 1989 across-the-board salary increases of two grades for specialized technicians in institutions and also higher salaries for specialized technicians in enterprises, it has made no corresponding adjustment of administrative staff salaries, which has left pay levels even more irrational. While job reform policy provides that college graduates with five years of work experience in enterprises can apply for evaluation for mid-level job titles, the same college graduates with five years work experience in local (municipal) and subordinate organs are unable to be evaluated as even deputy directors. Some college graduates with almost a decade of experience cannot be evaluated as deputy directors, let alone for departmental director or deputy county-level jobs. In Baoji City, the ratio of employees

above the deputy county-level to all cadres in state organs (civil service) is 1 : 21, while the ratio of mid-level personnel to all specialized technicians in institutions is 1:3.5. While civil servants have less opportunity for job promotions, with basic qualifications for deputy county-level and director and deputy-director departmental jobs being higher than for evaluation for mid-level job titles, the starting salaries for these ranks of civil servants are one, three, and five grades lower, respectively, than those of mid-level specialists.

The state has raised starting salaries for all new civil servants since 1990, while not taking steps to compensate old ones, which is another irrational wage-policy factor.

3. Unscientific Salary-Adjustment Policies

While the wage-adjustment method adopted in recent years of drawing policy lines based on jobs, work times, and current wages has resolved certain old conflicts, it has brought out many new problems, exacerbating wage-system irrationalities and poor cadre morale about imbalances.

The several salary adjustments for some personnel since the 1985 wage reform set salary levels and across-the-board salary-adjustment policy lines based simply on job levels, without distinguishing real from make-work jobs, or the varying job responsibilities, work difficulties, or job qualifications for similar job levels. Anyone who reaches a certain rank receives the salary for that rank, with across-the-board salary increases based on policy-line ranks, meaning that the officials benefit, and nonofficials do not, or benefit less. In the five years from the 1985 wage reform to 1990, some were promoted eight or nine salary grades, while others were raised only two wage ranks. While this salary-adjustment method was a conscious attempt to pay more to those with heavier responsibilities and greater contributions, its job grades were certainly unable to completely explain and reflect individual quality, skills, responsibilities, achievements, and contributions, leaving the policy of across-the-board salary increases based on job grades obviously unscientific, and further intensifying the people's sense of an "official standard."

Things such as salary adjustments based rigidly on seniority, always checking off the same old lines without regard for skill, quality, responsibility, contribution, achievement, or work-time knowledge, with across-the-board promotions for those within the lines who have not received disciplinary punishment regardless of whether they work or not, work more or less, and act good or bad—makes mere scraps of paper out of wage reform provisions, such as "future regular work evaluations for employees," and "promotions within wage level standards for every rank as long as work is done well, but demotions for those who do not work well and are lacking in achievement," causing new equalitarianism. Meanwhile, those who do not fit within the lines do not get promoted regardless of their skills or contributions.

This salary-adjustment method of drawing lines based on seniority always puts those in similar jobs with more schooling and education outside of the lines, while giving policy preference to some with less.

While such a salary-adjustment method has a clear yardstick, saves time and work, and is easy to operate, it artificially usurps the units' right to evaluate employees, poorly reflects the principles of distribution according to work and salary consistent with effort, as well as the party's policy of "respect for knowledge and talent," and is such an irrational policy orientation that it breeds indolence in many.

Salary-adjustment work never being able to escape the old trap of depending on job ranks and service records results in those who get the promotions feeling that they are deserved, and those who do not grumbling about unfair policy. In short, this costs the state much money without bringing the salary-leverage adjustment and incentive effect into normal play.

4. Unsound Salary and Promotion Systems

The civil service lacks a normal salary-increase mechanism, with salary adjustments being slow and non-standard. As salary-adjustment work lacks legal restraints, the state when planning its budgets often pays more attention to fixed assets investment than to salary increases, and when planning salary adjustments often makes its financial situation the basis for whether it can implement its salary-adjustment plans, doing so when it has the cash and not when it is short. While the state planned to give everyone an across-the-board one-grade salary increase in 1991, it later said that it could not, meaning that salaries are never able to be raised in a planned, proportional, regular, and normal way in line with increased national income and higher labor productivity.

The salary-adjustment policy of "resolving glaring irrationalities" that the state has put into effect in recent years is too arbitrary, often first granting an increased overall payroll, and then counting up "resources" to "meet it," setting the salary-adjustment scope based on cash available. The today considering this group, which affects the morale of another tomorrow, and the opening of policy lines for one industry, which makes other industries feel unfairly treated, not only intensifies the "catch-up" mentality toward salary adjustments, but also artificially creates many new conflicts.

The current irrational civil service salary system is having a very clear negative effect. It dampens the work enthusiasm and initiative of large numbers, severely affecting the optimization and stability of the workforce, having an impact on work quality and efficiency, and being detrimental to honest government.

The basic way to conscientiously eliminate salary difficulties, resolve the social problem of distribution inequity, and rationalize all wage relations, is to steadily intensify wage reform. Just as Comrade Jiang Zemin

pointed out in his speech at the celebration meeting for the 70th anniversary of the founding of the CPC, "our current income distribution remains subject to equalitarianism along with large disparities, which unfair distribution dampens the initiative of workers, while obstructing the development of the productive forces. The problems that exist in the principle of distribution according to work need to be solved through steady reform of our labor and wage systems."

1. We need to raise the salary standards for civil servants, so that their pay level is at least roughly equal to that of enterprise employees at the same level.

Since our wage reform, civil service salary standards not only have not increased much, but even have decreased in some cases. Considering the inflation and currency depreciation of recent years, the real wage levels of all pay grades of personnel have decreased considerably, with not only lower salary standards, but also smaller pay-grade differentials. As the average pay-grade differential is only about 8 yuan for civil servants but approximately 14 yuan for enterprise employees, meaning that the wage gap is bound to widen yearly even with the same pay-grade promotions for the civil service as for enterprises, raising civil service salary standards is obviously very essential and urgent.

Not only must we raise civil service salary standards, but we must also make their wage levels roughly equal to those of enterprise employees at the same level.

In our wage distribution, we need to correctly implement the principles of distribution according to work and equal pay for equal work, by raising civil service salary standards and wage levels to the same as those for enterprise employees at the same level, so that civil servants can earn pay equal to enterprise employees at the same level, and we can rationally set the wage relations between the civil service and enterprises and institutions, as well as those between management personnel and other public workforce members.

2. We need to establish a regular salary-increase mechanism, in order to ensure that civil servants' salaries increase yearly.

We need to act in accordance with enterprise employee wage growth, by rationally setting a ratio for national income growth and labor productivity increase to regular civil service salary increases, in order to make salary increases regular and institutionalized. This will mean dealing well with the following three relations: 1) The relations between salaries and finances. We need to allocate and include in our national budget a special fund from national revenues every year for civil service salary increases, in order to end the past situation of salary-adjustment only when the cash is available. 2) The relations between salaries and political merit. We need to practice a regular salary-increase method based on year-end evaluations, in order to closely link civil service salary increases to work-unit evaluations. All whose merit, skill, work, and achievement evaluations meet

standards can be promoted, in order to reflect the accumulated contributions of public servants by ensuring that their salaries increase steadily. 3) The relations between salaries and prices. In line with price-reform measures and given price index growth rates, we should provide regular rational supplements to ensure a basic adaptation of salaries to prices. Only in this way can we ensure synchronized growth of civil service salaries with national income and economic growth, guarantee that salary levels do not erode and decrease due to inflation, and maintain a rough balance of civil service salary increases and enterprise employee wage growth.

3. We need to gradually establish a civil service job-based salary system, so that salaries are linked to cadre quality, job responsibility, and work achievements.

This so-called job-based salary system would first set civil service job grades based on factors, such as work nature, difficulty, responsibility, and job qualifications, with corresponding salary standards, and then varying graded salaries based on differences in seniority, qualifications, and real contributions. This could rationalize wage relations within the civil service, by distinguishing simple and heavy mental labor from complex and easy work, and policymaking and creative work from procedural, operational, and implementation work, and rationally showing the value of overt and covert work achievements, in order to convert salary policy from its slant toward officials and seniority to a linking of job

grades with work efficiency, and to bring into proper play the guiding role of encouragement of talent and progress.

4. We need to strengthen our salary-incentive forces, so that worker initiative is constantly brought into regular play.

As our past lack of study and application of the force and impact of incentives kept the regulatory and incentive functions of our wages and bonuses from being brought into full play, stronger incentive forces should be our wage reform direction. I believe that in addition to practicing a job-based salary system to closely link salaries to work difficulty, responsibility, job qualifications, and contributions, we should also sharply raise our bonus standards, by breaking free from equalitarianism to grant bonuses based on year-end evaluations. We could also take a page from enterprise methods by using floating salaries. This would be an incentive for all to work and study hard to constantly improve professional skills and work standards, maintain a vigorous work drive, and rely on one's own good quality, honest labor, and outstanding achievements for higher salaries.

5. We need to do a good job of wage legislation, so that salary increases have corresponding legal guarantees.

We need to draw up as quickly as possible a civil service salary law. Through legislation, we should establish a regular salary-increase mechanism, and provide for a year-end salary budget, in order to make our salary growth and wage policy legal, and reach the goal of standardized and legalized salary management.

NATIONAL AFFAIRS, POLICY

Li Yining Market Economy, Resource Allocation

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[Article by Li Yining (0632 0110 1337), Economics Department, Beijing University: "Socialist Market Economy and Government Regulation of Resource Allocation"]

[Text] At the 14th CPC National Congress, Comrade Jiang Zemin pointed out: "With the establishment of our system of socialist market economy we want the market to exercise the fundamental functions in the allocation of resources, under the macroeconomic regulation and control of the socialist state. We want economic activities to obey the demands of the law of value, and to conform to the changes in the supply-demand relation." It is my understanding that a complete comprehension of this phrase entails two points: First, that the fundamental function of the market is allocation of resources, and second, that the socialist state exercises macroeconomic regulation and control. We must give equal attention to both these points, as it would be wrong to neglect either the one or the other.

Under the system of market economy, the market has the function of basic regulation. Basic regulation may also be called primary regulation. The government regulation, then, is a secondary regulation. The secondary regulation by the government is necessary to restrain the supply of resources, and also because of unequal shortages of different kinds of resources. The secondary regulation will affect the choice of investment, production, and distribution by microeconomic units. This means that if the government adopts a certain measure, it will cause the microeconomic unit to feel that a certain type of resource composition is more favorable than another type, and it will, as a consequence, decide on a choice that will correspond to the wishes of the government. The effect of government regulation in this case does not consist of the government forcing its will on the various microeconomic units, but rather that the microeconomic units will engender an internal motivation and a will to pursue their own interests by making their own choices, though being affected by government regulation. The initiative and enthusiasm of the microeconomic units must not be weakened by government regulation. Even if a microeconomic unit feels that a certain measure by the government is unfavorable for the unit's choice of a certain resource composition, and if the unit, in the end, abandons that form of resource composition, the microeconomic unit will in that case still be the active decisionmaker in the choice of its resource composition. If it abandons that form of resource composition, it will be due to considerations of its own interests, but not because it is forced to yield to government pressure. This is precisely a major difference between the traditional system of planned economy and the system of market

economy, a difference which results from the fact that enterprises are no more subsidiaries of administrative departments, but have become self-managing entities of market interests, with their own responsibility for profits and losses.

Whenever the market exercises basic regulatory functions for resource allocation and resource composition, the motive power for market operations comes from within. That means, the motive power for the operation of the market mechanism springs from the vitality of the various microeconomic units that participate in the market operations. Government regulation must not harm this vitality. If the enterprise is indeed an entity of market interests with autonomy in its business operations and with responsibility for profits and losses, government regulation will then also be unable to harm this kind of vitality. The more vitality the microeconomic unit maintains, the more smoothly will the market operate, and as a consequence, the more freely and more effectively will it be possible to organize the various resources that enter the market.

The government's secondary regulation of resource allocations will affect the equilibrium between total social demand and total social supply from the two different directions of supply and demand. For instance, in case total social supply exceeds total social demand, the government will prevent a continuous widening of the gap between supply and demand by using taxation, setting interest rates, and other such means to restrict the establishment of new enterprises or to restrict further investments by the existing enterprises and their expansion of production, so as to prevent the supply-demand gap of certain products to further widen toward a larger imbalance. As another example, in case the number of idle manpower resource or manpower awaiting employment increases, government can employ various regulatory measures to encourage the establishment of labor-intensive factories or the development of tertiary industries, to reduce the number of unemployed. Again, in case there is an inconsistency in the industrial structure and product mix, the government may adopt differentiated tax rates, differentiated interest rates, and other regulatory measures, according to the specific conditions in the different trades, to achieve a more effective resource allocation, and thereby restrict the additional production of certain surplus products, or increase the supply of certain products in short supply. All this will directly or indirectly affect the allocation of resources.

The secondary regulation of resource allocation by the government is consistent with the market mechanism of fair competition. Under conditions of a market mechanism of fair competition, the various districts, departments, and enterprises are in equal positions and start out in a fair way. There is no more place now for that kind of a system that used to grant special favors to certain districts, that provided certain departments with cheap raw materials and energy, and that granted price considerations to certain enterprises. There is only one kind of government policy that generally applies to all

units that participate in market operations. In this way, even if differences in economic benefits will occur as a result of the competition, participants in market activities will find such tolerable. Under the conditions of the market mechanism of fair competition, there is one interest that is common to all enterprises, that is the very stable expectations which they may all have in relation to each other, expectations that government regulation cannot disturb. We know that the phenomenon of enterprise actions turning short-term oriented is related to the fact that economic prospects are difficult to forecast. When economic prospects are difficult to forecast, it is unavoidable that enterprise actions become short-term oriented. When enterprises participate in trading under unstable expectations, the most serious drawback is that it is impossible to effectively estimate costs and profits; consequently, losses will be incurred where they originally should not have been. This could possibly lead to a loss of confidence in business operations. But when there are fairly stable expectations in mutual relations of those participating in trade, losses can be reduced, and enterprises are able to plan on resources from the angle of long- and short-term interests.

The efficiency of secondary regulation of resource allocation by the government is not only determined by the extent of enterprise autonomy in business operations and their responsibility for own profits and losses, and not by the degree of fairness in market competition, but by the normal state of market order. A market without proper order will incur many more conflicts of interest in the course of transactions in the relation of the supply side to the demand side, as compared with a market operating under conditions of proper order. This larger measure of conflicts of interest will result in larger losses to either the supply or the demand side (or to both sides), and will also result in resources remaining idle or being wasted and a dislocation in resource allocations. Under these conditions, the task of the government when effecting secondary regulation is first of all to rectify market order, i.e. to promote the change from a market without order to one with order. The more successful the government will be in administering the market, the better will be market order, the less will there be idle or wasted resources, and the less will losses be incurred by one side or both sides in the supply-demand operations. If the government would abandon its responsibility of administering the market, it would become impossible to bring the government's secondary regulatory measures into play.

In the state of market economy, it is quite possible that underground economic activities will occur. We may divide underground economic activities into two categories: 1) Underground economic activities that are illegal and harmful to society. They not only waste a large amount of resources, but also do direct harm to the interests of the people and endanger normal enterprise production and business operations. With respect to this kind of underground economic activities, the government, as in charge of market administration, must adopt

strict countermeasures and suppressive measures. 2) Although also illegal (by e.g. evading proper registration, cheating on taxes and evading taxes), this one has a certain benefit to society due to the fact that they provide products or services that are needed by the general public, and at the same time can absorb manpower. This category of underground economic activities, the government, in charge of market administration, must afford guidance, and have them come up from their underground status and get on the track of above-ground legal business operations, respecting discipline and the law, and paying taxes according to regulation. If the government can guide a larger number of underground economic activities on to the track of regular business activities, it will thereby demonstrate its greater efficiency in market administration.

From the viewpoint of resource allocations, it would appear that since underground economic activities will of course use up a part of the available resources, allowing a part of the limited resources to be consumed by socially harmful underground economic activities would undoubtedly be a misdirection of resource allocations. Suppression by the government of this kind of underground economic activities would for this reason indeed be an important measure toward more effective allocation of resources. Even if part of the resources are used in underground economic activities that produce articles in short supply and needed by the general public, it is still a fact, as mentioned earlier, that such activities are not properly registered and that they cheat on taxes and evade taxes. Input and output of these products are left out from national production statistics, and all these activities, therefore, have a detrimental effect on the national economy, and also on the effective resource allocation within the sphere of the national economy. If we add to it the losses to the national economy caused by their cheating on taxes and evading taxes, the unfavorable effect on the resource allocation within the sphere of the national economy would be even much worse. If it were possible for the government to guide this kind of underground economic activities on to the track of regular business operations, it would also undoubtedly be an important measure toward effective allocation of resources.

When discussing the function of the market in the allocation of resources and the macroeconomic regulation by the government, there is still another questions that must be clarified, and that is that proponents of planned economy often say: "We too are not rejecting market regulation! We too are in favor of macroeconomic regulation by the government!" This looks as if there is no big difference between planned economy and market economy when it comes to market regulation and government regulation, because both propose market regulation as well as government regulation. Actually, there is a very distinct difference between planned economy and market economy.

The guiding idea in market economy is: the market itself has the strength to automatically tend toward an equilibrium between supply and demand. For this reason, market regulation of resource allocations is basic or primary regulation. Basic or primary regulation exists instantly and exists everywhere; it is merely that there are certain limits to regulation of resource allocations by the market, so that government regulation (i.e. the secondary regulation) is necessary. In other words, whatever the market can accomplish shall be accomplished by the market, and the government shall only take action in what the market cannot accomplish. All problems that the market can resolve shall be left to the market to resolve, while the government shall resolve whatever the market cannot resolve.

On the other hand, the guiding idea in planned economy is: government has sufficient strength to allocate resources and to resolve all kinds of problems in the economy, it is only that at present government strength is not yet quite sufficient, so that some territory is left to the market to supplement where omissions and deficiencies occur. In other words, in respect of resource allocations, the market has merely a supporting role, and responsibility for resource allocation must be assumed by the government.

It is evident from the difference in guiding ideas as between planned economy and market economy that planned economy follows the "plate theory [2647 1040 3810 6158]." According to the "plate theory" the socialist economy is divided into two chunks: one chunk is plan regulated and one chunk is market regulated; the former is a large chunk, and the latter a small chunk; prices are of a twofold kind, one are the plan prices and one are the market prices; circulation is divided into two systems, one is the system of planned allotments, and one is the system of market exchanges. Obviously, the "plate theory" is not scientific, and following this theory makes a healthy development of the socialist economy impossible. Market economy, in the relationship between market regulation and government regulation, bases on the "double coverage theory." According to the "double coverage theory," market regulation covers the entire society. Market regulation is the primary regulation, and its coverage of the society is a one-time coverage. Government regulation is the secondary regulation, and its coverage of the society is a follow-up coverage. If the market has already resolved a problem of resource allocation, there is no further need for the government to act on its behalf. However, this does not mean that there is no secondary coverage by government regulation. Under these circumstances, the secondary regulation or secondary coverage by the government would still be there, it would merely be in a state of temporary abeyance. According to the "double coverage theory," the government actually holds the initiative in regulating resource allocations. If there is need for government regulation, the government will go into action and regulate. If there is no need for government regulation, why should the government go in and try to

regulate? When the market effects primary regulation of resource allocations, prices will automatically come about in the supply-demand relation in the market, and there will then also only be a single circulation channel: market exchanges will constitute the single circulation channel. A follow-up regulation of resource allocations by the government will then mainly be an indication of various regulatory measures taken by the government to influence supply and demand in the market, and this will, beyond that, have an influence on prices, but will not indicate direct pricing by the government, and will not indicate direct distribution of products by the government. A limited number of commodities in short supply, for which resources are much restricted, and whose demand elasticity and supply elasticity is low, will for a certain period of time probably be unable to attain this state of affairs, so that, consequently, the government must still retain a pattern of direct regulation. This, however, would only be a temporary, transitional measure, while price formation by supply and demand in the market will remain the ultimate and inevitable tendency.

A further analysis of this situation reveals that proponents of planned economy are frequently idealizing government actions, while proponents of market economy will start out from the realities of the situation and recognize that government actions are not at all to be idealized. They will, therefore, point out that government regulation of the economy has to be rendered within the limits of an appropriate extent, and that the government must, under no circumstances, arrogate everything to itself. If that were possible, government regulation would not only be unable to achieve its expected results, but would make an even greater mess of things. Not idealizing government action takes account of the following facts: Every policy measure regulating the economy cannot avoid having side effects, and it is absolutely necessary to take these side effects into consideration; every policy measure to regulate the economy cannot possibly bring instant results, its effects generally require a period of delayed action; the effectiveness of every policy measures to regulate the economy will progressively decline, one must not think that a policy measure will forever maintain the effectiveness that it had at the start; anyone in charge of formulating policy for macroeconomic regulation cannot accurately foresee the economic changes that may occur in future, because of limitations by subjective and objective conditions; anyone in charge of formulating policy for macroeconomic regulation cannot have full control of all information required for policy decisions, because of the limitations by subjective and objective conditions, and, as a consequence, cannot possibly draw up policy measures that are completely conforming with all with actual conditions... All this is evidence of the fact that government actions must not be idealized. Proponents of planned economy do not understand this, and idealize government actions. This reinforces their belief that the government is capable of continuing full responsibility for resource allocations, is capable of using the government's regulatory measures to arrange economic life,

even capable of taking over the market and replacing it. It shows that only by an understanding of the fact that government actions must not be idealized can one understand that government regulation must be conducted within the limits of an appropriate extent. The government must let the market do whatever the it is capable of doing, and furthermore can do well, while the government itself, in the position of secondary regulator, will have to do follow-up regulation to supplement market regulation.

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[Article by Lu Yimin (0712 4135 3046) and Wang Jincai (3769 6651 2088): "Reforming the Property Title System in China"]

[Text] With the continuation of our economic reform in recent years, reform of the property title system is attracting people's attention more and more. The core of this reform lies in establishing a new title system.

The Concept and Function of Property

Property rights represent a new concept which has recently been introduced from western modern property theory. It can be explained in either a broad or a narrow sense. In the former explanation, it refers to a right that may bring profits or losses to oneself or another person. More specifically, it is the right to do those things granted by a society, a unit, or even an individual: For example, the right to give someone the permission to infringe upon his competitor's interests by producing better products. The latter explanation maintains that only ownership which can be used for transaction purposes comes under the principle of property rights. Here, we can see that property rights in the broad sense is basically the same as the narrow sense, but with the meaning and scope expanded. Both senses, however, contain in their definition the following three aspects: first, rights and functions, including all ownership and other rights granted by a society or any individual, altogether forming the basis of property rights; second, transaction rules—the way in which the power and function of property rights are realized; and, third, the results of profits and losses. Modern property theory intends to show that under certain ownership systems (public or private), as long as property rights are clearly defined, externalism can be overcome, transaction costs can be reduced, and efficiency in resource distribution can be raised. Therefore, the concept of property rights on the basis of public ownership can be defined as follows: Property rights form a rights and interest relationship based on certain rights and functions, such as land ownership and land-use rights, and which reflects the social or individual profiles embodied in the course of transfer and transactions pertaining to these rights and functions.

On the one hand, the characteristics of the modern land title system are expressed in the various types of title holders. In economic history, the classical and traditional property title system was based on a principle which combined both land ownership and land-use rights. With the development of social production, these elements of property rights began to split, i.e. the owner of the land became separated from the user of the land. Under the modern commodity economy, the elements of property rights are becoming even more divergent. Rights over a single piece of land are divided into different areas, such as possession, management, and use. In keeping with this change, the pluralistic transfer of property rights over the same piece of land, with many beneficiaries and different forms of transfer, have come into existence. On the other hand, these characteristics are expressed as the commercialization of property transactions. As a kind of nonrenewable and rare resource, following universal exploration by human labor, land contains large amounts of embodied labor, thus confirming the commercialization of land—or at least its "quasi-commodity" characteristic.

The establishment of a new land title system is designed to achieve effective distribution of land through property transactions, in which land is treated as a kind of commodity, by defining land beneficiaries and straightening out the rights and interest relationship among these beneficiaries. Modern property theory maintains that property's function is to guide people to internalize the externalism as much as they can in the course of property transactions. In accordance with the thinking implied by the "Cobb-Douglas Theorem," if the limit of property rights is not clearly defined, and the transaction cost is not zero, the market mechanism will not play its effective role due to the existence of externalism. On the contrary, when transaction limits are clearly defined, there is no transaction cost, and the transaction cost is zero, the optimal distribution of resources can be achieved as the traditional market mechanism plays its role. Even if the transaction cost is positive rather than zero, different definitions of rights and interests will also bring about resource distributions with varying efficiencies. The effectiveness of such resource distribution depends on the theory on the clarity of the limits, which is also applicable to the relationship between the definition of property and the distribution of resources. Under a given property title system, if the limit of land rights is clear, the friction from transactions among the beneficiaries of property will be reduced; transaction costs will be minimized; and the distribution of land resources will be rational. Our traditional property title system is characterized by a high concentration of land ownership rights and a lack of clearly defined representatives as far as land rights and functions are concerned. Land use rights belong to different beneficiaries, and currently there is no mechanism to restrain the benefits from land ownership rights and different land use rights. The land user assumes neither economic nor legal liabilities for the owner. As a consequence of the uncertainty in the limit of land rights, it is difficult to distribute land

resources both rationally and effectively, thus causing much waste in land use. As far as property transfer is concerned, these transactions are not carried out under the rules of commercialization but under a mode of "tenant-finding activity," which goes against the rule of equal value exchange, hence the increasing transaction costs, the difficulties encountered in the effort to secure the full and rational use of land resources, and the necessity of forming a new title system. The aim is to bring the function of the new property title system into play and to switch on the land market mechanism, thus facilitating and promoting the development of our commodity economy, the sublease and transfer of the land, the rational circulation of land factors, and the increased efficiency of the macroeconomy in land use.

The Structure and Transfer Mode for Property

Generally speaking, clarifying the limit of property rights has a positive correlation with the effective distribution of land resources. In view of the operative nature of land, any change in the title system will have a direct impact on whether land resources flow in a rational way. The following is an analysis of the title system and transfer process, with examples of urban and rural land use.

According to the way land resources are used, land can be classified as having urban and rural uses. Certain factors determine the difference of the property title system for the two categories. The use of urban land resources is characterized by: 1. The freakishness of the distribution structure of the property. Because the serviceability of urban property depends on location and space rather than fertility, there is higher flexibility and a lower monopoly in urban land use. With the development of communications and traffic as well as the rise of new cities, a piece of originally deserted wasteland may be turned into a commercial distribution center or a concentrated industrial and commercial area which is characterized by economic prosperity and high rental incomes. With the rapid development of modern society, these changes will become more and more remarkable, which is also one of the distinctive features of urban land use as compared with rural land use. 2. The high degree of fit between land management and social and economic development. As land is a special factor of production that is neither abundant nor renewable, it is difficult to increase land resource distribution to meet the social economy's demands for rapid development, hence there is a demand for rational planning of exploration and utilization of the existing land. Features such as overall and systematic planning embodied in the development of the modern economy call for centralized planning. These features of urban land use call for the centralization of land ownership and land income rights on the basis of the state and social interests. As compared with urban used land, rural used land is on the one hand characterized by its status as a special factor of production, i.e. the natural and economic fertility of the land "participates in" the production process. Only by constant cultivation can the land's fertility serve the people, and all other economic activities carried out on

rural land can only benefit from careful management. It is thus determined that the economic activities carried out on rural land demand a kind of internal and independent operational mode, the precondition of which is land ownership. On the other hand, agriculture has extremely high labor supervision costs, and the best way to reduce this cost is to eliminate the situation in which rural land is separated from the peasants. When this kind of feature is expressed in the rights and functions of rural property, it shows that the agricultural operator must be the property's autonomous title holder, or must at least enjoy a status entirely independent status from some of the rights and functions of the property.

From the aforementioned we can see that when the collective type of land ownership coexists with the commodity economy, the rationality of both land use and the distribution of land resources primarily depends on whether there is a title system which meets the development needs of the modern commodity economy. To be more specific, it depends on clarifying the title relationship between the land owner and the land user—or even the land operator—as well as clarifying the fair principle reflected in transactions among title holders and the interest relationship between the various beneficiaries. As for this, the clearer the property title relationship, the higher the efficiency in land operation will be, and the more standardized the transfer of land use rights among land users will be, thus enabling better coordination of the relationship between stability, circulation, and concentration of land operation in agricultural modernization.

The Current Situation and Countermeasures

The practice of our economic construction over several decades has shown that there are internal contradictions and shortcomings in the urban land use system. As reflected in the title system, it finds concentrated expression in the obscurity of property title relationships. Judging from the rights and function of property, land ownership is substantially under the state's control, but there is no specific individual representative. In practice, state ownership of urban land is only meaningful in legal documentation; it cannot be implemented economically. As state ownership of urban land has been reduced to an abstract and empty principle, the urban land user has become the "de facto" land owner. Judging from the methods used to transfer land use rights and profits and losses, for a long time the state has practiced an allocation system marked by gratuitous utility and non-commercialization in urban land use. Land was distributed through the approval and search for rent in an irregular and disguised underground fashion. The result was that only the approval and search units benefited, while the social transaction costs increased greatly. The state's land resources were not distributed rationally, which led to the coexistence of waste and shortages in urban land use. Since the beginning of economic reform, specialized land administrative organs have gradually been set up, and the paid use system for urban land has

been implemented systematically. However, the property title administrative organ has not yet become the real personified representative of the state land owner, and the rights it enjoys are not broad enough for it to carry out the mission concerning state land ownership. The definition of property is obscure and various land policies have come from different leading bodies, and urban land is owned by the state in name but not in reality. Holders of land use rights not only occupy and use the property but also trade it with others. The principle of profits and losses in land transactions has shown that various units and individuals have benefited, while the state has suffered losses. For example, some holders of land use rights are using state land as contributed capital to build living quarters with other individuals, sitting idle and enjoying the fruits of other's labor while the state—the real land owner—does not receive any income from its land. To cite another example, as land transactions have not yet been entirely commercialized, disguised underground land markets are rising in response to proper timing and other conditions. The covert land trade, which has no effective control, has led to a great deal of wasted land resources, making distribution of urban property even more disordered and irrational, while some individuals have made exorbitant profits in the underground land business. In a word, as the obscurity of property title relationships results in adverse conditions for the effective display of the function of property, the title system gives rise to a lack of benefits or even a loss.

Under the traditional rural property title system, the rights and functions related to land were restrained by two factors. The first was the state system of collective land ownership. In name and in law, the state recognized collective ownership of rural land, but to some extent it deprived the collective land owner of the right to receive income from the property. As a concrete example, the state took from the peasants most of their income from economic activities carried out on rural land by means of the industrial-agricultural product price scissors, which severely restricted rural economic development. The second was the restraint exerted by the mandatory state plan for collective management authority on rural land. In the past, administrative orders interfered with crop cultivation, as administrative plans were arranged and targets were set in accordance with the intentions of higher authorities, which rarely corresponded with the real conditions of agricultural management and the interests of the peasants. This was behind the long-term shrinkage of the development of the rural productive forces.

With the implementation of economic reform, as the limits of rural property are gradually clarified and rural collective land ownership is realized in the economy, the rural property relationship that used to exist only nominally or in fragments is being standardized to a certain extent. In particular, implementation of the contract responsibility system with remuneration linked to output in rural areas has, to some degree, effected the

real separation of collective land ownership from land use rights and has straightened out the interest relationship between the state and collectives and between collectives and individuals. This in turn has aroused the enthusiasm of laborers and has tremendously promoted the rapid development of agricultural production. By no means, however, can we say that the rural property relationship has been entirely straightened out and clarified. Judging from the present situation of the rural contract responsibility system and the rural land system, the structure of the title system still needs to be perfected, further developed, and consolidated. The main problems are as follows:

1. The relationship between rights and functions such as land ownership and management authority have not yet been straightened out, because there is no standardized and clearly-defined system. The main manifestations of this are:

As far as the principles and substance of land ownership are concerned, there is no clear definition for the collective. The Constitution explicitly stipulates that, aside from land in rural and suburban areas which lawfully belongs to the state, land in other areas belongs to the collective. However, as the land owner, the collective has so far been unable to exercise its due right to deal with its land externally and to derive income from its land internally. Following implementation of the contract responsibility system, rural land was contracted to households. As the concept of renting property was not clearly defined when land ownership was separated from land use rights in the course of contracting, to a great extent collective land ownership cannot be implemented economically. The peasants were given their land use rights almost gratuitously. Therefore, the financial accumulation of the rural land economy with land rent as its substance is actually reduced to zero, although it exists in the name and form of the collective reserve fund and public welfare fund.

2. There is no real independence in land use rights, and the land operator has not yet become the land user in the real sense of the term. After contracting for land, peasants were still constrained by mandatory government orders from deciding the scope and method of their cultivation, and rural land management authority was largely in the government's control. As there are neither perfect land use rights nor a clearly defined legal and system guarantee for this right, peasants are not quite sure about the future and are unwilling to make long-term investments in the land. This led peasants to consider the short term when making cultivation decisions.

3. When land ownership is separated from land use rights, a contradiction arises between stability and mobility in the circulation of land use rights. This occurs when circulation is carried out through sub-contracting or collective readjustment, which is neither consistent with commercialized circulation under the current system nor advantageous to the concentration of land for

more skilled farmers. It is by no means the most appropriate distribution and management of land resources in the development of agriculture.

In addition, we can see from the present situation of the property rights of enterprise- and resident-used land that, as far as enterprise land is concerned, enterprises have used land owned by the entire people for a long time without paying any compensation. Even under the condition that enterprises have become relatively independent commodity producers, the concept of rent has not been clearly defined during the process of separating land ownership from land use rights. There is no explicit land-lease relationship between enterprises, the state, and the land; as a special component of the means of production, land is used almost gratuitously. This fully shows that land ownership by the entire people has not been implemented completely, and property rights still remain an empty concept as far as enterprise land is concerned. As a result, excessive or wanton occupation of land has appeared, resulting in an increase in urban land use and a decrease in rural cultivated land. Some enterprises even sell their occupied land to other units to make profits through disguised trade.

As for land used for housing, property ownership belongs to the state, while the usage rights belongs to city dwellers. Outwardly, the definition of property rights is clear, but inwardly it is very obscure. City dwellers in our country have consistently enjoyed low-rent housing and substantial welfare from the state. Although rent for housing has increased somewhat since the beginning of reform and opening up, it is still far from the cost of the land. As far as the state is concerned, land ownership has been assigned to the laborers gratuitously, because the state receives no rent from inhabitants. This has given rise to the phenomena of income falling short of expenditures in city construction and of a severe shortage and unfair distribution of urban housing units. Housing property in rural areas is an even more ambiguous concept. As we mentioned above, rural collective land ownership exists only in name, because it is violated by both the state and collective economies. With the increase in the rural population, infringement on cultivated land to build housing has become a serious problem in recent years, which not only further intensified the ratio of rural land to the rural population and labor force, but also increased the contradiction of more people and less land.

These problems boil down to the fact that the definition of land property rights is not based on reality, and the transfer of land use rights is difficult. In view of this, reform of the property title system can be achieved through the following:

1. Write a strict definition for property, straighten out the property title relationship, and determine the limit of property rights.

When we analyze the current situation of property rights in China, we can see that the fundamental reason for the

imperfect property title system lies in the fact that property rights and functions are not clearly delimited and property beneficiaries are dependent and unrealistic, thus leading to nontransferability and nonstandardization of property and the consequence that both property transactions and the distribution of land resources have gotten on the wrong track. By clarifying property title relationships, we will create a real principle of land ownership, land use rights, and land management authority on the basis of the decomposition of land ownership, land use rights, and management authority. By "real," we mean that the defined holders of ownership rights will be fully entitled to the rights, interests, and responsibilities of each property beneficiary and that the internal economic, legal, and interest restraint mechanism between beneficiaries must be formulated. Under the property title system based on public ownership in China, land ownership belongs to the state and the collective; therefore the land ownership beneficiary should be the state, the collective, and their personified representatives.

The economic implementation form of land ownership is the realization of land rent income rights. Any of the city or township enterprises or other economic organizations, including real estate development companies, must pay a use fee for publicly owned land. As for urban land, land use fees should depend on quality, location, and the differential rent income related to incessant investment, while fees for rural collective land contracted to peasants should be charged in accordance with the differential rent income based on fertility. Another controversial issue is the income derived from renting land, especially through the exercise of the collection power of urban land rent. Some people maintain that this type of income should be handed over to the state, while others believe that it is better to concede land income property rights to the State Land Administrative Bureau or urban land administrative departments. As a matter of fact, this is a puzzling problem which also results from the lack of property beneficiaries and the imperfect personified representative for public land. On this issue, the author believes that urban land administrative organs should be considered branch offices of the State Land Administrative Bureau, which should be considered the personified representative of state land ownership who exercises the power of collecting land use fees and of using land income to develop and utilize urban land. The aim of this is: first, to check the excessive occupation of land by land-use units and to avoid wasting land; second, to maintain urban land with the income from the land and to facilitate local municipal construction and the development of real estate; and, third, to help government financial departments shift the burden of being responsible for all local municipal construction.

2. To establish a property circulation and transfer system which is favorable to the development of the commodity economy.

The ideal form of property circulation is the commercialization of property transactions. However, the formation of this new type of property circulation mechanism is conditional on the clarification of property relationships. As long as the real beneficiaries of land ownership, land use rights, and of land management authority are established, and the relation of rights, interests, and responsibilities among the beneficiaries is straightened out, property transactions will be carried out in the following three forms:

1. Primary level transactions, i.e. transactions between land owners. By this we mean that land ownership is transferred when the government takes over rural collective land for its own use. The transferees of land ownership are primarily state-run public sectors, such as railroads, posts and telecommunications, and weather forecasting authorities; real estate development and business companies; and other enterprises. Under the traditional system, in most cases the government took over collective land for its own use with little or no compensation. Even if there was a token payment, the collective ownership of the land still existed in name but not in reality. Changes have taken place in this area over the last few years, however. Today, if the state takes over rural land to meet the needs of national economic construction, it purchases the land rather than taking it with little or no compensation. Land ownership is transferred through a purchase transaction which is calculated at its buying or selling price, or what is generally called the land price.

2. Secondary level transactions. By this we mean that the government or the rural collective units transfer their land use rights to the proposed land user. This includes transfer of land use rights either by the government to enterprises and other economic organizations, or by rural collective units to peasants. This transfer is carried out primarily in the form of reimbursable land use and is calculated according to the lease price. It forms the primary distribution for urban and rural land use.

3. Tertiary level transactions, i.e. land use rights transactions among land users. This is the secondary distribution of land resources in terms of land use rights.

In view of the market trend developing in property transactions, the aforementioned three forms will become the basis for property transactions under the commodity economy system in China. Judging from the current situation of the land circulation system, the basic pattern of property transactions is still in its formative stages, and "primary" and "secondary level transactions" in particular are being further standardized. Nevertheless, there are still many problems with the "tertiary level transactions." Problems in the transfer of urban land use rights can be seen from the invisibility of transfer prices and rampant illegal land use and trade, which has become even more pronounced in recent years. As far as rural land use rights are concerned, the implementation of the contract responsibility system, the development of the rural economy, and the urgent

need for further reform have given rise to a contradiction between land stability and land concentration. Generally speaking, the stability of the land is the foundation of rural stability. Peasants' main concern about rural policies is whether any change has been made to the duration of their land contracts. With the deepening of the reform of the contracted responsibility system and the advent of large-scale land operations, however, land circulation will be inevitable, and this will challenge the psychological stability of the peasants. Nonetheless, as land circulation is unavoidable and a land circulation mechanism has not yet come into existence, it is difficult to concentrate the land for skilled farmers and to form large-scale land operations. Therefore the difficult and essential points lie in establishing a circulation system for land use rights based on straightening out the relationships of land ownership and land use rights and functions while speeding up the commercialization of primary and secondary property transactions. Establishment of a circulation system for land use rights can be considered in two stages—the lower target and the higher target. By lower target, we mean improving the market environment for completing the transfer of land use rights. The term higher target refers to realizing a full and voluntary transfer of land use rights on the basis of the lower target, that is, forming a high-frequency, land-use rights transaction system. When this occurs, distribution of land resources will have been optimized. Therefore, the government policy of macroeconomic control of land at the lower target stage should be a multi-directional exploration of the property market. At the higher target stage, government policy should encourage the land user to carry out the full and initiative transfer of land use rights. Once this target has been reached, utilization of land resources will be approaching optimal distribution or allocation.

PROVINCIAL

Guangdong Implements 'Fair' Tax Law

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[Article by Wang Yongli (3769 3144 7787): "Fairness Exhibited in Taxation—Impressions of a Trip to Guangdong"]

[15 Feb 93 p 1]

[Text] With the huge tide of the socialist market economy roaring in the whole country and more and more people in the vast ocean battling with the winds and waves, people have come to soberly realize the importance of the laws and regulations closely connected with economic activities. As a figure of speech, some people said that it is not necessary to have traffic rules and regulations if there is only one vehicle on the road. However, if there are more vehicles on the road, it is necessary to have traffic regulations that all must

observe and that are applicable to all vehicles. Otherwise, the traffic will not be smooth. Guangdong Province and the Shenzhen and Zhuhai special economic zones [SEZs] are pacesetters in reforming China's economic system. When our reporters' group from Heilongjiang, Inner Mongolia, Gansu, Qinghai and Beijing in China's northern, northwestern and northeastern regions made a short trip to south China's Zhujiang River Delta, we really feel the sense of maturity demonstrated by the "pacesetters" in carrying out reform and opening to the outside world; and by the governments at various levels, the relevant departments, and the broad masses in Guangdong in promptly and orderly developing the market economy by means of legislation.

I.

Comrade Deng Xiaoping's important talks which he gave during a south China inspection tour in spring last year whipped up a giant high tide throughout the country in carrying out reform and opening to the outside world. It was when the waves were rising that tax authorities in some localities showed passivity. When some enterprises sought to get going and go all out, they asked for tax reductions or exemptions. When some counties and cities wanted to set up development zones, they wanted to work out preferential policies for taxation. When some localities wanted to attract foreign funds, they asked such localities to follow the policy of the SEZ. For a while, the tax authorities looked like the "stumbling blocks" of the reform program. At that time, what happened in Guangdong that was the focus of people's attention? Naturally Comrade Deng Xiaoping's talks greatly inspired the people in Guangdong. When the whole nation seethed with excitement, they naturally wanted to make further progress. There is a Doumen County under the administration of the Zhuhai City. How could this county, which is adjacent to but excluded from the SEZ, not think about squeezing into the gate of this zone? The county submitted a report to the Zhuhai City government, while filing an application to the city's Bureau of Taxation. While understanding the county's earnest hope, a leading comrade of the Zhuhai City government told the county's leading comrades that: "We have no legislative power for enacting tax laws. The existing tax laws cannot be changed at will. We cannot give any interpretation or work out any preferential policy without keeping the tax laws in mind. Your application cannot be approved. However, this does not mean that the tax bureau is conservative or resistant." These words from the city government not only resolved the contradiction between the tax authorities and the Doumen County, but also fully reflected the change of governmental attitude in the course of developing the market economy.

Here is an example of the government taking up the matter of resolving the contradiction between tax authorities and enterprises. This is definitely not the only example in Guangdong. With the improvement of the investment environment, the real estate business in

the Zhujiang River Delta has flourished rapidly. Wherever the reporters went, they saw tracts of land that had just been leveled. Existing tax laws stipulate that all units and individuals that engage in transfers of land use rights and building sales are considered taxpayers who must pay business tax. They must report the transactions to tax authorities and pay tax in accordance with law. However, some individuals and units engaging in transfers of land use rights and building sales and some units that come from other localities to do real estate business in the Zhujiang River Delta tried to hide their income, evade tax payments or refused to pay taxes, using all types of excuses. In face of this situation, the Panyu City government hand helped tax authorities publicize the relevant tax regulations concerning real estate development, while also helping tax authorities strengthen tax collection in this regard. The city government issued a specific document stipulating that "all units and individuals that engage in transfers of land use rights and sales of buildings in the city must consciously place themselves under the administration of the tax authorities, report all business transactions, and pay taxes according to law." The Panyu City government believes that strict enforcement of state tax laws will not prevent the state from attracting foreign capital. Only by unifying and stabilizing state policies, laws and regulations and strictly and impartially enforcing them will it be possible to attract more foreign investors. Indeed, some foreign business people said: Today you turn your laws and regulations into preferential ones, while tomorrow they become quite irrational. This is what we fear most. Commenting on the change in policies, laws and regulations at will and on the improper enforcement of laws, a British senior economist said that this reflected political immaturity.

After weathering many storms over the past 10 years and enduring all kinds of setbacks, governments at all levels in Guangdong have deepened their understanding of the market economy; realized the legal system's significant role in developing the socialist market economy; and reached a common understanding on tax administration. In the early 1980's, whenever a meeting was held in Foshan City to study issues on reform, opening to the outside world and developing economy, those attending the meeting invariably asked the tax bureau if it had any preferential policies. Now the situation is different. Everyone understands that tax laws are unified and that it is impossible to enact one tax law for one locality only. When the meeting on the industrial development zone was held in Foshan City at the end of 1992, a comrade of the planning commission was able to summarize all the state tax laws and regulations at one fell swoop. Chen Dashen, chief of the Foshan City Tax Bureau, cheerfully told a reporter: "In the past, we told other people. Now, other people tell us."

Comrades in Guangdong also told our reporters that, in the past, self-employed individuals in Guangdong only cared about themselves and doing businesses. Now, they report and expose tax evasion cases whenever they

discover any, because they feel that everyone is doing business in the same way. It is unfair that I pay taxes while others do not. After hearing these words, reporters discussed among themselves the question: Is this not where ethics in a market economy makes a start?

[18 Feb 93 p 1]

II.

The reason why a market economy can effectively promote economic development is that it has a mechanism to encourage competition, where efficiency prospers and inefficiency fails. To promote competition, it is necessary to provide everyone with a unified, open, and fair external environment.

After its establishment, the Shenzhen SEZ still continued to use the original tax system and policy which prevailed in the hinterland. However, some sections of this tax system and policy were inappropriate to carrying out reform and opening up to the outside world. New situations, contradictions, and problems continuously cropped up. This situation had forced Shenzhen to reform its tax system. At the beginning the Shenzhen Tax Bureau did not know how to reform the tax system, and only worked out some piecemeal preferential policies. However, these kinds of piecemeal measures basically failed to keep pace with the changing situation in carrying out economic reform. In order to reverse this situation of passivity, the Shenzhen City Tax Bureau carried out investigation and study in a thoroughgoing manner. They listed all the problems and analyzed them one by one. Then they invited relevant leading comrades, experts and scholars to attend five symposiums on theories for taxation and tax system reform. The symposiums attached importance to introducing foreign capital and advanced technology in order to develop the SEZs; to developing advanced and tertiary industries in order to improve the industrial structure; to the role of market regulation in carrying out economic activities; and to export business in selling products. Learning from foreign countries' experiences with reforming the tax system, and integrating theory with practice, they finally worked out the guiding principle to reforming the tax system in the Shenzhen SEZ. It goes as follows: "Unify tax laws; treat all taxpayers equally; reduce and simplify tax categories; lighten tax burdens; and offer more generous preferential policies, simpler procedures, and stricter administration. It is essential to refer to foreign experience while coordinating with other tax bureaus in the interior. It is necessary to implement the principle of providing preferential treatment while taking tax revenues into consideration. It is imperative to safeguard national rights and interests, while facilitating the influx of foreign capital and advanced technology and the development of an export-oriented economy." This guiding principle in carrying out reform and the specific measures for the implementation of this principle won approval of the State Administration of Taxation.

Attaining a clear-cut aim for tax reform is only the first step in a 10,000-li march. Certain reform measures may fail to tally with the original law or regulation. This requires a reformer to stand firmly and dare to tread on the "forbidden ground." Certain reform measures may be unprecedented. This requires a reformer to demonstrate his or her real knowledge and deep insight, and boldly go through a "blind area." Certain reform measures may encounter resistance from all sides. This requires a reformer to firmly adhere to his or her beliefs, and resolve contradictions to break a "difficult path." Withstanding various storms, the Shenzhen SEZ broke through barriers one after another in reforming its tax system. Finally it had created a fine external environment for its economic development. Meanwhile, it provided the hinterland with some ripe experiences in carrying out reform.

Right now, the Shenzhen SEZ has achieved unification of its tax system in the following five areas:

1. It unified the income tax rates on enterprises. In the early stage of the SEZ, income tax was first levied on enterprises with foreign investment at a reduced rate of 15 percent in order to create a low-tax investment climate. Following the diversified economic development in the SEZ, income tax rates based on the "theory of the unique importance of class origin" created the problem of unfair tax burdens on enterprises with different economic features. In order to implement the principle of equal tax burdens and fair competition, the city of Shenzhen unified the income tax rates for all enterprises with domestic investment in 1985. That included state-owned, collective and private enterprises, and self-employed industrial and commercial establishments. They levied income tax at the unified reduced rate of 15 percent. Meanwhile, all enterprises separated taxes from profits and practiced after-tax loan repayment, contract execution, and tax revenue distribution.
2. It unified local taxes. During the early stage of the SEZ, Shenzhen, like other localities in the country, implemented a tax system under which enterprises with domestic investment were treated differently than those with foreign investment. This kind of tax system, worked out on the basis of the "theory of the unique importance of bloodline," created unequal tax burdens. In 1987, Shenzhen unified local taxes. It levied uniform house property taxes, vehicle and vessel use taxes, urban maintenance and construction taxes, and later stamp taxes on enterprises with either domestic or foreign investments. It also made appropriate adjustments to the amounts of tax payable and some tax rates.
3. It unified intermediate taxes. After China entered the second stage in changing the profit-delivery system to one of taxation in 1984, intermediate taxes, including product tax, value added tax and business tax, were levied on enterprises with domestic investment, while an industrial-commercial consolidated tax was levied on foreign-invested enterprises. Under the conditions of the market economy in the SEZ, different tax laws were used

yo deal with enterprises with domestic and foreign investments that turned out the same products and did the same type of business. Such practices were apparently unfair. In 1988, foreign-funded enterprises in the SEZ had levied against them a product tax, value added tax and business tax, just like domestic-funded enterprises. Intermediate taxes in the Shenzhen SEZ were thus unified.

4. It unified preferential tax policies. During its early stage, the Shenzhen SEZ formulated, on the basis of the relevant regulations of the State Council, two sets of preferential policies, one for foreign-funded enterprises and one for domestic-funded enterprises. This was aimed at encouraging investment in the SEZ. However, these policies were unfair, since they were formulated according to the nature of the enterprises. In 1988, based on the policy for industrial production, the Shenzhen SEZ unified the preferential policies. It gave various preferential treatments, with emphasis on port and dock construction, developing basic industries, developing new and high-technology industries, export-oriented enterprises, productive enterprises and enterprises in tertiary industries with fairly large investments.

5. It unified the methods for computing enterprises' amount of taxes. The Shenzhen SEZ unified the income tax rates and preferential policies in 1985 and 1988 respectively. However, factors affecting tax computation—such as the depreciation period of fixed assets, production costs and expenses, and the method for calculating taxable income—were not uniform, since such tax rates and preferential treatments had to conform with five different tax laws (regulations). As a result, the tax burden remained uneven and the tax base unequal. In addition, with the emergence of economic associations and share-holding enterprises, the tax laws worked out on the basis of economic features no long met the requirements for reforming the economic system. In 1992, the Shenzhen SEZ unified the methods for computing income tax.

When our reporters stayed in Shenzhen, they visited the Shenzhen Petroleum Company, a large state-owned enterprise, and the Anda Transportation Company, Ltd., a share-holding enterprise. A person in the petroleum company said: "Right now, we are just like any of the three types of wholly or partially foreign-owned enterprise. We have been treated on equal basis. Such fairness is needed in order to remain competitive." Someone from the Anda Company said: "Right now, we are worried about going to the hinterland to run enterprises. We are afraid that we do not understand the complex tax system there and that we may be accused of tax evasion. Some localities in the hinterland offer tax preferences in order to attract outside investment. We are also worried about policy changes. Therefore, even if we go there, we will only make short-term investments."

It looks like we may use these words to draw a conclusion on tax reform in the Shenzhen SEZ, because those two people know from their own experience, and learn by

comparing with other localities. Naturally reform is still going on. Wu Shengwen, deputy chief of the Shenzhen City Tax Bureau, said: "On the basis of our past experience with reform, we must seize the right opportunity and go through the proper legislative procedure to form a complete income tax law code for enterprises in the Shenzhen SEZ and make new progress in establishing the SEZ's tax system."

III.

In the city of Zhongshan members of the reporters' group visited the tax collection hall at the city's tax bureau. They were awestruck by the large modern office in the hall and by all the staff members in uniform. Naturally we cannot say that a good legal code can be well implemented by relying this awesome office. However, we can say that, by means of modernization, we can certainly help implement existing tax laws even more rigorously and prevent law-enforcing personnel from doing things sentimentally or at will. The popularization of computers and the network operation in tax collection have won the confidence of taxpayers and made them feel that they "have been treated on equal basis."

During an interview, Zhongshan City Taxation Bureau Chief Huang Xianchen explained computers' role in tax collection and administrative work and how they changed the traditional tax paying procedure into one of bank fund transfers on an experimental basis.

Three years ago, self-employed industrial and commercial establishments in Zhongshan City paid their taxes in the same way as those in most other localities. With the continuous development of the economy, the increasingly arduous task of tax collection, and the continuous growth in the number taxpayers, the city tax bureau realized that the traditional tax collection procedure could no longer follow the principle of enforcing tax laws efficiently and rigorously and helping taxpayers pay their taxes simply and easily. Nor did this procedure meet the requirements in exercising strict control over tax collection or enforcing tax laws. It contacted banks and other financial institutions and reached a mutual understanding on making deposits and fund transfers for tax payments. When a taxpayer agrees to make deposits and fund transfers through a bank for tax payment, a person in charge of this procedure will ask the taxpayer to fill a triplicate form, entitled "Letter of Authorization for Self-Employed Individual and Commercial Households To Open Accounts for Making Deposits and Fund Transfers for Tax Payment." The tax authorities, bank, and taxpayer each get one copy. The taxpayer makes a deposit first. When the tax filing date approaches, the taxpayer files a tax return with the tax authorities. After verifying the amount of tax payable, the tax authorities issue a payment slip to the bank for a funds transfer. When a taxpayer's account has insufficient funds, tax authorities use the computer network and the information control system which connects them with the bank to enter the necessary insufficient funds remark on the account. They make a print-out for the person in charge

of this funds-transfer procedure so that he may notify the taxpayer to make up the tax payment.

A reporter asked: "What would happen if the taxpayer does not make any deposit?"

Bureau chief Huang replied: "Since implementation of this procedure, more than 90 percent of business establishments have made their tax payment deposits on time. As for those who fail to make deposits on time, most of them come to their senses after we talk to them. After all, this procedure is simple and saves time. It is convenient for everyone. There is nothing unfair."

Although this procedural reform for tax payments only serves to improve a small specific sector in tax collection, it certainly helps modernize the procedure of taxation, and makes the market more civilized and orderly.

In the course of collecting taxes, the procedure of examining and approving applications for tax reduction and exemption is also an important aspect in determining whether all applications are handled equally and fairly. After finishing its tour in the Zhujiang River Delta, the reporters' group returned to Guangzhou, where it called on Zou Xinxiang, deputy chief of the Guangdong Provincial Bureau of Taxation. He said: In examining and approving applications for tax reduction or exemption, we always uphold the major principle of changing the practice of encouraging fund transfusions and doing relief work into a practice of encouraging fund formation and helping enterprises. Our specific criteria are: 1. The enterprise has not failed to gain overall control. 2. It must demonstrate high economic efficiency. 3. Its taxable income must be increasing. 4. It must be encountering difficulties. As for the difficulties we mention here, we do not mean a difficulty in making tax payments. When you encounter temporary difficulties, we will help you in terms of taxes, but your products must be marketable, your fund-forming functions good, your economic efficiency high, and your annual rate of growth in taxable income between 7 and 10 percent. Without these conditions, there is no use asking the provincial bureau of taxation for help. Under these conditions, those who encounter real difficulties may expect a tax reduction within the limits of the tax growth rate. That is to say, we must use this policy fully and in a good way. While giving a tax reduction or exemption, we must also apply pressure and impetus. The Guangdong Provincial Government is pleased with this practice of the provincial bureau of taxation. It believes that this practice supports the policy of reform and opening to the outside world and promotes economic development.

The reporters' group ended the tour, which gave a distinct impression to reporters from China's northern, northwestern and northeastern regions. Guangdong Province has scored tremendous achievements in reforming its economic structure, including reform of the tax system. Although some of Guangdong's specific measures are not applicable in various localities in the hinterland, and although reform in the SEZ is of a

peculiar and advanced nature, everyone believes that the successful experiments that are boldly carried out in Guangdong will provide the hinterland with more good examples for carrying out the reform program.

Work Report of Heilongjiang Provincial People's Congress

93CE0339A Harbin HEILONGJIANG RIBAO
in Chinese 21 Jan 93 p 3

[Report on 14 January 1993 at the first session of the Eighth Heilongjiang Provincial People's Congress by PPC Standing Committee vice chairman He Shoulun (0149 7445 0243): "Work Report of Heilongjiang Provincial People's Congress Standing Committee"]

[Text] Fellow Delegates:

The term of office of the Seventh Heilongjiang Provincial People's Congress [PPC] has expired. I have been asked by the Standing Committee to report to the first session of the Eighth Heilongjiang PPC on the major work done by the Seventh PPC Standing Committee in the last five years.

Since the first session of the Seventh PPC in January 1988, the PPC has held five sessions, and the standing committee has held 31. With the leadership of the Heilongjiang Provincial Party Committee, the standing committee has conscientiously acted in the spirit of the 13th and 14th CPC National Congresses, by adhering to the party's basic line of "one center, two basic focuses," focusing on service to economic development, conscientiously exercising the powers granted to us by the Constitution and the law and, based on the work accomplished by past PPC standing committees and with the joint efforts of all constituent personnel, made new progress in all fields, by bringing into fuller play our role as a local organ of state power, and building a stronger socialist-democratic legal system, which has accelerated our successful advances in reform, opening up, and economic development.

I. We Have Conscientiously Considered and Decided Major Issues To Expedite Heilongjiang's Economic and Social Development

In the last five years, the standing committee has conscientiously exercised its decisionmaking powers over major provincial matters in fields such as politics, economics, S&T, education, culture, health, nationalities, and civil administration. It has heard and considered 97 work reports by the provincial government and the "two courts," and made 70 resolutions and decisions.

The standing committee has focused closely on economic development, emphasizing priorities and considering and deciding major issues. Our work accomplishments have been mainly in the following five fields: 1. We have examined and approved drafts of Heilongjiang's 10-Year Program and Eighth Five-Year Plan, which are of major strategic concern to

Heilongjiang's economic and social development. In order to draw up a scientific and practical development blueprint for Heilongjiang, the standing committee has conscientiously heard and considered provincial government report drafts, presenting many good suggestions and proposals, fully preparing them for examination and approval by the Fourth Session of the Seventh PPC. In order to promote the success of Heilongjiang's 10-Year Program and Eighth Five-Year Plan, the standing committee has heard all provincial government work reports in the last two years. 2. We have pursued a conscientious policy of making economic development rely on S&T education and making S&T education serve economic development. We have done this by suggesting a change from invigorating Heilongjiang through S&T to invigorating Heilongjiang through science and education, and by vigorously promoting the invigoration of agriculture through science and education in combination with overall planning for agriculture, science, and education. The 29th session of the standing committee decided on the strategic policy of further invigorating Heilongjiang through science and education. 3. In order to resolve glaring conflicts limiting Heilongjiang's economic development, adjust our economic structure, and improve our economic efficiency, the Standing Committee has heard and considered reports on provincial government condition in areas such as invigorating large and medium-size state enterprises; adjusting economic structure and product mix; raising product quality, variety, and efficiency; and turning losses into profits. In June and July 1991, the responsible deputy directors led a group of cadres from departments concerned on an in-depth fact-finding tour of Heilongjiang's 13 departments and bureaus and 25 provincial enterprises. They investigated problems in six fields limiting Heilongjiang's economic development, and presented the provincial party committee and government with suggestions and proposals for solutions. As Heilongjiang's lagging highway construction was limiting our economic development, the standing committee organized repeated investigations and heard provincial government condition-reports, recommending that the government speed up highway construction. In order to strengthen our agricultural base and maintain steady growth, we conducted timely hearings of condition-reports in areas such as stabilizing the household responsibility system of linking remuneration to output in rural areas; improving the dual operating system combining centralization with decentralization; speeding up development of township enterprises; grain-procurement management; and disaster prevention and self-help. We also conducted special surveys focused on problems with pushing the gross grain yield up to 40 billion jin, making suggestions and recommendations to the provincial government. 4. In order to stimulate markets and speed up opening to the outside world, the standing committee has heard and considered provincial government conditions-reports on expanding markets; stimulating circulation; attracting and utilizing foreign investment; expanding foreign economic relations and trade; and holding trade talks with the former Soviet

Union and Eastern Europe. It has put out the "Resolution on Expanding the Examination and Approval Authority of the Harbin, Heihe, and Suifenhe Municipal People's Governments in Requisitioning (Allocating) Land." We have also made suggestions and recommendations in areas such as strengthening border control and port development, and expanding foreign private trade cooperation. 5. We have aimed at certain problems that appeared for a time in Heilongjiang's development, and have conscientiously implemented CPC Central Committee policies on improvement, rectification, and reform. We have heard and considered provincial government condition-reports in areas such as clearing up ongoing fixed assets investment projects; provincial finance and taxation; and making decisions to ensure and promote smooth progress in improvement, rectification, and reform intensification.

As the "hot issues" of strong public interest and concern are economic and political ones that directly affect Heilongjiang's economic development and social stability, the standing committee has paid particular attention to resolving them. We have done this by hearing reports, making decisions and resolutions, and urging departments concerned to come up with conscientious resolutions. We have heard provincial government condition-reports in areas such as stabilizing prices; produce production and marketing in large and medium-size cities; lightening peasant burdens; curbing the "three arbitrariness"; and resolving peasant buying and selling difficulties. We have made suggestions and recommendations, and in some cases resolutions and decisions, which have promoted problem solving and preserved public initiative.

In order to provide a good social climate for economic development, the standing committee has paid particular attention to Heilongjiang's political and social stability. When the political disturbances that occurred in Beijing in the late spring and early summer of 1989 spread to Heilongjiang, the 10th session of the standing committee's held a special meeting, firmly carried out the party Central Committee and provincial party committee's decisions and measures to curb the turbulence, and maintained an ideological and political consensus with the party Central Committee. Standing committee officials and government cadres patiently indoctrinated and guided students, making positive efforts to curb the turbulence, stabilize the overall situation, and eliminate factors creating instability. In order to maintain overall public order and control, the standing committee heard provincial government conditions-reports in areas such as the state of public order; the "anti-pornography" and "six-evils" campaigns; the rectification of the culture market; and the crackdown on serious crime. We drew up resolutions such as "On Maintaining Overall Public Order and Preserving Social Stability" and "On In-Depth Anti-Pornography Work," and mobilized and relied on all social forces for a concerted approach. This which improved Heilongjiang's public order, promoted development of the socialist spiritual civilization, and

provided legal safeguards for the public to focus its efforts on economic development. In order to enhance nationalities unity and speed up economic development in minority nationality regions, the standing committee conducted investigations and studies and made suggestions and recommendations. In addition, the Seventh PPC Standing Committee also awarded the title of provincial special-class model worker to 94 people in three groups.

II. We Have Actively Enacted Local Legislation To Provide Legal Safeguards for Reform, Opening, and Economic Development

In order to meet the needs of reform, opening up, and economic development, the standing committee has strengthened local legislation by acting positively and cautiously based on thorough investigation, study, and a full display of democracy, and by drawing up a five-year legislative program and a three-year legislative plan, which has increased the number of legislative motions under deliberation in regular standing committee meetings. In the last five years, we have drawn up and issued 41 local laws and regulations and approved 14 others drawn up by the Harbin and Qiqihar Municipal People's Congress Standing Committees and the Durbud Mongolian Autonomous County People's Congress. The PPC standing committee drew up more local legislation in this session than in any other session in its history. The publication and application of these laws and regulations has played a good role in ensuring the enforcement of the Constitution and law in Heilongjiang; preserving stability and unity; and promoting the success of our reform, opening up, and all other development causes.

In order to suit our legislation to our reform, opening, and economic development needs, we have made enacting economic legislation our legislative priority, with 20-49 percent of enacted local legislation being economic legislation as follows: 1) We have strengthened our basic industrial legislation, by drawing up provincial laws, such as "Management Regulations for Water Conservancy Projects," "State Farm Rules," "Agro-Technology Dissemination Regulations," and "Management Regulations for Industrial Labor and Health." 2) We have strengthened our economic legislation in the areas of macroeconomic regulation, control, and oversight by drawing up provincial laws, such as "Budget Control Regulations," "Statistics Auditing and Oversight Rules," "Enforcement Regulations for the PRC Urban Planning Law," "Enforcement, Control, and Oversight Rules for Fines and Confiscations," and "Oversight and Control Regulations for Industrial Product Quality." 3) We have focused on reform and opening legislative needs and drawn up provincial laws, such as "Technology Market Control Regulations," "Contract Management Rules for Rural Cooperative Economic Contracting," "Border Control Regulations," "Enforcement Regulations for the PRC Law Protecting the Rights and Interests of Returned Overseas Chinese and Their Relatives," and "Occupational Technology and Education Rules." 4) We focused on establishing a

good economic legislative order and considered and passed the provincial laws of "Peasant Burden Control Rules" and "Resolution On Firmly Clearing Up and Rectifying Arbitrary Fee Collections, Fines and Confiscations, and Fundraising" (the three arbitraries). These were directed at the fact that the "three arbitraries" and unhealthy industrial tendencies had become a major public scourge widely reported throughout urban and rural Heilongjiang. We have also adopted laws such as "Urban and Rural Market Trade Regulations," "Rules To Protect the Legitimate Rights and Interests of Consumers," and "Management Regulations on Removals for Urban Construction." The enactment and enforcement of these laws and regulations has provided the legal basis for intensified reform, expanded opening, and improvement of our economy, as well as speeding up Heilongjiang's overall economic development.

While emphasizing economic legislation, the standing committee has also drawn up provincial laws and regulations in areas such as political and social stability, protecting legitimate civil rights and interests, spiritual civilization, and establishing political power. Examples are "Family Planning Rules," "Eugenics and Health Protection Regulations," "Rules for National Defense Indoctrination," "Regulations Concerning Overall Public Order," "Enforcement Regulations for the PRC Village Committee Organization Law," "Enforcement Regulations for the PRC Neighborhood Committee Organization Law," "Culture Market Management Rules," "Urban Minority Nationalities Work Rules," and "Site Control Regulations for Religious Activities." The standing committee also approved the Harbin and Qiqihar Municipal "Regulations Concerning the PRC Assembly, Parade, and Demonstration Law."

In the last two years, the standing committee has directed its efforts at new situations and issues that have appeared in the course of intensified reform, expanded opening up, and economic development. It has cleared up already enacted local laws and regulations, and promptly amended, supplemented, or discarded inappropriate ones. We have amended the provincial laws of "Peasant Burden Control Regulations," "Crop and Seed Management Regulations," "Gambling Penalty Rules," "Land Management Enforcement Rules," and "Control Regulations on Fees, Confiscations, and Fundraising," and stopped enforcing and supplemented the provincial "Provisional Price Control Regulations." Meanwhile, in the interests of accurately enforcing laws and regulations, we have enhanced our local legislation interpretation efforts.

In the last five years, the standing committee has also undertaken the job of soliciting opinions on 50 draft laws for the NPC Legislative Affairs Commission.

III. We Have Strengthened Oversight Functions To Expedite the Work of Our "One Government and Two Courts"

Oversight is an important function of the PPC standing committee, and the standing committee has summed up

past oversight experience, achieving improved results in actively exploring oversight methods, expanding oversight powers, and enhancing legal, work, and government-employee oversight.

1. We have actively expanded our deliberation oversight. In the last five years, the standing committee has focused closely on major issues throughout Heilongjiang in intensifying reform, expanded opening, and national economic and social development. It has emphasized problems having a strong public response and an urgent need for solution; stressed enforcement problems involving major laws and regulations; held timely hearings of government and "two court" reports; conducted thorough deliberations; made suggestions and recommendations; given written notification to the government and "two courts" about our key committee suggestions and recommendations; expedited our work; and promptly learned about case dispositions. The standing committee has repeatedly heard reports, conducted deliberations, and speeded up the resolution of certain particularly difficult issues, such as agricultural development, invigoration of large and medium-size enterprises, increased education costs, improved family planning, curbing the "three arbitraries," overall public order, and honest government.

2. We have strengthened our enforcement oversight. The standing committee has emphasized enforcement oversight in the five years since 1988. We have held provincewide enforcement checkups every year in a planned, organized, and focused way, stressing enforcement checkups of national laws and regulations, such as the "Enterprise Law," the "Compulsory Education Law," the "Forest Law," the "Land Law," the "Grasslands Law," the "Mineral Resources Law," the "Environmental Protection Law," the "Food Sanitation Law," the "Contagious Disease Prevention Law," the "Urban Planning Law," the "Regional National Autonomy Law," the "Law On the Protection of the Rights and Interests of Returned Overseas Chinese and Their Relatives," and the "Resolution On Strengthening Overall Public Order." We have also stressed enforcement checkups of provincial laws as well, such as "Peasant Burden Control Regulations," "Management Rules On Fees, Confiscations, and Fundraising," "Highway Rules," "Family Planning Regulations," and "Regulations On Problems Involved in Protecting the Legitimate Rights and Interests of Women and Children." In order to play a role in the commemoration of the 10th anniversary of our constitution, make citizens more aware of our constitution, and promote enforcement of the constitution, we conducted a constitutional enforcement checkup. As these enforcement checkups were a systematic public project, they were conducted with the joint cooperation of people's congress standing committee members and concerned departments at all levels, in some cases with the participation of invited CPPCC members and democratic party figures. In order to ensure that these enforcement checkups were not superficial and achieved real results, all special committees

were subject to a clear division of labor, with a specific demand presented to the pertinent provincial government functional department to establish a responsible-department enforcement-checkup responsibility system. Provincial, municipal, and county people's congress standing committees acted in close cooperation, conducting priority spot checks of independent and joint checkups. We demanded that illegal checkup incidents be dealt with severely, followed up effectively, and tracked down thoroughly.

3. We have organized and held democratic evaluations. Democratic evaluation—reliance on PPC delegates for enhanced oversight of government employees—is an effective form created by the public in recent years. The standing committee has borrowed from foreign experience and combined it with Heilongjiang's actual conditions to actively explore such appraisals through discussion. In the last two years, we have emphasized the following two major tasks: 1. We have conducted checkup evaluations on how government employees are fulfilling the term-target responsibility system. The standing committee has heard priority work reports by key government officials, with committee members conducting face-to-face evaluations. All special committees have heard reports from key officials in counterpart departments and bureaus on enforcing the target-responsibility system, learning about public response, affirming achievements, and making criticisms and suggestions. We have required key officials from other departments and bureaus to make written reports about enforcement of their target-responsibility system to the standing committee. 2. We have organized township centers for evaluating grassroots people's delegates. We directed the Suileng County People's Congress Standing Committee to set up an evaluation pilot project in Changshan Township, promptly sum up their pilot-project experience, report it to the PPC, and make recommendations for township evaluation work throughout Heilongjiang. The PPC promptly informed us about this report, calling for party committees at all levels to improve their leadership by conducting better evaluations. In March 1992, we held a forum of officials from prefectural, municipal, and some county people's congresses throughout Heilongjiang, where we summed up and exchanged pilot-project experiences and presented specific demands. Since 1992, most cities and counties have organized evaluation pilot-projects in preparation for gradually expanding the scope of evaluations. Experience has proven that organizing committee members and delegates to hold democratic evaluations can effectively promote fulfillment of the cadre target-responsibility system and honest government, by raising legal awareness and enhancing consciousness about legal administration. This is well received by the public.

IV. We Have Done a Good Job of Handling Legally Elected Replacements, Personnel Appointments, and Dismissals To Enhance Local Political Power

During our term as seventh PPC standing committee members, we held two replacement elections: one in

1990 to elect county and township replacements, and another in 1992 to elect provincial and municipal replacements. These were major affairs affecting socialist-democratic government and local political power, and so the standing committee emphasized the following key links: 1. We conducted widespread and thorough propaganda and indoctrination. We conducted democratic and legal indoctrination of citizens about the replacement-election process. We thoroughly publicized the People's Congress system with all propaganda tools, which improved citizens' understanding about the key importance of replacement elections; enhanced democratic and legal concepts; correctly informed citizens about their democratic rights; and brought active participation in the election at an average provincewide voter-participation rate of more than 90 percent. 2. We brought democracy into full play. For both candidates with joint sponsorship and those sponsored by a political party, we held repeated deliberations from the bottom up and the top down. We solicited opinions from all sides and held fair and legal elections so that the voters and delegates could fully express their own views, which reflects the authenticity and latitude of socialist democracy. 3. We acted strictly in accordance with the law. In every step of the replacement-election process, we required strict adherence to election laws and the detailed provincial rules and regulations on election implementation. In the direct elections we uncovered illegal matters, such as careless omissions of registered voters; arbitrary expansions of election-district divisions in an attempt to save work; and refusals to recognize candidates nominated through the joint sponsorship of 10 people, conscientiously rectifying them. In indirect elections, we discovered that some delegates were elected without more than 50 percent of the vote, which we also corrected. 4. We paid attention to improving the quality of delegates and government employees. Throughout the election process, we repeatedly emphasized the selection of delegates with proven legislative skills and conscientious service to the electorate, and the election to our leadership of those who adhere to the party's basic line, have a strong reform and opening up spirit, meet the "four modernization" criteria for cadres, and serve the people wholeheartedly.

In the last five years, the standing committee has appointed 874 people to 916 local state-organ posts, and dismissed 381 from 430 posts. In order to make our personnel appointments and dismissals more democratic, the standing committee has conscientiously implemented the CPC Central Committee's "Regulations On Recommendations of Leading Cadres to Local State Organs By Local Party Committees." We have done a good job of handling the relations between party control of cadres and legal appointments and dismissals; strived to turn the appointment and dismissal process into cadre education in public service and democratic legal institutions; and brought cadres to a consensus on the need to be more responsible to the party and the people. Having summed up and assimilated the experience of the last two sessions in appointing and dismissing

cadres, we conducted the following new experiments: 1. We actively paved the way for committee members to reach a better understanding of planned personnel appointments. Prior to standing committee meetings, we invited Harbin party committee members to attend the pertinent meetings as nonvoting delegates, brief us on their situations, and make suggestions. At standing committee meetings, those who make nominations explained their reasons for making the appointments, and recommending units provided materials on nominees, such as histories, major career achievements, evaluations, and private performance polls, with appointment nominees coming to meetings to give personal work reports. 2. We brought democracy into full play by respecting committee members' views. In our deliberations, we arranged plenty of time for repeated discussions, with nominating units sending delegates to meetings to hear committee members' views and respond to their questions. We changed the voting from a showing of hands to secret balloting, so that committee members could fully express their own views. 3. In order to exercise oversight of appointees, the standing committee made a resolution on honest-government oversight, compiled written and oral reports and term-target responsibility-system results into booklets that were issued to committee members, and conducted year-end checkups on actual implementations. 4. The standing committee's 21st session decided to authorize some legal staff from the "two courts" that conducted past direct deliberations for the standing committee to act as a personnel committee for deliberation, and then to report to the standing committee for voting. This brought the role of the personnel committee into full play, while improving the standing committee's work efficiency.

V. We Have Kept in Close Contact With Delegates, Bringing Their Role Into Full Play

PPC delegates are the basis of PPC work, and they are the major democratic means of linking the PPC to the masses, reflecting public will, and resolving conflicts. Thus the standing committee paid particular attention to delegate work, emphasizing the following points: 1) The standing committee drew up "Regulations for PPC Delegate Work at All Levels." After delegate laws are promulgated, there is study, propaganda, and implementation, which puts delegate work onto a legal track. 2) We strengthened our already close links with delegates, with standing committee personnel during investigations and inspections of all areas interviewing delegates to hear their suggestions and recommendations. Our administrative department also focused on keeping close ties to some delegates and delegate groups. 3) We improved our delegate-inspection methods. Based on past widespread inspections focused on economic development, we organized special inspections, which made our inspections more in-depth and effective. Our special investigations in areas, such as the Harbin-Yi Gas Project, Heihe border trade, and support for poverty-stricken counties, were all clearly effective. 4) We summed up and disseminated delegates' experiences. The standing committee

held two delegate work conferences to sum up and exchange experiences. We launched campaigns to choose and recognize advanced delegate groups and activists. We organized a PPC delegate achievement-report group to tour and lecture in all places. These activities further enhanced delegates' sense of honor, responsibility, and mission, spurring them to perform their delegate functions conscientiously and improve their political and legislative skills, while giving them more public respect and paving the way for better performance of their functions.

In order to show respect for delegates' democratic rights and bring their political and legislative roles into full play, the standing committee emphasized procedural work on delegates' motions, suggestions, criticisms, and recommendations. We drew up "Regulations on Handling Delegates' Suggestions, Criticisms, and Recommendations." We improved our method of collecting and responding to delegates' motions, by changing from collecting motions during PPC sessions to collecting them before meetings and handing them on to our "one government, two courts" in advance; and by changing written responses after meetings to direct oral responses at meetings by invited provincial-government and pertinent-department officials and comrades. We also paid attention to handling feedback on delegates' suggestions, criticisms, and recommendations. In the last five years, we have accepted and heard 82 delegate motions, and urged the government and "two courts" to promptly deal with 2,045 delegate suggestions, criticisms, and recommendations.

The standing committee has made the reception and handling of letters and complaints from people's delegates and the masses a key issue in keeping contact with the masses, understanding social conditions and public opinion, and urging the government and "two courts" to administer and act in accordance with the law. We drew up "Provisional Regulations on Letters and Complaints to People's Congress Standing Committee Members at All Levels Throughout Heilongjiang," using legal means to standardize letters and complaints to the PPC, in order to protect citizens' legitimate rights and interests. In the last five years, we have received and handled 14,240 letters and complaints.

VI. We Have Enhanced Self-Development in an Effort To Improve the Functioning of the PPC and Its Standing Committee

Enhancing standing committee self-development is a prerequisite for ensuring performance of all authority granted to us by the Constitution and the law, and the standing committee has completed the following major missions in this area in the last five years: 1. We have enhanced our ideological development. In order to meet reform and opening conditions, free our thinking, revamp our ideas, and better administration and legislation, the standing committee has organized prompt studies by committee members and government employees of the spirit of the Central Committee, NPC,

and provincial party committee documents and meetings. In particular, the spirit of the 13th and 14th CPC Congresses and Comrade Deng Xiaoping's southern-tour speeches have become a key part of our regular agenda for transmission and study, thorough discussion, and improved understanding. The standing committee has also paid attention to improving the political and professional quality of government cadres, in order to raise their self-awareness of service to the PPC and its standing committee. 2. We have strengthened our organizational development. We set up seven special committees in the areas of legal institutions, finance, urban development, farming and forestry, education, science, culture, health, personnel, minority nationalities, overseas Chinese, and foreign affairs. Once all of these special committees were set up, they did a lot of work in areas such as research, deliberation, and drafting of pertinent motions, playing a clear role in ensuring the prompt, accurate, and improved performance of standing committee functions. The standing committee also set up the three new offices of farming and forestry, elections, and urban development, equipping them with corresponding staffs. In order to strengthen ties and information linkups between people's congresses at all levels throughout Heilongjiang and promote PPC work, the 10th regular session of the standing committee passed a resolution to set up PPC work committees in the four districts of Songhua Jiang, Suihua, Heihe, and Da Hingan Ling. These committees will be agencies of the PPC standing committee. Also, we strengthened our township people's congress presidium organization, with more than 98 percent of townships now having full-time standing chairmen and full- or part-time secretaries. 3. We have reinforced our institutional development. In order to standardize and institutionalize standing committee work, we drew up PPC standing committee rules of procedure, provisional regulations for oversight work, and rules for personnel appointments and dismissals; approved the local legal procedures drawn up by the two cities of Harbin and Qiqihar; and set up institutions, such as a news conference committee and a PPC public gallery, which made our standing committee work not only legal and orderly, but also more transparent and subject to public oversight. Meanwhile, we persisted in improving our institutional links with the government and the two courts, making our work more coordinated and effective. 4. We have improved our workstyle development. Standing committee personnel, all special-committee members, and pertinent government departments have set aside certain times each year for going down to the grassroots levels to interview delegates and the masses, learn about conditions, hear suggestions and demands, conduct investigations and studies for our regular meeting agenda, and get firsthand data. This has improved not only our workstyle, but also our legislative skills. 5. We have intensified our PPC theoretical studies and propaganda work. In 1988, we established the Heilongjiang Constitution and PPC Development-Theory Studies Commission, which held three theoretical forums, doing useful theoretical explorations in areas such as ensuring enforcement of the constitution,

adhering to and improving the People's Congress system, and focusing PPC work on economic development, which summed up the basic experiences of local people's congress standing committees, and guided PPC work practice. We have intensified our propaganda work about the people's congress system. In the last two years, we have joined with the provincial party committee's propaganda department to hold two ideological-guideline meetings for improving local people's congress propaganda reports. Since 1992, we have launched annual activities to recognize, reward, and publicize good news about the people's congress system, which have promoted our PPC propaganda work. 6. We have tightened our ties to municipal and country (district) people's congress standing committees. In addition to continuing our former institutional ties, we have also sponsored eight study classes for chairmen of municipal and county people's congresses, with all administrative departments setting up work links with municipal and county people's congresses, and all special committees holding annual special forums or symposiums on the work of municipal and county people's congresses. We held a provincewide working conference in August 1992 in order to study and resolve problems existing in municipal-district people's congress work. In addition, in order to improve standing committee administrative conditions, we built a new Standing Committee business and office building with the vigorous support of the provincial party committee and government.

As Heilongjiang has steadily opened up to the outside world, the standing committee has emphasized and intensified our overseas dealings. In the last five years, we have hosted foreign local legislative and friendship groups and individual visitors, such as the Japanese Hokkaido legislative and Xinxi County friendship delegations, the U.S. Alaskan friendship delegation, the Italian Yizhong economic and cultural exchange coordination delegation, and the Columbian House of Representatives delegation. We have sent delegations in return to places, such as Japan's Hokkaido and Xinxi County, Canada's Alberta Province, [North] Korea's North Hamkyong Province, and Russia's Amur District. Through these dealings with certain foreign local legislatures and friendly parties, we have actively publicized China's policy of reform and opening up and Heilongjiang's economic development successes; developed closer relations between Heilongjiang Province and these countries' local legislatures; and furthered interpersonal understanding and friendship, while promoting cultural and economic exchanges between Heilongjiang and these regions.

During our the five-year term of the PPC standing committee, the international situation has changed, while we have continued to adhere to the party's basic line in China, achieving remarkable successes in intensified reform, expanded opening, and economic development. Five years of practice have brought us to the profound realization that in order to function well as the PPC standing committee, we will have to adhere to the following points:

1. We will have to adhere to the party's basic line, by focusing closely on economic development, while making accelerated reform and opening our primary mission. The focus on economic development is the key plank in the party's basic line, a fundamental national mission set by our Constitution, and a common aspiration and basic interest of our vast numbers of people. It is a focus that our organs of state power must closely observe and serve when exercising their authority. Only by acting in this way can we give the work of the PPC and its standing committee a clear orientation, rich contents, and vigorous life force, turn party stands on key affairs of state into national aspirations and public actions, better display our role as an organ of state power, and win public support. In the last five years, the standing committee has focused its guiding ideology and actual work on economic development, taken an active role in the "great chorus" of socialist commodity economy development whose major chord is reform and opening. The committee has fully applied all the decision making functions that we have been granted in areas such as major affairs, legislation, oversight, and appointments and dismissals; this has all been in the service of reform, opening, and economic development. We have drawn up laws and regulations concerning certain major issues, heard reports, made decisions and resolutions, adopted diverse forms of administrative and legal oversight, merged our diverse powers into a united force, and ensured the success of reform, opening, and economic development.

2. We will have to persist in the principle of democratic centralism, while making our decision making more democratic and scientific. The PPC standing committee's key work feature is collective exercise of authority and collective decisionmaking. We exercise our authority through standing committee meetings. As we express democracy in our deliberations and centralism in our final decisions, our deliberations and decision-making are the process and expression of democratic centralism, whose basic requirements are a full display of democracy and a strict adherence to law. This means that the standing committee notifies committee members of meeting agendas in advance, giving them a clear idea of what to investigate, study, and learn about, so that they are qualified to speak on issues and can make more practical decisions and resolutions. At chairmanship conferences held in advance of meetings, we conduct conscientious preliminary discussions of reports and make tentative suggestions on rough meeting orientations and conclusions that need to be reached, in order to make good preparations for meeting deliberations. We issue conference materials to committee members in advance, in order to pave the way for deliberations. We organize joint conferences and general membership statements, in order to deepen understanding of major issues and reach consensus through a full display of democracy. On major issues affecting the overall situation, we hold "linked conferences" of pertinent government employees and departmental officials, asking the

government to directly answer and explain questions, which improves the legislative effectiveness of our standing committee.

3. We will have to rely closely on delegates, by bringing their roles into full play, which is the basis for good PPC work. The people's delegates are our staffers as an organ of state power, and the glorious envoys representing the people in the exercise of the authority of being the masters of our own affairs, and in the management of key national and local affairs. As the standing organ of the PPC, the standing committee has to rely closely on delegates, understand public appeals, and focus on correct views to do good work and fully utilize our role as an organ of state power. If we do not, we will become divorced from the masses—like water without a source or a tree without roots—and lose our *raison d'être*. Relying on delegates means the following: A. Bringing democracy into full play, by supporting delegates who speak out freely, reporting real public views and demands, conscientiously handling delegates' motions and recommendations, and actively paving the way for delegates to participate in political and legislative work. B. The standing committee must conscientiously solicit opinions from delegates in advance on major decisions, resolutions, laws, and regulations. C. Delegates must be organized to hold three-examination activities, where delegates report on "hot topics" and "difficulties" that are of wide public concern and that need resolution. In some cases, these are listed on agendas as key items of exercise of authority for conscientious study and discussion; specific recommendations are presented, and implementation by the government and the "two courts" is urged. In others cases, issues are reported to the provincial party committee and government for joint policymaking participation. D. Relying on delegates for good oversight and, in particular, organizing delegates to make good democratic evaluations, so that the standing committee can exercise its oversight function well. Practice has proved that all of the standing committee's successes achieved in the last five years were inseparable from maintaining close ties to delegates to bring their roles into full play.

4. We will have to make active explorations through bold practice to make new advances. The local establishment of people's congress standing committees was a major reform in China's political development. There was no ready-made experience that we could draw on with regard to exercising our powers, and the development of reform, opening, and democratic legal institutions made even higher demands on the PPC. In order to adapt to the new conditions, we will have to do the following PPC jobs in accordance with the law: A. We must free up our thinking. We must eradicate mistaken views and static ideas, such as that local people's congress standing committees do "second-line" work, or that the performance of legal procedures is a mere formality. We must clarify our position, nature, and role as organs of state power, bring our subjective activity into full play, not wait for or depend on others, make active efforts to make

new advances, and utilize our overall staff creativity to establish our prestige as organs of state power. B. We must practice boldly. We must actively practice all that contributes to adhering to and improving the people's congress system, the performance of our functions to bring our roles as organs of state power into full play, and the promotion of the development of democratic legal institutions. We have made many new advances and breakthroughs in the last five years in areas such as raising the legislative quality of the PPC and the standing committee, as well as in legislation, oversight, personnel appointment and dismissal, and bringing delegates' roles into play. 3. We must constantly sum up and improve. On the one hand, we need to carry forward and develop the good experiences built up by the last two PPC sessions and draw on foreign experience. On the other hand, we must pay attention to constantly summing up practical new experiences and elevating them to the level of theory that can be used to guide future practice. In 1990, the standing committee system summed up eight experiences in the legal exercise of its power, which played a good role in guiding our work.

5. We will have to insist and rely on leadership of the party, which is the basic guarantee that the PPC standing committee can perform its functions well. As the CPC is the ruling party and the heart of the leadership of the socialist cause, all organs of state power, including the PPC and its standing committee, must accept the leadership of the party. Only in this way can the standing committee perform its constitutional and legal functions well. Only in this way can the PPC have a clear political orientation, so that it can better support and lead the people in being the masters of their own affairs. In this regard, the standing committee has a clear ideology and firm approach. In our practical work, we pay attention to a correct relationship between the PPC and the party committee; correctly handling the relations between PPC and key party work; the realization of party aims and the full display of democracy and legal action by the PPC; and party control of cadres and legal PPC appointments and dismissals. The keys to striving for and relying on party leadership are initiative and awareness. We need to thoroughly study, understand, and implement the party's line, principles, and policies, by conscientiously enforcing party decisions and resolutions. We need to promptly understand the party's core work missions and intentions, by being good at turning party stands and demands on local matters of national importance through legal procedures into the will and conscious action of the people throughout Heilongjiang. We must persist in the system of reporting regularly to the party committee on PPC work, and take the initiative in making suggestions on strengthening democratic legal institutions and making recommendations on improving PPC work. We must promptly report to the party committee "hot topics," "difficult" problems, and key social and ideological trends that are strongly reported by the masses, affect economic development, and are in urgent need of resolution, in order to fully utilize the PPC's major democratic channels and roles. The provincial

party committee has emphasized and supported PPC work and development throughout Heilongjiang. During our term, the provincial party committee has held two PPC working conferences to sum up party committee experience in enhancing PPC leadership. It has also made suggestions on resolving certain ideological and practical problems in PPC work, which have played an effective promotional role in PPC development and work achievements at all levels throughout Heilongjiang.

While the seventh PPC standing committee has achieved a certain amount of success, many gaps still exist in contrast to constitutional and local organizational legal provisions, the people's aspirations, and especially the demands of the spirit of the 14th CPC National Congress. Our legislative work, particularly in regard to intensified reform, expanded opening up, and economic development, has not kept up with developing circumstances. Our enforcement and oversight work has been inadequate. While we have investigated certain problems annually in recent years, such as "the three arbitraries" and unreasonable peasant burdens, we have not yet resolved them well, to the point that they are intensifying in some places. Some legally provided oversight forms have not been employed well. Also, we have not fully utilized our major democratic channels and roles in keeping ties to the masses, reflecting the public will, and resolving conflicts. All of these problems await future advances and improvements.

Fellow delegates, the new session of the PPC is in an important historical stage of intensified implementation of the spirit of the 14th CPC Congress, deepened reform, expanded opening, and striving to establish a socialist market economy and socialist democratic government with distinct Chinese characteristics, as well as a crucial period of completing the Eighth Five-Year Plan and the 10-Year Program. We profoundly believe that the new standing committee will take up the historical burden and justify the great trust placed in it by the people. Under the leadership of the provincial party committee, it will conscientiously implement the spirit of the 14th CPC Congress and the 10th expanded session of the sixth provincial party committee. It will do this by actively performing the functions granted to it by law, speeding up its legislative pace, and doing a good job of legislation focused on building a market economy. It will earnestly improve its oversight functions by enhancing its oversight work. It will develop closer ties to delegates by fully utilizing its major democratic channels and roles. Finally, it will continue to strengthen the socialist democratic legal system by improving the people's congress system. We can certainly make new and greater contributions to ensure the successful development of our material and spiritual civilizations, so that Heilongjiang's economic development can develop to new heights faster and better!

The above report is courteously offered for your deliberation.

Economic, Social Development Report on Zhejiang, 1992

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[Article by Zhejiang Province Statistical Bureau: "Statistical Bulletin on National Economic and Social Development in Zhejiang Province in 1992 (8 March 1993)"]

[Text] Encouraged by the important remarks of Comrade Deng Xiaoping during his travels in south China and the spirit of the 14th Party Congress, the people throughout the province emancipated thinking and changed their outlook to set off a new upsurge in reform, opening to the outside world, and economic construction, which produced remarkable results. The national economy maintained high speed growth, production, construction, and the circulation of commodities picking up speed. The quality of economic performance improved, all social undertakings in science and technology, education, culture, health care, physical education, and planned parenthood developing further. The people's standard of living continued to improve, thereby laying a fine foundation for another new rise in the province's economy over the next several years. Preliminary statistics show a gross domestic product [GDP] of 117.4 billion yuan, up 17 percent from 1991. This included a 29.5 million yuan increase from tertiary industries, up 14.8 percent. Noteworthy problems in economic performance included the following: An increase in the basic industry bottlenecks that restrict economic growth, notably a greater shortage of transportation; indications of a shortage of supply and a rise in prices of some means of production; a more acute shortage of funds; a growth rate in tertiary industries that lagged behind the growth rate for the national economy; and a still insufficiently solid agricultural foundation.

1. Agriculture

Agriculture production increased. During 1992, rural villages throughout the province used the foundation that adherence to perfection of the family output-related contract responsibility system provided to improve conditions for agricultural production, energetically developed the rural socialized service system, and reformed the grain procurement and marketing system. With the development of "one outstanding and two highs," agriculture began to move ahead. Rural villages relied on science and technology to invigorate agriculture, and they fully developed agriculture, thereby increasing the value of agriculture for the year by 25.5 billion yuan, up 1.3 percent over 1991.

New progress was made in readjusting the agricultural product mix, the percentage of premium grain rising. Rape seed and silkworm cocoon outputs reached all-time highs among principal farm products, but the foundation for agriculture remains rather weak. By yearend, the cultivated land area stood at 16.912 million hectares,

down 1.4 percent from 1991. Outputs of principal farm products including grain, cotton, and fruit declined in varying degrees.

Outputs of principal agricultural products were as follows:

	1992	Percent Increase Over 1991
Grain	15,535 million tons	-5.3
Cotton	60,000 tons	-20.8
Oil-bearing Crops	501,000 tons	10.0
Other: Rape seed	481,000 tons	9.9
Silkworm Cocoons	141,000 tons	17.8
Tea	119,000 tons	4.6
Fruit	1,024 million tons	-23.9
Sugarcane	750,000 tons	9.0
Jute and ambari hemp	114,000 tons	-19.1

More progress was made in the building of forest production. During 1992, 775,000 hectares were afforested throughout the province, and the quality of afforestation also improved.

Livestock industry production continued to improve, supplies of meat, poultry, and eggs increasing. Outputs of principal livestock products and the number of livestock in inventory as of the end of 1992 were as follows:

	1992	Percentage Increase Over 1991
Pork and mutton	971,000 tons	9.7
Poultry eggs	251,000 tons	18.9
Cow's milk	123,000	-3.4
Number of porkers removed from inventory	13,455 million head	3.0
Number of large livestock animals in inventory at year's end	605,000 head	-7.0
Number of hogs in inventory at year's end	14.37 million head	7.8
Number of sheep in inventory at year's end	1.833 million head	1.0

Fishing industry production continued to develop well, output of aquatic products rising once again. Aquatic product output for the whole province reached 1.697 million tons, up 12.4 percent from 1991. This included a 295,000 ton output of fresh water aquatic products, up 7.2 percent; and a 1.402 million ton output of marine aquatic products, up 13.5 percent.

Conditions for agricultural production improved somewhat. During 1992, 360 million man days were invested in the capital construction of farmland throughout the province, 300 million cubic meters of earth and stone moved. These figures were 5.3 and 9.1 percent less than in 1991. As of the end of 1992, farm machinery in use had a total power of 13,521 million kilowatts, up 6.8 percent from the end of 1991. Rural villages used 9,801 billion kilowatt hours of electricity during the year, up 16.7 percent. Fertilizer use totaled 963,000 tons (converted to full strength), down 0.7 percent.

The rural economy showed all around development, township and town enterprises increasing even while improving. The non-agricultural economy consisting of rural industry, the construction industry, the transportation industry, and the commercial food and beverage businesses grew 46 percent over 1991, their percentage of the rural economy increasing from 73.8 percent in 1991 to 79.3 percent in 1992.

Industry and the Building Trades

Industrial production grew at high speed. During 1992, the value of industry provincewide increased 55.7 billion yuan in 1992, up 33.3 percent from 1991. This was the first high growth year since 1985 following reform and opening to the outside world. Industries of all economic types showed all-around growth. State-owned industries saw an increase in value of 16.4 billion yuan, up 17.7 percent; collectively owned industries saw a 32.7 billion yuan increase in value, up 35.2 percent; individually owned industries increased value by 4.4 billion yuan, up 65.4 percent; and industries of other kinds, including Sino-foreign joint ventures, Sino-foreign contractual joint-ventures, and wholly foreign-owned ventures saw a 2.2 billion increase in value, a doubling of the 1991 figure. Heavy industry grew more rapidly than light industry, township and above industries increasing value by 41 billion yuan for the whole year, up 28.4 percent. This included an increased value of 23.3 billion yuan for light industry, up 28.2 percent, and a 17.7 billion yuan increase in value for heavy industry, up 28.6 percent. Large- and medium-sized industries saw a 14.8 billion yuan increase in value for the whole year, up 17.6 percent from 1991.

During 1992, the entire province conscientiously implemented *Regulations for a Change Over in the Operating Mechanisms of Industrial Enterprises Under Ownership of the Whole People* in a widening of the scale of pilot projects for reform of the three systems. This improved enterprise administration and management; enterprises' decision-making authority widened further; and the product mix was readjusted. During the year, industrial enterprises began production of 16,800 new products, up 7,000 from 1991. Premium quality products accounted for 20.8 percent of the output value of principal industrial products.

Outputs of principal industrial products were as follows:

	1992	Percent Increase Over 1991
Cotton yarn	246,700 tons	21.5
Cotton cloth	1.323 million meters	-2.2
Silk fabrics	1.211 million meters	5.9
Chemical fibers	139,400 tons	15.5
Machine-made paper and paperboard	1,054,200 tons	14.0
Alcoholic beverages	17.29 million tons	13.9
Crude salt	599,200 tons	6.3
Cigarettes	836,400 tons	9.4
Color television sets	380,300 units	84.0
Household washing machines	393,100 units	-7.0
Household refrigerators	280,700 units	-7.8
Household air conditioners	133,700 units	1.4fold
Bicycles	3.67 million	44.5
Energy output (converted to standard fuel)	1.27 million tons	4.9
Raw coal	1,439,100 tons	2.9
Electric power	28.1 billion kwh	16.2
Crude oil processed	4.089 million tons	18.9
Steel	1.185 million tons	24.8
Processed steel	1.191 million tons	28.6
Plate glass	2.68 heavy cases	17.5
Cement	19.66 million tons	21.2
Sulfuric acid	379,000 tons	2.1
Chemical Fertilizer (con- verted to full strength)	736,900	-1.6
Chemical pesticides (con- verted to full strength)	27,800 tons	-1.8
Internal combustion engines	4.68 million kw	48.4
Metals-cutting machines	57,800 units	77.8
Small tractors	52,100 units	22.3

Economic returns from industry showed a heartening situation of increase in total payments of profits and taxes to the state that was faster than the increase in sales income, and an increase in sales income that was faster than the growth of production. All six economic benefit indicators that the state watches showed increase. The overall index of industrial economic results rose from 85.41 in 1991 to 103.28 in 1992. This included an increase from 95.01 to 95.50 percent in the industrial products production and marketing rate; and a rise in both the funds utilization rate and the profit-to-cost ratio from 12.82 and 5.07 percent respectively in 1991 to 13.89 and 5.76 percent in 1992. Turnovers of working capital increased from 1.95 times to 2.03 times. The

industrial net output value rate increased from 23.97 percent to 24.0 percent; and the all-personnel labor productivity rate (figured on net output value) rose from 7,841 yuan per person to 9,717 yuan per person. Industrial economic returns throughout the province based on 10 indicators scored an overall grade of 141.81, 1.81 points above standard. In addition to the aforementioned six indicators, the new product output value rate increased from 5.74 percent in 1991 to 8.78 percent in 1992; the rate of improvement in consistent product quality went from 88.3 percent in 1991 to 90.8 percent in 1992; energy consumption per 10,000 yuan of output value fell 12.9 percent; and the financial loss rate fell 25.1 percent. Nevertheless, the overall level of industrial economic returns remains low. The accumulation in inventory of finished products and enterprise losses remain fairly serious.

Building trades production continued to increase. During 1992, the building industry throughout the province increased value by 6.7 billion yuan, up 14 percent from 1991. Economic returns of building and construction enterprises showed a turn for the better. The all-personnel labor productivity rate (figured at net output value) of state-owned and city and town collectively owned building and construction enterprises in 1992 was 6,318 yuan per person, up 21.6 percent; the funds utilization rate was 3.5 percent, up 1.5 percentage points; and 2.5 percent of enterprises showed losses, down 5.8 percentage points.

Geological prospecting moved ahead steadily, the mining system machine-drilling system taking 146,800 meters of cores for the year, finding one production site, and verifying new reserves at four sites.

3. Investment in Fixed Assets

A new upsurge occurred in investment in fixed assets. During the year a total of 34.66 billion yuan was invested in fixed assets for a 38 percent increase over 1991. This included a state-owned unit investment of 15.662 billion yuan, up 60.0 percent; a collectively owned unit investment of 1.01 billion yuan, up 50 percent; and an individual investment of 8.9 billion yuan, up 12.4 percent. However, too many new projects were started, and construction was on too large a scale. During the year, state-owned units invested in 5,373 new construction and renovation projects, 658 more than in 1991. The total social investment in construction was 7.05 billion yuan, up 37.4 percent.

The investment of state-owned units included 7.93 billion yuan in capital construction, 56 percent more than in 1991. This included an investment of 493 million yuan in agriculture, up 78.3 percent and increasing from 5.4 percent of all investment in capital construction during 1991 to 6.2 percent in 1992. Investment in tertiary industries totaled 4.255 billion yuan, up 57.5 percent, and increasing from the 53.1 percent of total investment in capital construction of 1991 to 53.7 percent in 1992. Investment in energy industries totaled

2.157 billion yuan, up 27.5 percent. Of the investment in tertiary industries, 946 million yuan was in the transportation, and the posts and telecommunication industries, up 22.5 percent; however, this represented a respective decline in the percentage of total investment in capital construction from the 33.3 and 15.4 percent of 1991 to 27.2 and 11.9 percent. Investment in updating and technical transformation totaled 4.87 billion yuan in a 61.2 percent increase that included a 1.392 billion yuan investment in energy conservation, increasing product varieties, and improving quality for a 44.4 percent increase. Investment in the building of commercial housing totaled 2.43 billion yuan in a 1.1 fold increase.

The building of key construction projects moved ahead well. A total of 3.43 billion yuan invested during the year in 15 state and provincial key construction projects for 101.4 percent fulfillment of annual plan. This was an all-time high year for the amount of money invested and for projects coming on line. Twenty-two projects decided on at the beginning of the year have come on stream or have partially come on stream, including the eastern entrance sluice gate in Shangyu County, the Changxing and Changguang power plants, the Fengshuling hydropower station, two bridges across the Qian Jiang, the double tracking (partial) of the Zhejiang-Jiangxi railroad, phase two of the Beilun harbor project in Ningbo, phase two of the Laotangshan wharf in Zhoushan prefecture, the Shanghai-Zhejiang-Fujian and the Hangzhou-Jinhua optical fiber cable [guanglan - 0342 4968] project, the Quhua caustic soda expansion project, and the provincial broadcast television center. Construction of the Beilun Power Plant, the Zhejiang Chemical Industry Plant, and the Quhua [one character indistinct] Chemical Industry is moving along fairly rapidly. Construction is largely at the point envisioned. Construction has begun on new projects including the Hangzhou-Yongjiang High Speed Highway, the Jinhua-Wenzhou Railroad, the Jiaying Power Plant, and the Xiaoshan Power Plant.

Newly added production capacity resulting from new capital construction during 1992 consists primarily of the following: An installed power generation capacity of 309,600 kilowatts, 402 kilometers of new or improved highways, an annual cargo handling capacity of 2.37 million tons from new (or enlarged) harbor facilities, 50,000 automated municipal telephone exchange lines, 76,900 square meters of grain storage space, 953 network outlet points providing commercial food and beverage service, 170,00 places for university, middle school, and primary school students, and 42.20 kilometers of new or improved city roads.

4. Transportation, and Posts and Telecommunications

The pace of production and construction of the transportation, and the posts and telecommunications industries quickened. Work was begun or planning initiated on a number of key infrastructure projects including the Hangzhou-Yongjiang High Speed Highway, the Hangzhou International Airport, and the Jinhua-Wenzhou

Railroad to set the stage for the province's future economic development. The increase in value for the year was 5.4 billion yuan in a 19 percent increase over 1991. However, both transportation and posts and telecommunications capacity is very inadequate; they are unable to meet the steadily rising requirements of national economic and social development.

Transportation projects completed include the following:

	1992	Percent Increase Over 1991
Freight turnover	48.712 billion ton kilometers	16.6
Including: Railroads	16.752 billion ton kilometers	11.7
Highways	9.52 billion ton kilometers	27.1
Water	22.44 billion ton kilometers	16.3
Passenger turnover	33.133 billion passenger kilometers	16.1
Including		
Railroads	8.783 billion passenger kilometers	8.5
Highways	22.96 billion passenger kilometers	20
Water	1.39 billion passenger kilometers	-0.6
Cargo handled at main ports	70.18 million tons	27.4
Civil aviation passenger volume	1,122,700 passengers	32

Post and telecommunications business for the year totaled 1.658 billion yuan, up 44.7 percent from 1991. The portable telephone business, which began in 1992, developed rapidly, customers numbering 6,164 at the end of the year. Wireless pagers business increased 2.5 fold over 1991. As of the end of the year, city and countryside telephone customers numbered 1,036,400 in a 28.9 percent increase over 1991. Urban customers numbered 691,900, up 31.9 percent; and rural customers numbered 344,500, up 23.3 percent. Programmable telephone capacity as a percentage of total telephone capacity continued to rise from 58.4 percent in 1991 to 76 percent in 1992.

5. Domestic Commerce, Goods Supply and Marketing, and Prices

During 1992 the province further developed all sorts of specialized markets and country fair markets, improved market control, and intensified business enterprise reforms. Domestic markets boomed, social commodity retail sales for the year totaling 56.96 billion yuan in a 21.5 percent increase over 1991. (After adjusting for price increases, actual increase was 14.5 percent). Figure by category, retail sales of consumer goods used in daily life totaled 49.387 billion yuan, up 22.2 percent.

This includes urban sales of 30.396 billion yuan and rural sales of 18.991 billion yuan, in a 26.5 and 16.0 percent respective increase. Retail sales of the agricultural means of production totaled 7.573 billion yuan, up 16.9 percent. By economic category, state-owned unit retail sales totaled 19.527 billion yuan, up 31 percent; collectively-owned unit retail sales totaled 15.987 billion yuan, up 8.6 percent; and individual economy retail sales totaled 14.155 billion yuan, up 24.2 percent. Peasant sales to nonagricultural residents totaled 6.848 billion yuan, up 24. percent. City and town country fair market transactions for the year totaled 39.454 billion yuan, up 58.2 percent over 1991.

Sales of all consumer goods increased, food items increasing 20.5 percent over 1991, clothing increasing 17.8 percent, and items used in daily life increasing 27.4 percent.

Businesses took an upturn. Business enterprises' "four openings" reforms increased enterprises' vitality. In 1992, government commercial departments and the supply and marketing cooperative system realized taxes and profits totaling 975 million yuan, 1.6 percent more than in 1991. Circulating funds turned over in 85 days, eight days faster than in 1991.

Means of production markets were unprecedentedly lively. In 1992, supply and marketing organs throughout the province purchased 53.244 billion yuan worth of the means of production, 53.6 percent more than in 1991. Sales totaled 55.929 billion yuan, up 56.6 percent from 1991. (After deducting for price rises, the actual increase was 33.1 percent).

Major advances were made in price reform. State and province actions during 1992 raised grain procurement and sale prices. Prices of basic products such as processed steel, coal, and transportation were readjusted, and prices of virtually all consumer goods were decontrolled. The percentage of goods left to market regulation increased steadily. The percentage of means of production sales and social commodity retail sales regulated by the market increased to 80 and about 93 percent respectively. Prices increased for the year, the difference between cities and the countryside being substantial. Prices of things used in the daily life of city and town residents and prices of some means of production increased quite a bit.

Various price indices for 1992 were as follows (taking the previous year as 100).

1. Prices of daily necessities	107.5
Including: Cities and towns	109.2
Rural villages	104.8
2. Retail prices	106.6
Including: Consumer Goods	107.1
Food	109.7
Grain	142.3

Fresh vegetables	121.7
Aquatic products	112.8
Meat, poultry, and eggs	106.6
Clothing	102.7
Daily necessities	101.6
Pharmaceuticals and medical supplies	111.2
Cultural and entertainment items	96.4
Books, newspapers, and magazines	100.0
Construction materials	107.1
Fuel	130.5
Means of agricultural production	103.7
3. Prices of services	111.0
Including: Cities and towns	112.0
Rural villages	110.2
4. Procurement price of raw and processed materials	106.3
Including: Fuel and power	115.5
Ferrous metal materials	119.4
Nonferrous metal materials and electric wire	113.1
5. Industrial goods ex-factory prices	104.8
Procurement prices of agricultural and sideline products	106.4

6. Foreign Trade and International Tourism

Major advances were made in the development of foreign economic relations and trade. During 1992, the province pursued an externally oriented economic development strategy of "three cities taking the lead, emphasis on key areas, reliance on harbors, development of two lines [liang xian], step-by-step advance, and complete decontrol" further widening the area open to the outside world, accelerating the pace of development zone construction, and conducting various kinds of campaigns to attract foreign traders, scoring remarkable achievements thereby. A total of \$ 4.182 billion worth of goods were purchased for foreign trade sales during the year in a 34.9 percent increase over 1991. Customs Bureau statistics show imports and exports totaling \$4.999 billion for the year, up 29.8 percent from 1991. This included exports totaling \$3.571 billion, up 22.9 percent, and imports totaling \$1.428 billion, up 51.2 percent. Three kinds of partially or wholly foreign-owned enterprises accounted for \$468 million of the exports, up 79 percent. These exports accounted for 13.1 percent of the province's total exports. Foreign exchange earnings from other than trade for the year totaled \$97 million, up 5.7 percent.

Expansion of the area of foreign investment, and improvement of quality produced an unprecedentedly fine situation. Newly signed agreements for the use of foreign capital totaled \$3.236 billion, up 7.4 fold over 1991. This included newly signed foreign trader direct investment

agreements totaling \$2.909 billion, 3.5 fold the total for the 13 years just prior to reform and opening to the outside world, and 8.2 times more than in 1991. Actual use of foreign capital totaled \$409 million, including a direct foreign trader investment of \$294 million. This was a respective 1.4 and 2.2 fold increase. During the year, a total of 2,338 three kinds of partially or wholly foreign-owned enterprises were approved, 3 times the number for 1991.

Foreign contracting projects and labor cooperation continued to develop. During 1992, 397 new foreign contracting projects and labor cooperation contracts were signed, the newly signed contracts amounting to \$62.03 million, up 0.6 percent from 1991. Business volume totaled 30.2 million, up 49.9 percent.

International tourism continued to rise. In 1992, the province received 711,000 foreign tourists, 28.6 percent more than in 1991. Foreign exchange earnings from tourism totaled \$102 million, up 36.3 percent.

7. Science and Technology, Education, Culture and Health Care, and Physical Education

In 1992 a strategy of "scientific education to invigorate the province" was instituted throughout the province. Investment in science and technology was increased to accelerate the translation of scientific and technical discoveries into real productivity, scientific and technical undertakings thereby scoring new advances. The provincial CPC committee approved and certified 797 scientific and technical discoveries. Five achievements were awarded national science and technology progress awards, four were awarded national invention awards, and 14 received national-level spark awards. Provincial science and technology progress awards were made for 299 achievements, and 50 received provincial spark awards.

Money for investment in science and technology increased. A total of 870 million yuan was paid to institutions of higher education and to large- and medium-sized industrial enterprises for science and technology expenses. This was 13 percent more than in 1991. The science and technology corps continued to grow and become stronger. As of the end of 1992, local state-owned units throughout the province had 707,000 technicians in various specialized fields, 5.1 percent more than in 1991. This includes 149,100 high and medium level personnel. Independent scientific research and technology development institutions having units at the county level or above number 164; scientific and technical development organizations in institutions of higher education number 650, and scientific and technical organizations in large and medium size enterprises number 500, scientific and technical personnel totalling 60,000.

Technology markets have begun to come alive. A total of 12,670 contracts were confirmed and registered during the year, 72.6 percent more than in 1991. Business volume totals 308 million yuan, up 52.7 percent.

Patents are booming. During the year 3,194 patent applications were accepted, 24.3 percent more than in 1991. A total of 1,577 patents were issued, up 29.6 percent.

Mapping, quality control, standards measurements, and meteorology have developed further. Mapping units mapped a 14,800 square kilometer area during the year producing 9,969 maps. As of the end of the year, there were 90 product quality control organizations. A total of 149 different province-level measurement standards for public use in 41 areas in 10 categories, and 58 ultra-short wave emission stations in the weather warning service system have been completed.

Educational undertakings are on the increase, a pattern in which society as a whole operates schools taking shape. In 1992, ordinary colleges enrolled 1,015 graduate students, and 21,200 undergraduates and technical students in a respective 15.2 and 13.8 percent increase. Secondary technical schools enrolled 27,200 students, up 12.8 percent. Ordinary colleges graduated 724 graduate students in 1992, as well as 18,300 undergraduates and technical students. College enrollment was 62,200 students. Secondary technical school graduates numbered 22,700; enrollment totaled 72,000.

New achievements were scored in adult education. Institutions of higher education enrolled a total of 10,300 adults in undergraduate or technical courses during the year, 1.3 times the number in 1991, and they graduated 4,600 students. Secondary technical schools enrolled 16,300 adult students in a 45.2 percent increase, and graduated 7,000 students. Adult technical training school graduates numbered 1,781,500. A total of 96,000 adults became literate during the year.

"Project Hope" showed the first signs of success; basic education improved further, and secondary vocational and technical education steadily expanded. In 1992, people in all walks of life throughout the province subscribed a total of 2.36 million yuan for "Project Hope," which provided financial assistance for 15,829 students to continue their schooling. The nine-year compulsory education system was expanded to 1,169 townships and towns and areas having a population of 30.89 million. The school attendance rate for children of primary school age is 99.4 percent, and the consolidation rate [gonggu lu] is 99.6 percent. As of the end of 1992, 201,900 students were enrolled in vocational and technical education school (including 21,700 in skilled worker schools). This is 46.7 percent of the total number of students in senior middle school.

Cultural activities continued to develop. During 1992 two feature films and 16 educational documentaries were filmed in the province; 186 new films were released. One hundred nine chapters of 21 television dramas were made. The television drama, *Chinese Divine Fire* won four major national awards. As of the end of the year, there were 12 public crafts museums, 84 cultural palaces, 80 public parks, 55 museums, 108

archives (both master and departmental), 89 cultural and artistic troupes, 1,050 film projection, 10 radio broadcasting stations, and 49 county-level and above television stations. A total of 70.8 and 85 percent of the population respectively was served by radio and television broadcasts. During the year 865 million newspapers, 55 million magazines, and 215 million books were published.

Health care continued to improve. Throughout the province, cities and the countryside continued worked on rural primary level health care and the building of healthy cities. Health conditions continued to improve in both cities and the countryside. As of the end of the year, the province had 8,861 medical treatment and health organizations, 1.4 percent fewer than in 1991. It had 101,700 hospital beds, up 2.5 percent; and 138,200 medical doctors and health care technicians, up 2.4 percent. These included 61,000 medical doctors, up 1.2 percent; and 30,000 nurses, up 3.0 percent.

Athletics showed steady development. Mass athletic campaigns were widespread. During 1992, eight counties placed among the top counties in the country in athletics. Schools promoting the "National Physical Fitness Standards" now number 64.6 percent of all schools in the province, 93 percent of the students meeting the standards. Athletes from Zhejiang Province won 38 gold medals (including five world championships, and 10 Asian championships), 31 silver medals, and 33 bronze medals in major domestic and international competitions.

8. Population and the People's Standard of Living

Population increase continued to be effectively controlled. A random sampling of population changes in 1992 showed a 14.72 per thousand birthrate, and a 6.57 per thousand death rate for an 8.15 per thousand natural rate of increase. Calculations based on these figures produce a population of 43.04 million for the province as of the end of 1992 (42.36 million permanent residents).

Inhabitants' income increased substantially for a further rise in the standard of living. A random sampling conducted in cities and the countryside showed a per capita annual income used for living expenses in cities and towns of 2,414.90 yuan, up 23.8 percent over 1991. After deducting for price rises, the actual increase is 13.4 percent. The income of workers in government agencies increased relatively slowly. Rural residents' per capita net income was 1,359.13 yuan, up 12.3 percent from 1991. After deducting for price rises, the actual increase was 8.8 percent. The total wage bill for staff members and workers in the province for the year was 13.8 billion yuan, up 19.0 percent from 1991. The per capita wage of staff members and workers was 2,884 yuan, up 19.1 percent. After deducting for price rises, the actual increase was 9.1 percent.

City and town employment continued to increase, new advances being made in reform of the labor employment

system. As of the end of 1992, the province had vocational employment units at various levels, which placed a net 71,000 urban and town residents looking for work. As of the end of 1992, the city and town unemployment rate was 2.4 percent, up 0.3 percentage points from 1991. As of the end of the year, 4.91 million people in the province were employed as staff members or workers, about the same number as in 1991. This included 976,000 contract staff members and workers, up 20.5 percent; and 383,000 people working in individually or privately owned enterprises in cities and towns, up 24.8 percent. Social retirement insurance coverage continued to increase. Staff members and workers, and separated and retired people covered totaled 3.5 million as of the end of the year, a 300,000 increase over 1991.

City and countryside savings accounts continued to grow, and holdings of stocks and bonds increased markedly. As of the end of 1992, the savings of city and town residents throughout the province totaled 51.44 billion yuan in an 11.238 billion yuan, or 28 percent, increase over 1991.

The living conditions of both city and country residents improved further. During 1992, 2,579,200 square meters of new commercial housing was built in the province. As of the end of city and town residents had a living space of 10.25 square meters per capita, up 1.3 percent from 1991. The housing unit rate [chengtao lu] increased from 58.6 percent in 1991 to 64.2 percent in 1992. Rural residents had 31.34 square meters of living space per capita, up 1.9 percent.

Social welfare saw further improvement. As of the end of 1992, the province had a total of 1,367 social welfare units with 23,300 beds and taking care of 18,200 people. A total of 176,400 were receiving regular national care, assistance, and relief.

The insurance business expanded. In 1992, 60,000 enterprises in the province were providing property insurance to 7.5 million city and country residents in a respective 3.8 and 11.8 percent increase over 1991. A total of 9.15 million residents carried personal injury insurance, up 5.9 percent. Property insurance of all kinds totaled 201.6 billion yuan, up 20.3 percent from 1991. Personal injury insurance coverage totaled 32 billion yuan, up 18.1 percent. During the year, insurance companies processed 300,000 property insurance claims, paying out 745 million yuan; and they processed 485,000 personal injury claims, paying out 200 million yuan.

Environmental protection endeavors progressed very well. As of the end of 1992, 2,500 people were working in the province's environmental protection system, and there were 91 environmental monitoring stations at all levels. During the year 621 cases of environmental pollution that were to be cleaned up within a certain period of time were completed at a total investment of 55.95 million yuan. As of the end of the year, 61 soot control areas had been established in cities, and 25 areas

met environmental noise standards. These areas covered a respective 362.29 and 28.82 square kilometer area.

Note: (1) All data provided in this report are preliminary statistical data for the year.

(2) All gross domestic product and industrial value increase standards in the report have been figured at current prices; growth has been figured at comparable prices.

(3) Increased value means newly created value, and it consists mostly of compensation paid to workers, profit, profits, taxes, and depreciation. It does not include the intermediate depletion value of energy, and of raw and processed materials.

XINHUA Report Reassesses Fujian Economic Potential

93CE0376A Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 1, Jan 93 pp 49-51

[Article by Xu Ting (6079 7200), especially submitted by XINHUA NEWS AGENCY: "The Western Shore of the Taiwan Strait Bustling With Activity in a Booming Economy"]

[Text] After Comrade Deng Xiaoping's remarks on his inspection tour to Shenzhen, Zhuhai, Shanghai and other places in the South during March of 1992 were published and made known all over the country, a new mighty wave of reform swept over the entire vast territory of China. The province of Fujian, which for somewhat over 10 years has been in the forefront of reform and opening to the outside world, finds itself now suddenly in the center of a "pincer-assault from north and south." To the south, there is Guangdong Province, where the South China economic miracle was created, and where a latecomer, the Hainan Special Zone, has overtaken some of the oldtimers, and where, with its completely new external appearance, Hainan is now taking the path toward a comprehensive opening up. To the north, there is the Changjiang Delta with Shanghai-Pudong in the lead, forming a wide open gate to the world. Then there is Shandong Province, which for many years has been making steady progress, and Jiangsu Province, with its thriving rural enterprises, now also making rapid progress, relying on its strong industrial base. In its ideological search and its vigorous advance, Fujian had been a place of a great discussion on the emancipation of the mind, accompanied by an extraordinary and sweeping development of a new trend of thinking. The short time of the last few months has been a time of the most rapid and most effective development since Fujian started out in reform and opening to the outside world. There are initial indications on the western shore of the Taiwan Strait of the beginnings of a new overall situation of "expanding developments north and south, of a blooming forth in the center, of coordinated developments, phase after phase, of cooperation

between the coastal areas and the mountain areas in the hinterland, and of achieving common progress."

Rapid and Vigorous Industrial Growth, Record Utilization of Foreign Capital

Guided by the spirit of Comrade Deng Xiaoping's remarks during his southern tour of inspection, the party committee of Fujian Province and the Fujian Provincial Government initiated progressively a series of new moves and new policies for the expansion of opening up and for stepped-up reforms. During the period from January to August, the total value of industrial output of the entire province had increased 20.3 percent over that of the corresponding period of the preceding year, and the index of aggregate economic benefits was among the most favorable throughout the country. Although agriculture had suffered especially severe flood damage, it was still able to achieve a good harvest. The gross national product of the entire province during the first half year had increased 13.6 percent over that of the preceding year, and was 3 percentage points above the national average. During the period from January to August, exports reached \$2.38 billion, an increase of 33 percent over those of the corresponding period of the preceding year. In the volume of this increase, the province ranks second in the country, and the economy displays a tendency of strong further development.

In the area of foreign capital utilization, the achievements of Fujian Province during the first eight months of last year were outstanding, and progress was of a record-breaking nature. A total of over 1,530 projects with foreign investments of over \$2.4 billion were approved. The amounts of foreign capital contracted for and foreign capital actually used showed large increases, and though still behind Guangdong Province, Fujian ranked second throughout the country. Deserving of special mention is Fujian's economic and trade promotion fair held in Hong Kong from the end of June to the beginning of July, and also the 1992 Fujian investment and trade talks held in September at Xiamen. The two trade talks achieved substantial results. Foreign capital investments, according to contracts concluded, reached the high figure of \$8.4 billion, which was more than the total foreign capital used by Fujian ever since the beginning of its opening to the outside world.

The South Wind Blows, the House Trade Stirs.

The real estate trade changed Fujian with incredible speed. Rows of little low houses unobtrusively disappeared, and stately high-rises shot up one after the other. Elegant country villas in park-like surroundings stand on the secluded and tranquil foothills and on the banks of beautiful lakes. Unconsciously, urban construction in Fujian has given the city a bright new appearance.

Importing foreign capital to develop real estate is one of the distinctive ways in which Fujian absorbed foreign capital. In 1988, Fujian City was the first in successfully selling land use rights to foreign firms, in this case the land use rights to 3,090 square meters of state-owned

land. From then on, foreign firms were very keen on Fujian real estate. Up to now, Fujian City has approved the establishment of 67 foreign-invested real estate development companies. The city's high-rises of 20 or more stories have mostly been developed and built by foreign firms. The former impression of Fujian as like "a picture mounted on paper" has by now gradually changed to one of an imposing metropolis of towering buildings. In the special economic zone of Xiamen, two large real estate projects of a total investment of H.K.\$150 million and \$20 million, respectively, were started on the same day; they are the Wuyi Park Mansion and the Lianfu Mansion. In Fuzhou, foundation stones were laid to the Rongcheng Commercial Center and to the Shijie Jinlong Mansion. The total investment in the largest urban renewal project of the country, the Jiangbin-Yuanhong city, developed and built by the Guangshun Real Estate Company, Ltd., of Fujian Province, is as high as 1.2 billion yuan. At the Overseas Chinese village of Pujiang, Zhuang Ruijie [8369 3843 2638], a person well known among real estate circles in Hong Kong, invested within three days as much as \$200 million in three real estate projects.

Following the extension by Fujian Province of its reform and opening to the outside world from the coastal area to the mountainous area of the hinterland, there arose, rather unobtrusively, a similar real estate craze in the mountainous hinterland; a skyline of high-rise mansions is now no more to be seen only in the coastal cities. Early in June, the largest real estate company in northern Fujian, the Wanglong Real Estate Company, Ltd., of Nanping, made a first-term investment of \$8 million for the construction of a 20-story "First Mansion of Northern Fujian." Contracts signed for the Jiabao International City at Longyan and the Jinlong Mansion at Ningde indicate that real estate in western Fujian and in eastern Fujian has also become an area of strong interest for foreign firms. The rising interest of the foreign-invested real estate industry in the mountainous regions is opening up an even much wider scope for investments by foreign firms.

Land Development by Separate Tracts, Refurbishing Old Cities a Newly Arising Undertaking

The development of land in separate tracts is in recent years part of the very distinct ways in which Fujian Province steps up absorption of foreign capital. This has by now become an all-round, high-level practice. According to statistics, up to now the province has planned to have 109 tracts of land of an area of 280 square km made available for development. Development has already begun and approved for 55 tracts, by means of such forms as joint ventures, individual proprietorship, and collective proprietorship, the total investments amounting to \$1.134 billion, of which \$900 million are foreign capital to be used in the projects. The Yuanhong investment district in Fuqing Bay, construction, which has already started with the official approval of the State Council, will bring Fujian the flattering reputation of having the largest investment zone for

foreign firms throughout the country. Following the initiation of the new reform measure that grants first-grade cities (prefectures) extended authority to requisition land, the cities (prefectures) of Fuzhou, Xiamen, Zhangzhou, Quanzhou, and Putian had their authority for the requisitioning of land extended 20 to 30 times, as compared with before, and had energetically pushed on with the development of land by separate tracts.

Fujian has many old towns, many of its cities and county seats have thousand-year histories, have ramshackle houses standing close together in narrow alleys with no drainage. All this is an obstacle to urban modernization. For the purpose of a thorough urban renewal, Fujian Province has laid out renewal plans for all cities and county seats and has started a comprehensive rebuilding of the aging cities by using state investments, funds raised from the masses, and imported foreign capital. Fuzhou plans to develop 18 square km of city area within five years, and to construct 4.5 million square meters of new housing, also to basically rebuild the whole district of dangerous and ramshackle houses. Quanzhou plans to rebuild this year 36,000 square meters of old city. Zhangzhou formulated a 10-year plan for the rebuilding of the old city. Xiamen formulated a plan to rebuild 12 square km of old city and has already started to carry out the project. Moreover, the work of rebuilding old cities in western, northern, and eastern Fujian has already started with much fanfare.

Stepped-up Completion of a Network of Land, Sea, and Air Communications

Compared with conditions in other developed provinces and municipalities along the coast, Fujian's communication facilities can no more meet the demands of the rapidly developing economy. For this reason, Fujian's departments in charge of communication facilities have adopted a series of great projects.

A highway network, which has the provincial capital Fuzhou at its center and will extend in all directions throughout Fujian, is the primary undertaking in the development of Fujian's communications. Intensive preparations are underway to build a speedway between Fuzhou and Xiamen, and a public highway in eastern Fujian, from Fuding to Fuzhou. Fujian Province is also stepping up the construction of the important highways from Fuzhou-Hongtang to Mingqing, from Putian to Meizhou Island, and from Changding in western Fujian to Longyan, with a total investment of 300 million yuan. Tunneling has already started at four high mountain ranges, at the Banliangling in southern Fujian, at the Wuxianling in northern Fujian, at the Feiluanling and the Xinkouling near Sanming in eastern Fujian.

Airlines have always been a rather weak link in Fujian's lines of communication. Since last year, the Xiamen international airfield and the Fuzhou airfield have been extended, and funds were raised at the same time for an extension to the Wuyishan airfield, while preparations were also made for an international airfield at Changle.

Construction of the Wuyishan airfield has already started. An investment of 1.5 billion yuan for the first phase of the international airfield project at Changle, to accommodate large aircraft, has been officially approved by the State Council. The city of Sanming, an industrial base located in Fujian's hinterland, has also started to attract foreign capital in preparation for the airfield construction. Recently, the second local airline of Fujian Province, the Fujian Airline Company, has received permission to raise funds and to go ahead with its buildup. The result of all these measures will be a network of communications by air, linking Fujian with many domestic and foreign places.

Fujian has a varied topography; with its eight mountain ranges, one river, and a small component of arable land, "the way into Fujian is more difficult than—as the old saying has it—the way into Sichuan." At present, preparations are underway for the second railway line out of the province from Nanping in northern Fujian through Wuyishan into Jiangxi Province. Work has also been resumed, after a respite of many years, on the railway line between Zhangzhou and Quanzhou, tying up north-western Fujian with southeastern Fujian along the coast. This is extremely significant for the improvement of the overall economic layout within Fujian Province. Not long ago, the Japanese Igawa Trust and Investment Group signed a contract with the Head Office of the Fujian Local Railway Company, to start work on a bullet express train connection between Fuzhou and Xiamen. Construction of this high-speed railway line will have a deep impact on the entire South China economy, and will make Fujian one of the few places in the world that have a high-speed railway line.

Fujian is a coastal province and development of sea and river transportation is an important component of its communication facilities. In the near future, Fujian will accelerate work on the second phase of the new harbor at Fuzhou, on the second phase of the eastern ferry for Xiamen harbor, on the special berths for general merchandise and coal at Xiuyu in Meizhou Bay, and on deep-water berths in Zhangzhou harbor and at Fuqing Bay. According to authoritative sources, 32 additional deep-water berths, with a loading capacity of 40 million tons, will be extended or newly built during the Ninth Five Year Plan period at Meizhou Bay, Xiamen, Fuzhou, and Saiqi. By the time the next century comes around, this will basically constitute the well coordinated development of a conglomerate of medium and small harbors along the coast, with the three harbors of Fuzhou, Xiamen, and Meizhou Bay as hub, and will also constitute a modern passageway for sea transportation.

Large Opening Up, Large Development

Reform and opening to the outside world has enabled Fujian to break out from its isolation of the past and to accelerate its joining up with the world community. Domestic and foreign circumstances have provided Fujian with an excellent opportunity. However, challenges and opportunities exist side by side. Reform and

opening to the outside world are like sailing against the current: one must forge ahead or be driven back. When a huge tide of new events breaks, one must take measure of oneself and look squarely at the realities. Based on the realities of the situation, Fujian has set for itself a magnificent new struggle target: to quadruple its economic growth six years in advance, to go one degree better by the year 2000, and then again in the following 20 years add another degree to the advance in economic growth. We shall implement the strategy of opening up to the world by "expanding developments north and south, blooming forth in the center, coordinated developments, phase after phase, cooperation between the coastal areas and the mountain areas of the hinterland, and achieving a common progress." We shall accelerate the opening up and development of the southeastern region of Fujian. We shall gradually create an economic prosperity zone on the western shore of the Taiwan Strait, with the Xiamen special economic zone at its head, and the Jiulong River Delta, the Minjiang River Delta, and Meizhou Bay as its mainstay. It will have the effect of spurring on developments and constructions in the mountain areas of the hinterland, will lead to mutual support between coastal areas and mountain areas, and promote a large opening up and large development throughout the entire province of Fujian.

The wind is filling our sails, restless waves are rising high, the western shore of the Taiwan Strait will be reborn as a new territory of great interest and attraction.

FINANCE, BANKING

Article Urges Using Monetary Policy To Control Demand

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No 1, 20 Jan 93 pp 28-34

[Article by Lou Jiwei (2869 4949 0251): "Control the Money Supply and Improve Regulation and Control—Several Issues Regarding the Total Demand Control System"]

[Text] China has defined its reform goal of developing a socialist market economy, and it is accelerating its economic construction. While all these are very encouraging and gratifying, economists must add a few not-so-frivolous words: The market cannot balance total supply and total demand spontaneously. A fast growing economy requires good control of total demand to ensure a stable and efficient market, and therefore reform of the system of control over total demand and improvement of the policies that control total demand have become urgent issues.

I.

A part of China's economy has become market-oriented. Today, the prices of 90 percent of the consumer goods and approximately 70 percent of the raw materials have

been decontrolled. In another two to three years, possibly most price controls will be eliminated. However, lifting price controls does not necessarily mean that prices will be determined by the market, because obstructions to free market entry and distortions outside of the commodity market can still affect commodity prices, so that besides reflecting the basic economic factors, market prices may also reflect administrative interventions and be misguided by other policy signals. But there is no doubt that microeconomic factors will submit to the forces of market regulations to a much greater extent in the future. Since 1991, China's economy has resumed its high rate of growth. It is estimated that the growth rate will be adjusted to an average of 8-9 percent in the 1990's. This is a fairly high rate of growth. In the 1980's, several times the economy showed signs of "overheating" followed by periods of severe tightening, and most people thought that weak macroeconomic control was the main cause of that. As mentioned earlier, China is maintaining a fairly high rate of economic growth, and most microeconomic activities are already market-oriented, and in view of the earlier lessons of economic "sharp rises and sharp falls," it is only logical that if macroeconomic control is weak, we should aim for a low-to-moderate growth rate. How do we weigh the pros and cons? It is my personal opinion that we should not pursue a high rate of growth at this point but should accelerate the reform of the macroeconomic control and regulation system.

Controlling total demand is the most important component in our macroeconomic policy. Reform of the system that controls total demand first requires us to define the division of labor among the macroeconomic management departments. In the well-developed nations, control of total demand is usually achieved through a proper combination of monetary and fiscal policies, and the current trend is to rely even more on monetary policy, but fiscal policy is often used too. In particular, during a period of economic recession, the central bank will lower interest rates to ease the money supply, but if there is still no sign of recovery, the government will often adopt an expansionary fiscal policy to increase effective demand. China is determined to turn to the market economy and is prepared to borrow from the macroeconomic management experiences of the modern market economies, but as an economy that is still changing tracks, the situation here is a little different, and we cannot simply copy the others. First, China's economy is being remonetized, and there is tremendous demand for money. For example, monetization in the capitalization of land and real estate, the correction of price distortions, and the turning of in-kind wages and welfare pay into money wages—they all put pressure on structural price increase and increase the demand for money and change the velocity of money circulation. Second, our seriously inadequate infrastructure, the structural adjustment-oriented investments brought on by the market recovery, the less-than-cautious investments caused by ill-defined property rights relations, and the fact that to clarify the property

rights relations will require a fairly long reform process—these and other factors mean that our economy will be in an expansionary state with regard to investments for some time. These unique characteristics of an economy that is changing tracks mean China is not likely to run into a macroeconomic situation where there is inadequate demand which calls for more emphasis on fiscal policy. Therefore, at this stage, China should adopt a cautious and even slightly conservative fiscal policy, and to control total demand, we should rely mainly on a restrictive monetary policy. Even with this kind of division of labor, there is still great danger of our losing control over total demand which can lead to severe fluctuations and poor efficiency. It is imperative that we reform and improve the macroeconomic control and regulation policies, especially the control and regulatory mechanisms in the monetary policy.

II.

The central bank is the state's macro regulation and control department in charge of monetary policy. Its policy goal, intermediate goal, regulatory measures and mechanisms, and its organ installations play a determining role in how the total demand policy is being implemented. Currently there are many problems in our central bank's demand control and regulation system. The policy goal is ambiguous: It aims to stabilize the money supply but also to directly control the economic structure and promote economic growth; its intermediate goal is to control the annual credit volume; its regulation and control measures rely mainly on allocating the credit volume among the specialized banks; its control and regulatory mechanism counts on controlling the specialized banks' administration and management groups; its organ installation is nationwide, all the way down to the counties, which makes it the world's largest central bank. Furthermore, banks at below the branch level generally have adopted a percentage profit retention system, and as a result, there is an expansionary mechanism built into the primary-level banks that is constantly increasing demand and seeking to reap more money profit. This is the result of the traditional macroeconomic control and regulation system. The central bank is not responsible for all the problems, but it is indeed a major cause of the poor demand management.

Monetary policies are restrictive by nature. The goal of any monetary policy is to stabilize the money supply, and given this premise, it should aim to help the economy realize its total supply capability. In economics, economic growth refers to a significant structural change. The development loans directly arranged by the central bank each year is a kind of economic growth policy goal, but the realization of this goal must be paid for with basic money, and because of its strong multiplier effect which increases the money supply in its broad sense many folds, this can jeopardize the stability of the money supply.

The intermediate regulation and control goal should be to control the money supply in its broad sense—that is,

cash and deposits that pay cash, write checks, or are transferable—and not the loan volume. The reason is very simple. Money purchasing power lies in deposits which can be used to make payment and not in the loans themselves. In the traditional system, all credits were centralized in the state banks, and to control the loan funds was to control the deposits. But economic analysis shows that in a situation where there are diverse financial institutions with many different kinds of credit, the source of derivative deposits is certainly not limited to loans.

To regulate and control the money supply in its broad sense, we mainly have to rely on the central bank's fund use and interest rate adjustments. Using administrative means to allocate the credit volume as the basic approach not only cannot control total demand but basically will prevent the specialized banks from improving their work efficiency. Large amounts of allocated loan funds will also lead to excess bad debts and defaults, which only hide the danger of inflation.

Consistent with planned control of the credit volume and apportionment of loan funds are regulation and control mechanisms that are necessarily dependent on administrative power. The central bank directly controls the specialized banks at each level, and its branches and subsidiaries stretch vertically from level to level, creating a bloated and generally inefficient organization.

China's current banking system was born out of the traditional system. Before the central bank, China had a large centralized state bank system that made no distinction between macroeconomics and microeconomics, no distinction between government and enterprises. Since 1983, with the establishment of the central bank, we have made changes in many areas and have attempted market-oriented reforms of various degrees. In the fourth quarter of 1988, however, the traditional approach, characterized by stepped-up control of the loan volume and the mixing of government and enterprises, once again was emphasized, and problems have been mounting since. It is not possible to analyze every problem in detail here. Below, I will emphasize the current intermediate regulation and control goals and measures, that is, the flaws of the management by loan quota system. In particular, I will analyze how that approach has made controlling total demand less effective.

III.

What is meant by balancing society's total demand and total supply? Society's total demand is its total money purchasing power. Classified by economic sectors, this can be divided into consumption demand, investment demand, and net export demand. Classified by the different definitions of money, it generally refers to cash which is a means of payment and deposits which can be used for payment—that is, demand deposits, checking accounts, and deposits which can be transferred to make payments. These are designated M_1 , and if we consider

that savings accounts can also be turned into deposits used to make payments, then the money supply that includes savings accounts is designated M_2 . Society's total demand in money form is also known as total money supply and is often designated by M_1 and M_2 , the latter approximates the total amount of deposits credited by the state. Society's total supply is its in-kind economy's total productive capacity each year. Balancing society's total supply and total demand means controlling society's total demand, so that its money purchasing power does not exceed society's total output and does not cause inflation. This also means society's money purchasing power cannot be less than the total output; otherwise its productive capacity cannot be realized. We can control the increase in M_1 and M_2 mainly by adjusting the way the central bank utilizes its funds and adjusts the interest rates and the total loan volume. Because productive capacity is an objective reality and purchasing power can be regulated by subjective means, controlling total demand takes initiative and is often known as controlling the money supply.

By themselves, loan funds do not constitute purchasing power. It is only when the loans are turned into the borrowers' bank deposits and used to make payments do they constitute money purchasing power. In the traditional system, there was no difference between central bank and specialized bank; commercial credit was prohibited; nor were there many non-bank financial institutions, and in fact, nationwide, there was only one state bank, and all credits were controlled by the state bank, and total loan always equaled total deposits, and controlling the total loan volume was controlling the total money supply. In today's financial system, the central bank is separated from the specialized banks, and commercial credit, nonbank financial institutions, and financial markets and so on are fairly well-developed. Controlling the total credit scope is no longer the same as controlling the money supply. The credit scope is no longer the rigid macroeconomic regulation and control mechanism it was in the traditional system. As soon as the central bank eases its total demand policy, the financial system will go outside of its credit volume to increase credit input. That input is turned into derivative deposits and will increase the money supply. This phenomenon has become very prominent since 1992.

Compared with the same months in 1991, state bank loans have increased more than 23 percent between January and August, and meanwhile M_2 has increased more than 30 percent, M_1 more than 36 percent, and M_0 (cash) nearly 30 percent, which exceeded by far the increase in loans (source: "Comprehensive Discussion of Current Macroeconomic and Financial Situations," ZHONGGUO JINGRONG XINXI [CHINA FINANCIAL INFORMATION], June 92) M_2 and loans represent the bulk of the state bank's liabilities and assets, respectively, and if M_2 increases much faster than loans, the state bank's balance sheet must have a huge negative "Others" entry in its credit column to balance the book. At the end of June, the state bank's summary statement

showed an "Others" entry of more than -100 billion yuan, and by the end of August, it grew to -150 billion yuan. The negative "Others" entry is an inevitable result of the huge discrepancy between the increases in deposits and loans. The crux of the question is, can this huge discrepancy—surplus bank deposits (the portion of increase in bank deposits in excess of the increase in bank loans)—be turned into real purchasing power? In other words, can it become increased total demand?

Generally speaking, if the surplus deposits are not turned into real purchasing power, they will inevitably find their way back to the central bank and will be reflected in an increase in funds deposited by the financial institutions in the central bank. But things have not turned out this way in reality. Funds deposited by China's financial institutions into the central bank are made up of reserve funds and surplus reserve (provisional funds). Since 1988, the reserve fund rate has been set at 13 percent, but there has never been any strict surplus reserve requirement. In China's banking system, the purpose of these two reserves is very different from that in other countries. In China, it is mainly the surplus reserve that plays the role as real reserve fund (cash reserve or provision for payment), and the reserve fund is used mainly to increase the central bank's transferrable funds. This is because China practices a system of allocation of loan quotas, the specialized banks are not allowed to transfer funds among different regions, and many local specialized bank branches may have loan quotas but are short of funds, and in addition, they also have policy-oriented loans to make, and therefore the central bank must gather a reserve fund and allocate part of the money centrally. In the last year, surplus reserve has been on the decline, and even though there is a set reserve fund percentage requirement which increases as M_2 increases, the magnitude and amount of decrease in the former has been larger than the increase in the latter. This implies that the surplus deposits of financial institutions have not found their way back to the central bank, and it also means that their cash reserve has been reduced, and this is one of the main reasons why many banks are having cash-flow problems.

If the banks' approximately 150 billion yuan surplus deposits have not found their way back into the central bank, then where have they gone? The bulk of the funds have found their way out of the banking system in the form of interbank daily-rate loans (net lending) through the specialized banks. These funds are mainly borrowed by nonbank financial institutions at daily interest rates and are used as regular loans and investments. The loan quota is more lax with nonbank financial institutions than with state banks, and loans and investments made by some small financial institutions (such as trust investment companies, securities companies, and city credit cooperatives) are not reflected in the banks' loan statistics (see Zhang Naiyin's [1728 0035 1714] "China's Changing Deposit-Loan Deficits," ZHONGGUO JINGJING XINXI July 92.) This means a substantial amount of daily-rate loan funds have circumvented the

loan limits and found their way into enterprises and turned into money purchasing power, thus increasing society's total demand. In addition, because nonbank financial institutions are not allowed to offer transferable deposits, the money they lend out is often deposited into the borrower's regular banks and become derivative deposits and reflected in the banks' accounts as huge sums of surplus deposits. As a result, China's nonbank institutions too have the ability to create money. As said earlier, at the end of August, the state bank's loans, M_2 , M_1 , and M_0 have increased 23 percent, 30 percent, 36 percent, and 30 percent respectively. The difference in the magnitudes of increase in loan funds and the money supply by various definitions demonstrates the scope of derivative deposits created by the above mechanism. Specifically, M_1 increased faster than M_2 by 6 percentage points, and the monetary implication is that there was little increase in savings deposits but substantial increase in demand deposits (mostly enterprise deposits). This also means significant increase in the velocity of money circulation, substantial increase in real purchasing power, and soaring total demand.

The following are several ways through which the banks' surplus deposits can be turned into money purchasing power:

1. Lending the money at daily rate to nonbank financial institutions: There are many nonbank financial institutions in China, including wholly specialized bank-owned trust and investment companies, locally owned trust and investment companies, securities companies, and investment development companies. They determine the use of funds based on their sources, and daily-rate loan funds make up an important part of their fund sources. For example, at the end of July 1992, the financial trust and investment organizations had 38.961 billion yuan, 48.4 percent of which came from dealings with specialized banks and with other nonbank institutions, and deposits only made up 44.6 percent of their fund sources. These nonbank financial institutions use their daily-rate loans outside of their loan limit to invest in real estate, buy stocks and bonds, and make other direct investments.
2. Joint bank-enterprise operations: This refers to the arrangement whereby a bank and an enterprise open a joint account and the enterprise deposits some money and the bank borrows the rest from other banks at daily rate and then either lend out the sum or make other types of investments, and in this way, they can successfully circumvent the loan quota. For example, a certain city in central China has this kind of setup, and one enterprise deposits 50 million yuan and a bank borrows 80 million yuan and they in turn lend the enterprise the entire 130 million yuan.
3. Financial loans: Financial loans take advantage of the lag between receipt of financial revenues and payment of expenditures. There are two types of financial loans: One type is where the local financial administrations make direct loans; they are usually short-term circulating fund loans. The other type is loans extended through local

trust and investment companies, which act on behalf of the financial administrations to lend out the money or make real estate investments or invest in stocks and bonds. Between January and September of 1992, the fiscal income grew by 21.8 percent compared to the same period a year ago, and the nation's revenues exceeded expenditures by nearly 5 billion yuan, but the financial administrations' deposits in the central bank were 1.342 billion yuan less compared to the end of the previous year and 9.054 billion yuan less compared to the same period a year before. It is our belief that a substantial part of the money has slipped away in the form of financial loans.

4. Nonledger interbank daily-rate loans: Some financial institutions make nonledger interbank daily-rate loans to circumvent credit supervision. The funds being lent out are not deposited into the accounts of the banks or credit cooperatives borrowing the money but are directly allotted to enterprises using the money as requested by the bankers, and the banks borrowing the money do not enter the transaction in their books. Giving the interbank daily-rate loans directly to enterprises not only exceeds the scope of interbank loans but also circumvents credit scope supervision and interferes with the implementation of the state's credit plans.

5. Interbank daily-rate loans that ignore use limits and term limits: According to regulations, interbank daily-rate loans may be used only to remedy the financial institutions' reserve shortfalls in the central bank and cannot be used to make loans. Under this kind of use-limitation, daily-rate loans are short-termed—usually one day, three days, or a week—but currently, such funds are in fact being used as regular credit loan funds, and the daily-rate loans can be as long as a quarter, and often they are long-position, continuous loans—many have become short-term rate long-term loans.

6. Disguised loans: The larger nonbank financial institutions, especially the bank-owned trust and investment companies, often resort to more flexible approaches because of the relatively strict loan quota restrictions. For example, in its investment contract, a trust and investment company may stipulate the duration of investment and the rate of profit, and this is investment in name but lending in fact. Some industrial and commercial enterprise groups' financial companies may sign "borrowing" contracts with enterprises outside of the group, and instead of borrowing, they are actually lending.

The above are the main channels or ways banks' surplus deposits can be turned into real purchasing power, and generally speaking, they are all legal to a large extent. For example, nonbank financial institutions may buy and sell securities and may invest in different projects and raise capital to invest in real estate, and they may enter into the inter-bank daily-rate loan market. The crux of the problem is whether these activities are within the

scope of supervision and control imposed by the macro-economic control and regulation departments to control society's total demand. Currently, the central bank controls society's total demand mainly by controlling the loan volume, but the above activities aim to circumvent such restriction. This proves that relying on loan quotas to control the demand for money is no longer an effective way to control society's total demand.

IV.

The state bank's surplus deposits did not originate with the creation of the central bank. Before 1987, the state bank's summary liability always had a positive "Others" item, and although it was not a large figure, it still proves that to the state bank, the nonbank financial institutions were creditors and played a supplementary role in absorbing funds. During that period, China's financial macro control and regulation basically combined loan quotas with the control of the money supply and was gradually making a transition toward regulating the money supply in the reform process, and meanwhile the central bank was putting more emphasis on controlling its own fund use. Since the fourth quarter of 1988, China's credit loan policy has relied heavily on the quota system, and almost at the same time, the negative "Others" item began to appear and has been increasing ever since. In September 1991, the negative figure was 66.6 billion yuan, and by August 1992, it reached 150 billion, and at the same time, the phenomenon of net outflow of interbank daily-rate loans began to appear. At first, that amounted to around 30 billion yuan, and by the end of 1991, it reached 44.6 billion; by the end of April that figure rose to 63.9 billion yuan, and surpassed 70 billion in August. For the four years from 1988 through 1991, the respective rates of increase in loan funds, M_2 , and basic money were 16.8 percent, 22.4 percent, and 22.68 percent; 17.6 percent, 18.1 percent, and 26.96 percent; 22.2 percent, 27.9 percent, and 26.93 percent; 19.0 percent, 26.8 percent, and 29.12 percent (source: Wang Zhichao's [3769 3112 6389] "An Analysis of the Near-Term Money Supply Behavior and Mechanism," ZHONGGUO JINGRONG XINXI, June 1992; also see Statistical Yearbook for those years). Based on the above sets of figures, it is clear that basic money has increased the fastest, followed by M_2 and then loan funds. This says that when a loan quota is emphasized, the control of basic money tends to be lax. This situation became even worse in 1992—in particular, the fairly liquid M_1 was making up an increasingly bigger portion of M_2 and the threat of inflation was looming large. But some comrades in financial circles still believed firmly that controlling total bank credit volume could accelerate economic growth, stabilize the currency, and prevent inflation at the same time (see "Several Issues on Improving Financial Macro Regulation and Control," JINGJI RIBAO 10 Oct 1992) This is a serious matter.

As discussed earlier, our financial sector has developed in depth; we now have different types of financial institutions and a variety of credit tools, and given those

conditions, loan quotas have become less and less effective in their traditional role as a mechanism for controlling total demand. The central bank's inability to control its own fund use and its heavy reliance on loan quotas can seriously threaten the stability of the national economy. But the problem goes beyond that. The loan quota is allocated among different specialized banks by administrative measures, and this approach undermines the specialized banks' management autonomy and dampens their enthusiasm, making them less efficient. We can cite a few examples: 1) The specialized banks are less enthusiastic about attracting deposits, and even if they absorb more deposits, they cannot lend out more money, and this gives rise to so called "financial repression." 2) It makes them less concerned about fund safety. In particular, when it becomes urgent to use up the loan quotas, they are even less concerned about the quality of the loans. 3. The specialized banks are overly dependent on the central bank's repeated loans. People often say that the industrial and commercial enterprises "favor the mayor, not the market," and this situation is even worse in banking circles, because what the loan quota depends on is the "black gauze cap"—the bureaucrats. 4) It leads to the nonbank financial institutions' abnormal development. Many nonbank financial institutions are the product of reform. Their vigorous development is a kind of market reaction to the state bank's inflexible control and regulation system. But today's control method have forced them off the macro regulation and control track. 5) The financial regulation and control departments seem to think that they have power in hand but in fact they are in control of only a small quota of loan funds and have lost control over the money supply. Some people compare this to a situation where one fails to close the main flood gate but goes out to block the tributaries, which can only lead to widespread flooding. 6) To some extent this has brought resentment among the grassroots toward macro regulation and control. Regulation and control may be indispensable to the economy's healthy development, but the macroeconomic regulation and control method must be improved. Keeping the old method used in the traditional planned economy will only create conflict with the microeconomic reform direction which is moving toward the market system, and people will naturally associate "tightening" in the reform with more macroeconomic regulation and control and associate "easing" in the reform with less macroeconomic regulation and reform, and this kind of "tightening and easing" will only hurt the government's reputation.

V.

As we said earlier, if the control over total demand is weak, economic growth should be kept at a moderate to low rate. But today, our economic growth rate is already very high, and looking at the international as well as domestic situations, keeping a fairly high rate of growth has become a strategic issue. Thus, accelerating the reform of the control system over total demand is even more urgent.

There is no doubt that reform of the control system over total demand would require the bringing in of many practices of the market economy. Today, conditions are not ripe for us to quickly adopt the well-used "three magic weapons" of the Western well-developed nations, namely, open market operations, rediscounting, and adjustment of the reserve requirement. Under the circumstances, we must fully understand that using loan quota as the control method is an inadequate and a passive way to control the overall scope and that the loan quota has limited effect on the multiplier effect. But we cannot abandon the quota system completely; instead, we must find an indirect control measure which we are equipped to deal with now while we create the conditions to enable us to adopt even more advanced indirect control measures. The most critical point here is that the central bank must contract its fund use to truly control the money supply. Under existing conditions, the following are possible indirect control and regulation measures:

1. We must strengthen the control over the specialized banks' relending practices. In view of the excessive relending of funds in recent years, we must retrieve part of the loan funds that are being lent out again and promptly find an effective way to control relending practices.

2. When the specialized banks apply for loans, they should be required to use treasury bonds as collateral. On the one hand, this will lend support to the extremely weak state bond market, and on the other hand, it will reduce liquid funds and improve the central bank's asset-liability structure and force the specialized banks to pay more attention to absorbing deposits.

3. We can ask that if the financial administrations have an emergency cash flow problem, instead of borrowing money from the central bank, they should issue short-term bonds to remedy the circulating funds.

4. We can raise the interest rate. The practice of banks diverting their surplus deposits to the real estate and securities markets, the slowing rate of increase and the proportional decline in the citizens' savings, the reduced deposits by the financial administrations, enterprises tying up funds over long periods of time, and the ignorance of fund use efficiency and so on—these are phenomena directly related to low interest rates. This situation must be changed, and the most effective way is to raise the loan and deposit rates.

5. We must check the financial institutions' fund sources. The central bank and the head offices of the specialized banks have formulated a series of regulations regarding the financial institutions' funds. For example, it is stipulated that interbank daily-rate loan funds can be used only to remedy the money supply and cannot be treated as credit fund source, and only financial institutions may take part in interbank daily-rate lending and borrowing. But these regulations are in vain unless we check them more closely and enforce them strictly.

6. The central bank's direct fund input into society has a strong impact on increasing the money supply and must be strictly controlled. This involves adjusting the functions between banks and the financial ministries and between the central bank and the specialized banks, and although it is not something we can resolve right away, we should pay serious attention to it in the next phase of reform.

7. We should accelerate the reform of specialized banks to make them more enterprise-like. Facts prove that it is unrealistic to let the many specialized banks assume the macroeconomic control and regulation functions. If the central bank closes the main money supply gate and lets the interest rate reflect or closely reflect fund supply and demand relationship, reform of specialized banks to make them more enterprise-like will force them to pay even more attention to attracting deposits and improving fund use efficiency and safety. This not only will not weaken the control over total demand but will in fact be a great help to controlling total demand, so on and so forth.

In the last decade of financial reform, the macroeconomic control and regulation departments and the financial circles have accumulated substantial experiences, but they must face reality and not fall into the trap of oversimplified either-or logic that says we either set a loan quota or we must have the "three magic weapons." If we are practical and realistic, we will find a proper solution.

Like all other reforms, financial reform cannot proceed by itself. For example, a lax financial policy, improper division of labor between the financial ministries and banks, a slow-pace price reform and so on will leave the banking industry with many policy-oriented fund gathering problems. Therefore, reforms must be coordinated, and this is even more true for macroeconomic regulation and control reform. Today, the economy is alive at the micro level, and the pace of opening up to the outside world and economic development has picked up, and these only make this reform an even more pressing issue.

Li Guixian on Strengthening Financial Macrocontrol

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[Article by Ji Sanmeng (6060 0005 3718): "Li Guixian Gives an Important Address at the National Financial Auditing Working Conference—Initiate Audits, Strengthen Financial Macrocontrol—Conscientiously Investigate and Punish Such Violations of Discipline as Large Scale Misappropriation of Credit and Using Credit Funds To Speculate on Real Estate and Speculate on Stocks"]

[Text] A few days ago, state councillor and director of the People's Bank of China, Li Guixian, gave an important address at the Seventh National Auditing Working Conference in which he pointed out that we must put forth

great effort to improve financial audits and enhance leadership and management of national financial organizations to safeguard the normal financial order, ensure stepped up reform, and broaden the smooth progress of opening up.

In his speech, Li Guixian said that the present economic and financial situations are both very good and finances must actively support better and faster development of the national economy and continue to maintain the stability of the currency. After analyzing the current credit and currency situations, he pointed out that this January the savings of every bank in the central bank fell quite a bit and every bank's money market fell. We must adopt decisive measures to resolve this problem or it will seriously affect finances in the second half of the year. Every bank should take this issue extremely seriously and improve macroeconomic adjustment and control of finances.

Li Guixian said that before reform, in name there were three banks nationally: the People's Bank of China, the Bank of China, and the Development Bank. Actually there was one, the People's Bank. The Bank of China was the international department of the People's Bank and the Development Bank was the cashier of the Ministry of Finance. Now we have the central bank; national specialized banks; commercial banks; such non-banking financial organizations as insurance companies, trust investment companies, and finance companies; urban credit institutions, and rural credit institutions. Before reform, bank assets were mainly treasury and enterprise saving accounts. Citizen reserves were just over 20 billion yuan. Now citizen reserves exceed 1.2 trillion yuan and are banks' leading assets. The change in the sources of bank funds makes the intermediary role of banks even more clear-cut and more important. Banks and credit institutions together now have more than 2.7 trillion yuan in working funds. Such a great amount of working funds certainly is decisive in the functioning of the national economy. So, banks still have a great responsibility and they certainly cannot treat it lightly.

He asked: What is the responsibility of the central bank? The central bank, in addition to doing a good job of managing currency and credit, must do two other things well: The first is to survey statistics and timely and accurately grasp the figures to provide data for determining financial policy. The second is to improve auditing and oversight. It can be said that how open our socialist finances can be to a very great extent is determined by our level of control and macrocontrol capabilities. Western nations' control of financial organizations is extremely strict and their auditing force is extremely powerful. The fact that they can go to commercial banks to conduct audits and inspections at any time, makes their management cautious and this is a protection for commercial banks. We also must decide to give the General Auditing Administration deployment powers. In the present development of the socialist market economy, specialized banks, in addition to carrying out objective policy, are at the same time commercial banks,

and commercial banks need to pursue a profit. There is nothing wrong with pursuing a profit. As long as the means are legal and reasonable and they are managed in accordance with the law, we should support them. But looking over the last few years, foreign political scandals quite often are related to financial circles and are related to illegal banking operations. A great many major important cases are related to banks. There presently are many situations that violate rules and violate discipline. For example, the unprecedented scale of loans, loans that are against rules and regulations, short-term loans that are against rules and regulations, and arbitrary raising of interest rates.

Li Guixian said that we must strictly implement the scale of credit. And under the present conditions, we must control the scale of credit. Several Western countries, such as Japan and France, implement credit limits and have window guidance. It is just that their forms are different. Now some banks misappropriate the scale of credit and credit funds. This certainly should be conscientiously investigated and punished. There also is the short-term loan problem. Normal short-term loans should be carried out, daily loans, short-term loans, and short-term loans in the system all can be made. These are important means of regulating excesses and shortages in bank funds and balancing money markets. But we have stipulated that short-term loans outside the system should not exceed one month. But there is a branch bank that put out several hundred million in short-term loans and exceeded the time limit, often extending the time limit, using them for a long time. How can this be called a short-term loan? Is there the use of loan funds to speculate on real estate and speculate in stocks? Some also say that this is international practice. Wrong. Foreign banks can only use their own funds to do this and they have certain proportional limitations. How can you use credit funds to speculate? I said in Shenzhen that Chinese banks are monopolies and especially the four large specialized banks are absolute monopolies, not like the fierce competition of Western countries. Your funds are so abundant that you go out and speculate. So, you speculate a little on real estate and speculate the real estate up. How can the average people who want to buy a house stand this? This does not help residential reform.

Li Guixian said that the provincial branches of the People's Bank should take responsibility, do a good job of controlling their province's finances, and promptly react to problems, and they cannot let finances drift.

Li Guixian said that after this conference, we should immediately begin special audits throughout the country. In the past few years, auditing departments have not done a bad job. In hard working units that do not attract public attention, you have made important contributions to financial tasks. I hope that you will continue to strive. Now it has been tentatively decided to first audit a specialized bank head office, audit a few provincial branch banks, and a few nonbanking financial organizations. Foreign investment banks also should be audited. Initiating audits is part of normal controls. It is

not that we must uncover problems. If there are no problems, that is even better. Audits and inspections should pay attention to policy and, seeking truth from facts, delineate policy limitations. This time we should select a group of old banks and old auditors and transfer them everywhere and hope that all the financial organizations conscientiously coordinate so that this special audit can go smoothly. We certainly should deal sternly with those who set up obstacles and create difficulties for the auditors. This audit should be conscientious and thorough. We cannot skim the surface and we cannot go through the motions. This audit is only a beginning. In the future we must persist throughout the year. Through audits we should train a contingent, promote improved quality in finances and an awareness of thoroughly implementing general and specific financial policies, establish a good financial atmosphere, maintain proper financial order, and assure that financial reform and opening up are carried out smoothly.

Shanghai Economist Explains Traditional Financial Theory

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[Article by Chin Yu (4440 1342): "The Market Economy Calls for a New Financial Theory—Interview With Chu Minwei (0328 2404 0251), Ph.D. in Finance and assistant principal of Shanghai University of Finance and Economics"]

[Text] Since the 1980's, Chu Minwei, Ph.D. in Finance and assistant principal of Shanghai University of Finance and Economics, has been working on modern financial theories and policies. Since the 14th National Party Congress, he has suggested on many occasions that the socialist market economy calls for a new set of financial theories, and his idea has attracted the attention of Mainland China's high-ranking officials. This reporter interviewed Dr. Chu recently:

[Reporter] The introduction of the theory of socialist market economy has triggered broad response among financial theorists. Finance has always had a profound impact on the traditional planned economy. In the spirit of the 14th National Party Congress, how should one make use of the renewed understanding of the proper role and basic functions of public finance in a market economy to re-evaluate and re-adjust the various financial and tax reform measures that have already been or will soon be introduced? We understand that you have many ideas, and we would appreciate your explaining some of your basic ideas.

[Chu] Compared to the Soviet Union's Stalinist financial theories, China's financial theories have come a long way. But due to historical limitations, our line of reasoning is still based on the premise that the government should determine the allocation of all of society's resources as well as the interest relations. The heart of

our thinking can be summed into "four theories": The theory of the nature of public finance, which is dominated by the theory of distribution by the state; the theory of the function of public finance, which emphasizes distribution, regulation, and supervision; the financial revenue and expenditure theory, which is dominated by the state's participation in enterprises' primary allocation; the financial balance theory whose goal is to maintain the "three balances"—finance, credit, and resources.

[Reporter] Does the theory of allocation by the state mean that everything should be allocated by the state?

[Chu] That is right. According to this theory, among society's four reproduction links (production, circulation, distribution, and consumption), public finance's place is in distribution. Or in other words, the essence of public finance is distribution. As the state's representative, the financial ministry not only participates in the redistribution of society's wealth but also in its primary distribution—the wages enterprises pay, the bonuses they hand out, and the way they set product prices, etc., must be approved by the financial ministry. It not only allocates the net income portion but also the compensatory value portion. Take depreciation fund, for instance. This is the value of wear and tear of enterprises' fixed assets, and even this must be handed over to the financial ministry, and when enterprises need money to buy new equipment, they must turn to the financial ministry. In terms of content, this kind of allocation is all-encompassing, which means the state takes part in the allocation process of all of society's resources. By nature, this method is coercive. In terms of its goals, its primary goal is to satisfy the state's needs. Of course, there have been some breakthroughs in recent years. For example, enterprises can now keep their depreciation funds.

[Reporter] Please elaborate on the theory of the functions of public finance.

[Chu] The biggest improvement in financial theories since reform began is in making distribution, regulation, and supervision the three main functions of public finance. The financial ministry not only raises money for the state's constructions and allocates its resources but also regulates and supervises society's economic activities. But most of the regulations are still done through planned administrative measures, and most of the supervision has to do with microeconomics; that is, the supervision of enterprises' management situation, account auditing, and planning and use of various types of funds, and therefore there are still strong traces of the planned economy.

[Reporter] What is meant by the financial revenue and expenditure theory?

[Chu] The financial revenue and expenditure theory takes the revenues of the state-run enterprises, especially the state-run industrial enterprises, to be the main source of government revenues and the main direction of its spending. On the one hand, the state manages the

industrial enterprises' internal revenues and expenditures closely and makes detailed investment plans in industries. On the other hand, investments in the state's important infrastructure and various public facilities to raise the improve the living standards are not given due priority. The revenue and expenditure plans are very limited and homogeneous.

[Reporter] The remaining topic is financial balance, credit balance, and resource balance. All along, people believe that socialist countries do not have deficits and cannot have inflation nor shortages of goods and materials.

[Chu] The situation has changed in recent years. In fact, for decades, we have had deficits every year; we have had some inflation, which we managed to handle by controlling the credit scope. The three balances put more emphasis on balancing the goods and materials. The state must make plans for several thousand types of goods and materials, and the planning conferences each year in fact have been meetings to allocate resources. This proves that China has a goods economy, or a semi-manufactured goods economy, and prices are just a symbol. The basic foothold is in real goods and materials and not funds.

The financial balance theory makes the pursuit of absolute balance the ultimate macroeconomic goal. This is a conservative financial management concept. It plants its foothold on stability rather than development.

[Reporter] Based on your analysis, the above four theories basically reject market mechanisms and are opposed to market allocation of resources and to the market's spontaneous regulation of the interest relationships. In the wake of the development of the socialist market economy, how should the traditional financial theories be improved and revised?

[Chu] In my opinion, the entire set of financial theories should be based on market mechanisms, that is, instead of letting the government decide society's resource allocation, we should let the market and the government make the decisions together and let market's allocation and regulation be the basis. Today, on the premise that enterprises are the main market participants, we must redefine the functions of public finance. Primarily, we must take the microeconomic functions out of the government and make them the functions of the market and enterprises. We must take the function of providing social security out of enterprises and turn it into the government's job. We must take some of the economic supervisory and service functions out of the government and turn them into the functions of society's intermediary agents, and take some of the scientific, educational, cultural, and public health undertakings out of the government and let the professional and legal entities take over.

[Reporter] That sounds good. Can you elaborate?

[Chu] In the past the government was in direct control of microeconomics. Take Shanghai for example. There are still a multitude of industrial bureaus and administration-oriented companies, and as government administrative departments, they are in charge of enterprise production and circulation. All these people are living off of public finance. Financial administration—the state supplies the finance and the departments administer. We should give back to enterprises the power over enterprise production and circulation and let the market's invisible hand direct and regulate the economy. The administrative departments should be abolished or turned into business entities.

[Reporter] Relatively speaking, the workers' livelihood which should be taken care of by the government are shouldered by enterprises; they are providing social welfare?

[Chu] Exactly. The market economy needs enterprises to be independent producers of commodities, and if enterprises have to carry the social burden, how can they compete in the market? This is the government's job. In the past, state-run enterprises had to bear part of the burden on behalf of the state; we had an excuse. But today's enterprises have a new identity. This function should be separated from other enterprise functions. Like many other nations, we should adopt a social security tax. I understand that the State Commission for Restructuring of the Economic System's Resource Allocation Section has already made some calculations and studies. In addition, the financial ministry and insurance companies should set up various funds whose value can be increased through investments, so that we can increase social insurance funding.

[Reporter] We understand that some foreign experts have advised the country's leaders that by the end of the century, China should have three "300,000's"—300,000 certified accountants, 300,000 lawyers, and 300,000 tax agents. Would the intermediaries you spoke of be this type of intermediary organizations?

[Chu] The three "300,000's" are essential. Economic activities must be supervised, but we cannot depend entirely on the government to do that. First, that will necessarily increase government spending. Second, in a market environment, some allocations may pit enterprises against the government, and letting the government be the adjudicator sometimes can lead to biases. It would be more objective and fair to let accountants, auditors, and lawyers assume the intermediary functions; and as a tertiary industry, they can even generate wealth for society. The government of course should still exercise its supervisory function. For example, in matters that involve adjustments of the industrial structure and environmental protection and so on, enterprises often would act in their own interest at society's expense; the government must intervene.

Institutions are dependent on the state for their survival because in the past they were not allowed to make money

and most of the services they provided were free. In my opinion, in the future, units in science and technology, education, and medicine and public health and so on should charge reasonable fees to augment themselves. Of course, some institutions, such as those involved with basic theories, serious music, and academic publications, etc., will be hard-pressed to earn their own keep, and the government must support them.

Through the "four separations" the government should reduce and weaken some functions and discard some burdens while expanding and strengthening other functions and taking on some new missions. On the basis that the market will be allocating resources, the government should gradually become provider of public goods, corrector of biases produced by market regulation, and regulator of unfair social distribution, so that it can better perform its three basic functions of satisfying society's public needs, implementing indirect regulation and control, and achieving social fairness.

Article Views Fall of RMB Exchange Rate

93CE0360A Beijing JINRONG SHIBAO in Chinese
2 Mar 93 p 1

[Article by Yang Fan (2799 1581) and Wang Jianhua (3769 1696 5478): "Financial Observations—Renminbi Adjusted Exchange Rate, Will It Continue To Fall?"]

[Text] In the last couple of months the adjusted exchange rate for the renminbi has suddenly been greatly devalued from 6.8 renminbi to the US dollar to 8.5 renminbi to the dollar, a fall of more than 20 percent and the largest fluctuation since China started the foreign exchange adjustment market in 1988. This situation has caused general concern.

Why was the adjusted price of the renminbi so greatly devalued? This is the result of the common affect of several exchange rates on the renminbi. Presently, the four exchange rates that China has all are falling to a different extent.

1. **The Posted Exchange Rate.** This is the officially published state planned exchange rate. Before 1992 aperiodically it was adjusted in a planned way. Since March 1992, it has been slightly adjusted. Every day it changes by one or two *fen*. It has been devalued from 5.22 renminbi to the US dollar to approximately 5.8 renminbi to the dollar. As far as the requirements of the objective situation are concerned, the posted exchange rate could continue to be devalued, because in 1993 [the government] is preparing to change from quota system controls to spot exchange controls. A foreign trade company after it exports to earn foreign exchange, pays a certain share of the foreign exchange like an export tax payment. The rest of the foreign exchange is directly returned to the enterprise and can be used for imports or adjustments. This gives rise to another problem. It will be necessary in a period of time to absorb the more than US\$10 billion in quota system foreign exchange on hand. From 1989 through 1991, the quota system prices

were always very low, approximately 0.5 renminbi to the US dollar. In 1992 it rose to more than 1 yuan. That is to say that if the state wanted to purchase the amount on hand, it would take more than 10 billion renminbi and that is more than it has the financial resources to tolerate. Only by devaluing the posted exchange rate could the difference between the posted exchange rate and the adjusted exchange rate (i.e. the foreign exchange quota system value) be lowered to approximately 0.3 yuan and then the state could purchase it and afterwards unify the posted exchange rate and the adjusted exchange rate.

2. The Adjusted Exchange Rate. This is the exchange rate on the adjusted foreign exchange market, approximately the market exchange rate. Presently, adjusted foreign exchange makes up more than 80 percent of all foreign exchange and truly has a major effect on the renminbi exchange rate. From the end of 1992, it began a sudden devaluation, from 6.8 renminbi to the US dollar it was devalued to more than 8 renminbi to the US dollar and nearly 8.5 renminbi in Beijing.

3. The Individual Adjusted Foreign Exchange Rate. This exchange rate is approximately 0.3 yuan higher than the enterprise adjusted exchange rate.

4. The Black Market Exchange Rate. Even higher than the individual foreign exchange rate, it is the true free market exchange rate.

Presently, the the general domestic economic situation is still good and certainly would not cause the renminbi to be greatly devalued. Domestic price rises are 5.5 percent, not considered high. According to the average export exchange cost estimates, an adjusted exchange rate remaining at the level of 7 renminbi to the US dollar is appropriate.

The cause of the sudden devaluation of the renminbi is mainly a psychological factor, the expectation that rapid domestic economic growth could cause price rises and admittance to the General Agreement on Tariffs and Trade (GATT) could relax import controls. So, citizens and enterprises one after another are exchanging for US dollars. In 1988 the expectation of inflation spurred citizens to make a run on their savings accounts and rush to purchase commodities to protect their value. The expectation of inflation is actually occurring again in 1993. It is just that it is not a rush to purchase commodities, but storing up US dollars.

Looked at from several perspectives, the renminbi could stabilize at the current level. The first reason is that the "entry into GATT" is being deferred. The second reason is that the pace of economic development continues to accelerate, so there will be a shortage of renminbi and rather ample foreign exchange. The third reason is that foreign exchange already has risen enough to cause import losses. So, enterprises with US dollars on hand could feel that they will earn more money by selling large quantities of US dollars than from imports. As soon as

they begin to sell off a large amount of US dollars, the exchange rate could stop rising.

Quite a few bankers believe that the rise of the exchange rate to the present level was inevitable from the limitation of imports to offset the import assault that could be caused by "entry into GATT." But a succession of large devaluations could cause a panic in society. Once it sets off agitation to exchange for US dollars on an even greater scale, it will not only hit the foreign exchange market, but even more, there will be a rush to exchange renminbi, thereby endangering the stability of the entire economy. So, the state must adopt measures to stabilize the adjusted foreign exchange market. In addition to the state's selling some US dollars in large quantities, it should appropriately shrink the domestic economy and control the issue of renminbi.

SMALL-SCALE ENTERPRISES

Private Economy Steadily Expanding

93CE0336A Hong Kong TANG TAI
[CONTEMPORARY] in Chinese No 23, 15 Feb 93
pp 60-62

[Article by Wei Kang (7614 0474): "Mainland China's Individual Economy Is Expanding Steadily"; *Mainland China's individual and private economy is challenging state enterprises and playing an enormous promotional role in the mainland's market economy, while injecting vitality into the whole economy.*]

[Text] Since Deng Xiaoping's southern-tour in early 1992, China's most conspicuous economic trend has been the rapid growth of its individual and private economy. And the "14th CPC Congress" has also injected enormous vitality into the individual and private economy, so that individual and private enterprises are springing up like bamboo shoots after a spring rain. Preliminary statistics show that China now has more than 25 million people working in 15 million enterprises in its individual (self-employed) and private economy, which is steadily gaining status in China's economy.

The Great Assault on Individual and Private Enterprises

While China's private and individual economy had acquired a fine growth momentum and was growing at an amazing rate since China began to reform and open up in 1979, the improvement and rectification and campaign against bourgeois liberalization that was launched in 1989 were a severe blow to Mainland China's individual and private economy. For instance, in the southeastern coastal province of Zhejiang, where the individual and private economy had developed faster and earlier, the number of industrial and commercial registrations in the individual and private economy was down sharply between July 1989 and June 1990. And it was down even more sharply in the three north-eastern provinces' key city of Shenyang where, by the

end of April 1990, the number of individual industrial and commercial enterprises was down to only 66,324, employing less than 100,000 at only 99,721, down 19.5 percent and 25.9 percent, respectively, from 1988. Shenyang's private enterprises were down to 2,575, employing less than 50,000 at only 42,863, down 21.2 percent and 18.4 percent, respectively, from 1988. And the registered capital and operating funds of Shenyang's individual and private economy were both also down sharply.

While many factors were involved in this great decline of China's individual and private economy, the key ones were the following ultra-"left" policies: 1. As the government had based its guiding ideology on hopes of propping up large- and medium-sized state enterprises, it essentially adopted an exclusion policy against the private and individual economy. Within this setting, once the government tightened credit, the individual and private economy suffered greatly in areas such as funding, space, raw materials, and power supply, which led to its bankruptcy. 2) China was pursuing an anti-bourgeois liberalization policy, leading many people to believe that the individual and private economy was the source of peaceful evolution, which left many individual and private enterprise operators concerned that CPC policy was changing, so no longer daring to continue to engage in individual and private economic activities.

Certain individual and private enterprises stopped expanding, reducing their production expansion and input. Some rushed to register as collective enterprises, putting on a "red (communist) hat," while others simply turned in their licenses and gave up, converting their production operating funds to interest-bearing capital, and completely withdrawing from the individual and private economy. 3) As the Mainland Chinese Government favored large- and medium-sized state enterprises, adopting a policy of restriction and suppression of individual and private enterprises, the competition between individual and private enterprises, and large- and medium-sized state enterprises, was very unfair. The individual and private economy was subjected to discrimination and exclusion in areas, such as operating limits, conditions, and space, goods supplies, and taxation, which led to a general bankruptcy of individual and private enterprises. Of course, individual and private enterprises were poorly managed, with severe disruption by unlicensed operations and fake collectives, which also induced some individual and private operators to apply to the industrial and commercial management sector for cancellation of their business licenses, translating into uncertified operations and self-imposed bankruptcies.

These difficulties of the individual and private economy were essentially eliminated by the time of Deng Xiaoping's "northern expedition" in 1993, with the individual and private economy as a representative of China's future hopes again displaying its superior might and vitality.

The Private-Enterprise Structure and Regional Distribution

As to industrial structure, most individual industrial and commercial enterprises are concentrated in tertiary industries, such as commerce and the catering and service trades. In 1993, Mainland China's urban and rural individual-economy industrial-structure is developing a further slant towards tertiary industries, such as commerce and the catering, service, and repairing trades, in response to repeated PRC emphasis on tertiary industry development. China's individual-economy operators have now grown to more than 14.16 million, of which 81.7 percent are in tertiary industries, and are creating output value topping 78.2 billion yuan (RMB) a year, of which 87.3 percent is from tertiary industries. The number of individual industrial and commercial operators now tops 7.7 million in commerce, 1.44 million in the catering trade, 850,000 in the service trade, and 870,000 in the repairing trade.

While no official national statistical data has yet been released in this area, China's 1993 private economy still retains its industrial-structure features of the late 1980s.

As to regional distribution, more than 95 percent of China's individual industrial and commercial enterprises are concentrated in urban operations, with private enterprises being just the opposite, i.e., spread out over rural areas. Surveys show that rural areas account for about 80 percent of China's private enterprises, about 83 percent of private-enterprise employees, and 83 percent of private-enterprise funds. Private enterprises are located mostly in rural areas for the following reasons: 1) Urban space is limited and very costly, while space and housing are comparatively abundant in suburban areas, which also have former production-brigade space, warehouses, and hog-houses that can be used. 2) Cities have more jobs and fewer unemployed, while suburban areas have large numbers of surplus workers willing to join the hired-labor ranks. 3) Cities have a broad-based state and collective economy, thus increase strict control of rural population inflow; suburban areas are more lax in controlling population mobility, leaving most private enterprises locating in rural areas. Private enterprise distribution among Mainland China's provinces, municipalities, and autonomous regions is a declining trend from south, east, and southeast to north, west, and northwest, i.e., the closer to the "golden" southeastern coastal zone, the more developed the private economy and the greater its proportion of the national private economy while, the closer to the northwestern interior region, the lower the ratio of private enterprises to the national private-enterprise total. The private economy has grown faster in Guangdong, Zhejiang, Liaoning, Hebei, and Shandong, with these five provinces alone accounting for over 50 percent of the private enterprises throughout China. This shows that the regional distribution of Mainland China's individual and private economy is not altogether rational.

The Individual and Private Economy Scale

The individual-economy scale is strictly restricted by law, with the minimum number of personnel being one, and the maximum number of hired labor not allowed to exceed seven. All enterprises with eight or more hired workers are over the individual-economy limit, so belong to the private economy. The individual industrial and commercial production operating-fund scale is mostly under 10,000 yuan, with a few at only about 1,000 yuan, certainly not many individual operators with a funding scale above 10,000 yuan, and those with production operating funds above 100,000 yuan generally being only an isolated phenomenon.

While the private-economy scale is more complex, China's private economy is still overall in a development stage of generally small size. It averages about 25 workers per enterprise, with more than 95 percent of private enterprises having less than 50 hired workers, and no more than 1 percent having over 100. While there are private enterprises with hundreds and even up to 1,000 employees, most such large-scale private enterprises are registered as collective enterprises.

Flexible and Diversified Operating Styles

These are generally as follows:

1. Independent operations. This style is characterized by enterprise ownership and operating and distribution authority being completely converged in the hands of a single operator, who is solely responsible for enterprise risks and operating responsibilities. The development basis of most such private enterprises is individual industrial and commercial enterprises or rural specialized households.

2. Joint operations. This includes the two subtypes of partnerships and collective-share operations. In partnerships, two or more enterprises (or individuals) jointly put up the capital, own the assets, operate, share risks, are responsible for profits and losses, and share profits equally. In collective-share operations, individuals or the public hold shares jointly, or friends and relatives buy shares jointly, with a board of directors electing management staff or certain major shareholders being responsible for management.

3. Registered operations. This includes the two subtypes of "collective" enterprise-trademark operations, and contracted or leased collective enterprise operations. In registered "collective"-trademark private enterprises, business licenses are generally obtained under a township, village, neighborhood, or school name, with individuals doing the investing and operating, and the collective neither investing, managing, being involved in distribution, or undertaking any related responsibilities, but simply collecting a certain management fee. Such private enterprises need only to pay this management fee to enjoy preferential state treatment for collective enterprises in areas, such as taxation and loans. In the

contracted or leased collective enterprises that are gradually evolving into private enterprises, contractors mostly sell or loan their own operating and management experience and technology, and their own or self-raised funds, while making use of the original collectively owned fixed assets, working capital, and supply and marketing channels, to act as hired operators.

4. Sino-foreign joint-venture or contractual joint-venture operations. These are joint-venture or contractual joint-venture operations combining foreign or Hong Kong, Macao, or Taiwanese investment with domestic family or individual private operation.

The individual and private economy is expanding steadily in Mainland China, becoming an undeniable force. It is challenging state enterprises on one hand, while playing an enormous promotional role in Mainland China's market economy and injecting vitality into the whole economy on the other. While it could still be said a decade ago that the individual and private economy was not essential, it is today not only indispensable, but also in need of major expansion, as it after all represents China's economic future and the mainland's economic development direction.

1987 Survey of China's Private Enterprise Categories and Employee Figures

Private Enterprise Category	Number of Companies	Percent of Total	Number of Employees	Percent of Total
Industrial	60,000	70.6%	982,000	72.4%
Construction and Road-Building	8,000	9.4%	200,000	14.7%
Transportation and Communications	2,630	3.1%	26,000	1.9%
Commercial	7,000	8.2%	71,000	5.2%
Catering Trade	4,086	4.8%	38,000	2.8%
Service Trades	820	1%	90,000	0.7%
Repairing Trade	1,432	1.7%	16,000	1.2%
Other	1,032	1.2%	15,000	1.1%
Totals	85,000	100%	1.357 Million	100%

Editorial on Developing Central, Western Township Enterprises

93CE0401A Beijing ZHONGGUO XIANGZHEN QIYE
BAO in Chinese 5 Mar 93 p 1

[Editorial: "A Strategic Policy Decision—A Historical Mission"]

[Text] The State Council's "Resolution on Accelerated Development of Village and Township Enterprises in the

Central and Western Regions" manifests a major strategic plan of party and government for economic development in the new era, and an important decision and positive act toward intensified promotion of reform and extended opening up. An earnest study, propagation, and implementation of the said resolution is of extremely important significance, as also of a far-reaching historical significance.

During the last few years, the great efforts expended on the central and western regions has produced considerable achievements in economic development, which have made a major contribution to the development of China's national economy. However, the overall level of economic development in the central and western regions has been comparatively low, and the development of village and township enterprises has been a particularly weak link. In the total output value of village and township enterprises in 1991, the share of the eastern region was 65.7 percent, the share of the central region was 30.1 percent, the share of the western region was 4.2 percent. The differential between the average incomes of peasants in the eastern and those in the western region was 348 yuan, and the part attributable to village and township enterprises was 169 yuan, i.e. 44 percent.

These figures reveal the basic fact that there is a great disparity in rural economic development between China's eastern and western regions, a disparity that is primarily evident in the unequal development of village and township enterprises. The existence of this disparity has not only a detrimental effect on economic developments and on the realization of a relatively well-off standard of living in the central and western regions, but a detrimental effect also on the development of the entire national economy and on the realization of a relatively well-off standard of living for the whole country.

The accelerated development of village and township enterprises in the central and western regions will have an effect on the strategic issue of economic developments throughout the entire national economy, as it will also be an important assurance for China's political stability. The central and western regions are inhabited by 60 percent of China's population, and comprise many revolutionary bases, border areas, poverty districts, and territories inhabited by minority nationalities. Effective acceleration of development of the central and western regions will directly enhance the unity between the various nationalities and the cohesion of the Chinese nation. It will also have a bearing on the consolidation of China's border defenses and on the friendly relations with China's neighbors. The old revolutionary bases in the central and western regions have in the past made huge sacrifices for and contributions to the revolution. This adds to our heavy responsibility and obligation to help these regions toward accelerated development and toward gaining prosperity as soon as possible.

Accelerated development of village and township enterprises in the central and western regions will be a strong

force toward a comprehensive progress throughout China's entire society. Development of village and township enterprises in the central and western regions will mean increased economic strength in these regions, which in turn will promote the buildup of small cities and towns, the buildup of spiritual civilization, and development of cultural, educational, health care, and other affairs in the central and western regions. It will also mean their breaking out of the state of rural seclusion, and inducing peasants to study technical matters, acquire education, and thereby raise the overall quality of the peasant population. All this will undoubtedly have a major impetus on the buildup of a new modern rural community of socialism with Chinese characteristics.

Ten-odd years of reform and opening up have provided excellent preconditions for the accelerated development of village and township enterprises in the central and western regions:

First, the problem of providing sufficient food and clothing for the great majority of peasants in the central and western regions has by now been resolved, and the peasants, who only so recently have risen above the subsistence level, are manifesting an unprecedented desire and enthusiasm to leave poverty behind and gain a measure of prosperity.

Second, the great ambience created by the all-encompassing reform and opening up has given the central and western regions the opportunity to bring any advantages in their particular resources fully into play.

Third, the central and western regions are favored with rich resources, especially agricultural resources, forestry resources, mineral resources, hydroelectric resources, and the resources of soil and manpower, all in all representing a huge developmental potential.

Fourth, the central and western regions are one vast and yet so far undeveloped market.

Fifth, there is already in the central and western regions a certain foundation for village and township enterprises, consonant with market demands and having special characteristics of the localities in question; some excellent representative models of such have in fact appeared, and some valuable experiences in that respect, suited to the particular local conditions, have indeed been made and accumulated.

It has to be pointed out that our emphasis on the accelerated development of village and township enterprises in the central and western regions does not mean at all that we want to favor the west at the expense of the east, retard or even restrain developments in the eastern region. We demand equally that the eastern region, in all its improvements, may achieve even faster and more effective development. We wish developments in the eastern region to be impetus for central and western developments, that central and western development, in turn, benefit developments in the eastern region, and

that this may result in a large development and advances among all village and township enterprises throughout the entire country.

To accelerate development of village and township enterprises in the central and western regions it is, first of all, necessary to achieve a liberation of minds, to review experiences, and for each place to go its own particular developmental road. Our leading cadres at all levels are the key to liberation of minds. The longtime "Leftist" influence on thinking and comprehension is still influencing some comrades in their actions and is obstacle to the development of village and township enterprises and to the acceleration of such development. At the same time, we have to change our concepts, to overcome in economic matters the small-scale peasant mentality, to overcome the mentality of emphasizing city industries and making light of village and township enterprises, and also to overcome the mentality of the traditional planned economy. There is yet another important point in the liberation of minds and changing of one's mentality, namely the need to recognize one's own superiorities and potential, enhancing one's own confidence, firmly seizing all opportunities, doing all one can to catch up, taking firm charge and doing a real job. The most important and most fundamental things to learn from the developmental experiences of the eastern region are reliance on the market, self-reliance, hard work to establish oneself, and also the attitude of starting out from the realities of the situation, seeking truth from facts, working creatively, and going one's own particular way.

An overall demand posed by an accelerated development of village and township enterprises in the central and western regions is to step up the pace of reform and opening up, unswervingly implement the policy of "vigorous support, rational planning, accurate guidance, and strengthening of management," and to go the road of "developing, reforming, perfecting, and improving."

It is necessary to make effective use of people with ability, to make every effort to employ local talents, to develop in every way possible social manpower resources, and to nurture and import qualified personnel. It is necessary to discover, nurture, and build up a large contingent of village and township entrepreneurs. The leadership at all levels and all sections of society should, in political respects, take good care of them and treat them affectionately, in legal respects, protect them, in the press and in propaganda support them and create favorable conditions for their health and advancement.

It is necessary to remove impediments and break down restrictions. In the area of industrial development, as long as there is market demand, as long as quality is assured, as long as operations are profitable and do not pollute the environment or destroy resources, and as long as there is respect for discipline and the law, anything that can be developed should be developed, regardless of whether on a large or on a small scale. The "green enterprises" that develop agricultural resources and do processing and "value-adding" activities with

agricultural products as their raw materials shall form the foundation. The tertiary industries of transportation, circulation, and services, as well as handicraft industries, mining, building materials industries, shall lead the advance, while labor intensive enterprises and enterprises processing natural resources shall make up the key element. Thus each shall develop its strong points and avoid weak points, develop the industries best suited for the locality concerned, and act as the proverbial "eight immortals crossing the sea," namely each displaying his or her own capability.

Distribution of village and township enterprises in the central and western regions must not be a case of "flowers blossoming forth all over the place," but must start out from such general considerations as available markets, resources, qualified personnel, communications, and energy, and go the new way of relatively concentrated and developed small-scale industrial zones and development zones. As the key element, village and township enterprise development zones and small-scale industrial zones should be established, relying on science and technology and starting out at a high level, and these shall then give impetus to the development of the three tertiary industries of transportation, construction, commerce, and to the service industries.

Strengthening lateral economic links is an effective means of accelerating the development of village and township enterprises in the central and western regions. We must create an excellent ambience, must establish, in a variety of forms, good relations between town and countryside, good links between the interior and the areas beyond, having cities lead on and inspire the countryside, having the large-scale lead on and inspire the small-scale, supplementing each other with whatever each one's particular superiorities are, to mutual benefit and mutual profit, to common development, and to common advance. In joint activities, one must not hesitate to yield profits and yield powers, as in the sayings: "Build a nest to attract the phoenix" and "accumulate water to raise fish." At the same time, we must encourage and support the eastern region as well as the central and western regions to go beyond their borders to form lateral economic ties, and must advocate direct mutual support and assistance for them. We must actively develop foreign-trade-oriented village and township enterprises, develop border trade and cooperation across borders, and, at places where favorable conditions exist, the establishment of enterprises beyond the borders.

Accelerating the development of village and township enterprises in the central and western regions and in the districts inhabited by national minorities is a major strategic policy decision made in accordance with China's national conditions by the CPC Central Committee and the State Council, and it is presently one of the major tasks in all our economic work, in the same way as development of a highly productive, high quality, and highly efficient agriculture. Leadership at all levels

must raise their consciousness of the importance and urgency of developing village and township enterprises. In the future, leadership at all levels in the central and western regions must make development of village and township enterprises the focal point and a strategic task in all their economic work, and it must be placed on the agenda of work to be performed by governments at all levels. The most important leading cadres in the provincial, prefectural, county, and village governments must personally take charge and must promptly study how to resolve difficulties and problems that may arise in the course of the development of the village and township enterprises. All government agencies concerned, from the central authorities down to the local authorities, must regard support for the development of village and township enterprises in the central and western regions as actual implementation of the spirit of the 14th CPC National Congress, as a matter of speeding up reform and opening up, and as having to concentrate energy on raising economic construction to a higher level of perfection. We must treat with urgency that which is of urgency to village and township enterprises. We must think the way the village and township enterprises would think. We must exert ourselves to do effective work in service to village and township enterprise development, and shall have to create for this purpose an even broader and more accommodating environment.

Private Enterprises Strive for Higher Status, Protection

93CE0337A Hong Kong KUANG-CHIAO CHING
[WIDE ANGLE] in Chinese No 245, 16 Feb 93
pp 42-45

[Article by Hsi Tzu (1585 1311): "Private Enterprises Begin To Demand More Power and Position, New Trend Among Mainland Chinese Nonstate Enterprises"]

[Text] Some Economic Theorists Are Calling for More Power and Position for "Nonstate Enterprises"

Since the 14th CPC Congress proposed the establishment of a "socialist market economy," some economic theorists have been calling for "bold development of the nonstate economy." They note that the time has come to revamp thinking about the nonstate economy, and that just as with the case of the female lead in Director Zhang Yimou's [1728 5669 6180] film *Autumn Chrysanthemum Goes to Court*, the nonstate economy now needs to "make a statement" about its existence and development.

By 1991, the Nonstate Economy Already Accounted for 47 Percent of China's GVIO [Gross Value of Industrial Output] and Was Sharing Power Almost Equally With the State Economy

In Mainland China, the nonstate economy includes collective enterprises, public corporations and other incorporated joint-ventures and shareholding-system economic components, as well as self-employed (individual) industrial and commercial households and private

enterprises. In recent years, Mainland China has experienced a pluralization of its major economic players and property-rights structure, in which the former absolute dominance of the state economy has been broken up, and the nonstate economy has grown rapidly. The most recent statistics released by the State Administration for Industry and Commerce (SAIC) show that by the end of October 1992, China's self-employed industrial and commercial households had topped 14.7 million, employing over 23 million while, by the end of the third quarter in 1992, China had 121,800 private enterprises with more than seven employees each, employing over 2 million. As to development scale, Mainland China's individual and private economy since reform and opening has surpassed its historical record. While indexes, such as enterprise numbers and output value, show that the individual and private economy makes up only 1-2 percent of the whole national economy, once the mighty collective and township enterprises and the steadily spreading and prospering three kinds of foreign trade enterprises are added in, China's "nonstate economy" can already be said to be sharing power almost equally with the state economy. Statistics for 1991 show that the nonstate economy accounted for 47 percent of China's GVIO and 50 percent of its GNP.

A Competitive Pursuit of Extraordinary Force

The most recent economic projection by the China National Information Center is that by the year 2000, Mainland China's ownership structure will have evolved to a "three-way sharing" order, in which China's GVIO will be made up only 25 percent by state enterprises, but 50 percent by collective enterprises and 25 percent by private ones. Sizeable enterprises and enterprise groups are now emerging in the nonstate economy. For instance, Hainan's first shareholding-system pilot-project enterprise—the Hainan Xinyuan (New Resources) Co Ltd, whose stock is privately held and listed on Shenzhen's stock market, had registered capital of 61 million yuan (RMB) and total assets exceeding \$140 million RMB by the end of 1991. The celebrated Nande Economic Consortium, which imported four Russian-made 154-M civil airliners in a "reverse" barter form, has registered capital of more than \$100 million RMB and total assets worth \$6-700 million RMB. Mainland China's biggest private high-tech enterprise—the Stone Corp, earned an income from technology trade in 1991 of more than \$2 billion RMB, with profits reaching \$200 million RMB. The gross output value of China's township enterprises topped \$1 trillion RMB in 1992, or one-third of China's GVIO.

A Series of New Ideas and Demands

Since the CPC's "14th Party Congress," some Mainland Chinese professionals and academics have been making stonger demands to "proceed from China's actual reform conditions, by reevaluating the status and role of the nonstate economy under the socialist market economy system."

They have presented the following series of new ideas about the nonstate economy:

1. The nonstate economy is not a "painful option," but rather an irreversible achievement. A professor at the CASS [Chinese Academy of Social Sciences] Economics Institute points out that during China's last 14 years of economic reform, the state economy has been accounting for a steadily shrinking proportion of China's GNP, while the nonstate economy has been making up a steadily rising percentage of our GNP, with "the whole economy being more vigorous in all places where the nonstate economy has grown faster." He also notes that nonstate economic components "have played a great role in cushioning the sharpening of conflicts that might have arisen in the transition to a market economy." An SAIC [State Administration for Industry and Commerce] official goes on to say that we must not consider "private" a negative thing, as the individual and private economy has actually made a great contribution to the country. He emphasizes the following: without them, the state would have had to spend more than \$40 billion RMB a year to find jobs for more than 20 million people. During our recent years of economic adjustment, while thousands of individual and private enterprises have succeeded or failed on their own without one person running to the government for help, the firing of even a single person by a state enterprise has always been an earthshaking event.

The CPC United Front Work Department and the SAIC Conduct a Joint Survey of China's Biggest Private Enterprises

2. The nonstate economy plays not a "supplementary" role, but rather an "exemplary" one. As so many Mainland Chinese large- and medium-sized state enterprises had poor efficiency and severe losses, the Beijing leadership officially decided in July 1992 to require "the conversion of state-enterprise operating forces," in order to make enterprises more market-oriented. But this so-called "conversion of forces" was based exactly on the operating model and experience of certain successful private enterprises, meaning that they were actually playing a guiding role for state enterprises. Certain CPC sectors, such as the United Front Work Department and the SAIC, jointly organized a "survey of Mainland China's biggest private enterprises," whose findings report notes the following: We question the traditional wording of "the private economy plays a supplementary role," believing that it should be changed to say that the private economy is "a key component part of the national economy." If we continue to use the word "supplementary," then it should be used to mean that "the sector that has more, is superior, and is better supplements the one that has less, is inferior, and is worse," and that "as supplementation is an improvement on reality, it also sometimes includes destruction and replacement of reality."

Private Enterprises Have "Four Fears"

3. The nonstate economy should not be restricted, but rather developed faster. Mainland Chinese private enterprises have the following "four fears": 1) policy changes; 2) heavy burdens; 3) being forcibly annexed by the state economy; and 4) looking too rich. Some private entrepreneurs say that "not a day goes by that we are not concerned and worried about policy." Chinese economic policy and public opinion still contain many disadvantages for the nonstate economy, particularly the individual and private economy. In order to prevent "shocks to" and "erosion of" public ownership, some departments and localities place a variety of restrictions on private enterprise development. For instance, some state enterprises prohibit purchases of private enterprise products, which are not allowed to be entered in accounts, and some state markets forbid stocking of private enterprise products. In addition, in many production operation fields, such as employee wages, staff trips out of the country, and product imports and exports, private enterprises are subject to many restrictions. For instance, while the Nande Economic Consortium conducts aircraft business with Russia, it is forced to commission two other state companies with import-export rights as agents, so that this large private enterprise still actually has no independence in its foreign operations. This is why private entrepreneurs and concerned professionals have recently been calling for equal policy treatment by the state, in order to create a good and relaxed economic and social climate of fair competition for their full development. Some economics specialists point out that "faster development of the nonstate economy will play a key role in building and perfecting a socialist market economy." And an economics magazine editor-in-chief says that as the major loan criteria should be market efficiency, and the nonstate economy is usually more efficient than the state economy, our future loan policy should be slanted toward the nonstate economy.

Should Wealth Accumulation Be Limited?

While some Mainland Chinese theorists are still unrestrainedly criticizing the private S&T industrialists along Beijing's "Central Village Electronics Street," calling them a "newly rising bourgeoisie," which is only being used and allowed to exist in "the initial stage of socialism," this view is increasingly losing consensus. Some professional writings point out that "the relative concentration in the hands of some individuals and enterprises of the public wealth created by the forces of competition is the indispensable cost of ensuring efficient socioeconomic operations," that "with the appropriate guidance and control, private possession and utilization of public wealth can become another special form of more efficient socialized production," and that "in a market-economy system, it is necessary to either emphasize the upgrading of the social status of the stratum that possesses and controls wealth," or "face the possibility of artificially establishing a powerful antithesis to the existing system." An official at a major publication notes

that as certain large private enterprises have formed into groups and taken steps toward becoming transnational corporations, the continued probing by certain theoreticians of matters such as the relations between "hiring scale" and "exploitation," is out of keeping with the times, and can only arrest practical developments. Some private entrepreneurs point out that "reasonable, wealth-accumulation should be without restrictions."

The "Grey-Owned" Economy Is Obstructing Intensification of Reform

The clarification of property rights is a current hot topic of attention among all parties. Ever since the PRC began its economic reforms, some economists have been emphasizing the importance of clarifying property rights, noting that unless this problem is resolved, it will be very hard to continue to intensify reform. While the State Restructuring of the Economic System Commission clearly documented in early 1992 the need to resolve the property rights issue, some insiders say that Mainland China's property rights situation is still a mess. And while theoretically, Mainland China's economic types are broken down into categories, such as state-owned, collectively owned, individually operated, private-run, and Sino-foreign joint ventures, there actually exists a large "obscure phenomenon" of unclear and unseparated public and private operation, which is called the "grey-owned" economy.

Many state enterprises are certainly not clear about who actually represents the state in their enterprise management, with state-owned assets often being under no one's control, arbitrarily squandered and wasted, and even seized as private property. For instance, some enterprise leaders eat and drink at public expense and put public vehicles to private use, while workers use public materials for private operations, so that public property is eroded both overtly and covertly, and inside-theft has become the order of the day. Others estimate that one-third of "collectively owned" enterprises are actually private ones, with proprietors simply trying to dodge policies that discriminate against private enterprises by hanging out false shingles as "collectives" or even "state-owned." The boss of a private construction company in Beijing says frankly that rather than keeping money in his own name, it is better to place it in a "collective" account, from which he can freely dispense it anyhow. He goes on to ask that if he cannot operate privately under even current policy, what would happen in the unlikely event of a future "movement"? While certain well-known enterprises are private, they often call themselves abroad "neocollective enterprises," and do not like being known as "individual enterprises."

China Needs To Ensure That Private Property Rights Are Equally Inviolable With Public Ones

On the other hand, the private companies that have developed in Mainland China have evolved a stronger "self awareness" of the property-rights issue during the last dozen years or so of reform, no longer willing to be

subject to "secondary state-operation," i.e., not wishing to remain government-organ or state-enterprise appendages. A member of the Beijing Stone (Computer) Corporation writes that while the Stone Corp's present prosperity is due to its pioneers' input of intellect and labor, the pioneers who created the Stone Corporation's enormous wealth are still unable to acquire their deserved income and share of assets ownership through normal channels, which necessarily affects many aspects of operation, production, and management. The vice president of another high-tech company complains that while his company's "registration is dependent on" the government sector, the government certainly made no actual input when his company was first founded. He goes on to ask, as his company's current assets of hundreds of millions of RMB were completely accumulated by its operators over many years, who does this wealth actually belong to?

Some academics point out the following: As a market economy is actually an exchange of ownership rights, it cannot be developed without property rights protection. Unless nonstate economy property rights are legally protected, they are likely to become subject to high consumption, or even be transferred abroad, which will result in a poor disposition of resources and future property-rights disputes. Some note that the sacred inviolability of private as well as public property rights should be guaranteed by law.

Some Private Enterprises Are Striving for Higher Status-Recognition by the State

Many believe that the way to clarify and protect nonstate and state-economy property rights is to speed up the practice and improvement of a shareholding system. Private enterprises, such as the Stone Corporation, Nande, and Hainan New Energy, have all now begun shareholding-system pilot projects. Lai Yongming [0171 3057 2494], a Nande Consortium research institute affiliate, says that as businesses are simply businesses, he hopes that they will no longer be asked whether they are socialist or capitalist. And he goes on to ask, in future industrial and commercial registrations, would it not be possible to simply indicate that one is either a private or shareholding enterprise? Some academics note that as shareholding grows, the public-ownership form will undergo many changes, with the wording of the future socialist market economy not necessarily including "the dominance of public ownership," but rather "the dominant status of a mixed economy founded on public ownership."

The news coming out of the concerned responsible departments is that in light of the coming gradual upgrading of large- and medium-sized state enterprises to shareholding, the future new enterprise policy will be one of "four no's," i.e., 1) no longer distinguishing by nature (socialist or capitalist); 2) no longer distinguishing by grade, such as national grades one or two enterprises and provincial-level enterprises; 3) no longer promoting

by grade, i.e. from "small collective" to "large collective," or from "large collective" to state-owned; and, 4) no longer practicing enterprise administrative-subordinate relations. So its looks like Lai Yongming's hopes are not just pipe-dreams.

AGRICULTURE

SPC Proposes 9 Policy Measures To Assist Agriculture

93CE0357A Beijing NONGMIN RIBAO in Chinese
25 Feb 93 p 1

[Article by Li Yongsheng (2621 3057 3932): "Agricultural Areas To Enjoy Supportive Policies"]

[Text] The State Planning Commission [SPC] has proposed a series of policies and measures supportive of the economic development of food-producing areas. Recently, the State Council gave its approval for a proposed increase in agricultural investment of 2.19 billion yuan, all of which will be used for agricultural basic capital construction in food-producing areas.

In 1993, the SPC, along with the various agricultural departments, will help 100 major food-producing counties strengthen their basic facilities for agriculture, enabling them to become the chief "three highs" agricultural base for increased agricultural production. At the same time, they will also assist 50 older food product base counties in developing their "three highs" agriculture. This year, the amount of investment applied to principal food-producing areas for developing "three highs" agriculture will reach 270 million yuan.

This year, the SPC drafted another adjustment, one for 100 million yuan in investment. This will continue, through the economic planning commission of every province, self-governing area, and municipality, to expand construction of urban test sites in the major food-producing areas. This will change the image of the countryside from one of impoverishment to one of high production.

This year and next, \$1.435 billion in loans from the World Bank and the Asian Bank will be used primarily for: development projects in the food-producing areas of the Songliao region; irrigation and water conservancy projects in Hubei and Hunan; the second development period for soil along the Changjiang River in Jiangxi, Hunan, Zhejiang, and Fujin; construction of food storage and transport facilities in the food-producing areas of the three northeastern provinces and along the Changjiang coast; various projects for advancing the agricultural technology supporting food-production areas; aquatic breeding around the two islands and the gulf, and construction projects for the agricultural development of Hainan.

They have arranged for \$12 million (20 percent more than in 1992) to be used to import superior-grade foreign

seeds, nursery stock, and breeding fowl and breeding stock, giving precedence to supporting major food-producing areas in developing high-quality farm, livestock, and fish products.

In each of the last three years of the Eighth Five-Year Plan, they have arranged for 2 billion yuan's worth of agricultural and industrial products jobs, to be used for basic farming construction in the poorer areas of the major food-producing regions; stream management in mountainous regions; developing of forestry, forest products, and livestock industries; resolving the problem of water for human use; building rural roadways; and developing rural communications and managing rivers and lakes.

The period around the end of the Eighth and start of the Ninth Five-Year Plan will see the construction of storage facilities with a capacity of 82 billion jin. An investment of 400 million yuan has been arranged for this.

Also arranged for this year are township enterprise loans worth 10 billion yuan, an increase of 5 billion yuan over last year; this will be used chiefly for development of township enterprises in the food-producing areas of central and south China. Arrangements have been made for agricultural loans on the scale of 16 billion yuan, 2 billion yuan more than last year, and this will also be used chiefly for the agricultural by-product and processing industries in the chief food-producing areas.

Food transferring provinces will also gain some food-exporting powers.

To conscientiously bring the above nine policy measures to fruition, the SPC and relevant departments will vigorously furnish control, coordination, leadership, and service, providing the impetus for the overall economic expansion of the food-producing areas.

Grain Reserve Official on Direct Domestic Grain Trade

93CE0357B Beijing NONGMIN RIBAO in Chinese
25 Feb 93 p 3

[Article by Zhang Zichen (1728 1311 5256): "Five Problems Must Be Resolved; Food Producing and Marketing Areas To Place Orders Directly"]

[Text] At a national meeting to issue grain purchasing policies and place orders, Bai Meiqing [4101 5019 3237], vice minister of the Ministry of Commerce and director of the State Grain Reserves Office, pointed out that in order to do better at letting areas engaged in producing, buying and selling grain to place orders directly and conclude their purchase agreements with peasants prior to spring ploughing, we must resolve five problems. These problems are:

First, prices in sales contracts should be set according to the average price of transactions concluded in that province's wholesale grain market. At the same time, the

problem of price risks should be resolved. They can refer to the Zhengzhou wholesale market's method for sharing price risks, setting a proportion for sharing price rises, and finally having the two sides share the risk according to a passive pricing situation.

Second, to ensure that contracts for grain and oil purchases will be honored, funding should be guaranteed, with transport given first priority. This should be regarded as the state parity for grain and oil, with the transport plan reviewed monthly, in order to ensure transport.

Third, establish supervisory control. When a contract is concluded, it should have a guarantor and be notarized by a state notary office, in order to examine the contract and guarantee its implementation.

Fourth, the state will employ special grain reserves as backing for the contract being honored. When grain resources are insufficient, or the grain's market price is excessive, a portion of this special reserve can be transferred to the marketing area to meet the need. When grain prices fall, increase the producing area's special reserve purchase plan to assure the producing area's grain production and operations.

Fifth, to ensure contract fulfillment, both sides should put up a certain amount of money as a guarantee. When a contract is broken, the funds provided by the party breaking the contract will be paid to the other party. Contracts between provinces for production and sales of food and oil will also be handled by this method.

All areas will adopt the model formed at this meeting so that production and sales contracts are established on a reliable foundation. Layer upon layer of contracts will be concluded in the production and sales regions. This will gradually seep down to counties and enterprises, and ensure that contracts will be honored. The Ministry of Commerce and the State Grain Reserves Office have set up small coordinating groups to control matters from behind the scenes, build bridges, and provide services.

Agricultural Bank To Increase Loans for Spring Planting

93CE0357C Beijing JINRONG SHIBAO in Chinese
10 Feb 93 p 1

[Article by Wang Lingling (3769 3781 3781): "Loans for Support of Spring Ploughing Given Priority; Agricultural Bank Issues Request to All Areas; Agricultural Loans Will Increase by 30 Billion Yuan"]

[Text] With the approach of spring ploughing, the Bank of China's central bank recently notified banks at all levels that their current loan services in support of this production should be of the first importance, and that they should give priority to arranging the scale and funding of these loans.

This year, as agricultural banks and credit agencies plan to increase their agricultural credit by more than 30 billion yuan, the central bank is requiring banks at all levels to conscientiously implement the agricultural credit program, giving priority to satisfying the reasonable needs of agricultural production, while making the necessary surveys and arrangements soon. So as not to harm agriculture, they should get the credit to where it is needed promptly. The nation's agricultural banks and credit agencies have been accumulating the funds diligently, and have already extended a total of 15.8 billion yuan in loans, nearly 4 billion yuan more than was granted in the same period last year. This portion of the funds will be used chiefly for spring ploughing and preparation for planting.

This year is the first year in which agriculture converts completely to a socialist market economy. Credit in support of agriculture will adhere to keeping market requirements as the guiding direction, and continue to carry out the basic plan of "under no circumstances relaxing food production, while vigorously developing various kinds of administration". It will support agriculture in regulating its industry and product mix in order to develop high production, superior quality, high-efficiency farming. The key points of this support are: extended application of the findings of agricultural science and technology; agricultural products of a quality that is high enough to earn foreign exchange; basic construction of water conservancy works; development of a socialized service system, etc. This will further build up agriculture's reserve strength, build up the actual strength of the collective economy, enhance the scale of agricultural production, and intensify farming.

In addition to agricultural loans, industrial and commercial loans made by the agricultural banks will be of positive service to spring ploughing production.

Industrial loans furnish positive support for enterprises as they expand their production of goods and materials used for spring ploughing. This in turn aids in the production of a wide variety of high quality agricultural products. Commercial loans in the first month of this year have already put 15.5 billion yuan in funds in circulation, providing the positive support rural commercial departments need to make suitable purchases, provide quality materials for farm use at fair prices, and supply goods and materials for spring ploughing. To protect peasants' enthusiasm for production, and overcome the annual purchase of agricultural by-products, the agricultural banks have pledged that credit for these purchases will arrive promptly where it is needed, and that purchasing departments will receive their purchasing funds on schedule. In the first month of this year, they have extended a total of 10.7 billion yuan in loans for annual purchase of agricultural by-products.

SPC To Implement Additional Agriculture Policies

93CE0404A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 19 Mar 93 p 3

[Article by correspondents Xiao Xi (5135 5045), Ji Zhe (6063 5074), and Jing Houyin (2529 0683 1377): "New State Policies To Promote Economic Development in the Main Grain Producing Regions"]

[Text] A leading cadre in the General Office of the State Planning Commission recently disclosed that the state intends to adopt further measures in support of the main grain producing regions.

These measures are:

1) Increasing agricultural investments, improving the agricultural infrastructure in the main grain producing regions. This year, the state will increase its agricultural investments by 2.19 billion yuan. All provinces and municipalities will also allot a considerable part of their investments, newly increased to 47.7 billion yuan, particularly for water conservancy projects, for rural infrastructure, for the agricultural service system, for processing facilities for agricultural and sideline products, to improve measures against flooding and waterlogging, for irrigation, and for improved measures against natural calamities in the main grain producing regions. All this, to eliminate poverty in counties with high grain production.

2) Active support for the development of a "three highs" agriculture in counties that are main bases of commodity grain production. There are presently 362 of such counties that are main bases of commodity grain production of national rank, and 100 more will be developed this year, while assistance will be rendered to 50 old commodity grain base counties to develop "three highs" agriculture. The central authorities and the local authorities will separately provide for this purpose 135 million yuan, to be used for the establishment of commodity grain base counties.

3) Accelerating the buildup of small cities and towns in the grain producing regions, promoting a prosperous economy in the grain producing regions, and eliminating all poverty in villages with high grain production. In 1992, the state had selected 100 villages and townships among the main grain producing districts in the central region of the country as pilot projects for the accelerated buildup of small cities and towns. In 1993, the state will allocate a further 100 million yuan to be invested in the extension of the pilot project of building up small cities and towns in the main grain producing regions.

4) Efforts at enlisting more foreign capital for agricultural construction in grain producing regions. This year and next year, the state will use loans amounting to \$1.435 billion, from the World Bank and the Asian Development Bank for: agricultural development

projects in the grain producing districts along the Songhua and Liao Rivers; agricultural water conservancy projects in the grain producing districts of Hubei and Hunan; the second stage in the development of lateritic soil exploitation in the grain producing districts of the provinces of Jiangxi, Hunan, Zhejiang, and Fujian; transport and shipping facilities in the grain producing districts in Manchuria and along the Changjiang; the building up of services which are promoting agricultural technical progress in the grain producing districts; development of projects on China's two islands and one gulf for the raising of aquatic products and for the agricultural development on Hainan Island.

Among these investments, the sum of \$150 million will be intermediate credits from the China Agricultural Development, Trust, and Investment Company and the Agricultural Bank, to be used primarily as foreign exchange for the benefit of agricultural village and township enterprises and for the agricultural and sideline processing industries.

5) Assisting the main grain producing districts in the importation of superior varieties and in the production of superior agricultural products. This year's state plan provides 20 percent more foreign exchange—up to \$12 million—than in 1992 for the importation of superior varieties of agricultural products. This will be used primarily for the importation of superior seed, nursery stock, and for superior specimens for breeding poultry and breeding livestock. The superior varieties imported this year will assist in the development of superior agricultural, animal husbandry, and fishery products in the main grain producing districts.

6) Increasing funds for work-relief projects in the main grain producing districts. In the present three groups of work-relief projects of the state, special consideration will be given the main grain producing districts. In the three-year plan, following on the Eighth Five-Year Plan, grain and industrial materials to the value of 2 billion yuan will be made available every year to support basic work on farmland construction, the regulation of small river basins in the mountain regions, afforestation and planting of fruit trees, and on animal husbandry in these districts. This will create the favorable conditions that will allow resolution of such problems as drinking water for humans and animals, rural road construction, development of rural communications, regulation of rivers and lakes, which altogether will benefit agricultural development and improve the living standards of the masses in these districts.

7) Improving storage facilities in the grain producing regions. To resolve such problems as peasants meeting difficulties in selling their grain and the government agencies finding it difficult to store grain, grain storage facilities with a capacity of 41 billion kilos are being built in the time from the Eighth Five Year Plan to the early period of the Ninth Five Year Plan. By now, arrangements for the storage of 26 billion kilos are in place—an investment of 6.5 billion yuan. For 1993, the state's

investment of 400 million yuan for storage facilities is 80 million yuan more than last year. As to the construction funds to accommodate the balance of 15 billion kilos of grain, for one part, storage facilities for 7 billion kilos, preparations are made to use a \$490 million loan from the World Bank, and this will be supplemented by a domestic matching fund of 2.9 billion yuan, to solve the problem.

8) Increasing agricultural credits, supporting development of village and township enterprises and processing industries for agricultural and sideline products in the main grain producing districts. This year, credits to the amount of 10 billion yuan were granted to village and township enterprises, an increase of 5 billion yuan over the 1992 figure. These additional 5 billion yuan were

mainly to be used for the development of village and township enterprises in the grain producing districts of the central and western regions. This year, 16 billion yuan were allocated for agricultural loans, an increase of 2 billion yuan over the 1992 figure. These additional 2 billion yuan were also to be used preferentially for such projects as the development of processing industries for agricultural and sideline products in the main grain producing regions.

9) Granting export privileges for a certain amount of grain to the province from which the grain is derived. The Ministry of Foreign Economic Relations and Trade has already submitted a relevant plan to the State Council; it will be enforced as soon as the State Council will have signified its approval.

Review of Xiao Qian's Three Political Allegories

93CM0202A Hong Kong TANG TAI
[CONTEMPORARY] in Chinese No 23,
15 Feb 93
pp 98-99

[Article by Yi Yueh (6654 2588): "On Diarrhea, Constipation, and Reform—Xiao Qian's Three Political Allegories"; *Just as sharp-sighted cultural figures adopt diverse methods to relate their impressions of China's great tide of changes, the famous author Xiao Qian's three recent philosophical essays are political allegories aimed precisely at reform.*]

[Text] Xiao Qian's [5618 0051] symbolic philosophical essays are concise and abstruse, giving a feeling of intuitive wisdom, as well as of a harmonious, peaceful, and carefree aesthetic state, undoubtedly being penetrating contemporary prose.

Death as a Satire on Political Puppetry

In *Reflections on Death*, Xiao Qian sings a paean to death. He emotionalizes death, by using his personal experiences of it to distill profound philosophical thoughts on death into a brand new approach to life. He says that the supreme aesthetic of human life is nothing more than living it for a valuable cause, and that an ardent love for life far surpasses the allure of death. This octogenarian says that the ultimate prospect of human death "enables me to see through much, understanding what in life is valuable and lasting and what is muck and passing clouds," revealing that a thorough awakening to the meaning of life is an awareness of an optimist's tragedy. The inevitability of death has made Xiao Qian's declining years full of harmony, while leaving him burning with disgust for those who struggle for wealth and power, in that "no matter how many material goods one accumulates, or how high one climbs the ladder to glory, one's final ending is nothing more than a pile of bones and ashes." This is actually an ingenious caricature of political puppetry, in that even obscure people who have done their best in life still have an easy conscience when finally facing death, consoling themselves that they have not lived in vain.

Diarrhea Is Not Necessarily a Bad Thing

My Medical Philosophy is an essay full of sentiment and symbolism, which explains the macrocosm through the microcosm, by apparently employing the subtle strategy of his awakenings through decades of illness and medical treatment to speak of the way to remain in good health, while actually observing the health of a national organism in the throes of a great transformation. "A good doctor has to treat his patients' based on their symptoms and constitutions. If one treatment does not work, he should try another. Not doing so would be making a joke of life." In other words, a good national administrator should weigh his administrative tactics in the balance of all aspects of national conditions and might, so that if one policy does not work he will try

another, but absolutely not "treat the patient" blindly. The key is to first "rationalize the vital organs." "The primary treatment is actually just rationalizing the inter-relations among the vital organs." In other words, the way to permanently cure a nation's ills is to operate all government sectors in harmony, so that the skin texture is clear, and all principles and policies are implemented. Xiao Qian uses the dialectical relationship between "constipation" and "diarrhea" to portray with black humor his understanding of China's reform and opening as follows: Whenever reform is tightly bound up in "left" ideology, it becomes constipated, with "all of the body's poisonous impurities unable to get out, and finally dying inside," so that the country is not run like it should be. On the other hand, when reform is accompanied by pains, such as—"while diarrhea make one weak and saps vitality, and certainly allows certain valuable body nutrients to escape," which is unavoidably regretful, it can also flush out harmful accumulated sediments, so that afterwards "a little purgation and medicine will rationalize the two opposing principles and restore natural vitality"—national might is certainly not overimpacted. In this sense, Xiao Qian hopes that the country will conduct bolder and more progressive reform. While he does not like "diarrhea," he thinks it is certainly better than "constipation." And he is full of confidence in the robust health of the national organism.

The Tragedy of Practice and Understanding

The allegorical symbolism is even richer in *A Psychological Perspective*, in which Xiao Qian explores from a psychosocial perspective the facets of human life in the midst of social turbulence, epochal change, and political rivalry. He cites certain examples to illustrate that the potential actions of people of all sorts under social or abnormal psychological conditions are often abnormal and critical. During the bloody "cultural revolution," some heroic teenage girls wearing red headbands actually trampled their teachers' heads into the dirt, forcing them to memorize quotations from Chairman Mao's little red book. Other high school red guards first beat their Dean of Studies to death, and then forced their principal to dance with his corpse, a humiliation the principal could not take and finally jumped to his death. In short, the atmospheres and political settings of various times produce different psychological responses, so that "in the final analysis, psychology is morale and popular feelings." Xiao Qian made critical use of the true dialectical materialist point of view, using the "practice" of the vicious circle of political disturbances that occurred in mainland China after 1949, such as the "movements against the three and the five evils," the "cultural revolution," and the "Lin Biao incident," to point out again and again the leaders' lack of the dialectical materialist courage to "understand—reunderstand" and self-denial, which resulted in "each age since the 1950's having to practice" once again, with each time being simply practice without understanding or reunderstanding, so that the vicious circle was hard to end. "While practice is easy, requiring simply throwing oneself into it, understanding and reunderstanding are subject to great psychological obstacles, so first necessitate a certain degree

of self-denial." The "cultural revolution," that unprecedented tragedy in the whole national history, has still not been thoroughly summed up. Xiao Qian calls this another round in the lack of "understanding and re-understanding," in some cases involving bans against allowing the creation of works about the "cultural revolution." "In fact, the more self-denial in the leader, the more prestige, and the greater the public trust won. As this truth regrettably is easy to understand only among those not in power, it can be said that the authorities are lost."

In this sense, Xiao Qian is playing the age-old role of admonisher, submitting a written statement to the higher authorities, with the good intention of hoping that the rulers will be able to correct any vicious "practice," and conscientiously practice the dialectical materialist principle in the search for truth of "practice—understanding—repractice—reunderstanding," so that it will not be simply words on paper.

Impact of 4 June Incident on Art

93CM0202B Hong Kong TANG TAI
[CONTEMPORARY] in Chinese No 23,
15 Feb 93
pp 96-97

[Article by Kan Kan (3927 3927): "Confusion and Trauma—New Chinese Art Since 1989" *The new developments in Chinese art since 1989 have been complex and diverse, with the democracy movement and 4 June incident experiences and the shock waves they set off obviously having an impact on the new generation's creative orientation.*]

[Text] The democracy movement in May 1989 and the crackdown on 4 June have brought sharp changes to China's political situation and social atmosphere, with their quite natural shockwaves also having a strong impact on the Chinese art world.

Avant-Garde Art Wins Official Acquiescence

As far as the Chinese art world is concerned, 1989 has also had another special meaning. While the first large avant-garde art show was allowed to be held in a Beijing Chinese art gallery in February 1989, suggesting that avant-garde art had quietly won official acquiescence, the later artistic actions of artists Tang Song [0781 1345] and Xiao Lu [5618 7627] in firing guns in the gallery, and the consequent bombing and terror, forced the show to be closed again. This seemed to be a bad omen, showing both official and private suspicion of avant-garde art.

The high tide of avant-garde Chinese art in early 1989 was immediately changed to a lower key after 4 June, entering a period of silence, in which the tense, high-pressure political atmosphere brought a cooling-off period of increased thought and reflection, forcing new Chinese art after 1989 into a rich and interesting stage, reflecting a fascinating mindset of the two separate tides

of political conservatism and economic reform and opening. The "New Chinese Art Since 1989" showing this month (February 1993) at the Arts Center is a formal attempt to fully show these many new changes.

After China instituted the policy of economic opening and reform in 1979, Western culture had poured in like a swarm of bees, having an enormous impact on young Chinese artists, who suddenly discovered that in addition to Su Shih's (Su Tung-p'o, 11th Century) realism and the cultural revolution's proletarian art, contemporary Western art had experienced countless new artistic trends in past decades. These tiny sparks of art in 1979 raised the curtain for avant-garde Chinese art, after which all sorts of Western art trends were transplanted to China, reaching a high tide in 1984 and 1985, which was given the general designation of the "1985 New Wave." Then contemporary Chinese art entered a second high tide extending to the February 1989 "Contemporary Chinese Art Show."

I visited the "Contemporary Chinese Art Show" in early 1989, discovering that the works were very imitative, including almost everything from cubism to all contemporary Western art styles, and showing quite a bit of immaturity. But on the other hand, the artists were full of enthusiasm, heatedly discussing and exploring. Many pre-1989 avant-garde artists were full of romanticism, such as Ding Fang [0002 2455], whose Loess Plateau series used the barren loess plateau as a metaphor for the Chinese nation's hidden but incomparable might, carrying such an intensely religious flavor that it had a huge impact in art circles, particularly the film world.

The 4 June Incident Intensifies Artistic Thinking

As stated above, the democracy movement and the "4 June" crackdown brought a new order. While the new generation continued certain pre-1989 artistic trends, many also experienced a let-down of ideals. While it would be wrong to say that post-1989 art has been a brand new development, the 4 June incident has certainly created great shockwaves, intensifying certain artistic thinking and forms of expression.

The most conspicuous post-1989 new development must be considered to be the emergence of a "political spectrum" blending pop culture (particularly the ad culture) with political images (particularly cultural revolution propaganda material). Wang Guangyi [3769 1639 5030] works cultural revolution worker, soldier, and peasant images into his ads, making two different ideologies into a single propaganda sales promotion, which is quite satirical. But this is precisely the current face of China—a conflicting integration of capitalism with socialism.

I believe that the new scene since the invasion of China by the glittering consumer culture has had a great impact, with the glitzy ads echoing the cultural revolution proletarian art style, so that the two actually try to peddle a beautiful fantasy. Artists of the early 1980's used scar or provincial art to explode that fantasy, while the post-1989 political spectrum makes tricky cracks about it. But on the other hand, just as with Western

spectrum art, political spectrum satire also retains a certain like for glitzy pop art.

China's economic opening and reform also brought new hopes, with the 1989 democracy movement having largely originated in them. The 4 June crackdown smashed many ideals and aspirations, with disappointed artists, such as Zhang Xiaogang [1728 2556 0474], making a complete break with their early romantic pure-spirit landscapes after 4 June, and closing themselves off within tiny spaces, which shows a clear style change.

Art of Ennui and Helplessness

The new art since 1989 is full of a sense of ennui and helplessness, which is probably a negative approach taken in the face of broken ideals and political realities. The most positive response is probably cynically grimacing faces, with the new generation of artists often appearing stupid and bored, and shutting themselves up within narrow spaces to idle away their time. For instance, Liu Xiaodong's [0491 2556 2639] works no longer show typical people, but rather his own circle of friends, with one blurred and directionless face after another. Such dispiritedness caricatures the sense of helplessness, just as the T-shirts that were popular for a time in Beijing had "Fed Up" written across their fronts as a way of getting things off of one's chest.

Another prominent artist is Fang Lijun [2455 0500 6874]. His works are full of stupid faces lacking in individuality, standing in outer space laughing foolishly, which sort of lost and silly Chinese have always been Fang Lijun's descriptive subject matter.

While such bored, helpless, and cynical games could be considered a response to a time of powerful realities and

an inability to express oneself, it would be oversimplifying it to regard them as simply a political response. In fact, artists, such as Fang Lijun, had showed such an artistic style long before 1989. This might be due on one hand to a sense of the traditional Chinese ignorance and, on the other, to China's steady social modernization gradually infiltrating certain experiences of modern society, such as distancing, confusion, and helplessness, into China's urban lifestyle.

Mocking the Violence

Other artists make a more direct and intense response to current conditions. Pre-1989 artists sometimes showed in their works a sense of oppression and bondage, which sense of suppressed violence remains clear in today's new works. The most obvious example of this is Zhang Peili's [1728 1014 0500] artwork about giving a rooster a bath, in which the rooster first resists, but eventually submits completely after 3 hours of steady washing and scrubbing by Zhang Peili, which shows the terrifying relationship between violent violation and complete submission by those subjected to it steadily.

Young artists, such as Zhang Fanzhi [1728 0416 1807], work somewhere in between mockery, humor, and violence, drawing one hospital scene after another with groups of doctors surrounding patients, which should be a healing process, but gives one a sense of butchery and maltreatment.

While the new Chinese art developments since 1989 have been complex and diverse, the experiences of the democracy movement and the "4 June" crackdown, as well as the shockwaves that they set off, have clearly had an impact on the creative orientation of the new generation. In addition to the abovementioned artistic trends, while other artists have moved toward formalism or shown a certain sense of the end of an age, many works reflect in any case a certain feeling of broken ideals.

New KMT Pursues Political Struggle

*Taipei HSIN HSIN WEN [THE JOURNALIST]
in Chinese No 312, 6 Mar 93, p 23*

[Article by Ji Yanling (4764 1693 7117): "New KMT Continues Political Struggle"]

[Excerpts] [Passage omitted]

The dust has now settled on the resignation of Hao Po-tsun [6787 2672 2625] and the formation of a cabinet by Lien Chen [6647 2069]. Everybody involved in these two rounds of political wrestling, whether inside the ring or out, has been wounded in action. The losers were injured all over their bodies. Even the winner had broken noses and swollen eyes. Most important, after a protracted struggle lasting over two months, most people are worn out. Politicians are exhausted from the fighting. Reporters are drained from running around. Even readers are tired from watching the spectacle. We all want to call a cease-fire and relax a little. [passage omitted]

Some people, however, are so fired up that they could not stop fighting. The more they fight, the higher their fighting spirit. Legislators from the Lien Chen faction of the New KMT, for instance, believe that the decisive battle has not yet begun. They are determined to "extend the battle line" and continue to wage this incomplete "revolution."

If we look around the political arena today, people in the non-mainstream faction revolving around the Lien group in the New KMT are all standouts in terms of fighting spirit, strategy, and unity. Having led the KMT in its struggle with opposition parties years back, they are all experienced veterans in confrontation. Moreover, they all grew up being tutored by the KMT, many having occupied even key party and government positions. They know the KMT's struggle tactics as well as the palms of their hands. When they battle with the mainstream faction, it resembles fellow students in the same sect dueling with one another. They can neutralize every stroke, new move made by their opponents.

It is sad enough when enemies slay one another over grievances and hate. But when people in the same sect

take on one another, it is the most tragic thing in human affairs. For instance, the Lien faction in the New KMT voted in support of Lien Chen not in order to bury the hatchet with the mainstream but to highlight the collusion between the mainstream and the Democratic Progressive Party [DPP]. Their goal is to expose with their vote a domestic scandal. What a ruthless and vicious move! And what a darn smart one too!

Trickery is every politician's stock in trade. When people rack their brains to scheme against others in their own camp, it would be odd indeed if internal strife does not break out. Huntington, an American political scientist, once wrote, "Verbal assault is a key weapon in political struggle in China." Judging from the Lien faction's grand strategy of extending the "battle line," clearly they do not content themselves with just holding a few mass meetings, verbally attacking the enemies, and waging several "wars of words." Their strategic objective is to "place righteousness above family loyalty" as in forming a political group first and then launching a full-fledged offensive against their enemies.

People who verbally attack others cannot bear others attacking them. People who do vicious things are even less tolerant of people who act meanly toward them. The mainstream faction believes that the Lien faction in the New KMT is set on making trouble and picking a fight in everything it does. The Lien faction in the New KMT, on the other hand, suspects that the mainstream is out to suppress and persecute it at the slightest provocation. The libel suit filed by Chien Yu-hsin [4675 0642 2450] against Yu Muming [6735 1970 2494] and others, a baffling move, is seen by the Lien faction in the New KMT as foreshadowing a crackdown by the mainstream.

A persecution complex is usually the monopoly of opposition parties. Everyday they live in a world of fear and suspicion, so nervous that they are afraid of their own shadows. This inevitably distorts or damages their personalities to varying degrees. What is surprising is that while the opposition has bounced back after its illness and is now brimming with vitality, the KMT, which at one point almost scared the opposition to death, is now afflicted, apparently seriously, with a similar ailment. The Creator could hardly have been more mischievous than that.

**Newly Elected Local Members of CPPCC
Published**

93CM0224B Hong Kong MING PAO in Chinese
20 Feb 93 p 2

[Article: "Names of 79 Hong Kong and Macao Businessmen and Political Personages Elevated to the CPPCC"]

[Text] The CPPCC Standing Committee approved the newest list of members of the CPPCC yesterday. Executive Council [EXCO] member Tung Chien-hua [5516 1696 5478] and Tan Huizhu [6223 1920 3796], a member of two former EXCO's, became new conferees. Liu Nai-ch'iang [0491 1698 1730], who had a parting of the ways with Hong Kong Governor Patten over policy changes, obtained another term. The 65-year-old businessman Qiu Degen, who asked for clemency from a court on senile dementia grounds, was also reelected.

The number of new members from Hong Kong and Macao increased from 57 to 79. Among the new members, a large number are members of Hong Kong political groups, including three who are members of the Democratic Alliance For the Betterment of Hong Kong. This includes the alliance chairman, Tseng Yu-ch'eng [2582 6877 2052], committee member Tsou Ts'an-chi [6760 3503 1015], and member Li Tsu-tse [2621 4371 3419]. In addition, middle-of-the-roader Jung Chih-chien [2837 2535 0256] is also a new conferee.

Quite a few of the new conferees are in charge of large Hong Kong enterprises. These include Yu Yuan-p'ing [0060 0337 1627] (of the Kumagai Gumi Co.), Liu Han-zhao [0491 3352 6856] (Xishen Enterprises), Ch'en Jui-ch'iu [7115 3843 3808] (Chang Chiang Clothing Manufacturers), Cheng Chia-ch'un [6774 1367 4783] (New World Group), Cha Mao-sheng [2686 2021 5116] (Hsing Yeh International), Yuan Wu [5913 2976] (China Steamship Navigation Corporation), Chiang Li-yun [5592 7787 5366] (Chen Hsiung Machinery), and Hu Fa-kuang [5170 3127 0342] (Ling Electronics), as well as Huo Ying-tung [7202 5391 2639] and his son Huo Chen-t'ing [7202 7201 7200] (Yu Jung Group).

In addition to members of the Democratic Alliance for the Betterment of Hong Kong, members of other pro-China political groups also became new CPPCC members. These included the chairman Hu Fa-kuang, and committee member T'an Hui-chu. New conferees holding the position of advisor on Hong Kong affairs include Hsu Chan-t'ang [1776 1455 1016], Shao Yu-pao [6760 3503 1015], Huo Ying-tung, Hu Fa-kuang, and Tung Chien-hua.

From among Legislative Council [LEGCO] members, Ch'i-lien Resources Center member Lin Pei Yu-hsi [2651 6296 5124 0823] gained another term. Another Ch'i-lien member, Liu Huang-fa [0491 4106 4099], became a new conferee.

Tseng Yu-ch'eng said that since he is involved in political matters in Hong Kong, after assuming duties in the CPPCC he will have more opportunities to link China and Hong Kong.

Huo Ying-tung and Ma Wan-ch'i [7456 5502 4388], who were elected to the last session of the NPC Standing Committee after having been in the Guangdong NPC for a long time, also became new members of the CPPCC.

An informed person said that, inasmuch as many businessmen are among the Hong Kong and Macao conferees, Huo Ying-tung and Ma Wan-ch'i will form a united front with entrepreneurs in the CPPCC. In addition, informed persons predict that Huo Ying-tung may become the first person from Hong Kong to become chairman of the CPPCC. Huo Ying-tung and Ma Wan-ch'i held rather high positions on the last NPC Standing Committee. They have been respectively chairman of the Hong Kong and the Macao Chinese chambers of commerce.

Informed persons say that, generally speaking, the NPC is made up mostly of CPC members, middle-of-the-roaders, and persons from pro-China organizations. Seventy percent of the members of the NPC are CPC members, but in the CPPCC, CPC members number no more than 40 percent (the number of CPC members in the CPPCC from Hong Kong is even lower).

In addition, according to regulations, CPPCC conferees may not be more than 80 years of age. Consequently, some former conferees from Hong Kong and Macao who are over 80 have not continued to serve. These include old Chinese medicine doctor Chu Ho-nieh [2612 7729 5262] (91), businessman Wu Tuo-t'ai [0709 1122 3141] (84), and Chia Kui-fan [6328 2710 5672] (88), former Kuomintang Seventh Army commander. This age restriction does not apply to members of the CPPCC Standing Committee, however. Election to the CPPCC Standing Committee requires nomination by the presidium following the convening of the CPPCC, and election by more than half the votes of the full membership.

Hsu Ssu-min [1776 0934 3046], who was reelected to the CPPCC, said that he is 79 this year, and that previously he had not intended to continue as a CPPCC member, but because of the controversy between China and the United Kingdom over Hong Kong's political system, he hoped to be able to devote a little strength to Hong Kong's stable transition.

Hong Kong and Macao Members of the CPPCC

New CPPCC Members From Hong Kong

Yu Yuan-ping, deputy director, Kumagai Gumi Group (H.K.) Corporation
Ma Lin [7456 5259], deputy chairman, Mrs. I Academy Board of Directors, Chinese University
Yun Ta-mien [7189 1129 2758], director, Hong Kong British-American Trading Firm.

Wen Lou [2429 2869], chairman of the board, Center for the Advancement of Chinese Culture
 Chu Lien-fen [2612 5571 5358], director, Hong Kong Hsin Tse International Trading Co., Ltd.
 Liu Huang-fa [0491 4106 4099], LEGCO member, member, Cooperative Resources Center
 Liu Hao-ch'ing [0491 3185 3237], director, Hong Kong Oriental Petroleum Corporation
 Li Ta-chuang [2621 1129 1104], director, Hong Kong Hsin Ta Chung Corporation
 Li Kuo-ch'iang [2621 0948 1730], editor in chief, KUANG CHIAO CHING [WIDE ANGLE] Magazine
 Li Tso-tse [2621 4537 3419], managing director, Hong Kong United Publishing Group; member, Democratic Alliance for the Betterment of Hong Kong
 Yang Sun-hsi [2799 1327 6007], director, Hong Kong International Group
 Liu Han-chao [0491 3552 6856], chairman, Hsi Shen Enterprises
 Ho Chih-p'ing [0149 1807 1627], professor, Surgical Department, Chinese University
 Tsou Ts'an-chi [6760 3503 1015], executive attorney, Democratic Alliance for the Betterment of Hong Kong, Central Committee member
 Chang Yun-feng [1728 7189 2800], director, Hong Kong WEN HUI PO
 Ch'en Li-ling [7115 7787 3781], chairman, Sharp Group
 Ch'en Jui-ch'iu [7115 3843 3803], director, Chang Chiang Clothing Manufacturing Group
 Shao Yu-Pao [6730 0645 0202], director and Hong Kong affairs advisor, Wanyu Trading Corporation
 Lin K'o-p'ing [2651 0344 1627], director, Coordination Department, XINHUA Hong Kong Branch
 Lin Shu-I [2651 3219 0308], deputy director, Trading Association
 Luo Yu-li [5012 0645 4409], director, Hong Kong Bean Products Corporation
 Cheng Chia-ch'un [6774 1367 4783], director and general manager, New World Group
 Chao Chen-tung [6392 6966 2639], deputy chairman, Hong Kong Taoist Association
 Hu Fa-kuang [5170 3127 0342], chairman and Hong Kong affairs advisor, Hong Kong Ling Electronics Corporation
 Cha Mao-sheng [2686 2021 5115], director and general manager, Hong Kong Hsing Yeh International Group
 Shih Tzu-ch'ing [2457 4382 7720], chairman, Hong Kong Heng-t'ung Resources Group
 Shih Hsiang-p'eng [2457 4382 7720], chairman, Hong Kong Heng-hsing Chi-li Corporation
 Ch'in Wen-chun [4440 2429 0193], deputy director, XINHUA Hong Kong Branch
 Yuan Wu [5913 2976], deputy general manager, Hong Kong China Steamship Navigation Corporation
 Hsu Kuo-chiung [1776 0948 8741], chairman of the board, Hong Kong Gold and Silver Trading Market
 Hsu Chan-t'ang [1776 1455 1016], director and Hong Kong advisor, North Sea Enterprises
 Huang Shou-cheng [7846 1343 2973], director, Hong Kong Fuhua Enterprise Corporation

Liang T'ien-p'ei [2733 1131 1014], director, Engineering Academy, Science and Engineering Institute
 Liang Ch'in-jung [2733 2953 2837], chairman, Chinese Business Association
 Chiang Li-yun [1412 7787 5366], executive director, Chen-hsiung Machinery Corporation
 Tseng Yu-ch'eng [2582 6877 2052], principal, Hong Kong P'ei Ch'iao Middle School, and chairman, Democratic Alliance for the Betterment of Hong Kong
 Tseng Hsing-ju [2582 2502 1172], director, Hong Kong Tseng Hsing-ju Real Estate Corporation
 Lai Ch'ing-hui [6351 1987 6540], director and general manager, Hong Kong Yungsheng Development Corporation
 Ts'ai Te-he [5591 1795 3109], founding director, Kuan-t'ang Industrial and Commercial Association
 T'an Hui-chu [6223 1920 3796], executive attorney and committee member, Democratic Alliance for the Betterment of Hong Kong
 Li Chin-wen [7812 6930 2429], lawyer
 P'an Tsu-yao [3382 4371 1031], director, P'an Tsu-yao Architects
 Huo Ying-tung [7202 5391 2639], director and Hong Kong affairs advisor, Hong Kong Chinese Chamber of Commerce
 Huo Chen-t'ing [7202 7201 7200], director, Hong Kong Yu-jung Corporation
 Chang Lu-heng [1728 7047 7200], director, Hong Kong Wu-ts'ang Resources Corporation
 Fu Tung [0265 0392], deputy manager, Editorial Department, XINHUA Hong Kong Branch
 Wang Kuo-hua [3769 0948 5478], director, Hong Kong TA KUNG PAO
 T'ien I-ming [3944 0001 2494], former advisor, Publicity Department, China Trade Promotion Association
 Chuang Yung-ching [1104 3057 4552], director, Hong Kong I-chou Group
 Ch'en Li-hua [7115 7787 5478], director, Fuhua Enterprises Company
 Yao Mei-liang [1202 5019 5328], director, Nan-yuan Yung-fang Group
 Yang Hai-ch'eng [2799 3189 2052], chairman, Royal Finance Group
 Ch'en Kuang-sheng [7115 1639 3932], director, Hong Kong Chia-hui Company
 Jung Chih-chien [2837 2535 0256], deputy director and general manager, China International Trust Investment (H.K.) Corporation
 Tung Chien-hua [5516 1696 5478], chairman, Tung Clan Group, and EXCO member
 P'an Chun-mi [3382 0689 1378], freelance writer, TA KUNG PAO

New CPPCC Members From Macao

Ma Wan-ch'i [7456 4388], Ma Yu-li [7456 2589 4409], Liu Yen-ch'uan [0491 5888 3123], Li K'ang [2621 1640], Li T'ien-ch'ing [2621 1131 1987], Li Ch'eng-chun [2621 2052 0193], Wu Fu [0709 4395], K'o Hsiao-kang [2688 1420 0474], Ho Ting-i [6320 1353 0001], Ts'ao Ch'i-chen [2580 0366 4176], Ts'ui Yao [2508 5069], Ts'ui

Shih-ch'ang [2508 0013 2490], Liao Tse-yun [1675 3419 7189], and P'an Han-jung [3382 3352 2837]

Reelected CPPCC Members From Hong Kong and Macao

Teng Kuang-yin [6772 1639 3009], Ku Sheng-hsiang [0651 0524 4382], Shih Ching-i [4258 2529 1355], Feng Yung-hsiang [7458 3057 4382], Feng Ch'ing-ch'iang [7458 1987 6973], Sit'u Hui [0674 1778 6540], Wu Shu-ch'ing [0124 3219 3237], Chuang Shih-p'ing [1104 0013 1627], Liu Nai-ch'iang [0491 1698 1730], An Tzu-chieh [1344 1311 0094], Juan Pei-yao [7086 0554 5069], Li Tung-hai [2621 2639 3189], Li Hsia-wen [2621 0204 2429], Yang Kuang [2799 0342], Ch'iu Te-ken [6726 1795 2704], Ho Shih-chu [0149 0013 2691], Yu

Kuo-ch'un [0151 0948 2504], Min Chien-shu [0151 0948 2504], Chang Yung-chen [1728 3057 3791], Ch'en Jih-hsin [7115 2480 2450], Ch'en Wen-ch'iu [7115 2429 5941], Ch'en Fu-li [7115 1788 4409], Lin Pei Yu-chia [2651 6296 5724 0823], Hu Ying-hsiang [5170 2019 3276], Hu Hung-lieh [5170 7703 3525], Hsia Meng [1115 1125], Hsu Ssu-min [1776 0934 3046], Kao T'iao-hua [7559 5378 5478], T'ang Hsiang-ch'ien [0781 5046 0578], Huang Yun-t'ien [7806 0336 3953], Huang K'o-li [7806 0344 4539], Huang Ch'i-tuo [7806 0796 6995], Huang Meng-hua [7806 1125 5362], Liang Hsin [2733 8590], P'an Chiang-wei [3382 3068 0251], Wang Hsiao-hsing [3769 1321 5887], Kuo Tung-p'o [6753 5887 0980], Tao K'ai-yu [7118 7030 5940], K'ang Hsien-yang [1660 7359 2254], and Liang P'i-yun [2733 2126 7189].