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29 AUGUST 1988



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GENERAL

Commentary on Moscow Summit

40050358a Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 12, 23 Jun 88 pp 3-5

[Article by Gu Ji 4474 4949: "Develop a Dialogue, Strive for Coexistence—Thoughts on the U.S.-Soviet Moscow Summit"]

[Text] The Moscow duet performed by President Reagan and General Secretary Gorbachev has come to an end. Despite deep-rooted distrust on both sides, and despite occasional disaccord, on the whole, there was harmony. Reagan felt that everything went "smoothly," and that it was a "success." Gorbachev was thankful of Reagan's "cooperative, frank, and pragmatic" attitude during the performance.

Admittedly, from the point of concrete achievements, the meeting produced no surprises. But, as a U.S. newspaper commented, "in weighing the importance of this meeting, we should look first at the change in attitude in the handling of the U.S.-Soviet relationship which it signifies and not at how many tons of documents are signed." Just a few years ago, President Reagan still viewed the Soviet Union as the "evil empire." Today, he personally went to the heart of this "empire" to meet with Gorbachev. It goes without saying that this change in itself is very significant. It goes without saying that both sides want to keep the dialogue and the moderating trend going. And it is for this reason that the international circles generally have welcomed and praised this round of U.S.-Soviet summit. Today, although the Moscow duet has come to an end, the melody still lingers. Many expert listeners are still pondering over the harmony and the disaccord between them. How do we assess this meeting? What will its effects be on the development of U.S.-Soviet relations and on the global situation?

A Meeting that is a Sequel and a Precedence

The Moscow meeting is the fourth U.S.-Soviet high-level meeting in 2 years. It reflects the tortuous course of U.S.-Soviet dialogue, but it also reflects the extent of the moderating U.S.-Soviet relations. If the 1985 Geneva meeting broke the 6-year standoff between the two nations and paved the way for a new dialogue and expedited the arms control talks, then the 1986 Iceland meeting laid the foundation for the nuclear arms reduction talks. At the 1987 Washington summit, they finally signed the treaty eliminating intermediate-range nuclear forces, and took the first step in the history of arms reduction to truly reduce nuclear arms. The major achievement of the Moscow meeting, to quote Gorbachev, is "the continued development of Soviet-U.S. dialogue on all key issues of global politics and bilateral relations." They not only exchanged INF treaty ratification documents, and signed an agreement on two arms reduction issues and a bilateral agreement on seven cultural exchange and technological cooperation

projects, the leaders also held broad and penetrating discussions on regional conflict issues, "and discovered possibilities of solving regional problems with political solutions on the basis of balance of interests." From Geneva to Reykjavik to Washington to Moscow—this is the entire route of the moderation of U.S.-Soviet relations. The Moscow rendezvous is the sequel to the previous three meetings and is also the starting point of future dialogues.

A comprehensive look at the Moscow meeting shows that both sides will agree that they want to continue the dialogue and the moderating trend. At the farewell ceremony, Gorbachev repeatedly said that, "we have the great experience of having had four meetings, and we must try our best to keep going to 'turn back the train of U.S.-Soviet relations from the dangerous path and head for safety.'" In reminiscing his meetings with Gorbachev, Reagan pointed out interestingly that the first time they met in Geneva, it was a cold day, and Reykjavik was even colder. But the meeting in Washington last December was different. The Moscow meeting takes place in the summer, and both sides have sown the seeds which will produce results in the future. In a joint statement after the meeting, both sides again emphasized the significance of continuing the dialogue, and felt that "a dialogue can be the constructive basis for solving today's, tomorrow's, or the next 100 years' problems." This clearly shows that at present, the two nations have shifted the emphasis of their contention from military supremacy to overall national strength, and they must ease the tense relation between them in order to continue the present dialogue and moderating trend.

At present, both the U.S. and the Soviet Union are faced with a series of domestic and foreign problems. The leaders who have lived through the tumultuous years of World War II are being replaced by leaders of a younger generation. Because these younger leaders are brought up in a completely different environment from the political leaders of an older generation, they realize that military buildup alone cannot win them the international influence they have long sought. This reinforces the need for both nations to preserve the foundation of moderate forces and prolong that tendency. Reagan's presidency is almost over, but he wants to leave a lasting legacy for the next American government, so that whoever gets into the White House will be able to maintain contact with the Soviets. The Soviet Union, on the other hand, want to maintain a dialogue with the U.S. to set down some basic principle concerning the relations between the two nations and other important international issues in order to create favorable international conditions will enable them to concentrate on meeting the serious economic challenges they are now facing. This background makes the Moscow summit a meeting which is the sequel but is also the precedence to other meetings. Its real significance lies in its consolidation of what has been achieved and in continuing the dialogue.

Irreconcilable Differences

Although both nations appear to be optimistic about keeping the dialogue going, neither side will deny that there are great differences between them on many important issues. Take the Moscow summit for example, every meeting has been "difficult," and even up to the very last minutes of the final meeting, there have been sharp exchanges.

The arms race was the central topic of the Moscow summit. As expected, the meeting produced no breakthrough on the issue of arms reduction. As soon as Reagan arrived in Moscow, he quoted the Russian saying, "It was born. It was not rushed." This threw cold water at Gorbachev who had been anxious to conclude this treaty. At the meeting, except for agreeing on the method for counting air-launched cruise missiles and on monitoring mobile intercontinental ballistic missiles, the differences over sea-launched cruise missiles and the interpretation of the 1972 antiballistic missile treaty, the two main stumbling blocks, have not been resolved. In the U.S.-Soviet joint statement, both sides again solemnly declared that neither was "seeking military supremacy," but in fact both were trying their best to limit the other side and expand itself. This mentality has repeatedly caused the arms reduction treaties to "draw a blank," and "cast a shadow over the two country's relations."

Compared with the previous meetings, the Moscow summit went further into the issue of regional conflicts. Undeniably, the Soviet withdrawal from Afghanistan beginning 15 May created the good atmosphere for the two heads of states to discuss regional conflicts. Both Reagan and Gorbachev expressed that the end of the Afghanistan problem could lead to political solutions for other regional conflicts. They discussed the situations in the Middle East, southern Africa, the African horn, Central America, Cambodia, and the Korean Peninsula, but they disagreed on the causes and the solutions to the tense situations in those regions. Basically, each persisted with his own view, and there were great differences of opinion. At their third meeting, Reagan even put aside the original agenda which was to discuss regional issues, and turned instead to inquire about the Soviet economy. Naturally, the joint statement only briefly covered this issue.

The human rights issue originally was placed fourth on the agenda for this summit meeting, but Reagan seized this issue which is of interest to the voters back home, and it became the major topic and was mentioned at almost every meeting. At the first meeting, a list of 14 names was brought out, signally the U.S. is "very concerned" about the attack on the human rights of these Soviet citizens. On his visit to the Danilov Monastery, Reagan advocated "a new era of religious freedom," and he met with scores of Soviet "political dissidents," and urged them to "steadfastly fight for human rights." The host reacted strongly to this. Soviet newspaper criticized

this "anti-Soviet performance," and declared that they "will not tolerate the use of the human rights issue to fan hostility between nations." Soviet foreign ministry spokesman Gerasimov said, "we recognize our own flaws, and we are not pleased with the school boy role assigned to us by those from yonder." On the same day Reagan received the political dissidents, the Soviet side arranged a meeting with a contingent of representatives of American Indians, and accused the U.S. government of persecuting native Americans and abusing human rights. They turned the table on Reagan and put on tit-for-tat show.

The contention over basic strategic advantages and the deep-rooted sense of distrust which is difficult to overcome mandate that the moderation of U.S.-Soviet relations will be gradual and relative. The dialogues may become more frequent and more penetrating, but the rivalry will remain and will not disappear because the atmosphere appears harmonious. There is no basis for blind optimism in U.S.-Soviet relations.

Conspicuous Signs of Change

Despite all these, the U.S. and the Soviet Union, as the world's two superpowers and long-time adversaries, have entered a new era of moderation and dialogue. This injects a new element not only into the development of those two nations but also into the development of the world situation. Some changes are already obvious:

First, the international dialogue has expanded.

Reagan, a statesman with staunch anti-communist views, has travelled long distance to Moscow where he has never set foot before to meet with Gorbachev. This in itself reflects the weakening of a consciousness which has dominated international relations and the behavior of politicians for more than 40 years since the war. Realism has prompted many politicians to abandon all kinds of prejudices and doubts and to sit down to talk. This was also where the Moscow rendezvous received the highest marks from around the world. A WASHINGTON POST commentary headlined, "The Beginning of An Unprecedented Era of Dialogues." People noticed that, a week after the Moscow summit, the European Economic Community and the Council of Mutual Economic Assistance signed a declaration of mutual recognition to end the 30-year old mutual non-recognition of Europe's two largest trade associations. Although this was not the direct result of the Moscow summit, it was consistent with the spirit of dialogue and moderation embodied by the summit. Moreover, under the present "macroclimate," there will be further developments in dialogue and political solution to various conflicts in the "hot point" regions.

Secondly, economic race has replaced military contention as the number one concern for all nations.

Just as before, economic issues were not included in the agenda of the Moscow summit. Foreign reporters, however, have called this meeting an "economic summit meeting." This was probably done deliberately to attract attention. Yet, among the factors which brought Reagan and Gorbachev to the bargaining table, the pressure of arms race on the national economy was indeed the prime consideration for both sides. But more important is the fact that the result of these meetings was first reflected in the economic realm. After the U.S. and the Soviets shift the emphasis of their contention from simple nuclear expansion to the development of overall national strength, which includes economics, technology, military, politics, and organization management, the scale and degree of economic contest will far exceed previous levels.

From a global point of view, the relative improvement of U.S.-Soviet relations will reduce the threat of war to an extent, and the congealing forces within the two large military blocs, NATO and the Warsaw Pact, will also diminish gradually. The economic conflicts between their respective allies and the U.S. and the Soviet Union will intensify. Take the U.S. as an example: in order to improve their own economic situation and reduce their foreign trade and budget deficits, they must increase exports and reduce imports, and they must revamp their exchange rate and interest rate policies. Naturally these will increase the disaccord and conflict between the U.S. and the other developed Western nations. The Soviet Union has a heavy burden abroad. When they switch their attention to the domestic economy and technological developments, and establish economic contact with the Western nations, inevitably there will be conflicts with their CMEA allies over raw materials, energy supply, and international division of labor. The economic conditions of the developing countries are uneven. A new group of newly industrialized nations or regions may have emerged, but many countries are still impoverished. In the coming years, on the one hand, all nations will become more deeply involved in the system of division of labor. On the other hand, unstable elements in the world economy will accumulate, and the economic challenge faced by all nations will mount.

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U.S.-Philippine Talks on Military Bases Analyzed
40050366a Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 13, 5 Jul 88 pp 8-11

[Article by Zeng Moxiu 2582 5459 9128: "Background and Prospects of the Talks on the Philippine Military Bases"]

[Text] The conference on the U.S. military bases, which began on 5 April of this year, is nearing its final stage. The present conference is held against the background of strong demands by Philippine leftists and some parliamentarians to abolish the U.S. bases, only 3 years away from the deadline for returning the bases in 1991. The

present talks between the United States and the Philippines have, therefore, drawn extraordinarily strong attention. The question whether the U.S. bases will be abolished or will continue is an issue that is followed with interest in the Philippines as well as in all the countries of the vast Asia-Pacific region.

History of the U.S.-Philippine Agreement on Military Bases

In 1946, the Philippines freed itself from the American colonialist rule and declared its independence. On 14 March 1947, the Roxas government, which was in power at that time, concluded an agreement with the Truman government of the United States on the U.S. bases in the Philippines. The agreement stipulated: The United States shall continue to occupy 23 army, navy, and air force bases in the Philippines for a duration of 99 years. As from 1947, that would mean until 2046. The agreement, furthermore, allowed the United States to add new bases, and American military personnel were to enjoy a broad range of extraterritoriality rights on these bases.

The Bandong Conference gave a forceful impetus to the Afro-Asian peoples' liberation movements. Talks with the United States on a revision of the agreement on military bases achieved, on 12 October 1959, an agreement which for the first time safeguarded the sovereignty of the Philippines. Its main contents were as follows: The use of the bases in war or in an emergency by the United States would require consultations with the Philippines; the United States must not install long-range missiles in the Philippines without the approval of the Philippines; the bases shall be leased for a period of 25 years. Both sides had earlier agreed to reduce the number of bases to four. On the question of allowing American military personnel to enjoy extraterritoriality on the bases, the Philippines, after lengthy negotiations, on 23 November 1960, accepted an American compromise proposal. It provided that the final decision of the "duty status" of American military offenders at the time of a crime would be decided by the U.S. High Command on the Philippines. However, the question has never been fully resolved. It was only in 1960 that both sides agreed to reduce the term of the lease and have it end in 1991. In July 1974, the Marcos government declared the 1946 "Laurel-Langley Agreement" expired and no longer in force, and at the same time abolished the "equal rights" enjoyed by the United States in the Philippines, and also put an end to the "special relationship" between the United States and the Philippines. The United States still maintains the two large bases, Clark Air Force Base and Subic Bay Naval Base, as well as four small bases. In 1976, the Philippines demanded that the United States acknowledge and respect Philippine sovereignty, demanded return of sovereign rights over the bases, and demanded that the United States pay rent for the use of the bases. After 2 years of negotiations, the United States and the Philippines signed an amendment to the U.S.-Philippine agreement on the bases, which contained acknowledgment of Philippine sovereignty over the

bases, appointed a Filipino as commander over the bases, and allowed the continued use of the bases by the United States. But added that the Philippine flag must be flown at the bases, and that the United States pay within 5 years \$500 million in military aid and loans, pay a further \$900 million, between 1984 to 1989, as rent for the bases, and renegotiate the agreement every 5 years.

On 16 February 1988, four years after the last talks with the United States, the Philippines began to enforce its laws on customs, immigration, and quarantine in these two bases, which was the first time since its independence in 1946 that the Philippines enforced its laws in territory under U.S. control. The same year, the Philippines also demanded that the United States pay \$1.5 billion in one sum as security aid and three times the amount of rent charged heretofore. It shows that the Philippines has been to a certain extent successful in the struggle to recover sovereignty over the bases.

Function of the U.S. Military Bases in the Philippines

The two main large U.S. bases on the Philippines are Subic Bay Naval Base and Clark Air Force Base.

Subic Bay is a natural deep-water harbor created by volcanic activities, located near Olongapo City, about 90 km northwest of Manila, occupying an area of 25,000 hectares (15,000 hectares of land and 10,000 hectares of water). It is part of Bataan and part of Zambales Provinces. As early as during the Spanish colonial time, Subic was the largest naval port in the Far East. During the time of the Japanese occupation, it was a Japanese naval port. The U.S. military expanded it after the war to become one of the main bases of the U.S. Pacific Fleet. It has a capacity of handling 1 million tons of supplies per year, to support the military activities of the U.S. Seventh Fleet in the Pacific and 77 mixed special naval units in the Indian Ocean. Besides, the deep caves, capable of protecting against atomic bombs, which have been built on the shorelines board where ocean meets the precipitous hills of Zambales Province, are an ideal base for nuclear submarines. That is where the U.S. nuclear submarine, the "Polar Star," frequently exits and returns.

The Subic base employs about 30,000 persons, which includes U.S. military dependents, the Marines in charge of security at the base, and local Filipinos employed at the base.

Clark Air Force Base is located in Pampanga Province, 80 km north of Manila. In the early years of the 20th century, American colonialists had marked out this place as a horse farm for the U.S. Fifth Cavalry. Originally it covered a little over 3,000 hectares. During their occupation, the Japanese expanded the base and made it one of their largest air force centers with a total of 9 airfields and 13 runways. It is now the headquarters of the 13th

U.S. Air Force, comprising 1 squadron of C-130 transport planes, 2 squadrons of F-4E fighter aircraft, and 1 squadron of F-5 fighter aircraft. It covers an area of about 49,000 hectares.

The task of the 13th U.S. Air Force is protection of the air space over the Philippines and the island of Guam, but the most important functions of Clark Air Base are to serve the United States as its largest air force base in Asia and the second largest in the world, to be the United States' largest airport in the Western Pacific, and to serve the U.S. air force as Southeast Asian logistics center and as transfer base in its strategy of dispatching emergency strike forces to Southeast Asia, South Asia, the Middle East, or East Africa.

A total of 45,000 persons work at Clark Air Force Base, comprising over 9,000 air force personnel, over 14,000 military dependents, and over 9,000 directly hired contract laborers.

Since the 1950's, the two bases have been used by the United States as headquarters for their military aggression against Korea and Vietnam, also to coordinate the U.S.-controlled Southeast Asian military treaty organization in its continuous interference in the internal political affairs of the Philippines and of other Asian countries. After the middle of the 1970's, the two bases became the forward centers opposing the Soviet bases in Vietnam.

The Problematic Future of the Bases

The American bases in the Philippines are left-over remnants from America's past colonialist rule. However, opinions in the Philippines are divided as to whether to finally take back these two bases after 1991. Some consider that because these two bases directly employ several thousand Filipinos, they are the source of \$180 million rent a year; in addition, the Americans also buy about \$200 million Philippine products a year. There is also the income earned by Philippine staff and workers, so that the annual income derived by the Philippines from the bases amounts to as much as \$450 million. About 500,000 people depend on the bases for their livelihood. For instance, the city of Olongapo near the Subic base has a population of 275,000, who almost all earn their money from the American military by operating bars, hotels, restaurants, and other service trades. The mayor of that city said, that every day 3,000 American sailors come to spend their holidays here, each of them spends \$40 -50 per day, which provides the city, from this source alone, with an income of \$46 million a year. Closing down the base would cut the economic lifeline of Olongapo City, without which it could not survive. On the other hand, in the opinion of many Filipinos, the bases must be blamed for bars, bar girls, and prostitutes all over town. They believe once the base is abolished, Filipinos would be able to engage in agriculture and forestry on their own land, or build a free

harbor or recreational area at Subic Bay. Given sufficient time, it would certainly yield huge economic benefits, thus change the economic conditions, and bring true happiness to the people as well as uphold national dignity.

Looking at the present situation, the Philippine Government has not yet made up its mind and is also not yet able to recover the bases. Some who have originally suggested taking back the bases on expiration of the agreement have begun to change their ideas. For instance, the Philippine foreign minister Manglapus proclaimed that he himself is against the American bases, but will bow to the economic needs of the country. Senator Agapito Aquino, the uncle of President Corazon Aquino, who had for many years been in the forefront of the struggle against the bases, has also changed his mind. He said: "I know that they will finally have to be closed down and go. The question is when is 'finally'? If we are given a present, and we cannot very well refuse, then let us take it." President Corazon Aquino last year February emphasized in her speech to the heads of ASEAN that the security of Philippine sea and air routes is beneficial for the continued economic stability of Southeast Asia and all Pacific Rim countries and contributes to that effect. By this remark she seems to have hinted at the important function of the American bases in the Philippines. It is very clear that in order to free itself from its difficult economic situation and promote development, and also for the security of the Southeast Asian region, the Philippines cannot risk at present to dissociate itself from the United States. The United States is also unwilling to abolish its bases. The key question in their mutual talks is now how much rent the United States is to pay to the Philippines in the next 5 years. Members of the Philippine National Assembly are asking for a very high price, some suggest that the United States assume Philippine's foreign debt of \$27 billion, whereupon the status of the bases may be maintained unchanged for the next 50 years. Some suggest that the annual rent for the next 5-year period should be \$1 billion. The U.S. Ambassador to the Philippines, Platt, opposed combining the base problem with the question of repayment of foreign debts. The U.S. Congress and official personalities emphasize that the deficit of the U.S. Treasury is very high and that the United States cannot afford to pay so high a rent. Ernest Ma-si-da [phonetic], chairman of a Congressional Defense Committee and member of the Base Investigation Team, said that the Congress would not be able to approve a rent of more than \$500 million per year.

The other ASEAN countries fear that it would contradict their proposal to establish Southeast Asia as a nuclear-free zone, if they were to openly state that they support continued maintenance of the American military bases in the Philippines. However, as the ASEAN countries see a security threat for Southeast Asia in the military presence of the Soviet Union in Vietnam, they all do not want the United States to close down its bases, and thereby bring about an imbalance between the military strength of the United States and Soviet Union in this

area. Because a U.S. withdrawal from its bases in the Philippines or their removal elsewhere would change the military deployment, and would undoubtedly cause a change in the political situation, and as a consequence also cause turmoil and insecurity in the entire Southeast Asian region. Lee Kuan Yew, prime minister of Singapore, strongly suggested that the United States maintain its bases in the Philippines. He said clearly: If the United States are forced to abandon its bases in the Philippines, it could endanger the economic development of Asia.

It can be clearly seen that there are obvious reasons to believe that the United States will be able to maintain its bases in the Philippines. The crucial question is: What will the new conditions be and what will the new price be for continued maintenance of the American bases?

The new Philippine constitution, promulgated in 1987, prescribes concerning the American bases: Unless authorized by new treaties, no foreign military bases will be permitted on Philippine soil after 1991. However, parliament may conclude new treaties, which will then be subject to a national referendum. The constitution, furthermore, prescribes that it shall be Philippine policy not to allow any nuclear weapons on its territory. These provisions indicate: The Philippine constitution permits new base treaties between the United States and the Philippines, but does not allow nuclear weapons on Philippine soil. On 6 June this year, the Philippine Senate passed a legislative bill forbidding nuclear weapons and also the presence of warships or aircraft which have nuclear weapons on board. This will raise another disputed issue, because it is U.S. customary practice never to give information whether there are nuclear weapons on its bases.

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SOVIET UNION

Gorbachev's 'New Thinking'; Soviet Policy Toward Eastern Europe

40050292a Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 10, 23 May 88 pp 5-6

[Article by Dong Bainan 5516 2157 0589: "Gorbachev's 'New Thinking' and the Adjustment of Soviet Policy Toward Eastern Europe"]

[Text] After Gorbachev's new book, "Reform and New Thinking" was published in Moscow in November last year, it quickly became a best seller in the Soviet Union and internationally. One section of the book is devoted to a special summary of the Soviet Union's lessons of experience in handling relations with Eastern European countries and makes a self-criticism. It also presents principles of establishing relations with socialist countries. Actually, in the 3 years since Gorbachev assumed office, he has repeatedly taken the initiative to visit all the Eastern European countries except for Albania. In these visits, Gorbachev has exchanged views on bilateral

relations and important international issues with party and government leaders of these countries as "equal partners" and conscientiously listened to the view of his opposite numbers. This attitude of facing the lessons of history directly has won the high opinions of the Eastern European countries. Many leaders of Eastern European countries have said that in the years in which Gorbachev has been in power, has been "the best period since the war" in Soviet-Eastern European relations. World opinion has also generally noted that an obvious change is taking place in Soviet policy towards Eastern Europe. The changes have taken place primarily in the following areas:

He has admitted that the Soviet Union made mistakes in handling relations with some countries of eastern Europe.

"Reform and New Thinking" says: There are "very big shortcomings" in Soviet handling of relations with some Eastern European countries, "much Soviet experience was copied indiscriminately without taking into consideration the special situations of this or that country. What is worse is that this formulaic attitude was 'verified' ideologically by some of our theoreticians, especially pragmatists, and they seemed to become the sole defenders of truth. They did not consider new changes in issues nor did they consider the characteristics of the socialist countries but often expressed doubts about their explorations." In 1986 on the 42d anniversary of the liberation of Albania, a Soviet publication openly published an article indicating that in the past the Soviet Union had been "subjectivist and volunteerism" in handling relations with Albania and hoped that relations between the two countries could be normalized. This is rare in the more than 20 years since the break in Soviet-Albanian relations. In Soviet-Polish relations, the Soviet Union indicated that it should have made "in-depth evaluations" of all the "unresolved" problems in the history of the two countries and publicly admitted that the resolution to disband the Polish Communist Party made by the Executive Committee of the Comintern in 1938 was a mistake and was willing to "learn" from this historical lesson. In March of this year when Gorbachev visited Yugoslavia he also told Yugoslav leaders that in 1948 the Soviet Union made "unfounded accusations against Yugoslav leaders" and thus "harmed Yugoslavia, the Soviet Union and all socialism" and repeatedly apologized to Yugoslavia. Western analysts that Gorbachev's "candid dealings" with the countries of Eastern Europe is a first among the highest leaders of the Soviet Union.

He stressed that countries are "absolutely and completely equal"; "no one can monopolize the truth."

"Reform and New Thinking" points out: "The political relations of socialist countries must be strictly established on a foundation of absolute independence and their own initiative, each party has the right to determine the tasks facing it and its responsibility to its own country. This is an unwavering principle."

People note that last April, when visiting Czechoslovakia, Gorbachev had clearly stated that there is no center in the socialist system, each country is absolutely and completely equal, and that the era in which the Soviet Union "issued orders to its allies is gone and will not return," "no person has the right to enjoy a special position in the socialist world." This March, while visiting Yugoslavia, Gorbachev also stressed in a speech that in socialist countries "no one can monopolize the truth," no one can "impose his viewpoint on socialist development on any person." The West believes that the flexible attitude of the current Soviet leaders is in clear contrast to the methods of "flagrant interference" of the past and is in fact a critique of the ideas of "the theory of limited autonomy" and that "the Soviet Union is the center."

He admitted that the paths of socialist construction are "diverse."

Beginning in Stalin's time, Soviet leaders have stressed that the experience of the Soviet Union reflected the "law" of socialism, that there was a "universal significance" to socialist revolution and construction of a country. They also stressed that "there was not and could not be a path to socialism" apart from the common law verified by the experience of the Soviet Union. Thus, the Soviet Union has always maintained a skeptical, critical, and negative attitude towards Eastern European countries' reforms of the economic system carried out to different degrees and the socialist path they sought which conformed to national characteristics. Gorbachev abandoned the convention of using the Soviet model as the criterion to judge right and wrong and admitted that the Soviet Union had "errors, mistakes, and even tragedies" in socialist construction and that "no one could make his own model the pattern." He felt that since the socialist countries "have great differences in lifestyle, history and national traditions", they have the right to determine their own domestic policies and should "forge ahead toward new patterns along their own path" and should not copy the Soviet experience. Gorbachev affirmed the achievements of Hungary's reform of the economic system, and praised Hungary for "courageously bringing forth new ideas" in resolving economic problems; he affirmed Poland's "consultative reform line" and the experience of the German Democratic Republic's "united enterprises." He also said that other socialist countries also have "experience in many areas", the experience in socialist construction of the countries was "a common wealth" and that "mutual experience" should be "carefully and respectfully handled and put into practice." Gorbachev is always sending delegations to Eastern European countries for observation and study, and the Soviet press has, under the topic of "Drawing on the Experience of Fraternal Nations", introduced the experience of these countries. This year, during a visit to Yugoslavia, Gorbachev evaluated highly for the first time the experience accumulated by Yugoslavia in political reform of "socialist self-government" changing the censure and criticism of Yugoslavia's "self-government" by Soviet leaders in the past.

He admitted that socialist countries have their own "certain national interests."

In the past the Soviet Union viewed national interests and internationalist interests as opposed to each, stressed only internationalist interests while denying national interests, and drew an equal sign between Soviet interests and internationalist interests. In 1984, when some Eastern European countries stated the viewpoint that each socialist country had its own national interests and could not unconditionally subordinate national interests to international interests, it was violently attacked by the Soviet Union and was called "a slogan of opposition to proletarian internationalism." Now the Soviet Union admits that socialist countries "have certain national interests" and cannot "be dissolved and disappear" in the formation of the big socialist family, but should "organically integrate national interests and internationalist interests."

He reformed Comecon and adjusted internal relations of member countries.

Comecon is an important organization for cooperation between the Soviet Union and the countries of Eastern Europe in such areas as economics and science and technology and plays an active role in bilateral economic development. However, for a long time, contradictions have constantly appeared within Comecon on such issues as the quality and time of supply of fuel and raw materials, foreign trade prices, mutual supply of goods and systems of cooperation. In particular, as the economies became more integrated, the influence of the Soviet Union economically on the countries of Eastern Europe became greater. The Eastern European member countries have demanded one after the other that Comecon "must adopt measures to eliminate internal bureaucratic system," "search for a new model of integration" and "establish cooperation on a foundation of truly solid and reliable economic principles and economic accounting." Last October, the heads of government of the Comecon member countries held their 43rd (extraordinary) meeting in Moscow and Gorbachev took the lead to propose a reform of the Comecon system. The meeting decided that the future center of gravity of Comecon cooperation should gradually shift from commodity trade to the realm of production and science and technology centering on cooperation in science and technology; vigorously develop direct production relations between the enterprises and economic organizations of the countries; begin to implement a combined system of mutually convertible currency and transfer account rubles and gradually make the transition to a completely free convertible currency, and permit Eastern European countries the freedom to adopt diversified economic measures. These decisions reflected the wishes of the Eastern European member countries and this both mitigated the contradictions in economic trade between the Soviet Union and the Eastern European member countries and also opened new prospects for broad cooperation on both sides in the economic realm.

The reason for such subtle changes in Soviet policy towards Eastern Europe is primarily because Soviet leaders made a reevaluation of the current international situation and increased flexibility in foreign policy. Gorbachev thinks that the present world is full of contradictions and that they should carry out a "rethinking and comprehensive analysis" of the international situation and that they should "abandon everything which is out-of-date." When dealing with international affairs, they "should both have firm principles and standpoint, and also should have flexibility strategically, and be ready to make mutually acceptable compromises." This important change in guiding principles has determined Soviet foreign policy, including some adjustments in policy towards Eastern Europe. For a long time now, the Soviet Union's great power chauvinism in dealing with relations with socialist countries has led to worsening and breakdowns in relations with many socialist countries. It has also intensified the continuing development of centrifugal tendencies in the Eastern European countries, which is both unfavorable for them and for others. Soviet leaders summarized teachings in this area and seemed to become aware that the method of crude interference in internal affairs can only run counter to their desires and aggravate contradictions. Respecting the internal affairs of other countries and treating people as equals is beneficial to mitigating contradictions and improving relations.

It could be said that under the guidance of "new thinking", Soviet policy towards Eastern Europe from theory to action has made adjustments in many areas and has made the important first step. However, promotion of "new thinking" will not be smooth sailing. It may be interfered with and opposed by domestic conservative thinking and also may encounter resistance internationally. Whether "new thinking" can be as good as its word and resolutely be carried out also awaits the test of time.

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19th CPSU National Congress Viewed

40050336a Shanghai SHIJIE JINGJI DAobao in Chinese 27 Jun 88 p 5

[Article: "Bits of Information on the Forthcoming CPSU National Congress—The 19th CPSU National Congress Is Being Held 47 Years After It Met the Last Time. This Span of Time Itself Makes the Present Congress Significant; The World is Watching Whether This Congress Will be Able to Defeat the Obstructionist Forces and Allow the Dedicated Reformers To Gain the Upper Hand"]

[Text] This week, the 19th CPSU National Congress will be held in Moscow. It will be 47 years since the last congress was held! The span of time alone signifies the importance of the present congress.

The outline put forward by the CPSU Central Committee asserted, first of all, that it is necessary to press forward with the economic reform, and to launch, at the same time, a reform of the political structure. This includes changing the way the leadership organs of the party are created, prescribing limits for the time leaders may hold office, reforming legislative work, returning all powers to the Soviets, reassessing the foreign policy of the Soviet Union, etc.

The present congress will no doubt be a historical watershed between the Soviet Union of the past and the Soviet Union of the future. However, whether Gorbachev's ideas of accelerating reform and broadening its base will be approved depends directly on the composition of the congress with its 5,000 delegates. Since there is still a difference of thinking among the leadership of the CPSU, as between the reformers and the conservatives, it goes without saying that there is also divisiveness among the lower levels of the party in their political leanings. But judging by the way the delegates have been elected, Gorbachev will not necessarily get the full support that he hopes he will receive. For example, some well known reformist personalities, including the social scientist Zhaslavskaya, the economists Nikolai Shmelev and Albakin, the dramatist Shatrov, the film director Klimov, and the chief editor of the MOSCOW NEWS, Yakovlev, even the famous historian Afanasev, had all lost in the initial election. Finally it was only through intervention of the Moscow party committee that these people were assured their status as delegates. But the economist Aganbegian, the famous political commentator Burlalskii, professor Popov of Moscow University, and editor Kliuchevskii, whose OGONYOK [SPARK] drew so much attention, were still not elected due to "election procedure." The reason why we took the trouble to list all these people who got elected or who were not elected is that this question has evoked extraordinary repercussions in the Soviet Union. People even went so far as to hold a public demonstration in connection with this matter. Early this month, the demonstrators shouted on Pushkin Square: "Stand up to them! Gorbachev, we will fight together with you!" Political commentator Bao-wen-ce [phonetic] openly expressed his dissatisfaction about these affairs in the KOMSOMOL PRAVDA, where he wrote: "I feel people are cheating us; the list of candidates was done at the top and handed down, just as in the past." In Siberia, in the city of Omsk, 8,000 people crowded into a football field to protest the locally designated delegates. And in the city of Yaroslavl in Belorussia 5,000 citizens gathered for a similar purpose, expressing their dissatisfaction with the delegates selected for the congress. For this reason, Gorbachev's assistants, after studying the situation, believed that they had gained only a partial victory in the nationwide struggle to get supporters of the reform elected.

Even PRAVDA, the official organ of the CPSU Central Committee, said in a commentary in the first week of this month: "A political common phrase that we often use is 'a life-and-death struggle;' but we now see that this

kind of a struggle is being waged all around us... We all believe and actually affirm that we are actually engaged in a fight that will determine the future of our country. In view of the influence and power of the Soviet Union, this struggle will determine the fate of the world. We—at least most of us—also believe that only Gorbachev is our hope for survival."

Letters from readers, published last month in Soviet publications, even contained the warning that if the comprehensive reform policy, which is now being proposed by the leadership of the party, fails and Gorbachev is driven out of office, there looms the possibility of civil war.

Professor Popov believes that the present delegates, with the exception of only a few, are all supporters of the reform. But there are also two factions among them, the activists and the passive faction, and the latter are the majority. These people could also be called the traditionalists, because in all their actions they go by the standards of the past, and throughout the entire Soviet society, the traditionalists are in the majority. For this reason, the Soviet reform is facing huge obstructionist forces. Whether the congress this week will be able to eliminate these obstructionist forces and enable the activist reform party to gain the upper hand, is the focal point that has the attention of the whole world.

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SOUTHEAST ASIA/PACIFIC

'Afghanistan Model,' Future of Cambodia Discussed in Article

40050359a Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 11, 5 Jun 88 pp 3-4

[Article by Tian Zhongqing 3944 0022 7230: "The Afghanistan Model and Prospects in the Cambodian Question"]

[Text] On 15 May, the first contingent of the Soviet invasion force in Afghanistan left Kabul on its way home. On the second day thereafter, Thailand's Prime Minister Prem Tinsulanond made the arduous trip to Moscow for the first visit to the Soviet Union by a Thai prime minister since 1979. The timing of the trip may have been a coincidence, but international press circles who closely observe the changeable political weather see in it a certain link: After the first withdrawal of Soviet troops from Afghanistan, the solution of the Cambodian question has taken on an even more pressing appearance.

Expectations Evoked by the Afghanistan Model

As a stalemate reigns on the Cambodian battlefields for the last 2 years, a tendency toward a political settlement of the Cambodian question has clearly developed. Following up its 1986 "eight proposals" for a political

solution, the Coalition Government of Democratic Cambodia (CGDC) put forward, in October 1987, the similar, but broader "three principles." In December 1987 and January 1988, Prince Sihanouk had two meetings in France with "premier" Hun Sen of the Heng Samrin regime. In addition, in July and October 1987, the Heng Samrin regime came up with its "Six Statements for National Reconciliation" and "Five-Point Peace Proposal." Brisk activity also prevailed in the international arena to find a political solution for the Cambodian question. After discussions with Vietnamese leaders, Indonesia's Foreign Minister Mochtar, in July 1987, put forward the "Ho Chi Minh City Plan," proposing a "cocktail party" style of negotiations. Later, the meeting of ASEAN foreign ministers amended that plan and presented it to the world as the collective plan of ASEAN. Although the various parties differ in their motives and objectives, all these plans propose to settle the Cambodian question through political channels and by means of negotiations.

Be that as it may, there are serious differences between the CGDC on the one side and Vietnam with the Heng Samrin regime under its wings on the other side on many specific questions as to how to effect the political solution. The main points of disagreement are: First, regarding the question of withdrawal of Vietnamese troops from Cambodia, the CGDC demands unconditional withdrawal of Vietnamese troops from Cambodia, to be completed latest in 1988. But Vietnam proposes the so-called "two alternative methods of troop withdrawals." One is to withdraw all troops after agreement will have been achieved. If the 4 parties arrive at an agreement on establishing a coalition government, Vietnam would withdraw its troops much before 1990, one of its conditions being that the military force of the Khmer Rouge be eliminated. The other proposal is that in case no agreement can be reached among the 4 parties, Vietnam would then withdraw its troops by the end of 1990. Second, regarding the form of the negotiations, the CGDC proposes that the negotiations be conducted by the CGDC with the relevant authorities of Vietnam, and to have the Heng Samrin regime participate merely as part of the Vietnamese delegation. But Vietnam and the Heng Samrin regime insist that the CGDC first negotiate and reach an agreement with the Heng Samrin regime, such an agreement then to be participated in by Vietnam and other countries concerned. Third, concerning national reconciliation, the CGDC proposes establishment of a quadripartite provisional government, and that the Heng Samrin regime be dissolved before the establishment of the provisional government. As soon as the provisional government will have been established, the CGDC too will dissolve itself. This 4-party provisional government shall be charged with organizing general elections under international supervision. But Vietnam and the bogus Cambodian regime insist that the Heng Samrin regime be the main component of the 4-party coalition government, while Sihanouk would be given an important post in the leadership of the country. Because of the opposing and unyielding stand of the two

sides on the above-mentioned crucial questions, it is impossible to break the deadlock in the attempts to find a political solution to the Cambodian question.

Just at this juncture, when everybody is trying hard to find a solution to the Cambodian question, the decision of the Soviet Union to withdraw its troops from Afghanistan casts a ray of hope on this problem. Settlement of the Cambodian question on the "Afghanistan model" has become a popular topic in international discussions. Although the "Afghanistan model" has up to now not yet been precisely defined, its crucial points are clear at a glance, namely: The schedule for the withdrawal of Soviet troops provides for a complete withdrawal within a fixed and not too long period of time, on the principle that most of the withdrawals are to take place in the initial stage and fewer withdrawals to be left for the later stage. Another crucial point is the separation of the question of military withdrawals from the problem of finding a solution in Afghanistan internal problems. After the Soviet military withdrawal, other Afghanistan questions would be left to the Afghanistan people to solve by themselves. The reason why people appreciate the "Afghanistan model," in connection with attempts to solve the Cambodian question, is that the Cambodian problem, very much like the Afghanistan problem, has been created by a foreign country's aggression against a sovereign state and by its supporting puppet regimes in that country. Since there is this similarity, it is undoubtedly logical to apply the same form in the solution of a problem of similar nature. Of course, the Cambodian problem and the Afghanistan problem each has some peculiarities of its own. For instance, Pakistan and the Kabul regime held discussions under the auspices of the private representative of the secretary general of the United Nations. This is a situation that cannot be recreated for the purpose of solving the Cambodian problem.

Against the above-described background, international efforts to achieve a political settlement of the Cambodian question have again become very active. Some ASEAN countries have again proposed the informal "cocktail party" form of negotiations. The Japanese Foreign Minister Uno Sosuke intends to invite Prince Sihanouk to visit Japan to mediate toward starting direct talks between the CGDC and Vietnam. The American Assistant Secretary of State Sigur and the Soviet vice minister of foreign affairs held discussions on the Cambodian question. At the summit in Moscow, the Cambodian question was also on the agenda.

Vietnam Continues To Delay and Resist

After the Soviet Union decided to withdraw from Afghanistan, the pressure by the international community for a withdrawal from Cambodia greatly increased, and Vietnam finds itself in an awkward position. It tries its utmost to play down the effect that the Soviet troop withdrawal from Afghanistan has had. On 8 February, after hearing of the Soviet withdrawal from Afghanistan,

the Vietnamese press and mass media departed from their normal behavior and in a period of over 10 days "kept as quiet as a cicada in cold weather" on the Afghanistan question. Only on 20 February, the ministry of foreign affairs came out with a casual mention, when it uttered one sentence in support of the Kabul government's and the Soviet Union's "important peace proposals." Vietnam declared officially that the assumption one could copy the Afghanistan method for use in the Cambodian problem is really "complete nonsense." At the same time, Vietnam declared on 26 May that it would withdraw 50,000 soldiers from Cambodia before the end of this year, and that the rest would be under the bogus Cambodian command. But world public opinion believes that it is still doubtful, in the face of past experiences, whether Vietnam's declaration will indeed be acted upon. Even if Vietnam withdraws 50,000 of its men, it would still be a great distance away from the CGDC's demand for unconditional withdrawal of all Vietnamese troops.

Outwardly, what looks like a unilateral concession by Vietnam is actually nothing but a tactical move by Vietnam, a concession made in order to gain an advantage, because Vietnam finds itself economically unable to support its war of aggression over a further long period of time. The failure of its internal economic policy and the huge expenditure for its war of aggression against Cambodia have brought its economy to the brink of ruin. Although Nguyen Van Linh, on taking over the leadership, promulgated a "Foreign Investment Law," with noisy propaganda welcoming foreign investments in Vietnam, due to the fact that Vietnamese forces still hang on in Cambodia, nobody came to invest. To rescue its broken down economy and obtain international assistance, Vietnam was reluctantly compelled to agree to a withdrawal of its troops by 1990. But Vietnam continues to control Cambodia and will definitely not give up its ambitious dream of creating an "Indochinese Federation." It plans to utilize the time of somewhat over 2 years until 1990 to consolidate the political and military position of the Heng Samrin regime in order to have it linger on beyond 1990 in its ever worsening condition. News has it that Vietnam now intends to incorporate into the bogus army of the Heng Samrin regime Vietnamese immigrants to Cambodia who have lived there for over 5 years and can speak Cambodian, also to leave behind after 1990 a large contingent of Vietnamese military and civilian officials in various capacities, such as advisors and specialists. Furthermore, one reason for Vietnam to adopt this new attitude of a unilateral retreat is to lure some members of the CGDC to come to an agreement with the Heng Samrin regime and thus split the CGDC as to the pursuit of its objective. After an initial solution in the Afghanistan problem has been reached, Vietnam is still procrastinating and stubbornly resisting, and is undoubtedly casting a shadow on prospects of solving the Cambodian problem.

The Soviet Union's Difficult Choice

The Soviet Union's decision to withdraw from Afghanistan is now followed by an upsurge of world opinion urging them to play a similar role in the Cambodian question. As an original eager supporter of Vietnam's invasion of Cambodia, the Soviet Union had greatly increased its aid to Vietnam during Vietnam's almost 10 years of occupation of Cambodia. Since the Soviet Union is the strongest force backing Vietnam, it also bears unshirkable responsibility for a solution to the Cambodian problem, and is also in a position to do something about it. As far as the Soviet Union is concerned, Vietnam is after all a heavy burden on the Soviet Union. Once the Cambodian question is solved, the Soviet Union would be freed from having to throw huge amounts of aid uselessly into the bottomless pit of the Cambodian battlefields. More importantly, if an improvement in relations between the Soviet Union and the ASEAN countries could be achieved, a Sino-Soviet summit meeting, which Gorbachev hopes for, might become a possibility.

In the last 2 years, Soviet attitude toward the Cambodian issue has changed, in that they no more insist that "the Cambodian question has already been solved," but that they rather indicate that the Cambodian question may still be discussed with the United States and China. Recently, the Soviet Union acknowledged that Vietnam's presence in Cambodia is indeed a problem. The Soviet Union's Foreign Minister Shevardnadze and his deputy Ligachev indicated: "The Afghanistan model is a way to follow," "it is a model for Cambodia." Be that as it may, up to now the Soviet Union has used the pretext that "Vietnam is a sovereign state" to refuse to increase its pressure on Vietnam. The above-mentioned methods clearly reflect the Soviet Union's contradictory mentality. On the one hand, they want to improve relations with the ASEAN countries and with China; but on the other hand, they worry that Vietnam may turn hostile, which could lead to losing the Soviet Union's strategic advantages in Indochina, in particular losing its military bases in Cam Ranh and Da Nang. One foreign newspaper expressed the view that the Soviet Union faces a "difficult choice" in the Cambodian question, and there is good reason for that assumption. If the Soviet Union would persuade Vietnam to withdraw its troops from Cambodia, it would also demonstrate to the world that the adjustment of its foreign policy under the "new ideological trend" is sincere. If the Soviet Union would hereafter play an active and fair role in the Cambodian question, this would indeed have an excellent beneficial effect on prospects for a solution to the Cambodian problem.

The Cambodian problem arose exactly one year before the Afghanistan problem, and its problems are more complex than the Afghanistan problem, so that a solution to the Cambodian problem will, therefore, require a more tortuous process. Cambodia's prospects will only

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become bright if the precondition, a quick and complete withdrawal of the Vietnamese invasion force from Cambodia, is met, and the various Cambodian factional forces would give prior consideration to the interests of the Cam-

bodian people and the Cambodian nation and get together in an even-tempered and peacefully inclined mood.

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Wang Ruoshui Calls for Correct Understanding of Marxism

49959369a Beijing WEI RENDAO ZHUYI BIANHU
[IN DEFENSE OF HUMANISM] in Chinese
1986 pp 96-98

[Speech by Wang Ruoshui 3769 5387 3055 given 4 January 1983 at a Symposium of the Postgraduate Institute of the Chinese Academy of Social Sciences, on improving instruction in Marxist Theory: "Complete and Accurate Mastery of Marxism"]

[Text] I think it is necessary first of all to understand the present generation of youths.

When people like us first started to study Marxism we had a clear and definite objective, namely to study the principles of revolution. At that time China was rotten through and through, people were suppressed, and we were seeking the truth to save the nation and save the people. We therefore welcomed Marxism-Leninism and with an irresistible desire studied Marxism-Leninism. As schools would not teach it, we studied it by ourselves, and kept on studying despite the great dangers we were risking. That was the state of mind of progressive students of the 1940's, and I believe it was the same even some time before that.

Students of the 1950's were respectful students of theory. At that time the party enjoyed a high prestige and the general mood throughout society was excellent. Not carefully studying politics was regarded as a sign of backwardness, and backwardness was a very shameful thing. Youths are very simple and innocent, and they fully believe the propaganda printed in the newspapers and what is taught in the classroom.

Later, the cult of the personality bloomed forth. With the advent of the "great cultural revolution," political studies became fanatic. What was called political studies at that time was reading the collection of quotations. After these studies, we rose in rebellion and went after "capitalist roaders," criticized "reactionaries in authority," and struggled against "monsters and demons." In this way we squandered away 10 years, with consequences that are well known to everybody.

The main theory that we had learned in the past was that of class struggle; whatever theory the younger generation learned during the "great cultural revolution" was also mainly that of class struggle. But while our participation in class struggle achieved victory in the New Democratic Revolution, the so-called class struggle of the "great cultural revolution" resulted in a great mess, which brought calamity to the country and the people. No wonder that present-day youths have a different attitude toward theory than we had.

The Sixth Plenum of the 11th CPC Central Committee has already passed a verdict on the "Great Proletarian Cultural Revolution," and pointed out that that kind of

class struggle is not in accordance with Marxism-Leninism. Now, it is, of course, still necessary for us to study conscientiously the theories of class struggle and of the proletarian dictatorship, not only because they are the fundamental principles of Marxism-Leninism, but also because class struggle still exists, and we must still firmly uphold the people's democratic dictatorship. However, class struggle is after all no more a primary contradiction, and the main emphasis of the party's work has shifted to the socialist modernization. Are we then not forced to make adjustments in the teaching of theory to meet the needs of the new era? I think the answer must be in the affirmative.

Socialism is being practiced; Marxism-Leninism and Mao-Zedong-Thought is in the process of development. Besides that, youths must also do some independent thinking, or we might say produce "a generation of independent thinkers." The problems they should think about are not only different from what we were thinking about in the past, but also different from what the university students of the 1950's were thinking. If we would still teach theory exactly as it was done in the 1950's, we would not meet the needs of the present time. It is therefore necessary, I am afraid, to initiate a new phase in the teaching of theory.

I am not working in this area of teaching theory, the situation there is not too clear, and I am not well qualified to say anything there. I only feel that there are some very valuable things in the writings of Marx, which have long been neglected. I am referring mainly to Marx's teachings on humanity. Once we gain a complete and accurate understanding of Mao-Zedong-Thought, that problem will be solved. Don't we also have this problem as regards Marxism itself? Be it class struggle or the proletarian dictatorship, these are only means and not objective. Two, three years ago we made it clear that the objective of socialist production is man and his needs, but this is hardly the objective of only socialist production, isn't it the objective of all other work too? There is now increasing talk of "alienation," but is there anything about it in the school books? In the past, not only was there nothing in the textbooks about "alienation," but even in philosophical dictionaries there was no such word. Of course, all these questions are debatable, and I also do not approve of teaching these debatable questions to our students as final conclusions. However, university students, particularly graduate students, should have good judgement, we should let them dig into the original writings and search for answers. Could they not study such important works as "The German Ideology"? The "Draft of a Philosophy—1844 Economics" is rather difficult to understand, or how to evaluate and how to debate its points, but at least our graduate students should study it. Theorists will have their debates; it will arouse the students' interest in studying, and can inspire them to some independent thinking. I believe that the students will find these topics not at all dull and uninteresting. As to the problem of the impact of foreign ideologies, that problem should also be

solved in this way. We may compare Marx's ideas on humanity with those of existentialism! "Not to know the goods is not as bad as not comparing goods." Truth is not afraid of comparison. Was it not the case that many students, after comparisons, felt that Marxism still outshines everything else? If we are to build up a socialist spiritual civilization, we must foster a revolutionary outlook on life and communist ideals in our youths, that means, we must not ignore the question of humanity. In his early years and also in his later years, Marx has made statements on this question, in his early years, in a more concentrated form, and in more developed form in his later years. Studying Marx's early and later writings can bring a more complete and accurate understanding of Marxism, and will also better enable us to uphold and develop Marxism.

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Survey Concludes Need for Younger, Better Educated People's Congress Deputies
40050357 Beijing ZHENGZHIXUE YANJIU
[STUDIES IN POLITICAL SCIENCE] in Chinese
No 3, 10 May 88 pp 19-24

[Article by Hu Jie [5170 2638]: "Survey on the Political Motivation and Civil Rights Consciousness of Beijing Municipality's People's Congress Deputies"]

[Text] The degree to which deputies to district people's congresses in Beijing are politically motivated and conscious of civil rights is an important indicator of their ability to do a good job and fulfill their responsibilities as deputies. These qualities are also part of a deputy's qualifications. In January, we conducted a survey of people's congress deputies of the Xicheng District and Chongwen District in Beijing to find out their degree of political motivation and civil rights consciousness.

Survey Methods

The survey was conducted by questionnaire. Three points need to be made about the way the survey was carried out, namely the questionnaire design, the selection of interviewees, and the testing of interviewees.

1. Questionnaire design. The questionnaire was made up of three parts. The first part consisted of instructions briefly explaining the significance and methodology of the survey along with matters that the interviewees should note. The second part consisted of basic information on the interviewees, such as sex, age, occupation, party affiliation, education, and how long he or she had been a deputy to a district people's congress. This section helps us understand the relationship between a deputy's degree of political motivation and civil rights consciousness and his or her background. The third part was the questionnaire proper. It consisted of 17 questions, 4 on political motivation and 13 on civil rights consciousness. As the main body of the questionnaire, this section produced most of the data obtained from the survey. The

design of the questionnaire followed two principles. The first was to treat every question operationally. We asked situational questions (e.g., "Are people who believe in Christianity eligible for election to the people's congress?"), instead of direct, abstract questions (e.g., "Are citizens eligible to be elected?"). The operational treatment of questions helps quantify abstract concepts such as political motivation, on the one hand, and facilitates the eliciting of truthful information from the interviewees, on the other. This is because operational questions are less suggestive and political to the interviewees. Secondly, questions on civil rights were designed with relevant constitutional provisions in mind. Consequently, the standards for judging the civil rights consciousness of the interviewees were derived from such provisions and not the subjective inferences of any individual. Also, it must be noted that questions were designed under the guidance of political scientists.

2. Selection of Interviewees. Interviewees were selected from among the total population of deputies to the Xicheng District People's Congress and the Chongwen District People's Congress using a method in which we selected someone after every few persons on a list. In Xicheng District, we chose one deputy after every five deputies from the list in which the names were arranged by numbers of strokes in the surname, in increasing stroke order. Altogether 61 deputies were picked. In Chongwen District, we used the same method, choosing one deputy from among every three deputies, and picked 83 deputies in all. Altogether 144 people were chosen.

3. Testing of Interviewees. After drawing up the list of interviewees, we wrote to them asking them to come to fill out a questionnaire. Thirty one people came from Xicheng District, 42 from Chongwen District. Before they answered the questionnaire, we explained the significance of their response to the questionnaire and pointed out matters they should note, stressing these words: "In order to conduct a scientific study, we want to learn your responses to certain questions listed below. Please express your opinions independently (without consulting any documents or data or asking anyone) and truthfully. Whether our scientific study will succeed depends entirely on the independence and truthfulness of your replies. Your opinions will be used solely for group statistics and analysis. You do not need to sign the questionnaire and you will not be held responsible for any answer." When some interviewees explained that they could not read, our staff read the questions to them separately and recorded their responses on the questionnaire for them. We received a total of 69 valid questionnaires since four people turned in a blank questionnaire. (Interestingly, when we asked one interviewee why he did not answer the questionnaire, he said, "To spare myself any trouble if I give the wrong answer.") Of the 69 deputies who returned a valid questionnaire, 45 were men and 24 were women; 10 were under 40 years of age and 59 were over; 46 were CPC members and 23 had no party affiliation; 8 were industrial workers, 6 were in service trades; 16 were institutional cadres, 10 were

scientific and technical personnel, 6 were teachers, and 23 worked for neighborhood committees; 6 did not finish elementary school, 10 graduated from elementary school, 13 graduated from junior high school, 14 graduated from senior high school, 18 had post-secondary qualifications, and 8 were college-educated; 46 had been deputies for 1 year, 14 for 3 years, and 9 for more than 6 years. The following results come from the 69 valid questionnaires.

Political Motivation Of Peoples' Congress Deputies

We investigated the political motivation of deputies to district people's congresses in Beijing in four areas: 1) whether they had wanted to become a deputy to the district party congress before being elected; 2) whether they wanted to be a deputy to the district party congress after they were elected (that is, now); 3) whether they liked the work of a deputy better than their own jobs; and 4) whether they wanted to become a deputy at a higher level.

Asked "Did you want to be a deputy to the people's congress before you were elected?", 42 percent answered negatively, 12 percent said they did not know, and only 46 percent answered affirmatively. This shows that before being elected, about half of the respondents had no desire to work in the people's congress, a situation that may have something to do with our imperfect election system. Under this system, many people who want to be a deputy have no opportunity to run for election, while those who don't want to be a deputy may be elected without running.

Statistically, there were clear sexual and party differences between those with a low and high degree of political motivation. Of all female respondents, 67 percent said they did not want to be a deputy before being elected, compared to 47 percent among men. Similarly, 70 percent of respondents with no party affiliation said they did not want to be a deputy before being elected. The corresponding figure for respondents who were CPC members was 47 percent. These results are consistent with observations in real political life. In real political life, women are less active politically than men and have less political motivation. Similarly, people with no party affiliation are less active politically and have less political motivation than people affiliated with a party.

While people's congress deputies have low political motivation before they were elected, that sometimes changed as the situation changed. Asked "Do you now enjoy being a people's congress deputy?", 94 percent answered affirmatively, 3 percent answered negatively, and another 3 percent did not answer. Here we can see that more and more respondents wanted to be a deputy (46 percent before being elected, 94 percent now.) The degree of political motivation of the respondents have changed. However, we cannot conclude from this alone that the change is a fundamental one. This is because to be a deputy is an honor and carries with it various

advantages. Naturally, therefore, most respondents expressed a liking for such work. We need to probe further if we are to understand the respondent's feelings toward being a deputy and working in the people's congress.

So we asked this question, "Do you prefer working in the people's congress to working in your own job?". The results were interesting: 40.5 percent expressed a preference for people's congress work, 48 percent had a preference for their own jobs, and 11.5 percent had no response. People who liked their own jobs better outnumbered those who preferred working in the people's congress. In addition, we learned that 57 percent of all respondents who said they preferred working in the people's congress worked for neighborhood committees. If we leave this group aside, only 17 percent of all respondents preferred working in the people's congress to their own jobs. This shows that many respondents "now enjoy being a deputy"—but only under the condition that it does not interfere with their own jobs. To a certain extent, it also means that many respondents thought that "being a deputy is fine, but doing people's congress work can wait." The statistics also point out a wide educational gap between those who expressed different preferences regarding work. Of those who preferred people's congress work, 75 percent had less than a junior high education, while no college-educated respondent had such a preference, with the exception of one who was not sure. All college-educated respondents said they preferred their own jobs.

Asked "Do you want to be a deputy at a higher level?", 51 percent answered affirmatively and 7 percent had no response. In other words, a majority did not want to be a deputy at a higher level. Survey results show that such desire was related to age. Of respondents under 40 years of age, 90 percent wanted to be a higher-level deputy, compared to 53 percent among people between 40 and 50. Of respondents over 50 years old, only 27 percent expressed such a desire. This shows that the younger the deputy, the greater his motivation and, conversely, the older the deputy, the weaker his motivation. The desire to be a higher-level deputy also has something to do with the time a respondent had been a district deputy. Of respondents who had been a district deputy for less than 3 years, 50 percent said they wanted to be a higher-level deputy, compared to 40 percent who had been a district deputy for 3 to 6 years. No respondent who had been a deputy for over 6 years expressed such a desire. Thus the shorter the time one had been a district deputy, the more motivated the respondent was to become a higher-level deputy, and vice versa. These results are consistent with what we would normally expect because the longer a person has been a district deputy, the older he is likely to be, and the older he is likely to be, the closer he is to retirement. Most of these respondents, therefore, were reluctant to spend more time or advance their careers as deputy.

To sum up, we discovered that before they were elected, almost half of the respondents did not want to be a

deputy whereas 94 percent enjoyed being one after they were elected. This, however, does not mean that most respondents wanted to be a deputy because 48 percent preferred their own jobs to working in the people's congress. Moreover, about half did not want to become a higher-level deputy. On the whole, therefore, the political motivation of the deputies to Beijing's district people's congresses was not high.

The Civil Rights Consciousness of People's Congress Deputies

We probed into the civil rights consciousness of district people's congress deputies in Beijing in three aspects, namely, a citizen's political rights and freedoms, his freedom of person, and his economic and cultural rights. As noted earlier, the questions in this part were based on relevant constitutional provisions. Accordingly, we judged the respondents' answers with reference to such provisions.

The Respondents' Understanding of Political Rights And Freedoms

When asked "Can people who believe in Christianity be elected as a deputy to the people's congress?", 86 percent answered affirmatively, 7 percent answered negatively, and another 7 percent were not sure. Article 34 of the constitution stipulates that "a citizen of the People's Republic of China who has reached 18 years of age shall be eligible to vote and eligible to be elected irrespective of ...religious beliefs..." Thus a majority of the respondents (86 percent) had clear knowledge of the right of a citizen to be elected and only 14 percent either had a hazy idea or were mistaken. Survey data show that such knowledge is related to the period of time the respondent had spent as a deputy. All respondents who answered this question incorrectly (negatively) had been a deputy for less than 3 years and 80 percent of the respondents who were not sure also had served under 3 years, while 20 percent had served under 6 years. Not a single respondent who had served more than 6 years said he was not sure or answered negatively. We can thus see that the longer one serves as a deputy, the more one is likely to understand this particular political right because of increasing experience in elections, and vice versa.

We also asked, "If a university student criticizes existing government policies for no reason, can the public security bureau arrest him?" Seventy-seven percent of the respondents answered negatively, 20 percent answered affirmatively, and 3 percent gave no response. According to Article 41 of the constitution, "a citizen of the PRC shall have the right to criticize any state organ or its workers." Clearly the right of the student to criticize government policies is protected under the constitution, even when his criticism is gratuitous, that is also to say, unfounded. Thus it is correct to answer that the public security bureau cannot arrest the student. A majority (77 percent) of the respondents had a clear idea of a citizen's

right to criticize, although the number was smaller than those who knew of a citizen's right to be elected. The statistics show that there was a wide educational gap between those who understood a citizen's right to criticize and those who did not. Of all respondents with a post-secondary education, 95 percent answered the question correctly (i.e., negatively), compared to 89 percent among respondents who graduated from junior high or senior high school, and 50 percent among respondents with an elementary education.

Asked "Can citizens advocate 'freedom of speech'?", 71 percent of the respondents answered affirmatively, 16 negatively, and 13 gave no answer. Article 35 of the constitution stipulates that "citizens shall enjoy freedom of speech." Thus 71 percent of the respondents gave the correct response and 29 percent were either mistaken or not sure.

To sum up, we see that a majority of respondents (about 70 percent) had a clear understanding of a citizen's political rights and freedoms, and only 30 percent were mistaken or unsure.

Respondents' Understanding Of A Citizen's Freedom of Person

Survey results show that more respondents had a correct understanding of a citizen's freedom of person than of his political rights and freedoms. When posed the question, "A large sum of money is missing from a bank. The head of the unit is certain it is the doing of a bank employee. To the question 'Can he conduct a body search of the workers to recover the lost money?', 93 percent answered negatively, 3 percent answered affirmatively, and 4 percent gave no answer. Based on Article 37 of the constitution, which stipulates that a citizen's freedom of person shall not be violated, 93 percent of the respondents gave an answer consistent with the constitution and only a minority did not understand or were not sure about such freedom. We know from the statistics that 3 percent of the respondents who believed that the leader could conduct a body search on bank employees had no party affiliation, worked for neighborhood committees, and had an elementary education.

Then we asked, "A man is a die-hard follower of the Gang of Four. Can people tie him up and parade him through the streets?". To this question, 94.5 percent answered negatively, 4.5 percent affirmatively, and 1 percent was not sure. In accordance with Article 38 of the constitution, namely that "the human dignity of a citizen shall not be infringed upon," the public cannot "tie up the die-hard follower and parade him through the streets." On this question therefore, a majority (94 percent) of the respondents were correctly informed. The data also show that all those who believed the public could tie up the man and parade him through the streets were over 40 years of age, did not finish high school, had been a deputy for less than 3 years, and had no party affiliation.

We asked, "A man has hidden a large quantity of pornographic material in his home. Can his unit search his house and confiscate his property?". Seventy-eight percent answered negatively, 19 percent affirmatively, and 3 percent were not sure. Since Article 30 of the constitution provides that "the residence of a citizen of the PRC shall not be encroached upon," a majority of the respondents answered the question correctly even though the number of correct responses had dropped compared to the above. After reviewing the respondents' background data, we learned that 15 percent of those who gave the wrong answer were older than 50, 15 percent were CPC members, 85 percent had no party affiliation, 76.5 percent were in the service trades, 23.5 percent were industrial workers, and 69 percent did not finish senior high school. We read this question to an illiterate respondent who quickly answered, "They can search his house and confiscate his property. Our neighborhood committee has been doing that all along."

We also asked the respondents, "Can the leaders at the higher level open and read the mail addressed to a criminal suspect?". Now 81.5 percent of respondents answered negatively, 13.5 percent answered affirmatively, and 5 percent did not answer. Article 40 of the constitution says, "No organization or individual shall for whatever reason violate a citizen's freedom and confidentiality of correspondence, except where needed for national security reasons and criminal investigation, under which circumstance the public security or procuratorial authorities shall examine the mail in accordance with legally prescribed procedures." Thus 81 percent of the respondents were aware of a citizen's freedom of correspondence while a minority were not. Most (78 percent) of the latter, according to the survey data, were over 50 years of age.

To sum up, a majority of the district people's congress deputies in Beijing were familiar with a citizen's freedom of person. Moreover, more deputies were familiar with a citizen's freedom of person than his political rights and freedoms. Two reasons may account for such widespread knowledge of a citizen's freedom of person among district people's congress deputies in Beijing. For one thing, people have learned a painful lesson from the Cultural Revolution so that freedom of person has become common knowledge. For another, freedom of person is not as complicated and sensitive as political rights and freedoms and hence easier to interpret correctly.

Respondents' Understanding Of A Citizen's Economic And Cultural Rights

With over 70 percent of them answering each question correctly, the survey shows that the respondents had a relatively good understanding of this set of rights, although the figure represents a drop from those who understood a citizen's freedom of person.

One question was, "When a factory leader asks a worker to put in 4 hours of overtime after work, can the worker refuse?". Seventy-five percent answered correctly. Data show that a respondent's understanding of the worker's right to rest was related to his age: 82 percent of those who answered incorrectly were older than 50, while 18 percent were between 40 and 50. Similarly, most of those who did not answer were in the older age groups, 80 percent were over 50 and 20 percent were between 40 and 50.

Another question was, "A person comes into the possession of considerable assets from his father, an overseas capitalist. Can the people's government nationalize his assets?". Ninety-seven percent answered negatively, 1.5 percent affirmatively, and 1.5 percent did not answer. Since the constitution stipulates that "the state protects a citizen's ownership of his legitimate earnings, savings, residence, and other legitimate assets," a majority of the respondents (97 percent) answered correctly. The widespread understanding of this issue may also be related to the bad experience of the Cultural Revolution which taught us what not to do. It is now generally understood that willful nationalization of private property during the Cultural Revolution was illegal.

In response to the final question, "Can workers in the social sciences study Western anti-Marxist theories?", 78 percent answered affirmatively, 7.5 percent negatively, and 14.5 percent said they were not sure. According to Article 47 of the constitution, "the citizens of the PRC shall have the freedom of scientific research." Thus most of the respondents answered the question correctly. From the survey data, we learned that most (80 percent) of those who thought people in the social sciences could not study Western anti-Marxist theories were involved in neighborhood committee work and had an elementary education, characteristics which also were common to most (60 percent) of those who said they were not sure.

Some Conclusions

We can draw the following conclusions from the results above:

1. Deputies to the district people's congresses in Beijing have a relatively low degree of political motivation, as demonstrated mainly by the fact that about half had not wanted to become a deputy before they were elected to the job and about half expressed a preference for their own jobs after being elected, instead of regarding the work of the people's congress to be more important. This clearly has a negative impact on the work of the people's congress. It can be traced to the existing election system. Because the election system is unsound, there is no guarantee that only people who at least would like working in the people's congress get elected. This phenomenon may also have something to do with the limited power of the people's congress. Since it has limited power, it bears little relevance to the daily life of

the people and not influential in policies. The political motivation of deputies to the people's congress, therefore, cannot be all that high.

2. Deputies to the people's congress in Beijing are highly conscious of civil rights, with most (over 70 percent) being familiar with their civil rights. Such consciousness is particularly strong where freedom of person and property are concerned. (Over 90 percent of the respondents answered questions related to these rights correctly.) This is clearly a plus for the people's congress and has a positive effect. Taking into consideration their civil rights consciousness as well as political motivation, we can say that unless the deputies do not care about the work of the people's congress, they will do a good job if they take the job seriously.

3. Several findings show that the deputies' understanding of civil rights is very much related to their age and education. In general, the older and less educated the deputy, the greater the likelihood that he will not understand civil rights. Conversely, the younger and better educated the deputy, the less the likelihood that he will not understand civil rights. We can thus see that there is also a need for younger and better educated people among people's congress deputies.

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Probe Into Reasons for Corruption Within CPC
40050362a Beijing LILUN XUEKAN [THEORY
MONTHLY] in Chinese No 5, 25 May 88 pp 25-27

[Article by Luo Haigang 5012 3189 6921, Rural Policy Research Group, CPC Central Committee: "Exploring the Reasons for Corruption in the Party"]

[Text] This writer has recently visited Guangdong Province and other places and investigated the forces that generate corruption within the party. The following is my initial analysis and my conclusions derived from these studies.

1. The main source of corruption in the party is the convergence of the initial stage of commodity economy with the old system (including economic, political, and cultural aspects) of excessively centralized power.

After the reform, we gradually introduced market regulation and developed a socialist commodity economy. But the development of such an undertaking has to undergo a certain lengthy process, and added to this situation, complex restrictions were encountered by a variety of factors, creating a situation where old and new systems were both being practiced. In many areas in the economic field, the present stage has achieved only a half-way commodity economy and a half-way market economy (for instance, planned and extra-plan materials distribution, market-adjusted prices and parity prices). This kind of double-track approach easily gives rise to the following condition: economic activities which have

already adopted commodity forms are still proceeding along the track of the old system in their business operations, especially along the line of the flow of power. As a consequence, we have created a situation in which the systems of initial commodity economy and the original system of excessively centralized power converge. This is the major hotbed that produces corruption in the party.

Some of the Guangdong "businessmen" would sum up what they call the key to prosperity with the words: "a slip of paper, ready money, and face." The "slip of paper" can be a note or document of official approval or a similar paper; "ready money" is money for bribes; and "face" refers to personal favors and personal relationships. The latter two are frequently means to obtain the first. One of those "notes" can often imply several tens and hundreds of thousands of yuan, even over 10 million yuan, in price differential. In the well-known Hainan motorcar case, for quite a few who were able to obtain one motorcar allocation "note" it meant making several thousand to over 10,000 yuan in profit. Some organizations or individuals, stirred by different profit motives, would use any unscrupulous method to obtain this kind of a "note," while for those in position of power or having special personal relations it presented an extremely convenient opportunity and conditions to plan for personal enrichment. As a result, there appeared something which in popular parlance is called "make a living from whatever you work at."

This writer has made a study of persons involved in bribery and found their mentality to be of two kinds: One group is reluctant to do it but has no option but to do it. This attitude is particularly prevalent in town and township enterprises. They are a new force coming to the fore in the highly polarized situation that exists in China between town and countryside. In their operations the town and township enterprises have always been dissociated from the urban industrial system. To compete with the urban industry for a series of things supplied under plan, such as raw materials, motive power, fuel, capital, and qualified personnel, they often suffer the indignity without protesting of having to respond to the extortionist demands of those in power of distributions at the various levels, in order to be able to get along. This writer has asked some of the people who knew what was going on but still had some sense of righteousness. Why did you not expose these conditions? The answers were: (1) There was profit in it. What we got was often 10 times what we paid. (2) There was nowhere to complain to. Now standards are not uniform, criminals are ingenious in their methods, and if not effectively done, it would bring ruin to oneself. Another group of people consider such actions as normal activities, and bribes to be one form of paying a price in commodity exchanges.

2. One major condition that leads to corruption is the loss of controls and balances.

Past controls and balances were mainly exercised by administrative decrees and political education. At times when conventional controls and balances became ineffective, they were replaced by large-scale "clear-up" movements. This pattern of controls and balances was effective in the old system, but in the present state of a half-way commodity oriented environment, it lost its effectiveness or became only half effective, which provided condition and opportunity for corruption to set in within the party.

The old patterns of controls and balances are now facing the following conditions: One is that in face of the complex changes brought about by the reform and opening up to the outside world, certain sectors which were originally charged with controls and balances find it difficult to differentiate between right and wrong. What yesterday was an area one was not to desecrate, is today declared rubbish and nonsense. What then if something regarded as an extreme wrong could tomorrow become something highly commended and praised? In the sharp conflict of old and new concepts, there actually exist situations where some sectors which had originally exercised controls and balances will not dare act on their own initiative (when some sectors which went ahead "on their own initiative" disrupted the reform, it fortified in other sectors the mentality of abstaining from any action on one's own initiative), so they would only await commands from above and then slowly and carefully take action. The second condition is that a part of the old patterns of controls and balances were abolished by the reform, while no new patterns have been set up. For instance, the reform abolished the casual methods of starting court proceedings and of seizing and examining people, but new methods of how to apply the law are still in the exploratory stage. The third condition is that apart from institutional and structural reasons, the quality of cadres has become a problem. A considerable number of cadres in this type of work lack politically a deeper understanding of the party's reform and opening-up policies, and lack professionally a knowledge of commodity economy, and are therefore not capable of scientific analyses and accurate judgements in the complexities of the present situation.

The present condition of controls and balances will unavoidably lead to an administrative vacuum in certain areas. What deserves special attention is that the speed with which new forms of criminality arise by far exceeds the speed of updating our supervisory methods. Take the so-called "fee for beneficial treatment" as example, this was originally given in cash or check, but has now become extremely concealed, and generally will not appear on the bills. Suitably adapted methods have sprung up in many peculiar ways, such as paying list prices with foreign exchange (availing oneself of the loophole of an irrational exchange rate for exchange in hand), providing housing, modern furniture, and other articles, providing expenses for recreational travel, even providing women.

3. A difficult but also pressing issue: The need to take a new look at the corruption within the party.

The greatest drawback in our recognition of corruption in our party is presently that we stop at the stage of criticizing morale and of moral condemnation. Some comrades always beat around the bush when it comes to analyzing the origin of corruption within the party: (1) They blame it on foreign elements, as they would stress that when you open up to the outside, some "dirty flies" are bound to fly in. (2) They blame it on ideological reasons, believing the source to be that party cadres have been exposed to pollution by capitalist decadent ideology. (3) They blame it on the character of individual persons, especially the character of persons in leadership positions, as expressed in the saying: "If the upper beam is not straight, the lower ones will go askant." These ideas are perhaps not wholly wrong, but they make some outer appearances into the essence of the matter. If we analyze corruption in the party by these methods, we will not only be unable to suggest measures to bring the matter under control, but will end up blaming reform as the source and regard the internal condition of the party as pitch-dark.

We can realize from the analyses made earlier in this text, that there is a historical inevitability for corruption to occur to such a large extent within the party. It is actually an adjunct to the transition of a society from a closed-up to an opened-up stage, from natural economy to commodity economy, and from an undeveloped to a developed stage. It may not be amiss to look at it within an international framework, the transition of every country from an agricultural country to an industrial country has always been full of hardship. European countries needed for the accomplishment of this structural transition generally one or two centuries of adjustments and accommodation. But many backward countries which in modern and contemporary times made the transition into the ranks of developed countries, had only a few decades of time to do so. The labor pains of their transition are, therefore, unavoidably greatly increased and bring about a series of "evils," such as loss of moral principles of the general public, confusion of values, etc.

This makes it clear that only by analyzing the phenomenon of corruption within the party by placing it within the framework of an era of a shift in social structure, can we arrive at a conclusion that conforms to the objective reality. We must foster the following concepts:

The corruption within the party is an adjunct of the natural progression of society. The phenomenon will exist for a long time, and we should prepare for a protracted struggle. The process of reform and economic development is a process of constant struggle against corruption, and we must persist in the attitude of "one hand grasping construction and one hand grasping the legal system."

That a small number among our party cadres fall into the abyss, due to various reasons of environment or personal shortcomings, cannot altogether be avoided; it is the price we inevitably have to pay for social progress. In dealing with the phenomenon of corruption we must, therefore, under no circumstances weaken and be tolerant and overly lenient.

At this stage, objectively viewed, corruption within the party is often acting as a lubricant in economic operations, but whether considered in its overall or in its partial effects, it is a state of affairs that must not be tolerated. It has to be restrained to an extent that it is under control. Otherwise, it will not only jeopardize reform, but may also lead to domestic turmoil.

4. The choice of a new pattern of controls and balances must combine short-term regulatory measures with long-term developmental objectives.

One of the difficulties that socialist countries encounter in the course of their reform is that short-term regulatory measures often deviate from long-term objectives. This is equally reflected in the problem of controlling and balancing corruption within the party. It is therefore most important to find a way to combine short-term regulatory measures with long-term developmental objectives. If we contemplate the problem from this angle, this writer believes our selection of a pattern of controlling and balancing corruption in the party for the near future must direct efforts primarily toward the following two aspects:

(1) Enlarging and strengthening the role of public opinion supervision. The field of vision of any supervisory department is limited. The phenomenon of corruption that appears on a widespread scale during a specific social phase must be eliminated by means of the strength of the entire society. We are very much in need of shattering the traditional custom of differentiating between what happens within and what happens outside the party, and of not making any of our domestic shame public. We must utilize every type of modern news and propaganda tool to provide effective channels for the supervision of the people. At the same time as we shall

expose and criticize every kind of corruption, we will also clear up all kinds of absurd rumors. Some comrades worry that by doing so we shall fan hostile sentiments among the masses, but that, actually, is a wrong view as it underestimates the mentality level of the masses. Quite the opposite is true, only by allowing hearsay to circulate everywhere, without possibility of establishing what is true and what not, will the masses be incited to antagonism. We must have confidence in the powers of discernment of a nation with a 5,000-year cultural history. If we will only not stop at the stage of merely listing the phenomena and of moral condemnations, but rather enlarge and strengthen the role of public opinion supervision, this will help the people distinguish between right and wrong and raise their conscious respect for law and observance of law. And this is also precisely the fundamental work that the political system of socialist democracy must accomplish in its long-term construction.

(2) Through a system of large-scale interchanges, to change within a short time the qualitative composition of supervisory cadres. The enactment and perfection of every kind of law and regulation is a long-range process, the establishment and perfection of supervisory departments (including those in industry and commerce, auditing departments, and those in tax affairs) is also a long-range process. At the present stage, it is a very obvious characteristic that much in supervisory work depends on human effort, and the role of cadre quality is therefore of a crucial nature. How can we then effectively change the qualitative structure of cadres in the supervisory departments within a short time? The best way is to effect a large-scale interchange of cadres. On the one hand, we should transfer a large number of cadres who are knowledgeable of the present-day system of economic operations to work in the supervisory departments, and on the other hand, send a large number of cadres of the supervisory departments to the frontline of economic work to be tempered. Since this way will lighten the pressure of supervisory work, it will also benefit linking the so-called "doing-the-job departments" with the "rectifying-people departments," and promote the long-range establishment of democracy and of the legal system.

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NATIONAL AFFAIRS, POLICY

'Perfection, Development' of Contract Responsibility System

40060406 Chongqing GAIGE [REFORM] in Chinese
No 3, 10 May 88 pp 19-27

[Article by Lin Ling 2651 0407: "On the Perfection and Development of the Contract Responsibility System"]

[Text]

Synopsis

The contract responsibility system should be brought to a higher plane. It needs to be perfected and further developed. At present, the system is just a rudimentary and shaky separation of the proprietary and operation rights. We must legally solidify the responsibilities, rights, and privileges of the proprietors, operators, and both parties to the contract. We must stipulate the term, the tenure of the factory director, and the enterprise's mid- to long-term program in the contract to overcome enterprise's tendency to adopt short-term behavior. In particular, we must introduce a mechanism to make the system competitive, and turn individual contract responsibility into responsibility of the entire staff. Contract responsibility must take care of three kinds of conflicts of interests, and eventually, we should join the system to the shareholding system to perfect the enterprise contract responsibility mechanisms.

Since last year, the contracted management responsibility system has been adopted by state-owned enterprises around the nation, and the result has been remarkable. It proves that this operating format is compatible with the country's present conditions and with the reform process and best serves the state-owned enterprises, especially the medium and large enterprises. For this reason, the State Council has promulgated a policy to complement, perfect, expand, and develop the contract responsibility system, and it is hoped that there will be clear results this year, and that the system will be a complete success by next year. This is a correct decision.

Personally, I understand "complement, perfect, expand, and develop" to include the following elements. 1. A complete overhaul of the external conditions around the contract responsibility system so that enterprises can truly exercise their independent operation rights. 2. The perfection of the contract responsibility system itself, which includes the contract base, the rights and privileges of both parties of the contract, the contract term, and the substance of the contract, so that as a business operation format, the contract responsibility system can gradually be standardized. 3. In order to serve the needs of the contract responsibility system, we must thoroughly reform the leadership, management, labor, distribution, and other systems within enterprises to improve their internal operating mechanisms. 4. The contract

responsibility should be brought to a higher plane so that state-owned enterprises can turn into truly autonomous and financially independent socialist commodity producers and operators.

To put this guiding principle into practice, we must first face the following issues.

I. Truly Separate Ownership Rights From Operation Rights, and Turn Operation Rights Over to Enterprises

The separation of ownership rights from operation rights is the theoretical and practical basis for state-owned enterprises to adopt the contract responsibility system. It is the negation of historic significance of the theory that state-owned enterprises must also be state-run enterprises. The separation of the ownership rights and the operation rights means the state has proprietary rights over the enterprise assets, but the operation rights over those assets, that is, the right to hold, use, and legally allocate the assets, are completely in the hands of enterprises. Enterprises are obligated to keep the state-owned assets intact, to pay taxes to the state in its capacity as holder of political power, and pay asset utilization fees (or a percentage of the after-tax profits) to the state in its capacity as proprietor of all assets. At present, we clearly neither understand the concept well enough, nor actually do enough, to separate the proprietary and operation rights in the above sense.

Our understanding of the operation rights remains at the level of everyday business administration authority, and do not recognize the right to hold, use, and legally allocate the state-owned assets, which means we have no clear understanding of property rights. The political power, proprietary rights, and the operation rights are monopolized by the state. Not only do we have to separate the proprietary and operation rights, we must also separate the exercise of state power from the function of proprietorship. As yet, we understand little about this aspect.

In practice, not only are the property rights of enterprises not clearly defined, there is no legal definition of who are the proprietors and operators, and their rights and obligations have never been defined, and even though enterprises have been specifically granted rights to manage the everyday business, as manifested in the 1984 State Council declaration of the 10-point enterprise rights of self-determination, many enterprises have not actually obtained those rights.

Under the circumstances, the practice of the contracted management responsibility system is only a partial, unstable, and rudimentary separation of the two rights, not a bona-fide separation, and therefore the full benefits of the system have not been realized. So we must adopt some serious and practical reform measures to separate the two rights.

First, we must define scientifically, in legal context, the proprietary rights and the operation rights over the state-owned enterprise assets. Under the present system, the proprietor of enterprise assets should clearly be the department in charge of enterprises on behalf of the state. This department holds political power as well as the rights of proprietorship. Other departments such as the planning committee, the economic committee, the financial ministry, the tax bureau, the pricing bureau, the industry and commerce administration, and the labor department are government administrative organs and cannot function as proprietors. The relationship between enterprises and their supervising department is a relationship between operator and proprietor, but their relationship with other organs is that between operator and state administrative organs. Enterprises can only enter into operation contracts with the department in charge of enterprises, which represents the proprietor, and are answerable to that department. They cannot establish the same relationship with any other organ. At present, the crux of the contracted management responsibility system is to ensure the delivery of revenues to the state, therefore in the contracts, the financial ministry shares the role of proprietor with the department in charge of enterprises. In the future, with the establishment of an independent state asset administration and management organ, the department in charge of enterprises and the financial ministry will be purely state administrative organs and will cease to represent the proprietor. As operators, enterprises will establish contractual relationship with the state-owned asset administration and management organ.

Under socialism, it is not the factory director (plant manager) personally, nor the management group headed by the factory director, who is in charge of the enterprise assets. Rather, it is the enterprise owners, and this means the whole staff, including the factory director. Here, the factory director (plant manager) is a member of the enterprise working class, and at the same time, he runs that particular enterprise—as the representative of the staff, and by law, he also represents the legal entity, and on behalf of the staff and workers, he answers to the proprietor—the representative of state-owned assets, and fulfills the rights and obligations of enterprises as stipulated by law. Some people suggest that the individual factory director, or a few people led by the factory director, is in fact the operator, and he exists independently outside of the ranks of enterprise workers, and he has his own economic interests and therefore cannot be a representative in the workers' representative assembly. If so, inevitably there exists two interest strata within an enterprise—the operator versus the workers, and the role of workers as owners will be diminished, and the factory director will be excluded from the ranks of the working class. This kind of antagonism is grossly incompatible with the nature of socialist enterprises.

Second, we must clearly specify the responsibilities, rights, and privileges of both parties to the contract, and define the intention and the degree of separation of proprietary

rights from operation rights, and legalize the process. Today, reforms are gradually replacing the old system with a new system. The many conflicts produced by economic development keep lashing at the reform process. Under the circumstances, the true separation of ownership and management rights will be a step by step process and cannot be accomplished overnight. Therefore, in implementing the contract management responsibility system, we must be realistic and specify only those responsibilities, rights, and privileges which are practical for both sides under the present conditions. For the contractors, that is, enterprises, the important thing is to "commit to the contract base; guarantee delivery of revenues; aim for above-target income to retain more profits; take responsibility for income shortfall." Some enterprises must also ensure fulfillment of mandatory plans. For the originators of contracts, that is, the department in charge of enterprises and the financial ministry, they must ensure that the State Council's explicit provision of enterprise rights of self-determination is implemented without reservation or interference. Enterprises themselves must make an effort to obtain such external provisions as energy, raw and processed materials, transportation and communications which are essential for guaranteeing delivery of revenues to the state and for the fulfillment of mandatory plans, but the department in charge of enterprises is responsible for coordinating and guaranteeing those provisions. The department and the Finance Ministry will be held responsible for economic losses if enterprises are deprived of their rights of self-determination or if proper external conditions are lacking. Today, many management responsibility contracts are one-sided—enterprises are forced to take responsibilities but the high level supervising organs and the Finance Ministry have no obligations. This violates the principle which guarantees equality of both parties to the contract.

As the reform develops and becomes more thorough, we must further stipulate that the state's proprietary rights over enterprise assets extend only to the ownership of funds (including fixed and current funds) which the state directly put into enterprises, plus the profits generated by the state-owned assets legally tendered by enterprises, (these may be in the form of user's fee, profit, or dividend.) On the other hand, enterprise management rights include the right to hold, utilize, and legally dispose of state-owned assets, plus the ownership rights to all legally-obtained business income (profit retention or dividend.) These enterprise rights can become a part of the six-point rights of self-determination stipulated in the "Resolution on the Restructuring of the Economic System" promulgated by the Third Plenum of the 12th Party Central Committee. The realization of these rights and privileges depends on the comprehensive reform of all systems, including planning, price, tax, credit, and wage, and on the reform of the people's ownership system and the perfection of the market system. With this as the foundation, enterprise rights can become

consolidated through the state's legal system. The obligations of enterprise can be simplified to include payment of taxes, as specified by law, to the state's bureau of taxation which is a political organ, and payment of state-owned asset earnings (user's fee, profits, and dividends) to the state-owned asset administration and management organ, the proprietor. Under this situation, the historic task of the contract management responsibility system is complete, and there is no need for enterprises to sign any contract with the department in charge of enterprises, the financial ministry, or the state-owned asset administration and management organ.

II. Maximize the Term of Management Responsibility Contracts To Eliminate Enterprise Short-Term Behavior

Enterprises adopting short-term behavior is a common phenomenon in the present reform. Characteristically, enterprises pursue short-term profit and neglect long-term objectives; enterprise retained profit is spent primarily on consumption and little is reinvested in expanded reproduction. Some factory directors are devoted to preserving their reputation during their tenure and ignore the long-term development of the enterprise. Many factors contribute to this kind of behavior, and the failure to maintain a stable policy toward enterprises during the transition between the old and the new systems, and the limited term of the management responsibility contracts are among the main factors. To improve the situation, we must face the following problems:

1. Replace short-term contracts with long-term contracts. Nowadays, most contracts usually last 2 to 3 years; some only last a year. In that short duration, on the one hand, enterprises can do little to develop production or improve economic performance, and on the other hand, worried about a change in policy, enterprises tend to seek short-term profit. Some enterprises adopt an attitude of "going all out to make a quick profit now," while others worry that rapid growth will only raise the contract base in the next round, and so they hold back. Such behavior undermines the development of the national economy. Therefore, the contract period, especially for the medium and large enterprises which the state desperately wants to transform and develop, should be 5 to 10 years long, or even longer. During the contract period, policies will undoubtedly be changed as reform develops and becomes more thorough. For minor changes, we can proceed without revisions. For major changes, both parties should be consulted before making the essential adjustments and supplements. Only in this way can enterprises enjoy a stable environment made possible by long-term policies and concentrate on long-term development. The success of the Capital Iron and Steel Plant is attributable to the incremental profit remittance contract which has a 10-year or longer term, and the incremental profit remittance percentage has stabilized at 7.2 percent (originally, it was 6 percent, and reached 7.2 percent after adjustments.)

2. In compliance with the state's economic development strategy and industrial policy, every enterprise, especially the medium and large enterprises, should have a mid- to long-term improvement and development program which is scientifically proven and government approved. This includes facility and technological renovation and improvement, adoption of new technologies, development of new products, and all types of expansion and renovation. Today, the country has a mid- to long-term program, but most enterprises do not. Some barely have a program, but because the government has no clearly-defined industrial policy to guide them, these programs tend to be arbitrary, and they have no scientific basis or government approval. Basically, they are impractical. As a result, most enterprises have no long-term objective. Neither the leaders nor the workers know what the future holds for the enterprise; they are not even sure about next year's assignment. So they take care of one year at a time, and therefore, enterprise behavior is short-term. Obviously, the relevant government organs should guide and assist enterprises, especially the medium and large enterprises, in drawing up their own mid-to-long-term program, and let enterprises realize their goals through the management responsibility contracts. In this way, enterprises will have a clear direction as to where to put their own funds, and technological transformation and asset propagation will be assured, and the term of the contract can be commensurate with the enterprise's own program.

3. Further reform the factory director's tenure system. To solve the problem of cadre's lifelong tenure under the previous system, the State Council has decided to limit the tenure of the factory directors to a renewable 3- to 5-year term. It has also set strict age limit to under 55 years old for factory directors of the medium and large enterprises. Because limited tenure often produces short-term behavior, many localities have adopted a tenure-objective responsibility system. But practice proves that putting tenure and age restrictions on the manager does more harm than good to the development of enterprises, because if a factory director is to accomplish anything significant in the enterprise, especially in the medium and large enterprises, he will need more than just 3 to 5 years. Given only a limited term, even though it is renewable; whether it will be renewed is an unknown, and he will not make long-term development plans. Some factory directors have ample business administration experience, are dynamic and innovative, and are in good health, but they are older, and at age 55, they are forced to leave their posts, and this can be detrimental to the enterprise itself. Therefore, the factory director tenure and age limit systems should be overhauled. Factory directors can be selected by competitive process, through an open hiring system or nomination system. Once selected, there should be no limit to the tenure. The director keeps his post if he does a good job, otherwise he will be dismissed. Entrepreneurs make right or wrong business decisions everyday in the competitive market. Making 7 good decisions out of 10 marks a good entrepreneur, and we must not demand perfection. Often,

because of renovation or transformation, or because of adjustments in the product-mix due to changing market conditions, enterprise performance may be uneven, and some years may be better than other years, and if in a 5- or 10-year cycle, the performance shows an upward spiral, we have a good entrepreneur; we cannot demand continuous growth year after year.

III. Introduce a Competitive Mechanism in the Contract Management Responsibility System

There are two problems in implementing the contract management responsibility system. One is how to determine the contract base, and the other is how to select a contractor, or representative of the contractors, that is, the factory director. As far as the contract base is concerned, many elements are involved, for example, how well the enterprise is being managed, its level of organic make-up, the availability of raw materials, the transportation distance, whether the products are in short supply or in excess supply, whether the prices are reasonable, and so on. These elements cannot be measured quantitatively. Therefore, in determining the contract base, often the department in charge of enterprises or the Finance Ministry has to hold one-to-one talks with the enterprise leaders. Most of the time an agreement can be reached after some compromise on both sides. Occasionally a compromise cannot be reached and the agreement falls through. Because there are great differences among enterprises, we cannot compare the different contracts already entered into. It would not be fair or reasonable. As for the selection of factory directors, appointed under the previous cadre management system, enterprise leading cadres are also government officials, and they are also ranked by county league, prefectural division, and provincial army levels, and similarly, they are appointed, dismissed, and supervised by the higher level party organizations, and all procedures are handled by the government. Because enterprises themselves had no right of self-determination, and their products had no market competition, even those who had no ability could become factory directors, and those with the utmost ability could not do much. After the reform, enterprises gradually have become socialist commodity producers and operators. Government monopoly of sales and procurement has been abolished; the income of the enterprise staff and workers has been linked to enterprise performance, and market competition has become more intense everyday. Under the circumstances, how well an enterprise is being run has a lot to do with whether the factory director has the quality of an entrepreneur required by the socialist commodity economy. This gives rise to the issue of setting new standards for selecting factory directors. However, because the cadre management system has not been changed, it is not likely that many socialist entrepreneurs will emerge soon.

Based on practice in recent years, we can solve the above two problems in one stroke. The effective solution is to introduce competition into the contract responsibility

system. This means publicly inviting bids to determine a reasonable contract base, and factory directors can also be selected from among the bid winners.

Invitation to bid, and the actual bidding, can be held within enterprises or in public. Small and medium enterprises, especially small enterprises, are less complicated, and the bidders can familiarize themselves with the situation in a relatively short time to formulate a management program and place a bid, and therefore these bids should be open to society and popularized. Large enterprises are more complicated. Bidders need more time to study the situation before making a decision. In practice, when bids open, despite the fact that hundreds of bids are received from all over the country, most often the winning bids come from the leaders who are operating similar factories. This shows that for large enterprises, bidding is best held among similar factories or within the same factory system.

As for the contract base, depending on different enterprise conditions, the following methods can be considered: (1) during the term of the contract, the quota of annual profit remittance is fixed; above-quota profit will be apportioned. (2) During the term of the contract, the percentage of profit remittance is progressively higher for each year. (3) In the contract period, a lump sum profit remittance figure is guaranteed but annual remittance may vary from year to year. (4) Enterprises which are losing money (mostly the military-turned-civilian product enterprises,) will receive fixed subsidies during the contract period, and if they manage to reduce the loss or turn a profit, they are allowed to retain all income. All of the above methods aim to ensure government revenues and enhance enterprise ability to increase accumulation, further their own development, and undergo self-improvement, and therefore, we should stipulate that a large percentage of the enterprise retained profits must be designated enterprise production development fund.

As for the selection of factory directors, generally, the department in charge of enterprises should be in charge of hiring. Since the factory director represents the operators, he also represents the staff and workers of the enterprise. Therefore, the hiring of the factory director must be coordinated with the selection and confirmation of the staff and workers. Specifically, we can consider the following methods: (1) the department in charge of enterprises selects a candidate from among the job applicants, and the supervisor introduces the candidate to the enterprise's workers' representative assembly, and the candidate gives a report on how he intends to run the factory, and the assembly takes a secret ballot to confirm or reject the appointment. (2) The department in charge of enterprises selects 2 or 3 candidates from among the job applicants, and after going through the process outlined in (1), the workers' representative assembly takes a secret ballot to make the final selection. (3) The department in charge of enterprises adopts open hiring

or some other method to select a candidate and recommends him to the enterprise for the post as acting factory director. After a trial period, the workers' representative assembly may cast its vote of confidence to finalize the appointment. Besides the above three methods, some enterprises may allow the workers' representative assembly to nominate or publicly hire a factory director, but the selection must be approved by the department in charge.

Since the factory director runs the enterprise and represents the staff and workers, he is financially responsible to the state, the owner. Therefore, in selecting the factory director, there must be standards befitting the nature and status of this position. Through competitive selection and practical training, we can turn a factory director, who traditionally represents the state, into a socialist entrepreneur engaging in the socialist commodity production and operation. Based on the factory director hiring experiences of some localities, the standards should include the following: (1) the person must be completely dedicated to the cause of China's socialist industrialization and modernization and the struggle to become more commodity-oriented and society-oriented. (2) He must be thoroughly knowledgeable about the production and management techniques of his trade and have the courage to blaze new trails. (3) The person must have the ability to organize and direct, be decisive and dare to take risks. (4) He must conduct business within the laws of the socialist commodity economy and he must have a strong sense of profit maximization. (5) He must comply with the country's laws and decrees and fulfill his responsibilities and obligations to the country diligently. (6) The person must be able to represent the will and the interests of the workers and integrate the interests of the country, the enterprise, and the workers. (7) In making decisions for the enterprise, and in other management, production, and business activities, he must respect the role of all the workers as masters, and he must rely on, and give full play to, the enthusiasm, wisdom, and creativity of all the workers.

IV. Turn Individual Contract Responsibility Into Entire Staff Responsibility

At present, the contract responsibility system assumes four different formats. The factory director himself is the contractor; a management group headed by the factory director is the contractor; the entire staff, represented by the factory director, is the contractor (that is, entire staff contract responsibility); and one enterprise contracts with another enterprise. The first two formats are much more common than the last two. These different contract formats are based on different theories. The first two formats are based on the theory that the separation of workers from managers is the result of division of labor in society. The division of labor gives rise to different functions for workers and managers. In a greater socialist production process, business administrations requires specialized knowledge and skills. Therefore, enterprise management must be delegated to specialized managers

or management groups, and workers are responsible for the quality of their own work but cannot directly have management responsibilities. As a result, the operators or management are excluded from the ranks of enterprise workers; they form a separate interest group alienated from the interests of the other workers, and if they accept a contract, they are responsible for enterprise profits and losses. Those who advocate entire staff responsibility believe that socialist state-owned enterprises are integrated bodies of workers which include workers, technicians, supervisors, and factory directors. The relationship between the factory director and the workers is manifold. 1. The factory director and the workers handle and use state-owned means of production under division of labor, and they share a working, equal, comradely, master-to-master relationship. 2. The factory director is the representative of the integrated body of workers and the enterprise which is a legal entity when he assumes enterprise contract responsibility and answers to the owner—the state. 3. Specialization, cooperation, and society-oriented expanded productions require centralized command and this creates a leader-and-follower relationship. Thus, the factory director does not exist independently in a "management level" outside of the collective body of workers, and even less as an interest group ignorant of the interests of the workers. Rather, he holds a unique position among the workers and is a distinguished representative of the workers. He shares the same interests and bears the same risks as the other workers. Thus, the workers collectively run the enterprise, and the factory director is their representative, and the contract responsibility must be borne by the entire staff and workers, represented by the factory director, and they are all responsible for the profits and losses.

The two different theories and two principal contract responsibility formats above lead to different results in practice. The former facilitates the selection and nurturing of entrepreneurs and lends itself to establishing the factory director (manager) as central figure in the enterprise and promoting the factory director responsibility system. However, there exists one major problem. With this type of contract, the factory director, or the management group, becomes the main organ of the enterprise, and the other workers become his subordinates and instruments for fulfilling the contract. Furthermore, the factory director, or the management group, has his own economic interests, and inevitably the workers will feel that they are only hired-hands, or worse yet, it creates two interest strata within an enterprise—the management versus the workers, and the role of workers as masters is diminished, and the factory director and the management group are excluded from the workers collectively, and the two strata are set against each other. This is incompatible with the nature of socialist enterprises. We should realize that it may seem that this kind of contract holds an individual, or a management group, accountable to the owner, the state, for profits or losses, and in some instances, the contract may even require the contractor to put up a substantial percentage of his

personal assets as collateral. In fact, things are not that simple. If the factory director (plant manager) or the management group is successful, naturally the entire staff benefits. If he incurs losses, the losers are not just the factory director or the management (who may receive lower wages or even lose the assets he pledged,) but the other workers, who did not participate in any decision-making and are only instruments for fulfilling the factory director's or the management group's contract responsibilities, suffer financial losses too, and the damage to the owner, the state, is even greater. This kind of loss is entirely unacceptable to the workers who are entirely justified when they say, "we did not participate in any decision-making, we are not part of the management, why do we have to take economic responsibility?" Thus, individual or management group responsibility contract cannot be sustained.

Entire staff responsibility creates the opposite situation. With this format, the contract is ratified by the staff and workers' representative assembly. The representative of the contractors, that is, the factory director, is elected and confirmed by the workers' representative assembly or the workers' plenum, and is approved by the department in charge of enterprises, representing the proprietor. Because the way the enterprise allocates its profits, the losses it incurs, and the risks it takes affect every worker, the factory director and the workers are bound by a common cause, and "the victory is shared by one and all, and the defeat is suffered by one and all." The workers can truly identify with their role as masters, and the factory director has an easier time directing and making decisions, not to mention getting a bigger bonus. Some comrades feel that this kind of contract creates the situation where "the responsibility belongs to everybody, and nobody takes the responsibility," and this will undermine the central role of the factory director in the enterprise. But this is not so. The so called entire staff responsibility does not mean that each and every one of the factory workers must sign a contract with the state. The factory director represents the decision and the interests (their immediate and their basic interests) of the workers in accepting the contract responsibility, and the contract is fulfilled under the central leadership of the factory director, and the obligations stipulated in the contract are the responsibility of each and every worker in the enterprise. Therefore, the above problem really does not exist. The central role of the factory manager will not be diminished. On the contrary, his role will be augmented because he represents the will and the interests of the workers.

Today, many enterprises are faced with the problem of how to turn an individual responsibility contract into an entire staff responsibility contract. I think that, besides adopting a new concept, we must also do the following: first, before a management responsibility contract is signed, it must first be ratified by the workers' representative assembly or the workers' plenum, so that it becomes the obligation of the entire staff, including the factory director, (the ratification process must be made

up if a contract has already been signed.) Second, we must acknowledge that the factory director represents the contractor, that is, the workers collectively, and in the process of implementing the contract, the entire staff is subject to his direction. Third, the economic responsibilities of the factory director and the staff must be clearly defined by the workers' representative assembly or the workers' plenum. Contracts already entered into must seek acceptance by the representative assembly or the workers' plenum. Four, obligations stipulated in the contract must be disseminated into every workshop, every work group, and every post.

V. Allocate the Profit Generated by the Contract Properly

In the past, contracts tended to emphasize personal reward and punishment for the individual contractor and often overlooked the economic benefits of the staff and workers. So the bigger the bonus the harder it was to meet the goals. This was partly because the workers were upset. But the failure to handle properly the allocation of benefits between the factory director and the other enterprise leaders and the staff and workers was the major contributing factor. Last year, we emphasized making good on commitments, but when commitments were fulfilled, many factory directors were still uneasy. They felt that they could not take all the credit, that the deputy director, the party committee secretary, the union president, the section chief, the office workers, and the whole staff worked hard too, and felt guilty that only they received bonuses, and so "1,000 yuan turned into 200,000 yuan," that is, when the factory director received a 1,000-yuan bonus, he tried his best to get a bonus for the other enterprise leaders and the staff, and as a result, several thousand factory workers each got some money which added up to hundreds of thousands yuan. Fulfilling commitments only bloated the consumption funds.

How do we resolve this conflict? The basic direction is to replace individual responsibility contracts with whole staff responsibility contracts, and let the entire staff and the factory director share the benefits and the risks. The workers understand the important role the factory director plays in determining the performance of the enterprise. If an enterprise is well managed, it retains more profit, and the staff will not object to giving the factory director a bigger bonus. But note that his bonus must be pegged to the staff's bonus; the difference should be reasonable, and the ratio should be determined by the workers' representative assembly or the workers' plenum. In this way, the factory director gets a bonus, and he has mass support as well as the legal support of the enterprise. He has no problem with the bonus, and neither do the staff and workers.

Another type of allocation problem has to do with how to entice enterprises to spend their retained profit on productive inputs. The government can use direct or indirect measures to influence enterprises, but we can also

link the process to the economic interests of the factory director and the staff and workers. If every time the enterprise increases its productive inputs, the factory director and the staff and workers realize some increase in income, then we have provided them with the incentive. Special attention should be paid to this aspect in the contracts and in determining the ratio which links the total wage bill to the profit and tax remittance. A third allocation problem concerns the fact that most enterprises are now locally supervised, and the localities are under a financial contract responsibility system with the central government, but enterprises still supervised by the central government remain under the departmental contract responsibility system. Since the financial conditions vary among localities and departments, and they also have different enterprise policies, some of the enterprise contract base and profit retention percentages are more generous than others. On the whole, areas with tight financial situation tend to be more demanding, and areas which are financially better off are more generous; localities which have to remit revenues to the state and have to balance their budget are more demanding, while areas receiving subsidies turn out to be more generous; those pursuing immediate gains are more demanding, and those seeking long-term development are more generous. This means enterprises are competing under unfair external conditions. This problem cannot be solved by trying to perfect the contracted management responsibility system itself. We must rely on the comprehensive reform of the financial system and other macro-control systems.

VI. Interlock the Contract Responsibility System With the Shareholding System, and Promote the Financial Independence of State-Owned Enterprises

Because at present the country is operating under two separate systems, adopting the contract responsibility system as the means to smooth the conflict of interests between the state and enterprises is a reasonable choice, but this system is not the objective of the reform of state-owned enterprises. Our goal is to transform state-owned enterprises into socialist commodity producers and operators which can operate the business independently, take care of their own profits and losses independently, accumulate assets independently, undergo self-improvement independently, and to strive for development independently—the “five independences.” Therefore, we should perfect the contract responsibility system and that means aiming for the “five independences,” and the focus is to make enterprises financially independent.

Some comrades feel that, under the present contract system, using the operator's personal assets as collateral means enterprises are taking care of their profits and losses. But facts show that an operator, even for a “10,000-yuan household,” pledges no more than several thousand yuan, and when an enterprise loses money, the state, which is the owner, and the workers, who lose wages, lose much more than that. So when the manager

loses his personal assets, it can be looked at as a form of penalty, but in no way is the enterprise taking care of its own profits and losses. Other comrades feel that when an enterprise loses money, using the worker's benefit and bonus funds to make up for the loss, or reducing the base wages, is taking care of the profits and losses. This, of course, is serious punishment for the workers, but it does not make up for the loss of state-owned assets, and therefore it cannot be considered taking care of the profits and losses. Still other comrades think that if an enterprise fails to deliver the stipulated profit and tax revenues, or if it loses money, it must use its own retained profit or other forms of fixed assets to make up the difference, and this is being responsible for the profits and losses. But these comrades also feel that all enterprise retained profits and all forms of fixed assets ultimately belong to the state. This, in fact, means that state-owned funds are being used to remedy state-owned enterprise losses, and naturally enterprises are not being responsible for their profits and losses. In short, the present contract responsibility system is just a management format where enterprises are responsible only for the profits but not the losses, although the managers are somewhat penalized if the enterprise loses money.

How do we develop the contract responsibility system into a system which enables enterprises to be responsible for their profits and losses? I think we must let enterprises accumulate their own assets through the contract responsibility system. Under the present system, the workers collectively enter into agreement to manage the state-owned assets. This is similar in nature to the peasants contracting to work on the collectively-owned lands. When peasants contract to work on the land, they pay state taxes to the central government, and they pay an operating fee (land-use fee) to the collective. The residual is the operating income from the land which the peasants keep. Enterprise workers who collectively assume the contracted responsibility to work with the state-owned assets should do the same, that is, in entering a contract, one, they should pay state taxes to the central government, and two, they should pay a users-fee (in the form of profit or dividend) to the state who owns the assets. The residual is the operating income and should belong to the workers collectively. Fixed assets obtained with such income are the workers' collective assets. Once enterprises have this kind of assets, they can finance the business losses. In this way, enterprises are, and have the means to be, responsible for their own profits and losses.

Enterprises need time to accumulate their own assets and need to accumulate a certain amount of assets. From the standpoint of time, we can either begin at the time the contract responsibility system was adopted, or at the time the Third Plenum of the 11th Party Central Committee adopted the enterprise profit retention system. I suggest the latter period. No doubt this method serves as an encouragement for those enterprises which, since the reforms, have used their retained profits and loans

(repaid by retained profits) on technological transformation, and it also lashes out at those enterprises which have distributed and used up all their retained profits. From the standpoint of quantity, enterprises must have accumulated a certain amount of assets before they have the ability to shoulder the losses. Based on statistics taken in the pilot cities, they need to own at least about 30 percent of the enterprise's total assets. If enterprises could begin to accumulate their own assets at the time the profit retention system was adopted, some enterprises should have already accumulated this minimum amount of assets, but if they had to wait until the contract responsibility system was adopted, a majority of enterprises would have to start from scratch.

If we put the above concept and measures into effect, state-owned enterprises which are entirely funded by the state will be owned by the state and by the enterprise workers collectively under a dual-ownership system. If we mobilize the workers to buy enterprise stocks, we are creating a three-prong ownership system. And if we go even further to allow other enterprises, individuals, and foreign investors to purchase stocks, we will produce a pluralistic ownership system. With these many kinds of ownership systems, if we organize the assets under a stockholding system, the state-funded enterprises will be turned into socialist publicly-owned joint-stock enterprises. Because there are many enterprise owners, we have to set up a board of directors to represent the pluralistic owners, and the board of directors will hire a manager who has administrative abilities and who can represent the common interest of the owners. In this way, two new elements will emerge: one, this joint-stock enterprise does not belong to any supervisory organ; it has no "mother-in-law." Two, enterprise proprietary rights and operation rights are truly separated in a more meaningful way. This will give impetus to enterprises to achieve the "five independences."

Some comrades are worried that under the stockholding system, the workers collectively will accumulate stocks, and eventually the state-owned enterprises will be turned into worker's collective enterprises. There is such a possibility. But even so, enterprises will still be publicly owned, because these worker's collectively-owned assets cannot, and should not, fall into the hands of individuals. At the same time, whether such change would take place, and how far the changes would go, are not random processes. They can be actively modified by the state, depending on what role the enterprise plays in the national economy, and what kind of changes have take place. If the state must control some enterprises, it can constantly reinvest the dividends to control the majority stocks. If it wants to loosen its grip on some enterprises, it can halt any new investments. If the state wants to relinquish control over some enterprises, it can sell all the state-owned assets and turn the enterprise over to the workers collectively, but if after a period of time, the state wants to get back into control, it can reinvest the state funds. With this kind of regulatory power, the state can mobilize the enthusiasm of enterprises and workers,

and it also has a powerful means to adjust the industrial-mix.

Other comrades are worried that under the stockholding system, state revenues will diminish. This is understandable. But whether revenues will diminish or not depends on how these joint-stock enterprises distribute the dividends. Based on initial practices of some enterprises, state-owned stocks are preferred stocks. They get the dividends first and are not affected by enterprise performance, that is, there is no risk. Worker's individual stocks are guaranteed stocks which pay dividends, but the amount of dividends varies with enterprise performance. Enterprises workers' collectively-owned stocks bear all the risks. If the enterprise loses money, these assets will be used as remedy. With this arrangement, the state's revenues will not diminish; they may even increase as enterprise profit rises.

At present, enterprise retained profit is low, and it will take time for them to accumulate workers' collectively-owned assets. Therefore, we need a transitional format during the change-over from the contract responsibility system to a stockholding system which will entice enterprises to reinvest a large part of their retained profits. This transitional format is the separate account management system promulgated by the State Council in its contract responsibility provisions. The transition from the contract responsibility system to the separate account management system and eventually to the stockholding system—this is the direction for furthering and developing the contract responsibility system.

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SMALL-SCALE ENTERPRISES

Report on Development of Township Enterprises
40060401 Beijing ZHONGGUO XIANGZHENQIYE
BAO in Chinese 13 Jun 88 p 1

[Text] According to the Township Enterprise Bureau of the Ministry of Agriculture, policies have been implemented nationwide to reform and invigorate township enterprises and have them open up to the outside world, and a series of measures have been effected to improve management. Township enterprises continued to emerge in great variety in 1987 and develop in a sound manner. Output value and earnings grew commensurately.

The major economic indicators rose significantly. Gross output value for the year amounted to 476.39 billion yuan, which represents a net increase of more than 122 billion yuan over the previous year, or a 34.5 percent rise. This accounted for 52.4 percent of the gross social output value for rural China for the year, up from 47.7 percent the previous year. Income from product sales and various labor services was 459.77 billion yuan, which was 36.7 percent more than the previous year.

Taxes on profits totaled 64.53 billion yuan, an increase of 26.9 percent.

The sectors showing significant increases in gross output value include: industry, 324.39 billion yuan, a 34.4 percent increase; communications and transportation, 36.05 billion yuan, a 40.9 percent increase; and commercial food and beverages, 41.99 billion yuan, a 50 percent increase.

Township enterprise foreign trade exports increased as a result of implementing the coastal economic development strategy. The value of goods delivered totaled 16.2 billion yuan, an increase of 62.8 percent over the previous year, or a net increase of 6.25 billion yuan. The highest increases were for mechanical and electrical products, 163.3 percent; livestock products, 145.7 percent; arts and crafts, 85.4 percent; and clothing, 83.5 percent. The increases for foodstuffs, local products, and textiles all were above 50 percent. Income from processing fees for the "three forms of import processing and compensation trade" increased 82.4 percent over the previous year. Exports generated \$5 billion in foreign exchange over the year.

Township enterprises also provided social benefits. Last year more than 8.6 million people transferred from agricultural labor jobs, which was 2.4 times the number of urban and rural unemployed who found jobs that same year. Employed labor as a proportion of the rural labor force increased from 20.9 percent in 1986 to 22.6 percent in 1987. Outlays for industrial subsidies to agriculture, town construction, collective benefits and education amounted to 2.24 billion yuan, an increase over the previous year of 18.6 percent to 36.7 percent.

Attention was given to investment and technological transformation. Enterprise fixed assets stood at 160.35 billion yuan, an increase of 32.3 percent over the previous year. Among village enterprise fixed assets, the fixed assets of industrial enterprises totaled 101.96 billion yuan, an increase of 34.2 percent. Fifty-four percent of investment went to establish new enterprises, while 46 percent was poured into technological transformation.

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FOREIGN TRADE, INVESTMENT

Guangdong To Emphasize 13 Key Export Industries

40060380A Guangzhou NANFANG RIBAO in Chinese
18 Jun 88 p 1

[Article by Lin Yu 2651 5038: "The Guangdong Provincial Work Conference on Expanding Industrial Exports Has Decided To Place Emphasis on 13 Leading Products. By 1990 a Large Number of Key Enterprises Engaged in Winning Foreign Exchange Earnings Through Export Will Be Established. The Export Earnings of These Enterprises Will Be More Than 50 Percent of the Province's Entire Industrial Export Earnings."]

[Text] The Guangdong Province Work Conference on Expanding Industrial Exports ended yesterday. Through earnest discussions the conference decided that by 1990 we should increase enterprise profits on a large scale, break production records, and place emphasis on developing the following "hot" products: stationery, clothing, construction materials, furniture, textiles, home appliances, plastic products, wood products, mechanical equipment, and hardware. We must establish a large number of key enterprises engaged in earning foreign exchange through export; and ensure that the foreign exchange earned from these enterprises comprise over 50 percent of the entire province's foreign exchange earnings from industrial exports.

During this conference, several industrial enterprises from Guangdong that showed outstanding results this year in foreign exchange earnings through export exchanged experiences with each other. Prior to the close of the conference, talks on the goals of further expansion of Guangdong's industrial exports and questions about policies and measures were given by the following responsible persons: Ou Yang Shuqian [2962 7122 6615 0051] of the Provincial Economic Commission, Xu Yunian [1776 5940 1629] of the Provincial Foreign Economic Relations and Trade Commission, and Yi Zhanqiu [2496 2182 3808] of the Work Reform Committee.

The conference felt that the present situation in industrial production is very good. Although rising prices are causing problems for enterprises at the present time, it should be noted that the law of value is an important mark of the development of a commodity economy. Price reforms are bound to promote expansion of industrial and agricultural production and bring about a flourishing commodity market situation. We must be resolute in overcoming the difficult barrier of price reform. All enterprises should take a viewpoint geared toward profits and make efforts to this end. If we look at our management level as not being very good, many enterprises have the appearance of having basically gained profits. However, because of backward management, many enterprises have lost these profits, and some even consider this normal. Therefore we must put much effort in strengthening management, raising the level of management, and use management to create beneficial gains.

During discussions, delegates expressed the belief that there should be further expansion of industrial exports, and that there should be an attitude of seeking breakthroughs in production. Economically developed areas must not feel complacent but look at their areas as still having great potential for development, strive for new breakthroughs, develop technology intensive products, adopt policies for large scale development, keep export products at the forefront, establish collective enterprises, set up production in accordance with international standards, raise the quality of products, and put great effort into getting their products on the international markets.

Areas that don't yet have very high economic development must not quit after running into a few difficulties but should stir up their spirits, emphasize the strong points while avoiding disadvantages to organize new breakthroughs.

The conference delegates believe the task of expanding export products will mainly be the job of enterprises. Therefore, we must do a good job overall in reform, have policies and measures based on encouraging enterprises, enliven the enterprises without causing confusion, and propel the enterprises into international competitiveness. Of course we must perform management where management is needed but the enterprises should not be managed to death. The goal of management is to enliven enterprise and promote an expansion of industrial export products to that more foreign exchange and earnings will be generated for the state.

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ECONOMIC ZONES

Hainan's Externally Oriented Economy Explored
40060292 *Guangzhou GANGAO JINGJI [HONG KONG & MACAO ECONOMIC DIGEST] in Chinese*
No 4, 15 Apr 88pp 29-32

[Article by Zhong Yechang 6988 2814 2490, Department of Economic Management, Hainan University: "Exploring Hainan's Unique Externally-Oriented Economy"]

[Text] Since Hainan's establishment as a province that enacts more unique and more flexible policies than even the Special Economic Zones, an important strategy in the development of its economy has been to fully utilize its rich natural resources and the preferential measures extended by the central government, in order to gradually establish an externally-oriented economy with Hainan characteristics. However, how to define the mode of Hainan's externally-oriented economy based on its existing conditions is a pressing issue yet to be resolved.

I. The Debate Over the Externally-Oriented Economy and Hainan's Choices

In the study to shape an externally-oriented economy with Hainan characteristics, we should begin by integrating all issues pertaining to the externally-oriented economy. Theoreticians began debating over these issues in 1985 while looking into "The Future of the Shenzhen Special Economic Zone." Shenzhen and the other SEZs were established in succession in and after 1979, and they have developed rapidly within a few years. But in 1984 and early 1985, because the state took strict macro-economic measures to guard against excessive investments, the bloated credit volume, and the sharp reduction in foreign exchange reserve, the vulnerable side of Shenzhen and the other SEZs was exposed. Examples of the major problems include the high ratio of internal

funding by the SEZs, the low standard of the imported technologies, the excess of imports over exports, and products which targetted the domestic market. These problems prevented the SEZs from entering the world market, and prevented them from achieving the objectives of installing the SEZs in the first place. So, from the arguments over "the SEZs making money out of the mainland," and "the assault on the native industries" by SEZ imports, began the controversy over the struggle of the SEZs and their endeavor to generate "internal energy" to develop an externally-oriented economy.

The debate over the development of the externally-oriented economy in the SEZs went on for more than a year, and these debates touched upon the concepts, types, characteristics, and the marks of the externally-oriented economy, as well as the objectives and game plans in the development of such an economy. Some viewpoints are diametrically opposed to others, but some conclusions are unanimous. The SEZs' externally-oriented economy should have the following characteristics:

1. Export value should account for a substantial percentage of the local GNP.
2. The rate of increase in export value should exceed the rate of economic growth.
3. Foreign capital utilization should comprise a certain percentage of the local investments.
4. Exports should be a driving force behind the local economic development.
5. It should have some economic and technological impact on the mainland and overseas.

This demonstrates that all externally-oriented economies are identical in many ways, whether they are developed in the SEZs or the economic open zones. For example, the export volume should account for a certain percentage of the GVIAO or the GNP.

However, this does not mean that the opening of Hainan to the outside world must be an exact copy of the mode of externally-oriented economy in Shenzhen and the other SEZs or the coastal open cities. Whether it is from the point of view of the socio-economic conditions, the characteristics of economic development, or from the level of economic development, Hainan cannot just copy the other regions, especially not the fixed quotas used in the development of the SEZs' externally-oriented economy. Hainan should choose its unique economic mode based on its own socio-economic conditions, its own economic development characteristics, and its level of economic development.

II. Characteristics of Hainan's Economy and the Standard of Its Externally-Oriented Economy

The key to defining an externally-oriented economy which is unique to Hainan is to start from its existing conditions. Hainan is 65 times the area of 4 SEZs, and it also has about 4 times the population of 4 SEZs. But these things are not crucial.

The crucial difference between Hainan and Shenzhen and the other SEZs lies in the fact that the latter group embodies an urban socio-economic form while the former is still basically agricultural, socially and economically. In 1986, Hainan's population was 80.8 percent agricultural, and agriculture accounted for 66.8 percent and 61.37 percent of the GVIAO and the GNP, respectively, while industries only accounted for 33.2 percent and 16.21 percent. These figures imply that Hainan is more predominantly agricultural compared to the rest of the country, socially and economically. In 1986, nationwide, 61.1 percent and 22.1 percent of the total employment were in the primary and the secondary industries, respectively, compared to 73.23 percent and 9.4 percent in Hainan, and nationwide agriculture only accounted for 34.98 percent and 44.9 percent (the latter being a 1983 figure) of the GVIAO and the GNP, respectively, substantially lower than the 66.8 percent and 61.37 percent in Hainan.

There is a world of difference between the economic conditions in Hainan and in Shenzhen and the other SEZs (industries account for more than 90 percent of the GVIAO in the latter group). The social and economic differences stipulate that the focus, goal, and degree of difficulty of economic development will be different. Shenzhen and the other SEZs relied on urban resources (primarily industrial resources, plus an experienced labor force) for their development, and Hainan is inclined to rely primarily on its natural resources.

Hainan is China's largest and most important tropical and sub-tropical crop production base. Based on 1984 figures, in terms of the total crop area and the output volume, Hainan's rubber and other crops constitute the following percentages in the nation: rubber, 60 percent and 66.42 percent, respectively; pepper, 56.5 percent and 55.96 percent; coconut, 98.93 percent and 99.63 percent; coffee, 36.23 percent and 15.54 percent; cashew, 99.65 percent and 95.8 percent; oil and palm, 100 percent and 100 percent. Thus, Hainan is China's only large tropical crop production region, and it holds the balance in the nation's tropical crop production. In addition, Hainan also has a very rich supply of minerals, and oil and natural gas, and it has substantial resources in marine breeding and cultivation, as well as the tourist trade.

These are the key elements which limit Hainan's choice in the mode of an externally-oriented economy.

Hainan is rich in natural resources but is economically backward. The per capita GVIAO in Hainan in 1986 was only 662.3 yuan, or 52.7 percent of the national standard. In terms of the independent accounting of the labor productivity of all workers in industries and enterprises under the people's ownership system, Hainan's labor productivity was 9,938 yuan in 1986, equivalent to only 62.9 percent of the national figure. Since its opening to the outside world, Hainan's foreign trade has developed quickly, but sporadically. Each year, from 1983 to 1986, its total export value has been \$15.77 million, \$41.13 million, \$81.13 million, and \$38.40 million, respectively. There has been little change in the product-mix of its exports. In 1986, native and specialty agricultural and sideline products accounted for 42.71 percent, and processed agricultural and sideline products accounted for 27.13 percent of the total export. These two product categories together comprised 69.84 percent of all exports, which fully reflects a backward foreign trade structure.

An externally-oriented economy in fact is an economy which allows its development to be "pulled" by the demands of the world market. The above observations and analyses demonstrate that the development of Hainan's externally-oriented economy will be a long process, and in the next 10 years, we can set some quantitative targets:

1. Foreign capital should make up more than 20-30 percent of the total fixed asset investments.
2. Export of locally produced goods should account for over 20 percent of the GVIAO.
3. Export volume (including local products, import substitutes earning foreign exchange, and entrepot or joint-operation export products) should make up more than 30 percent of the GNP.
4. Foreign exchange income (including remittance by overseas Chinese) should account for more than 30 percent of the GNP.

Our principle is that within the next 10 years or so, if Hainan's externally-oriented economy can meet some or all of the above targets, we can claim success, and proceed to a higher level of economy which is more export-oriented. We have anticipated fully the factors which can hinder or facilitate the development of Hainan's externally-oriented economy.

III. Factors Which Hinder or Facilitate the Development of Hainan's Externally-Oriented Economy

The main obstacle in Hainan's development of an externally-oriented economy is not its weak economic foundation, nor its low economic standard, or its predominantly agricultural socio-economic formation. These factors only indicate that, compared to Shenzhen and the other SEZs, the development of an externally-oriented

economy in Hainan will take much longer, but they cannot determine whether Hainan should follow in the footsteps of Shenzhen and the other SEZs.

The real problem of Hainan's development of an externally-oriented economy lies in the fact that Hainan is China's most important tropical and sub-tropical crop producing region, and it is "irreplaceable." Therefore, its development of an externally-oriented economy is torn by a sharp conflict between domestic and international demands. This conflict is entrenched, and cannot be resolved simply by some concessionary measures.

As China's only, and largest, tropical and sub-tropical crop producing base, Hainan is economically responsible for the whole nation. For decades, this has been taken for granted by the country as well as by Hainan itself. For example, the state developed Hainan into a rubber production base, and Hainan's rubber production is vital to the country as an "import substitute," because it guarantees about 70 percent of the nation's demand for natural rubber. In addition, Hainan's most valuable staple goods are iron ores, table salt, lumber, and sugar, and almost all of them are allocated to the government. For example, Hainan's rich iron mines produce top grade ores with 68 percent iron content, and are the best in the nation. It has 71 percent of the country's reserve, yielding close to 4 million tons of iron ores a year, and are worth over 100 million yuan. They are distributed to more than 60 steelworks nationwide.

Rubber alone accounts for 38.4 percent of Hainan's GVAO, and 41.3 percent, if we include other tropical crops. The processing of local resources also accounts for a substantial percentage of the GVIO. For example, the metallurgical industry, the rubber and sugar processing industries account for 38.98 percent of the GVIO (based on 1980 constant price and 1985 statistics.) These agricultural and industrial products mainly target the domestic market.

Within the foreseeable future, Hainan's economy will continue to rely heavily on the domestic market to give it thrust.

The central government has clearly pointed out that the development of Hainan must be based on the superior natural resources of the island itself. Hainan must tap internal potential, and seek good economic returns to gradually establish an economic structure with Hainan characteristics. This will be the important guiding principle for its economic development after Hainan establishes itself as a province which has adopted exceptional policies.

Hainan's choices are determined by its rich supply of natural resources. Shenzhen and the other SEZs have more or less the same resources and key elements as the rest of the country, and therefore their development of

an externally-oriented economy is not affected by the conflict between domestic and foreign demands, and so they can increase the proportion of exports to 70 percent or higher.

A side by side comparison shows that the above quantitative targets for the development of Hainan's externally-oriented economy are appropriate. Guangzhou is among the nation's most economically advanced cities, but it still pays more attention to the "market conditions" than to the SEZ quotas, and it sets its own quantitative targets in developing its externally-oriented economy:

1. Export accounts for more than 30 percent of the overall GVIO.
2. Foreign exchange income accounts for more than 30 percent of the GNP.

We have considered every aspect of Hainan's economic development. In 1985, foreign capital accounted for 3.89 percent of Hainan's capital construction investments (foreign capital accounted for only 0.45 percent of the investments in technological transformation facilities.) In 1986, the output value of Hainan's "enterprises of three capital sources" was only 80 million yuan, less than 2 percent of either the GVIAO or the GNP. In the same year, Hainan's export trade accounted for only 2.7 percent of the GNP, and the export volume of the "enterprises of three capital sources" was far less than 1 percent. Foreign exchange income in 1984 was 4 percent of the national income. Therefore, to raise these figures to over 20 or 30 percent within the next 10 years will not be an easy task (even though these standards are below those in Shenzhen and the other SEZs.)

But if we consider that Hainan is the nation's largest SEZ, and is ready to adopt all the effective methods of cooperation and management in the world, then the above targets are not impossible.

To say that the quantitative targets are appropriate, we are taking into consideration the "possibilities" created by the state's preferential policies. For example, the system of export quotas and permits has been the main policy-type restriction faced by Shenzhen and the other SEZs in their development of an externally-oriented economy. In 1986, the state allotted enough export permits for Shenzhen's industrial products to accommodate only one-third of Shenzhen's export capacity in that year, and it fell far short of the export needs of the light industry, the textile, garment, processed food and other industries. In Shekou, the quota of export permits, similarly, affected the survival of one-third of the enterprises. But one of the preferential measures extended by the central government in opening up Hainan is to insulate Hainan's foreign trade, and put it under separate management, exempt from the restrictions of quotas

and permits. This will greatly benefit Hainan in increasing its use of foreign capital and expanding its export volume, and at the same time it will facilitate Hainan's entrepot and processing trade with the mainland.

As the nation's largest special economic province with more open and more exceptional policies than even the SEZs, if Hainan can give full play to its rich labor resources, "the three forms of import processing and compensation trade" will develop even faster. At the same time, the exploitation of all of Hainan's natural resources, in many ways, will help the country realize its goal of producing import substitutes as a part of the economic development strategy. In July 1987, with the state council's approval, the state planning commission and the state economic commission separately made public the "Methods Of Substituting Production For Import In the Sino-Foreign Joint Ventures and Cooperative Ventures," and the "Methods For Substituting Production For Import in the Sino-Foreign Joint Ventures and Cooperative Ventures in the Mechanical and Electrical Industries." These declarations are beneficial to Hainan's strategy to develop its resources and produce import substitutes.

Furthermore, there are many overseas Chinese in Hainan, and it has many tourist attractions. This will make the intangible trade an important part of Hainan's development of an externally-oriented economy. In 1984, as much as 37.9 percent of Hainan's foreign exchange income came from non-trade sources, and among the non-trade foreign exchange income, 52.9 percent came from overseas remittance, and 23.6 came from tourism.

Here we can briefly summarize the characteristics of Hainan's unique externally-oriented economy:

1. Domestic demands far exceed international demands, and the future of exports is limited.
2. Foreign capital, state (or local) investments, and investments financed by bank loans tend to interact with one another.
3. Stress applied technology.
4. Some businesses and some products are "devoted entirely to the international market."
5. The rate of increase in foreign trade far exceeds the rate of economic growth.
6. There will be some adjustments in the mix of export commodities. Export of products from the light and textile industries will account for a larger proportion of the total export, but primary products and processed primary goods will remain the major exports.
7. Re-export, the processing of mainland products, and entrepot trade have a special place in Hainan's foreign trade.

8. "The three forms of import processing and compensation trade" will continue to rely heavily on foreign capital.

9. Non-trade foreign exchange income will play an important part in foreign exchange income.

10. Production of import substitutes will remain an important part of the efforts to become more export-oriented.

11. "Agriculture which earns foreign exchange" will continue to play an important role.

12. Non-production type investments will become more significant.

This demonstrates that in the next 10 years, Hainan's unique externally-oriented economy will remain fairly primitive. This is the basis for all policy decisions.

Another principle which we maintain is that in the early stage of Hainan's externally-oriented economy, it is more important to view the development as a strategy and a goal than to be overly concerned about fulfilling quotas. More emphasis should be placed on the "basics."

IV. The Direction of Efforts in Developing Hainan's Externally-Oriented Economy

The development of an externally-oriented economy should be the guiding ideology of Hainan's economic activities, and let this ideology permeate all territories when planning its economic development. We have to popularize, and reinforce, the concepts of an externally-oriented economy and the participation in international division of labor and international competition. The planning and management departments and enterprises, in particular, should discard old ideologies and concepts. Developing an externally-oriented economy is a long-term goal in Hainan's economic development, and in the early stage, special attention must be paid to policies and measures which are based on Hainan's actual conditions, and avoid setting goals which are overly-ambitious and impractical.

In the early stage of developing Hainan's externally-oriented economy, we must fully recognize that domestic demands are far greater than foreign demands, and it will be difficult to get more direct benefits out of international economic activities. Therefore, it is important to get the indirect benefits by liberalizing the system of foreign trade, that is, emphasize the introduction of technologies, information, organization, management, and new systems and other benefits through international contacts and competition. This is an important aspect of making the externally-oriented economy the guiding ideology in Hainan's economic development.

We need to formulate and adopt a developmental strategy which is uniquely Hainan's, and which integrates efforts to become more export-oriented with efforts to produce more import substitutes. Through this strategy we can resolve the conflict between domestic and international demands in different stages, from different angles, and with different emphasis, integrate domestic and foreign sales, and let them promote each other. We have to rely on domestic demands to expedite economic growth, and rely on international demands to achieve technological advancement, to adjust the product-mix, and upgrade and transform the products. This strategy must, to an even greater extent, embody the concept of relying on the mainland market but eventually targetting the international market, and develop foreign trade to a strategic height.

We must enact a reasonable industrial policy, so that we can: (1) support and develop a large group of externally-oriented enterprises and industries, (2) promote the development of industries which earn foreign exchange, high-tech industries, and industries which produce import substitutes, and (3) limit the short-term behavior of investors, so that more industries can enjoy greater economies of scale. The industrial policy must embody measures which pertain to the industrial mix, the industrial organization, and industrial technologies.

It is necessary to point out that the development of Hainan's externally-oriented economy must begin with the development of externally-oriented enterprises and industries, and gradually expand from there. Therefore, we must rely on the industrial policy to consciously develop the collective enterprises and enterprises outside of the regions which are externally-oriented.

We have to restructure the economic and political systems according to the needs of an externally-oriented economy. The conflict between our economic organization and the international economic organization is due mainly to differences in system. The circulation of international capital is blocked because of our own system. Therefore, the substance of Hainan's development of an externally-oriented economy includes the restructuring of the economic and political systems to comply with the needs of that economy, and it also includes the establishment of a system which does not antagonize the international economic mechanisms, otherwise the survival and propagation of foreign capital will be threatened. From a certain point of view, an externally-oriented economy in essence is a system which faces the outside world, and is consistent with the way the international economy functions.

In establishing a new system, we always demand the separation of party and government, and the separation of government and enterprises, to fully integrate enterprises and the market. Based on the actual conditions in Hainan, we have to maintain the principle of "a smaller role for the government and a bigger role for society," and "a smaller role for public finance and a bigger role

for the banks." We have to enliven enterprises in order to enliven the economy. Therefore, we must enhance the relationships among enterprises, the international economy, and the financial institutions. We should reform the systems of foreign trade, banking, pricing, and exchange rates to eliminate the "barrier" between enterprises and the international market, and let enterprises directly participate in international competition. This is the foundation of the development of Hainan's externally-oriented economy.

We need to establish a scientific system of statistical indices, and strengthen the externally-oriented economic constructions, and reinforce the contingent of scientific researchers, and recruit more personnel. Then we will be ready to promptly, accurately, and effectively reflect the state of Hainan's development of an externally-oriented economy, and deal with the problems and issues that may arise.

We need to further improve the tangible and the intangible conditions in the investment climate.

We should vigorously develop the tourist trade and the export of labor and services, and increase the non-trade foreign exchange income.

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AGRICULTURE

Coordinated Development of Grain, Cotton Production

40060417 Beijing *NONGYE JINGJI WENTI*
[PROBLEMS OF AGRICULTURAL ECONOMY] in
Chinese No 6, 23 Jun 88 pp 20-24

[Article by Mei Fangquan 2734 2455 2938, Huang Bufan 7806 0008 0416, and Qin Yongnan 4440 3057 2809 of the Institute of Agricultural Economy under the Chinese Academy of Agricultural Sciences: "A Study on the Issue of Steady and Coordinated Development of China's Grain and Cotton Production;" also contributing to the study are research personnel Wang Baomin 3769 0202 3046, Su Xiaou 5685 2556 7743, Yang Jianchang 2799 1696 0221, Zhu Xiaofeng 2612 2556 1496, Li Bing 2621 0365, Li Zhiqiang 2621 1807, Li Yuanzhu 2621 6678 6999, and Luo Haiping 5012 3189 1627]

[Text] The imbalance of grain and cotton development has been a prominent issue for a long time. In the early 1980's, this issue seemed to have been resolved because grain and cotton production increased for several years on end. However in the last 3 years, the stagnant situation reappeared simultaneously in grain and cotton production, demand obviously exceeded supply, and the imbalance issue resurfaced in regard to the acreage of grain and cotton fields and import and export arrangements. We urgently need to find a new way of handling this situation.

I. The Tendency of Changes in China's Grain and Cotton Supply and Demand

1. The characteristics of changes in grain and cotton production and demand. Judged from the situation as a whole in the past 38 years, most of the time, grain and cotton production had the tendency of going up or down simultaneously which can be demonstrated by the following four characteristics:

A. The level of per-capita grain and cotton possession determines the change of grain and cotton supply and demand relations. Between 1952 and 1978, per-capita grain possession hovered about 300 kg and cotton about 2.6 kg; grain and cotton shortage became a chronic problem. In 1984, per-capita grain possession rapidly increased to 396 kg, a record high, and cotton over 6 kg; the chronic problem of grain and cotton shortage was alleviated for the first time in practice. In the past 3 years, grain and cotton output declined sharply; grain demand exceeded output by 20 million tons each year and cotton demand in the past 2 years also exceeded output by over 2 million tons. Problems of deciding the acreage of grain and cotton fields and arranging imports and exports have surfaced at a new level.

B. The effect of policy factors is in general greater than the influence of natural disasters in the fluctuation of grain and cotton output. During the 20-year period between 1958 and 1978, China implemented the policy of stabilizing the prices of farm products and allowing greater scissors difference between the prices of industrial and farm products; as a result, the average annual increase rate of grain output was only 1 percent and cotton stagnated for 14 years, an average annual increase rate of 0 percent. Except for the years of severe calamities, grain reduction as a result of natural disasters generally ranged between 10 to 15 million tons and cotton reduction about 300,000 tons. In the early 1980's, China adopted a series of effective reform policies and development measures, causing grain production to increase substantially for several years running. However, unable to recognize the structural, local, and temporary nature of the problem of grain and cotton oversupply caused by a high growth rate, China was overly optimistic about the situation and adopted a series of policies restricting grain and cotton production, reducing grain output by over 25 million tons in 1985 and cotton output by 2.11 million tons, which were unprecedented in history. This shows that both positive and negative effects of policies are great.

C. Grain and cotton demand has exceeded supply for a long time. From the initial period of the PRC's founding to the late 1970's, grain and cotton were always in short supply, but thanks to an effective planned distribution system, China was able to maintain a low-level, relatively balanced supply of grain and cotton. After entering the 1980's, supply and demand reached new heights for the first time. Although there was a brief period of 1984 when grain and cotton supply was greater than demand,

judged from the entire 8-year period between 1979 and 1986, demand still exceeded supply. During this period, China's per-capita grain possession increased only 7.7 percent, but urban residents' grain consumption increased 15.5 percent, and the difference was made up mainly with imports.

D. Imbalances between acreages of different crops appeared in the distribution of grain production. Comparing 1986 with 1984, Northern China reduced cotton acreage by 42.8 percent and the middle and lower reaches of the Changjiang reduced cotton acreage by 31.4 percent. During the same period, grain acreage increased accordingly. After the increase of grain acreage balanced off with the reduction of cotton acreage, there were still near 40 million mu of farmland sown mainly to such cash crops as oil-bearing crops, flax, tobacco, vegetables, and fruits. Such a change has caused the irrational distribution of grain, cotton, and other cash-crop fields.

2. The tendency of the development of grain and cotton production and demand. According to the forecast and analysis of different sources, the high goal—450 million tons of grain production task—set by the "Seventh 5-Year Plan" is difficult to achieve for cotton export will increase and the problem of grain and cotton shortage will continue to exist.

A. Grain production and demand level. In 1990, per-capita grain demand will reach 391 to 400 kg, but production may reach only about 380 kg, lacking 12.5 to 22.55 million tons. In the year 2000, per-capita grain demand will reach 400 to 425 kg and total grain output will reach 500 to 530 million tons, but due to the fluctuation of annual output, China may still be short of 10 to 15 million tons of grain by then.

B. Cotton production and demand level. In 1990, total cotton demand will reach 5 million tons, averaging 4.5 kg per person. In the year 2000 total cotton demand will reach 6 million tons, averaging 4.8 kg per person. Of which, 1.6 million tons will be used for exports. During these two periods, demand will be satisfied if cotton acreage can be increased to 90 million mu and per-mu yield reach 55 and 65 kg respectively.

It is thus clear that in 1990 and 2000, cotton exports may increase 1 million tons but grain imports usually should be kept between 10 to 15 million tons in order to achieve a basic balance and coordination between the development of grain and cotton supply and demand.

II. The Distribution, Economic Results, and Development Prospect of Grain and Cotton Production in Different Regions

1. Regional movements of cotton production center. In the 1950's China's cotton production center was the cotton-growing area of northern China. Between 1950 and 1959, the seven provinces and municipalities of the

cotton-growing area of northern China turned out 62 percent of China's total cotton output, over 40 percent of which was from Hebei, Shandong, and Henan provinces. The eight provinces and municipalities of the cotton-growing area of southern China turned out only 32 percent, 28 percent of which was from the middle and lower reaches of the Changjiang.

In the 1960's and 1970's, the cotton production center shifted toward the south. Between 1960 and 1974, the cotton-growing area of southern China turned out 53 percent of China's total cotton output, about 50 percent of which was from the middle and lower reaches of the Changjiang. The cotton-growing area of northern China turned out 46 percent of the nation's total and the output of Hebei, Shandong, and Henan dropped to about 30 percent.

In the 1980's, the cotton production center shifted back to the north. Between 1980 and 1985, the output of the cotton-growing area of northern China accounted for 59 percent of the nation's total and the output of Hebei, Shandong, and Henan increased to 50 percent of the nation's total; the output of the cotton-growing area of southern China accounted for 40 percent and the output of the middle and lower reaches of the Changjiang dropped to about 30 percent.

2. The economic returns and the regional development of cotton production. The rate of increase of economic returns on the cotton production of different regions is closely related to the level of development of cotton production.

In the cotton-growing area of northern China, the after-tax net income from each mu of cotton field in Hebei, Shandong, and Henan provinces increased substantially to 148.91 yuan in 1984 from 16.09 yuan in 1976, an increase of 9.3 fold, whereas that in Shaanxi and Shanxi provinces increased to 35.29 yuan in 1984 from 27.21 yuan in 1979, an increase of only 30 percent. The total cotton output of Shaanxi and Shanxi provinces increased only 24 percent. There was a great disparity between the changes of the two regions.

Between 1976 and 1984, in the cotton-growing area of southern China, the after-tax net income from each mu of cotton field in the lower reaches of the Changjiang increased from 87.35 to 172.07 yuan, an increase of 97 percent; that in the middle reaches of the Changjiang increased from 49.82 to 128.65 yuan, an increase of 1.58 fold; and that in the upper reaches of the Changjiang increased from basically 0 to 111.34 yuan, an increase greater than any listed above. Changes in the development of these three areas are similar.

3. Grain production level and the regional development of cotton production. In the 1950's, take 1952 and 1957 for instance, the per-capita grain output of the cotton-growing area of northern China was respectively 257 and 280 kg and the amount of grain transported to this area

from other provinces was respectively 1.85 and 2.9 million tons; the per-capita grain output of the cotton-growing area of southern China was respectively 298 and 332 kg. These figures show that grain production and demand were balanced at a low level in the cotton-growing areas of both northern and southern China. However, the natural conditions and production basis of northern China were better for cotton development, so the cotton ratio of northern China was higher than that of southern China.

In the 1960's and 1970's, take 1964 and 1978 for instance, the per-capita grain output of the cotton-growing area of northern China was respectively 208 and 297 kg and the amount of grain transported to this area from other provinces was respectively 3.2 and 1.8 million tons; the per-capita grain output of the cotton-growing area of southern China was respectively 295 and 352 kg. The grain production situation of the south was obviously better than the north, and the cotton production of the south was also developed steadily.

In the 1980's, take 1984 for instance, the per-capita grain output of northern China was 365 kg and that of southern China reached 462 kg. This grain production situation was very conducive to cotton development. In addition, the policy of linking cotton and grain production and other economic policies were even more conducive to cotton development in northern China. This shows that the coordinated development of grain and cotton production can be achieved after per-capita grain output reaches the minimum self-supporting level.

4. Regional forecast on the prospect of grain and cotton production. According to the forecast of the Chinese Academy of Agricultural Sciences, in the year 2000, the cotton output of northern China's cotton-growing area will account for 62 percent of the nation's total and the cotton output of Hebei, Shandong, and Henan provinces will reach 2.28 to 2.61 million tons; the cotton output of southern China's cotton-growing area will account for 35 to 38 percent of the nation's total and the cotton output of the middle and lower reaches of the Changjiang will reach 1.75 to 1.87 million tons. During the same period, the grain output of northern China's cotton-growing area will account for 30 percent of the nation's total and the grain output of Hebei, Shandong, and Henan provinces will reach 101.71 to 112.95 million tons; the grain output of southern China's cotton-growing area will account for 43 percent of the nation's total and the grain output of the middle and lower reaches of the Changjiang will reach 164.60 to 180.55 million tons. Grain and cotton production will achieve relatively steady and balanced development.

III. The Relation Between Economic Policies and Grain and Cotton Development

1. The economic policy for the 1949-1978 period. During this period, China focused on stabilizing the prices of farm products, carried out small-scale readjustments,

and placed more emphasis on such policies as selling goods in short supply as rewards and guaranteeing grain ration. During the 1949-1957 period, China adjusted the price ratio between grain and cotton from 1:7 to 1:11 and implemented such policies as granting funds for forward purchases and substituting cotton for grain delivery to the state, thus arousing the enthusiasm of cotton farmers. After 3 years of difficulty, for 1 dan of ginned cotton produced, 35 to 43 kg of chemical fertilizer and 3.33 meters of cotton cloth were sold to cotton farmers as rewards and the grain ration of cotton farmers was guaranteed to be no less than that of neighboring grain-producing production teams. Thanks to such policies and principles, cotton production increased for 6 consecutive years. During the 10-year turmoil, cotton farmers' grain ration could no longer be guaranteed, grain prices dropped, and concentrated cotton-growing areas sold more grain to the state and neglected cotton, resulting in 14 years of stagnation in cotton production.

To guarantee grain supply, China adopted, at the end of 1953, the policy of monopolized state purchases and sales which was specified in 1955 as fixed quotas for production, purchases and sales. During the 1957-1976 period, the prices of major grain varieties increased about 50 percent, but cost of production also increased 50 percent and daily labor output value declined from 0.7 to 0.56 yuan, giving birth to many "high-yield poor brigades" which fulfilled their grain procurement task by relying mainly on the coercive method of monopolized state procurement.

2. The economic policy for the 1979-1986 period. To quickly alleviate cotton shortage which was formed over a long period of time, China raised cotton's procurement price three times, about 40 percent in most regions, between 1978 and 1980. Northern China's cotton-growing area began in 1979 to grant 5-percent above-price subsidy, raise prices, and adopt the policy that allowed a 30-percent additional price hike for above-quota cotton procurement. Beginning 1980, for 1 kg of above-quota ginned cotton sold to the state, 2 kg of grain were sold in return to cotton farmers as rewards. This series of policies substantially aroused the enthusiasm of cotton farmers. Northern China's cotton-growing area in particular benefited the most from such policies and increased cotton production by a large margin for several years running. However, since the four policies were adopted at the same time, cotton development was too fast and a large amount of cotton was stockpiled in 1984. To reduce the inventory of stockpiled cotton, China hastily adopted another four policies in 1985 to restrict cotton production. The first one was to reduce northern and southern cotton prices by one grade; the second one was to discontinue the 5-percent above-price subsidy of northern China's cotton-growing area; the third one was to abolish the policy of selling grain to cotton farmers as rewards for above-quota cotton procurement; and the fourth one was to increase prices of capital goods and lower cotton grades by one level during procurement, thus reducing cotton farmers' income. Due to cuts and

slashes in 2 consecutive years, cotton acreage and output were both reduced by approximately 40 percent. The "reversed 3 to 7" price ratio was restored in 1978, but it did not do much good.

To change the longstanding grain shortage, China increased the state procurement price of grain by 20 percent and allowed an additional 50-percent price increase for above-quota cotton procurement in 1979. However, since selling prices remained the same, state subsidies increased as production increased. As a result, state subsidies broke the record of 20 billion yuan in 1984 and could not possibly continue. Because of this and the fact that grain development was overestimated at the time, China adopted policies to restrict grain production. In the past 2 years, China implemented the "double-track system" in grain production and used the "reversed 3 to 7 ratio" for the pricing of all contracted procurement, but the prices of capital goods for agricultural use continued to rise and the prices of other farm products were deregulated, causing the profit ratio of grain to drop sharply. In 1987, the practice of linking chemical fertilizer, diesel oil, and the security deposits of forward purchasing played a positive role, but it was difficult to carry out in many areas and needed to be further improved.

3. Ideas for further readjustment of grain and cotton economic policies

A. In the early 1980's, grain and cotton production substantially increased and then declined simultaneously, which shows that we urgently need to adjust the price parities between grain and cotton and other farm and industrial products as well as the profit ratios between grain and cotton production and other industrial activities, so as to increase the economic efficiency of grain and cotton production.

B. The contradiction between grain and cotton production lies mainly in the selection of localities and farmers. Different policies should be adopted for different areas so that the price ratios between grain and cotton are conducive to grain in grain-producing areas and to cotton in cotton-growing areas.

C. To avoid violent fluctuation of grain production, the state should strengthen investigation, forecast, and analysis, carefully formulate overall regulatory policies, and avoid such hasty actions as simultaneously adopting or abolishing several policies so as to prevent the passive situation of excessive increase or decrease.

D. To control the variety mix and quality of grain and cotton, we need to use scientific and rational price parities between different varieties and qualities.

E. There are two ways to reform the purchasing and sales policies of grain and cotton. One is to commercialize everything and relax control on every process; the other is to practice planned purchasing and sales and gradually

adjust prices in a controlled manner to be in line with market prices. In the near and foreseeable future, the planned purchasing and sales should be used as the main channel for grain and cotton circulation.

IV. Conditions for Grain and Cotton Production and Scientific and Technological Progress

Without a definite amount of energy and material input, grain and cotton production cannot increase steadily. Between 1978 and 1984, grain production increased an average of 17.1 million tons per year and cotton increased 682,000 tons, alleviating the longstanding imbalance between production and demand of grain and cotton. Such a change in the production situation is caused by two factors. One is correct policies; the other is the effects of material input and technological progress. These two factors complement each other and are both indispensable. For instance, in the late 1970's, the national consumption of standard chemical fertilizer was close to 40 million tons and grain output was about 300 million tons; in 1984, the output of chemical fertilizer was close to 80 million tons and total grain output jumped to 407.3 million tons. Over 30 years of practice has proved that changes in China's grain and cotton output obviously forms a direct ratio with the consumption of chemical fertilizer. If chemical fertilizer supply can reach 100 million tons in the early 1990's and 120 to 150 million tons at the turn of this century plus there is a set of social and economic policies suitable for the development of grain and cotton production among other favorable conditions, total grain output probably will reach 492.52 to 528.5 million tons and cotton output will be close to 5 million tons.

S&T progress will play an increasingly prominent role in increasing grain and cotton production. According to statistics, during the "Sixth 5-year Plan" period, China successfully developed over 300 new varieties or hybrids of 10 crops including rice, wheat, corn, soy beans, and potatoes, expanded the growing areas of such crops by over 400 million mu over the years, and increased grain output by over 10 million tons and social economic returns by over 4 billion yuan. If required materials can be supplied at a regular rate and the following 10 scientific research achievements popularized in an all-round way, production will increase considerably. 1) Expanding the application of farmland irrigation and drainage technology by 100 million mu may increase grain output by 5 million tons. 2) Applying the scientific formula of fertilizer to two thirds of grain fields may increase grain output by 30 million tons. 3) Adopting comprehensive high-yield cultivation technology may increase grain output by about 125 billion kg and cotton by about 100,000 tons. 4) Popularizing high-yield fine strains and hybrids, changing varieties 2 or 3 times, and expanding the acreage of precision sowing may increase grain output by 87.5 billion kg and cotton by over 150,000 tons. 5) Applying the technology, which is designed to increase production of dry land farming, to 300 million mu of farmland may increase grain output

by 15 million tons. 6) Using comprehensive technology for the prevention and control of plant diseases and the elimination of pests and weeds may increase grain output by 19.5 to 39 million tons as compared to the 1986 figures if the crop loss caused by plant diseases, pests, and weeds can be reduced from current 10 to 15 percent to 5 to 10 percent and may increase ginned cotton output by 350,000 tons if cotton loss is reduced from current 20 percent to 10 percent. 7) Adopting advanced nursery technology may increase paddy output alone by 400,000 tons. 8) Applying the comprehensive improvement program to middle- and low-yield areas may increase annual grain output by 7.5 to 10 million tons and cotton by 125,000 to 150,000 tons. 9) Raising mechanization level, applying chemical fertilizer to deep soil, and economizing on seeds may increase grain output by over 8 million tons. 10) Applying rational rotation, multiple-harvest, and interplanting systems to 50 to 100 million mu of farmland may increase grain output by 25 to 50 billion tons. It is estimated that the popularization and application of above 10 scientific research achievements and useful technologies may increase grain output by 134 to 159 million tons and cotton by 750,000 tons.

V. The Selection of Strategies for Grain and Cotton Exports and Imports

Restricted by a large population and limited farmland, China's grain and cotton imports and exports have developed two prominent characteristics. One is that the percentage of grain and cotton imports and exports in total output cannot be too high; and the other is that the increase or reduction of China's imports and exports can cause a relatively great impact on the world's grain and cotton trade market.

1. The trend of change since the founding of the PRC.

A. During the 1952-1978 period when the supply and demand relationship of grain and cotton were tight, China relied on the steady planned distribution system and managed to keep grain and cotton imports and exports to a small volume. Grain exports generally accounted for only 1 percent of total grain output and the major category of exports was changed from soybean to rice. Grain imports increased gradually and the major category of imports was wheat, accounting for over 80 percent. Cotton imports and exports were kept at a low level—about 0.5 to 4 percent of total cotton output. However, between the 1950's and 1970's, the difference between the volume of imports and that of exports increased from 1-fold to 5- to more than 10-fold.

B. Since 1979, China has substantially increased grain and cotton imports which along with rural reform and development have "vitalized" the rural economy. Between 1980 and 1984, China imported a total of 68 million tons of grain, equivalent to 3.8 percent of China's total grain output and 13.5 percent of domestic grain procurement. The substantial increase in China's grain imports was accompanied by a sharp increase in

international grain price. Between 1978 and 1982, China's cotton imports averaged as much as 637,000 tons a year, amounting to over 30 percent of China's total cotton output. During the same period, international cotton price also increased year after year.

C. Between 1985 and 1986, China exported large amounts of grain and cotton for the first time. During this period, China's cotton exports increased 900,000 tons and international cotton price dropped nearly 40 percent, losing approximately \$500 million in foreign exchange.

2. The comparison and selection of grain and cotton imports and exports. Based on the forecast that there may be a possible shortage at home in the near future and in light of the trend of international market developments, China may choose what to import and export only after it increases cotton exports by 1 million tons and grain imports by 10 to 15 million tons.

A. Export cotton and import grain. 1) Exporting cotton can bring in 35 percent more foreign exchange than exporting grain from the same acreage of farmland. For instance, converting 20 million mu of grain into cotton may bring in \$1.555 billion of foreign exchange, based on the average export price of the 1980-1986 period; whereas 20 million mu of grain can bring in only \$1.153 billion of foreign exchange, \$402 million less than cotton would bring in. 2) Exporting cotton and importing grain can increase net economic returns by 25 percent, based on the disparities of import prices. One kg of cotton may be exported to exchange for 7.8 kg of grain. 3) Exporting cotton and importing grain is like exchanging fibers of simple carbohydrates for rich nourishment. Importing 15 million tons of wheat is equivalent to importing 1.5 million tons of protein. 4) There is a great potential of increasing the added-value of processed goods in cotton exports. Exporting cotton yarn, cloth, and finished products such as apparel may increase the value of cotton exports respectively by 0.52, 2.14, and even more than 10-fold. 5) The grain price of the international market is steady but may decline whereas cotton price is climbing but may fluctuate violently. Therefore, it is suitable to export cotton and import grain.

B. Export rice, import wheat, minimize soybean and corn export, and ban bean cake export. 1) Exporting 1 kg of rice can exchange for 2 kg of wheat. 2) Export price for

1 kg of soybean is lower than that for 1 kg of rice whereas the production cost of soybean is 30 percent higher than that of rice and the protein content of soybean is 5 times that of rice. 3) Export price for 1 kg of rice is equivalent to that for 2.32 kg of corn and exporting corn may widen the gap in feed supply. 4) Exporting bean cakes may worsen the already serious shortage of protein feed. In 1985, the export volume of soybean cakes alone reached as high as 775,000 tons, accounting for 40 percent of the total output of soybean cakes for that year. This is very bad for the development of animal husbandry in China.

3. Policy measures for imports and exports

A. Seize and use the opportunity of international market changes and stress tactics to increase economic returns on imports and exports. In 1985 and 1986, China exported large amounts of grain and cotton for the first time only to find out that grain and cotton prices plummeted during the same period and that its foreign exchange earnings from cotton exports alone were reduced by nearly 40 percent.

B. Strive to make cotton and rice exports more competitive. Efforts should be made to establish export production bases, exercise strict quality control, increase the shares of foreign exchange earnings retained by such production bases, and link science and technology to production and foreign trade.

C. Further expand the export capacity of textiles, change the situation in which finished products account for only a small percentage of exports, upgrade finished products for exports, and increase the capacity to earn foreign exchange.

To achieve a steady and coordinate development of grain and cotton production under the restriction of resources—limited farmland available for each person—we must rely mainly on effective and rational economic regulation policies, material input, and advanced science and technology to accelerate the increase of per-capita grain and cotton possession and adopt flexible import and export tactics to achieve a basic balance between aggregate supply and demand.

12302

Strategic Rocket Force Improves Training

40050305b Beijing JIEFANGJUN BAO in Chinese
21 May 88 p 1

[Article by Guo Qingsheng 6753 1987 3932 and reporter Gu Boliang 7357 0130 5328: "Strategic Rocket Force Initially Forms a Training Mechanism Full of Vigor"] [Text] Beijing, 20 May—It was learned at the Strategic Rocket Force's meeting to exchange experiences in training reform, which ended today, that with the improvement of its entire operational capability as its objective, the Strategic Rocket Force has obtained major successes in deepening training reform. In the past several years, in its plan for training reform in accordance with the laws of its own building, the Strategic Rocket Force has completed 148 reforms, among which 87 are major reforms, and the popularization rate is 80 percent. The implementation of these reforms smoothed out the training system of this high-tech force, switched its training content, and established a perfected training support system and training management system. The initial formation of a regularized, high-standard training mechanism has effectively improved the force's overall operational capability.

For a fairly long time, Strategic Rocket Force training has stressed the specialized technical training of launch fendui, and the combined arms training and building of complete sets of each operative element. In 1984, the leading comrades of the Strategic Rocket Force, in line with the force's training characteristics and on the basis of thorough investigation and study, put forward the question of combined arms training and complete set building with the launch battalion as the subject. They determined the guiding ideology for training with combined arms and complete sets as the center and with the cadres as the focus, and opened up a new way to improve the overall operational capability of the Strategic Rocket Force. Each unit has swiftly caused an upsurge in combined arms training, thereby improving the coordination capability of launch battalions and support fendui, and has gradually developed combined arms training in the direction of the missile brigades and other higher levels. In November of last year, a certain missile brigade, during an experimental exercise, represented the Strategic Rocket Force in taking a test given by the PLA General Headquarters. A launch battalion and support fendui, led by the brigade's organizations, carried complete sets of equipment and, against the background of an enemy nuclear attack, with combined arms tactics as the main part, in 34 technical and tactical topics including night long-distant maneuvers and nuclear counterattack operations, obtained the mark of excellent in all topics, thereby displaying the results of combined arms training. They received a high evaluation from General Headquarters.

In guiding training reform, the Strategic Rocket Force takes very seriously the importance of overall results. It incorporated senior officer organizations, military and college training, and unit training into a total training reform system, mutually linked them up, gave each one its

focus and conducted training in synchronization, thereby effectively promoting the coordinated development of the reform of training content, system, methods, and measures. With regard to the training system, it set up a multidiscipline, multicategory, and multilevel training system, so that the force, from missile specialties to support specialties, from specialized operators to technical officers, from military commanders to political cadres, is incorporated in a regularized training system, thereby insuring the talent requirements of a high-tech force. With regard to training content, centering on combined arms training, there was an increase in campaign and tactical training and in a large number of new topics such as "being expert in one thing and good at many," test operations, and reduced-time launching. Also, the reform of teaching and training in command colleges, engineering colleges, training regiments, and recruit coaching battalions was strengthened. Thus, training content was linked up from top to bottom, the levels were clearly divided, and there was mutual coordination. With regard to the means of training, a number of campaign and tactical simulation training systems and simulation equipment, which were of an advanced level of guided missile specialized technologies, and audio-visual teaching equipment were developed. The systems and complete sets of training reform not only have promoted the implementation of training and insured the quality of training, but also have improved the vitality and vigor for the sustained growth of unit training standards.

The Strategic Rocket Force has also paid attention to making training legislation work an important part of training reform. It has put the results of training reform into rules, regulations, outlines, standards, and teaching, so that these reforms are really popularized and applied by the units on a large scale. The "Strategic Rocket Force Operational Art," the missile brigade operational regulations, the regularized operational manual, the combined arms command regulations, the combined arms tactical training outline, the graded launch battalion standards, and detailed rules for examination and acceptance—all of which have been compiled and promulgated in the past several years—have caused training to basically complete the transition from empirical management to scientific management.

09727

Military Training in Beijing Colleges, Middle Schools

40050305a Beijing JIEFANGJUN BAO in Chinese
14 May 88 p 3

[Article by Zhang Xiangxian 1728 0742 6343 and Wang Yuyan 3769 0056 1750: "60,000 College, Middle School Students in Capital Receive Military Training"]

[Text] Beijing, 12 May—What have been the actual results of giving students military training? Today, from the first meeting to exchange experiences in military

training at selected experimental points in Beijing Municipality's colleges, universities, and senior middle schools, we writers found the answer. Lu Yucheng [7120 1342 3397], vice mayor of Beijing Municipality and head of the military training leading group, told us that military training is an effective way of enhancing the students' concept of national defense and is an important measure of cultivating "four haves" talents.

Beijing Municipality was the first city to conduct experiments in military training at selected colleges, universities, and senior middle schools. To conduct military training well, Beijing Municipality specially set up a student military training work leading group and a military training instructor training center, both composed of the Higher Education Bureau, the Education Bureau, the Beijing Garrison District, and other relevant units. The municipal government allocated a special fund of over 1 million yuan for military training work. In Beijing Municipality the number of military training experimental-point colleges, universities, and senior middle schools has grown from 10 in 1985 to 46 at present.

Military training has caused intense interest in military affairs to appear in some colleges, universities, and middle schools in the capital. During the course of military training, each experimental-point college or school closely integrates military training with the students' education. The students not only study military knowledge and skills, but also study the fine tradition and work style of military units, thereby causing profound changes in their thinking and further enhancing their organizational discipline. Many non-experimental-point units, one after another, on their own initiative have made contacts with military units for the conducting of military training. According to incomplete statistics, 35 non-experimental-point colleges and universities in the capital on their own initiative have organized military training in which a little over 11,000 students take part; and 77 non-experimental-point middle schools on their own initiative have organized military training in which a little over 17,000 students take part. Many colleges and schools have spontaneously formed "national defense study societies," "green action groups," and other mass-type organizations for studying military affairs. By the end of 1987, more than 60,000 students of colleges, universities, and senior middle schools in the capital had received military training. It is reported that in 1988 the number of military training experimental-point middle schools in the capital will be expanded by 5, so that in each district and county of the municipality there will be 1 experimental-point school; and the number of military training experimental-point universities will be increased by 1.

Military Vehicles Used for Civilian Business
40050305c Beijing JIEFANGJUN BAO in Chinese
7 May 88 p 1

[Article by Guo Huailiang 6753 2037 0081 and Zhang Dong 1728 5516: "'Underground Transport Teams' Hope To Get Travel Permits"]

[Text] The use of military vehicles for civilian business is expressly forbidden by the higher authorities, but it still goes on in the units. In the last part of April, when we writers were investigating this phenomenon of "underground transport," many comrades in military units and in relevant local units made this appeal: The use of military vehicles for civilian business benefits the state and the people, and it should be allowed as soon as possible.

The use of military vehicles for civilian business is an open secret in military camps. When we writers were received on our investigation, a comrade of the Transport Control and Management Stationed in Baoji County, Shaanxi Province, said: In general we do not inspect military vehicles that are passing through. However, based on our experience and common knowledge, military vehicles used for civilian business are not in the minority. In the units, some comrades who received us on our investigation frankly discussed the situation in transport for business. Some of them covered up by saying, "We only get a dozen or so yuan of profit and a silk banner." Some comrades who denied being involved in transport for business expounded on the advantage of this practice.

The direct reason, according to our investigation, for the formation of this undercurrent of using military vehicles for business is the units' shortage of funds. The director of the logistics department in a certain unit said: Not to mention the shortage of funds for construction, training, and daily life, the shortage of funds for transport alone gives me a big headache. The higher level only provides 40 percent of the standard maintenance costs for motor vehicles, which is only enough to change one battery per vehicle per year. Because funds are tight, the actual number of vehicles allocated is less than the authorized number. Because there is no money to repair some vehicles, they "lie disabled." Also, it is impossible to use the vehicles that are in running condition—POL and the vehicle-kilometers are barely sufficient for training purposes. When some battalions and companies want to make a trip to a market town more than 10 kilometers away to buy piglets, they must buy gasoline for their own daily-use vehicles! With vehicles guarded like treasure and with one having to beg for food, who would not be angered in his heart? This predicament often forces one to use military vehicles for civilian business.

It is not easy to use military vehicles for civilian business. No matter whether it is the leadership organiza-

tions or the units providing transport for civilian business and the drivers, they all often have three misgivings: First, there is the problem of safety. If nothing happens then there is no problem, but once an accident occurs the accident often becomes a cause for prohibiting the use of military vehicles for civilian business. However, in the units more people are of this opinion: "Skill comes from practice," and only if there are more vehicles dispatched and driven can the quality of the drivers be improved and safety effectively insured. The practice of the No 2 Team of the Third Transport Company in Baoji City of recruiting drivers from among demobilized army men makes people ponder: They only want drivers who had been in specialized transport fendui, and do not want drivers who had been in artillery units. The reason is that the drivers from specialized transport fendui drove their vehicles often and are of good quality; the vehicles of artillery units were sealed up for safekeeping for long periods of time, and thus these drivers have less experience, a fact that made the team fear that safety would be adversely affected. Accident prevention in the units often takes the form of "having the static control the dynamic," with the result that the more one is static the less one dares to be dynamic, and the longer the static state the more the accidents. Only by having the dynamic control the dynamic can the drivers become proficient in the "dynamic" and make the "dynamic" safe.

Second, there is the worry about wear and tear and that the combat-ready vehicles will be depleted. Many commanders said that there must be new ideas about the maintenance and replacement of military vehicles. According to a briefing given by a local specialized transport team, when vehicles are used fairly well for civilian business, in 1.5 to 2 years one large vehicle can make enough profit for the purchase of another vehicle. Based on the calculation that a new vehicle can be used for 10 years, at the least it can bring in enough profit for the purchase of three or four new vehicles. In the vehicle management by military units, the main objective is to maintain the vehicles in good condition for a long period of time, a practice that causes there to be more and more older vehicles and their condition to become poorer and poorer. Conversely, the use of military vehicles for civilian business not only makes up for the shortages in training funds and supplements daily life and barracks construction, but also makes possible the timely maintenance of older vehicles and the purchase of new vehicles. Everybody has said that the armed forces should find a way for vehicles to be self-supporting and self-producing.

Third, there is the worry about having no source of goods for the military vehicles that are being used for civilian business, and that the vehicles' wheels would "turn without moving" and that the loss would outweigh the gain. Actually the number of sources of goods is relative. A certain unit, during its support of local business with its military vehicles, because it has a good reputation, has a good service attitude, and hands over and takes over goods on time and without mistake; after one use of its military vehicles for civilian business the unit will be

summoned for work by three or four cargo owners. However, because the units fears "having too much information about what it is doing getting around," it will not dare to take the jobs. A leader of a certain transport team in Shaanxi told us writers why he was perplexed: I discovered that there were many goods but few vehicles here and that the goods were not being transported. I had high hopes of joining up with the military units, but for more than a month of contacting them the comrades in these units, although expressing a positive attitude, have done nothing. It looks as if they are losing an opportunity to make money, and I don't know why.

09727

NORINCO Introduces New Type-69-I RPG
40050355 Beijing BINGQI ZHISHI [ORDNANCE
KNOWLEDGE] in Chinese No 3, 15 May 88 pp 14-16

[Article by Guo Qiang 6753 1730: "Chinese Manufactured Type-69-I 40mm Rocket-Propelled Grenade System"]

[Text] The Type-69-I 40mm rocket-propelled grenade [RPG] is a new line that has been researched, developed, and produced by NORINCO. This is a close combat weapon possessing multiple combat capabilities that is intended for infantry fendui. It is to be used primarily for destroying enemy tanks, vehicles, self-propelled guns, and reinforced concrete fortifications, as well as for inflicting casualties on enemy effectives.

This weapons system was successfully developed by making numerous improvements on the 40mm RPG launcher. It developed from the former weapon that was used only against tanks into a multi-functioning close combat weapon for the destruction of armor, inflicting personnel casualties, setting fires, and illumination. Because it is lightweight, versatile, and powerful, has long range, is easy to operate, can be manufactured at low cost, and is an all-weather weapon, this system may be said to have taken its place at an advanced world standards among light antitank weapons of the same type.

Construction

The Type-69-I 40mm RPG system consists of a launching tube, a projectile, and a sighting device.

Launching tube: This is made up primarily of the gun tube, an ammunition chamber, a nozzle, a support, a firing mechanism, and a simple mechanical sighting mechanism.

Projectile: This is made up primarily of an ignition mechanism, a rocket motor, a tail stabilizer, a fuze, and a warhead. Nine different kinds of rocket grenades are provided for use against different kinds of targets as tactical requirements warrant as follows: antitank rocket grenades (basic type), Mod-I antitank rocket grenades, Mod-II antitank rocket grenades, reduced windage

HEAT grenades, dual purpose antipersonnel/HEAT grenades, dual purpose incendiary/antipersonnel grenades, and rocket illumination grenades.

Sighting Devices: Either a standard sight, general purpose sight, Mod-I infra-red sight, Mod-II infra-red sight, or second generation night sight may be chosen for use as needed.

Operating Principles

The gunner aims at the target while simultaneously adjusting the rocket tube to a firing angle and lead relative to the target. After pulling the trigger, the detonator instantly ignites the propellant charge, and some of the gases produced from the combustion of the propellant charge pushes the grenade forward. The remainder of the gas is spurted rearward through the nozzle at the rear of the chamber. Recoilless firing principles are used. This keeps the firing tube fairly level, and the grenade is propelled forward in the gun tube while revolving at a slow speed. At approximately 7 meters outside the muzzle of the tube, dynamic and centrifugal forces cause the grenade's folded stabilizing fins to open rearward in a cross shape to keep the flight of the whole projectile stable. When the grenade reaches a distance of approximately 14 meters from the muzzle, the inertial delayed igniter ignites the motor propellant. Combustion gases flow out through six slanted nozzles, producing both an exhaust thrust that accelerates the grenade, and also producing a counterrotation moment of force that slows the speed of rotation given the projectile when it was in the launcher. This decreases the detrimental effect on armor piercing power caused by rotation. When the propellant burn is completed, the rocket is at its maximum flying speed.

When the rocket hits an armored target, the piezoelectric crystal in the fuze produces a pulsed voltage and generates an electrical current in the circuit causing the detonator to explode the warhead. This crushes the liner and produces a concentrated metallic jet, the head of which has a speed of more than 7,000 meters per second, a temperature of more than 800 degrees centigrade, and exerts a pressure of 2×10^5 MPa on the armor, penetrating it. Its resulting action destroys the equipment inside the target and inflicts casualties on the effectives.

Performance Characteristics

Flat trajectory. The weapon's direct-fire exterior ballistic maximum trajectory height is less than 2 meters. The flat trajectory gives the weapon two major advantages as follows: First, given the same flight speed, the flatter the trajectory, the shorter the projectile's flight time; and second, combat tanks today are more than 2 meters high, but their hull section is always less than 2 meters; therefore, the flatter the trajectory, the greater the relative probability that the armored target will be destroyed.

Compact structure. Since the launcher tube uses recoilless firing principles and the projectile has a super caliber warhead, careful design has enabled the weapon to have a structure that is compact and clever while attaining the same power. It can be more than 50 percent shorter in length and approximately 30 to 50 percent lighter in weight than other antitank weapons of the same type.

Proper rotational speed. Rotation speed is necessary for a rocket propelled grenade to be stable in flight; however, if rotational speed is too high (as much as 3,000 rotations or more per minute), armor piercing ability declines dramatically. In the optimized designing of this system, a proper rotational speed was selected that both contributes to the grenade's overall stability, increases firing accuracy, and also obtains maximum armor piercing results.

Selection of an optimum ignition time. The key to designing the flight trajectory of a rocket propelled grenade lies in the initial stage and the booster stage. In designing the system, skillful use was made of air resistance and centrifugal force during the grenade's initial stage, enabling the tail fins to open out virtually synchronously at 7 meters distance from the muzzle, thereby greatly reducing the attack angle of the launcher tube muzzle. Scientific calculations that took account of factors having a bearing during the initial stage were made in order to select the optimum ignition time during the booster stage. As a result, the tendency of the tail fins to spread out is kept in check during the booster stage, greatly increasing its compactness.

Great power and multiple functions. A proper selection and distribution of grenade weight parameters was made during the design of this system. Consequently, the weight of the warhead amounts to between 50 and 64 percent of the total in-flight weight of the grenade. Research results on the armor piercing mechanism and various design data were used in selecting an optimum plan. This has made it possible for the Type-69-I 40mm RPG system to deal with all types of main battle tanks with which the various countries of the world are currently equipped. By expanding the combat capabilities of the weapon system, warheads were designed that are able to cope with different targets and combat situations, so that the weapon that was formerly used only against tanks has become a weapon with multiple combat capabilities in which pinpoint and area applications are combined. This includes air burst steel shot antipersonnel grenades, which are able to inflict the same casualties as large caliber 105 to 122mm howitzer shells.

In addition, designers made full use of ergonomic engineering methods; consequently gunners who use the system are comfortable and calm. This is also an indispensable condition in obtaining optimum results from a weapons system.

Launcher Tube

The body of the launcher tube is made of alloy steel. Complete product quality has been rigorously inspected,

and its safety, reliability in action, and useful life are all very satisfactory. The launcher tube is 910mm long and weighs 5.6 kilograms.

Rocket Grenades

Principal characteristics of the nine different kinds of rocket grenades are listed in the table below:

Designation	Diameter (mm)	Length (mm)	Weight (kg)	Speed m/sec	Effective Range(m)	Capability
Basic AT	85	919	2.25	120	300	penetration: 110mm/65°
Mod-I AT	85	910	2.1	120	300	penetration: 150mm/65°
Mod-II AT	94	1,063	2.8	94	200	penetration: 180mm/65°
Mod-III AT	80	970	2.26	121	290	penetration: 180mm/65°
Reduced windage HEAT	85	—	1.8	140	400	penetration: 180/65°
Air burst steel shot antipersonnel	75	805	2.62	102	1700	lethal radius: 15m
Antipersonnel/HEAT	92	919	2.67	102	1800	penetration: 150mm/65°; lethal radius: 20m
Incendiary/antipersonnel	76	—	2.67	102	1500	radius of flames: 12-15m; lethal radius: 15m
Illumination	75	844	2.2	115	600-1,500	500,000 candlepower

NORINCO has researched and developed the Mod-III antitank grenade from the basic, Mod-I, and Mod-II antitank RPGs. The Mod-III grenade uses the motor and tail of the basic AT grenade, with major improvements having been made in the shaped-charge warhead. As a result, for a weight increase of only 20 grams, static armor penetration has been increased from about 350mm to more than 600mm. Improvements to the instantaneous action of the fuze means greater reliability in ignition against either soft or hard targets.

New design principles, new materials, new techniques, and new technology were employed in the successful development of the Type-84 reduced windage armor piercing grenades. When there is a cross wind blowing at 1 meter per second, it is possible to reduce grenade deviation from 1.2 meters to 0.45 meters at an impact point 300 meters away. The use of a combustible flash tube on this grenade has solved the problem of bits of paper being left in the chamber after a low temperature firing. In addition, when the grenade exits the tube, the tail pipe separates from the whole grenade, thereby reducing its flight weight and increasing its initial speed.

After the air burst steel shot antipersonnel grenade reaches its target, it skips to about 2 meters up in the air and explodes. An air burst has greater shock force, generating fear in the opponent. The warhead uses steel shot as controlled fragments. This grenade has turned a weapon that had formerly been used against single armored vehicles into one that may be used against effectives over a wide area.

Because combination antipersonnel and armor piercing grenades are both able to penetrate armor and inflict personnel casualties, they may be used either to deal with armored vehicles or against effectives inside bunkers, increasing casualties after penetration. Their flight path is the same as the arced trajectory of air burst steel shot

antipersonnel grenades, with a maximum firing angle of 35 degrees. This grenade's fuze employs a new mechanism that ignites reliably when it hits medium hardness soil, pebbles, water-laced paddy fields, or frozen ground. Because they are able not only to inflict personnel casualties but also have considerable incendiary capabilities, combination incendiary and antipersonnel grenades are suitable for combat in scrublands, forests, and mountain areas. Each grenade contains between 2,000 and 3,000 incendiary bits that fly over an area of 12 to 15 meters. When these grenades skip and burst in the air 2 meters above the ground, 900 pieces of steel shot fragments can inflict personnel casualties.

Rocket illumination grenades are not only useful as a nighttime weapon against tanks, but they also provide light for nighttime observation of infantry and artillery troops. Though neither the diameter nor weight of this grenade's warhead is large, it provides very effective illumination, the light lasting for more than 35 seconds and shining over a radius of more than 500 meters. The star descends at less than 4 meters per second, and casts a yellow light.

Sight

The basic sight can be used only for direct aiming with armor piercing grenades. It magnifies 2.7 times, has a 13 degree field of vision, an effective range of 50-500 meters, and a weight of 0.9kg. The sight may be corrected for temperature, and range finding, velocity measurement, and windage corrections may also be made, helping to improve firing accuracy and to correct deviations at the impact point.

The general purpose optical sight is useful not only for direct fire, but also for indirect fire. It may be used on a rocket tube at a 35 degree firing angle; consequently the firing accuracy of all kinds of grenades may be improved

by relying on it. Major improvements have been made in the graduated scales on the sight, thereby combining both range finding and aim. This has made it easier for gunners to understand and operate the sight. Research and development of an improved model of the general purpose optical sight has been successful. The improved model has added a windage correction device, displaying directly on the sight both cross wind speed at the mouth of the launcher and the direction in which correction should be made for the wind. This solves the former problem of firing errors resulting from gunners having to both make their own estimates and judge wind speed, raising the hit rate to between 80 and 90 percent.

Mod-I infra-red sight. This is an active night sighting device with a 2.9x magnification, an 8 degree field of vision, a nighttime sighting range of 200 meters, and a continuous working time of 3 hours. If the opponent's armored vehicles employ infra-red, that infra-red may be used for aiming.

Mod-II infra-red sight. This is an improvement of the Mod-I sight, which increases the effective range (to 250 meters), and resolution at the center. It also provides a

single scale for aiming. Since the battery is separate from the sight itself, the sight has been made lighter in weight (1.4kg) and it is consistent and reliable in operation.

Second generation night sight. This is a night sighting device that employs an image intensification device as its principal component. It has an effective range of from 300 to 400 meters under starlight, 3.2x magnification, a 14.5 degree field of vision, and weighs 1.2kg. It gives the weapon an all-weather combat capability.

The successful development of the Type-69-I antitank rocket weapons system is the result of China's scientific research and design personnel daring to be innovative in adapting advanced foreign techniques to China's circumstances. Though this weapon's system has attained advanced world levels for weapons of the same type, design engineers continue to develop it steadily, doing things such as developing an ECM jamming grenade, smoke grenades, high performance armor piercing grenades to deal with reactive armor, and antitank submunition buses for dealing with massed armored targets, etc. These new products are bound to improve weapon combat performance even further, and give the system new vitality.

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