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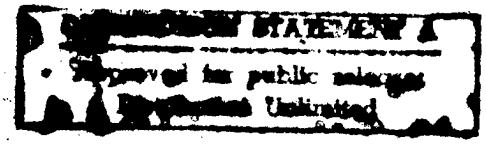

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Implications of Improved Sino-Soviet Relations

40050647 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 11, 8 Jun 89 pp 18-20

[Article by Liu Guangqing 2692 0342 7230: "Soviet Policy Toward the Asian-Pacific Region and Sino-Soviet Relations"]

[Text] I. Under the direction of the current "new political thinking," the Soviet Union has made a major change in its overall foreign policy. It has changed from the old way of having domestic development serve the needs of foreign policy to having foreign policy serve the needs of domestic development, and has switched from stressing the use of military power to stressing the use of political and economic means. The strategic goals of this overall foreign policy are to vigorously develop the economy, increase actual strength, and strive for a peaceful international environment over a long period.

The embodiment of this change is especially evident in the Soviet policy toward the Asian-Pacific region. The importance of the Siberian and Far Eastern areas of the Soviet Union in the overall national economy is increasing, and they are now recognized by the Soviet Union as crucial areas for increased development. However, in comparing the Soviet presence in the international environment of the Asian-Pacific region with that of Europe shows that it has been unsuccessful. The Soviet Union's strong military presence in the Asian-Pacific region is a clear detriment to its political image, causes the Soviet Union to fall into a situation of being isolated, and in the economic aspect it seems to make the Soviet Union extremely weak in trade and influence in the Asian-Pacific region. In order to rectify this situation the Soviet Union has made the following goals for the present stage of its policy toward the Asian-Pacific region: While protecting strategic interests, revive and develop relations with all countries and areas of the Asian-Pacific region; improve its image, strategic situation, and international stature in the Asian-Pacific region; and strive to obtain the necessary funds and technology for domestic construction, especially for development in Siberia and the Far Eastern areas.

In the last few years Gorbachev has stressed the revival of Soviet-U.S. relations in foreign affairs and, by maintaining this momentum created by dialogue with the U.S., has strived to continue the trend of renewing East-West relations and its overall international relations. The Soviet Union has also used this situation to develop positive and active foreign relations with the Asian-Pacific region and has made some marked progress in this area.

The major aspects of the Soviet Union's policy toward the Asian-Pacific region are:

1. "Vast improvement" in Sino-Soviet relations is the core of its policy toward the Asian-Pacific region. Many years after normalization of Sino-U.S. relations, the Soviet Union realized that improved relations with China would have more advantages than disadvantages and could be totally advantageous. Therefore, it made some concessions in eliminating three major obstacles and has now realized a normalization of Sino-Soviet relations.

2. The improvement of Soviet-Japanese relations has become an important aspect of the Soviet Union's policy toward the Asian-Pacific region. Through improved Soviet-Japanese relations it is striving to strengthen economic and scientific technology cooperation and attract Japanese funding and technology to promote development of Siberia and the Far Eastern areas. The key question in the improvement of Soviet-Japanese relations is ownership of the Northern Territories. Since Okhotsk has become its most important strategic nuclear base, the Soviet Union will not be willing to give it up easily. Several ideas have been proposed by Soviet scholars such as having joint Soviet-Japanese control, the United Nations act as a trustee, designate it a nonmilitary area, and return of the islands to Japan have all been shelved for a long period. This shows that the Soviet Union has not become very flexible concerning this matter but is still looking for a plan to resolve it that would be beneficial to the Soviet Union.

3. The withdrawal of troops from Afghanistan has created a breach in the Soviet Union's Asian-Pacific policy with the troop pullout becoming a target of public criticism. Gorbachev's decision to do away with this heavy burden that lasted for more than 9 years is for the purpose of changing the Soviet Union's image in the region and to also reduce military expenditures and quiet domestic dissatisfaction over the issue. However, while withdrawing its troops the Soviet Union has tried to strengthen its influence in South Asia. The Soviet Union is now taking further steps to strengthen ties to India and improve relations with Pakistan and Iran.

4. Search for a political solution to the Cambodian question to improve relations with China and ASEAN and to expand Soviet influence in Southeast Asia and the South Pacific.

5. Actively develop foreign economic relations. Develop economic trade with countries and areas of the Asian-Pacific region, especially with South Korea, strive for regional economic cooperation in the Asian-Pacific region, and make direct contacts in foreign relations for the development of Siberia and the Far Eastern areas. For progress to be made in Soviet policy toward the Asian-Pacific region the key question remains whether the Soviet Union can switch from stressing military measures in dealing with foreign affairs to utilizing political and economic measures.

The Soviet Union advocates disarmament and a reduction in the level of Soviet-U.S. balanced strategic military power but to actually implement this is not a simple task. The Soviet-U.S. military confrontation in the Asian-Pacific region is still very serious. In speeches given at both Vladivostok and Krasnoyarsk Gorbachev proposed that no additional nuclear weapons or naval forces be put in the Asian-Pacific region, that the level of military confrontation be reduced, naval power be frozen and reduced equally, that the Soviet Union and U.S. give up their respective military bases in the Philippines and Cam Ranh Bay, and to establish a peaceful area in the Indian Ocean. Western critics believe the aim of these proposals is to freeze the level of Soviet-U.S. military strength in the Asian-Pacific region, which currently favors the Soviet Union, and to prevent other nations (including China) from increasing their military power in this area.

U.S. former Under Secretary of State for East Asian and Pacific Affairs, huo er-de-li-qi [0615 7202 1422 1795 6849 1142] believes that these proposals are just "empty talk." The former Deputy Director of the London International Strategic Research Center, duo-li-fu-te [1122 6849 4395 3676] believes that you can't compare the aims or scope of the Soviet Union's base at Cam Ranh Bay with that of the U.S. base in the Philippines. I think that the Gorbachev proposal for the United States to withdraw from the Philippines is a condition he requires before deciding to give up the Soviet base at Cam Ranh Bay and does not show a clear commitment from the Soviet Union. On the contrary, it shows that the Soviet Union is not ready to immediately correct its hegemonistic mistakes concerning this issue.

In the last few years the Soviet Union has reduced its large-scale military operations in the Pacific, this is not due so much to the Soviet Union shrinking its military as it is to saving on military expenditures. In actuality, the Soviet Union's largest Pacific fleet is still increasing in strength, especially concentrating on improving quality. In its nuclear submarine base at Okhotsk the Soviet Union employs the newest class of attack submarines that can be used for offensive as well as defensive operations. The deployment and organization of its military forces still has not changed from an offensive nature to a defensive nature. In December 1988 Gorbachev announced at the UN General Assembly that the Soviet Union would cut its military strength by 500,000, including 200,000 in Asia. The Soviet Union plans to reduce its forces on the Sino-Soviet border by a third and withdraw three-fourths of its forces stationed in Mongolia. However its plans for how it will reduce forces in the Far East areas are still not clear and the Soviet Union is increasing its military deployment in the Northern Territories. Therefore, the Soviet Union still has a fairly long process to go through in its military changes.

II. Gorbachev visited China on 15 May 1989 and conducted high-level meetings with Chinese leaders. These were the first high-level meetings between China and the Soviet Union in 30 years. This was not only a major event for Sino-Soviet relations, but also for international relations, which carried weighty historical significance. These meetings for "putting an end to what happened in the past and opening up the future" let Sino-Soviet relations enter a new period of normalization and created a positive effect for peace in the Asian-Pacific region and the world.

1. The improvement in Sino-Soviet relations was realized on the basis of China being determined to eliminate the "three major obstacles."

For a long time, the Soviet Union has stationed huge numbers of troops along the Sino-Soviet border and in Mongolia, supported the Vietnam invasion of Cambodia, and conducted a military invasion of Afghanistan. Soviet military aircraft also often conduct activities from Vladivostok south along our coast and conducted a military encirclement of China, putting China's national security in severe peril. China has stated that the normalization of Sino-Soviet relations depends on the elimination of these three major obstacles; it also wants the Soviet Union to withdraw its encirclement which is only natural. There were 12 consultations between the Soviet Union and China beginning in October 1982 and lasting through June 1988, but for a long period the Soviet Union refused to discuss these specific problems. After Gorbachev took office the Soviet Union began to change its attitude; it went from refusing to discuss to not avoiding discussions of these issues, from not recognizing these as obstacles to gradually adopting measures to eliminate the obstacles. the Soviet Union also changed its attitude regarding the crucial question of Cambodia. During 1988 the Sino-Soviet consultations gradually made substantial progress with deputy foreign ministry level negotiations being arranged concerning the Cambodian question. There was also definite progress in the Sino-Soviet border negotiations. The above issues are what made up the agenda for the high-level meetings.

2. Normalization of Sino-Soviet relations is needed by both sides. At present, both China and the Soviet Union have made domestic economic construction a top priority and they urgently need a prolonged period of international peace for their domestic development. China is maintaining its former policy of independent peaceful foreign relations; in the current situation of international relations becoming multipolar, China has improved and developed relations with the United States, Western Europe, Japan, and many neighboring countries. The Soviet Union is China's largest neighbor; if the Soviet Union can adopt realistic measures to eliminate the three major obstacles it will naturally be beneficial to China's security and allow China to concentrate its efforts on modernization.

As for the Soviet Union, in the present situation of international relations becoming multipolar, China is a country of major influence. Although the Soviet Union has improved its relations with the United States, it still lags behind the major countries in the West in relations with China. Normalization of Sino-Soviet relations

would be beneficial for strengthening the Soviet position in the multipolar international situation and for improving relations with countries of the Asian-Pacific region.

On the economic side there are advantages in economic development for both countries in normalizing relations. For the last 3 years there has been steady development in Sino-Soviet trade, an average of 4 billion Swiss francs a year, with rapid growth of trade in the border areas. On this basis, both parties signed agreements in June 1986 for localities and enterprises to establish direct contacts and for the development of joint-venture enterprises. Soviet scholars also believe that normalization of Sino-Soviet relations can lower military expenditures by reducing its forces along the Chinese border and conserve personnel and funds for use in economic construction.

3. After normalization, Sino-Soviet relations will be established on the basis of the five principles of peaceful coexistence; they cannot return to the relationship of the 1950's.

In the 1950's the two major camps were sharply divided, with China suffering from imperialist hostility. Blockades, encirclement, and forced involvement were used to make the Soviet Union the leader of the socialist camp. At that time the Sino-Soviet alliance was based on ideology: socialist nations united against the imperialists. This was caused by the international situation at that time. By the 1980's it was impossible for this type of alliance to reappear.

At present, the world is undergoing a change, the dual polarized world is becoming multipolar. This trend is very evident in the Asian-Pacific region. The Asian-Pacific region doesn't have a clear confrontation of military groups like that between the Warsaw Pact and NATO. It also doesn't have clear-cut economic groups like those of the Council of Mutual Economic Assistance and the European Economic Community, and is more diversified in its politics, economy, and military aspects than Europe. Relations between the countries and areas of the Asian-Pacific region are extremely complicated. The time is past when the two superpowers, the United States and the Soviet Union, can control their allies and manipulate the fate of other countries. The role that medium-size and small countries play in international relations is continually growing. Under this type of international situation, the normalization of Sino-Soviet relations cannot return along the route of a renewed alliance but must be relations based on the five principles of peaceful coexistence.

As early as September 1982, during the 12th CPC National Congress, China clearly proclaimed that the principles for developing relations between the countries of the world are mutual respect for sovereignty and territorial integrity, mutual nonaggression, nonintervention in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. These five principles can be used not only for countries with different social systems, but also for countries with similar social systems. History since the war has shown that relations established on the five principles of peaceful coexistence are the most reliable, have the most vitality, and are the most beneficial for promoting a stable international situation and world peace.

Countries with different social systems that abide by these principles can live in harmony and have friendly cooperation. Countries with similar social systems that go against these principles may face intense confrontations and even military conflicts. Based on an understanding of this, the revival and development of normal relations between China and the Soviet Union cannot again put party relations ahead of national relations and cannot put ideology ahead of national interests.

From the aspect of the Soviet Union, on the 70th anniversary of the revolution in October 1987, Gorbachev in talking about the mutual cooperation of socialist countries stressed the need to strictly adhere to the principles of peaceful and fair coexistence. In December 1988 when Gorbachev met with Foreign Minister Qian Qichen, he expressed that the Soviet Union was willing to establish a new type of relationship with China based on the principles of peaceful coexistence. In February 1989 Foreign Minister Shevardnadze, in a speech at a banquet in Beijing, said that today's relations between the Soviet Union and China could be established only on the basis of the current actual situation and that both China and the Soviet Union must abide by the principles of "mutual respect for independence, sovereignty, territorial integrity, equality, nonintervention in each other's internal affairs, and respect for each other's interests, views, experience, and methods.

China and the Soviet Union share a border that is over 7,000 kilometers in length. There are problems between China and the Soviet Union that require further steps to resolve. China and the Soviet Union have different ways of looking at many of these problems. However if both sides can strictly adhere to the five principles of peaceful coexistence, it is possible that, based on normalization, they can strive for good, neighborly relations, which is what China hopes for. This type of relationship will be healthier than the one of the 1950's, but will definitely not be in the form of an alliance.

It is only natural that normalization of Sino-Soviet relations will bring about the revival of relations between the two countries' communist parties. Since the basis for normalization of Sino-Soviet relations is different from that of the past, the significance of reviving the relationship between the parties is also different from that of the past. In the past, party relations surpassed national relations, with party relations deciding everything, but today national interests are the top priority and party relations cannot control national relations. From China's aspect, the Chinese Communist Party not only develops relations with communist parties of other

nations, but also develops relations with social democratic parties, nationalist political parties of developing nations, and other friendly political parties. The Chinese Communists utilize the four principles of independence, full equality, mutual respect, and nonintervention in each other's internal affairs in their relations with these political parties. As a result, the revival of relations between the Communist Parties of China and the Soviet Union does not signify that their views are in total agreement and does not signify that the parties have an especially close relationship.

4. The normalization of Sino-Soviet relations is beneficial for world peace and development. International opinion generally reflects that the normalization of Sino-Soviet relations is beneficial for relaxing the situation in the Asian-Pacific region and the international situation.

The objective existence of Sino-U.S.-Soviet triangular relations. The normalization of Sino-Soviet relations has a definite effect on this triangular relationship. But then again the Sino-U.S., Sino-Soviet, and Soviet-U.S. relations each have their own special characteristics, problems, and difficulties and do not depend solely on the effects of this triangular relationship. An important principle of China's independent foreign policy of peace is that it will not enter an alliance with or form strategic relations with any superpower and will not support one side in opposition to another. In the present situation the improvement in Sino-Soviet relations will not be a detriment to the development of Sino-U.S. and Soviet-U.S. relations but, to the contrary, will promote these relations. In fact, the United States has been mentally prepared for the normalization of Sino-Soviet relations for a long time. The United States was able to see during the long, 6-year Sino-Soviet consultations that the normalization of their relations would be limited. Furthermore U.S.-Soviet relations had early on surpassed Sino-Soviet relations. Under this type of situation its just as the American Heritage Foundation's R. Rusk pointed out, the situation of many years ago has been reversed: If Sino-Soviet relations deteriorate now, it is not necessarily beneficial to the United States, and if Sino-Soviet relations improve it is not necessarily detrimental to the United States.

The normalization of Sino-Soviet relations also will not harm the interests of Japan and will not cause any negative effects for Sino-Japanese or Soviet-Japanese relations. China has all along supported Japan's struggle for the return of its northern territories while at the same time opposing the tendency that a minority of Japanese have to revive militarism. Some Japanese worry that the rejoining of hands by China and the Soviet Union will put psychological pressure on Japan, but this worry is too extreme. The contrary is true, both China and the Soviet Union hope to obtain funds and technology from Japan and have become competitors is these areas, and this is beneficial for Japan. The normalization of Sino-Soviet relations will be helpful in promoting economic and scientific technology cooperation between China, Japan, and the Soviet Union.

The normalization of Sino-Soviet relations spurred a political resolution to the problems of Afghanistan and Cambodia and is beneficial for advancing dialogue between North and South Korea.

In summary, after normalization of Sino-Soviet relations China will deal with international affairs as it always has, protecting world peace and opposing hegemonism. For all international problems China will make its own independent judgments and decide on its stance concerning the problem based on what is right and wrong. It definitely does not merely echo what others say and will not yield to pressure from large nations. Normalization of Sino-Soviet relations will further promote the development of the world in a multipolar direction, while creating a positive influence for world peace and the promotion of international development.

SOVIET UNION

Boris Yeltsin Viewed as Phenomenon, Individual

40050720

[Editorial Report] The Chinese-language Beijing journal SHIJIE ZHISHI (WORLD AFFAIRS) No 14 of 16 July 89 carried on pages 17-18 an article titled "The Yeltsin Phenomenon and Reform" by Zhou Shan [5297 1472]. The author's contention is that Boris Yeltsin is both a phenomenon created by the deep desire of the Soviet masses to have such a heroic figure and a very down-to-earth person who has courageously and continuously pushed forward the upper limits of reform in the Soviet Union.

Zhou notes that the dramatic media attention given Boris Yeltsin has led to what is known as the "Yeltsin Phenomenon": Yeltsin's words and deeds have become a social and political phenomenon in and of themselves. This phenomenon is evidenced by the thousands upon thousands of Soviet citizens who demonstrated to show their support for him and who demanded a reelection after he lost in the election for people's deputy. Zhou says that the best way to look at the Yeltsin phenomenon is not by what experts and scholars outside the Soviet Union have to say about it, but by how it is viewed through the eyes of Yeltsin's compatriots, the Soviet citizens. Describing their view, Zhou presents the following as the correct view of the "Yeltsin phenomenon": It is an outgrowth of reform led by the CPSU and is kept alive by the Soviet people.

According to Zhou, the Soviet people generally support reform, but they do not clearly understand, nor are they very interested in, its strategy or direction. What concerns them are issues that affect them most immediately such as food, clothing, housing, and the benefits that reform can bring them. They also want to see the elimination of bureaucratism, unfairness, bribery, and corruption. Zhou claims that most people do not really understand Yeltsin either; they just like the things he says because it is what they themselves would like to say.

The author cites some of Yeltsin's criticisms and arguments: 1) major failures of the past were caused by the lack of collective leadership and the practice of concentrating party power in one person's hands and giving him immunity from criticism. 2) There is a disturbing tendency for Politburo members increasingly to praise the general secretary, while face-to-face criticism is now needed. Politburo members should not allow themselves to be given to flattery lest this again become an unalterable principle and practice. 3) Under today's conditions, Soviet citizens can no longer tolerate the undisputed authority of the leaders, the notion that leaders are always right, or their double moral standard. 4) The CPSU Central Committee must establish a system under which leaders at all levels have to submit work reports on a regular basis. 5) Everyone from worker to general secretary should have an equal opportunity to buy food and commodities and use the means of production. 6) Special privileges pertaining to supply and favorable treatment in the allocation of goods, apartments, and medical service should be eliminated.

The author notes that while Yeltsin is a firm supporter of Gorbachev's reforms and wants to work with him, he does not totally agree with Gorbachev's strategy and methods. Zhou also comments that, although the principles and direction of the reform are put forward by Gorbachev, it is interesting that in actual practice Yeltsin is often ahead. A position that Yeltsin alone advocated yesterday becomes today's topic of discussion or problem needing to be solved. Zhou cites organizational and economic reform as examples. When others were only just starting to discuss this issue, Yeltsin was already carrying out reform in his own territory. In 1987, when the entire nation was carrying out various experiments to reform the economic system, Yeltsin insisted on first solving the supply problems of food and consumer goods, and in fact these problems have become today's bottlenecks in reform.

Another observation Zhou makes is that, as a member of the bureaucracy, Yeltsin can shake it up from within. He can freely criticize those who enforce current policies and seriously challenge those who are reluctant to change the status quo. Yeltsin has thus become the voice of people who do not have influence over policy and events. He has become a phenomenon because the people have found in him an idealized person.

Looking at Boris Yeltsin the man, Zhou notes that he was the first person to advocate that individual leaders take personal responsibility for the mistakes of the past and the stagnation of Soviet society. This position has made Yeltsin a moral leader who has the right to tell others how to carry out reform. Zhou also points out that, according to Yeltsin himself, he has not received anything other than his monthly salary of 800 rubles and his wife has to spend 3 to 4 hours every day standing in line to buy things, just like everyone else. Zhou observes that Yeltsin wears ordinary clothes and frequently shows up in public to chat and argue with people. He sometimes loses his temper, acts impetuously, and makes mistakes. He refuses special supplies and uses the outpatient service of local clinics. He does not ride in cars but takes the bus instead. He lets the masses see that people at the higher level are no different from themselves. Therefore, in the eyes of the masses, he has naturally become "one of them."

The author devotes most of the article to discussing Yeltsin's good qualities and praising him, barely addressing Yeltsin's weaknesses or alleged weaknesses. He remarks that, although Yeltsin has spoken out on the most pressing problems of the common people, what he has done has not touched on the basic issues of reform. He cites criticism claiming that Yeltsin lives an ordinary man's lifestyle just for show. Zhou responds by pointing out that other people in Yeltsin's position would not live an ordinary lifestyle even if it were only for show. He reports that some critics have pointed out that Yeltsin may not be able to do a good job if he were in charge of an actual unit. When Yeltsin was secretary of the Moscow municipal party committee, he failed to solve the shortage of commodities. Zhou makes no comment on this criticism.

The author concludes that Yeltsin is both an ordinary person and an idealized hero of the Soviet masses. The Yeltsin phenomenon, made possible by reform, is at the same time a reflection of the various, complex problems that reform has yet to solve. The form and content of reform will change as reform passes through different stages, but as long as it continues and its goals have yet to be met, the Yeltsin phenomenon will continue to exist.

NORTHEAST ASIA

Animosity Toward U.S., Japan 'Increasing' in South Korea

40050658 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 12, 23 Jun 89 pp 7-9

[Article by Zhu Jianrong 2612 1696 2837: "South Korea After the Seoul Olympics; Trend Toward Anti-U.S., Anti-Japanese Nationalism"]

[Text] South Korea is generally looked upon as a close political, economic, and military ally of the United States and Japan. In terms of their overall relations, and in a strategic sense, this is true enough, but a deeper look will reveal that South Korea has many conflicts and disputes with the United States and Japan. I have the feeling, especially since the Seoul Olympics, that anti-U.S. and anti-Japanese sentiments are increasing notably in all sectors of South Korean society.

The "Reportage War" of the Olympics

The readers surely remember the incident during the boxing event in the Seoul Olympics when the South Korean coach attacked the referee. As soon as that happened, it received a storm of publicity throughout the world. The United States and Japan had sent the largest

contingents of reporters to the Olympics, and they naturally pounced on the story. The following day, every South Korean newspaper printed articles of self-criticism. The headline for a CHOSON ILBO article read: "The Shame of the Olympic Host." But on the third day, the tenor of South Korean news reports underwent a change. Because they received a flood of phone calls from all sectors of South Korean society protesting the "one-sided self-criticism" of the media, all the newspapers in Seoul turned to criticism of the "one-sided reporting" in U.S. and Japanese media. One after another, they criticized U.S. and Japanese reports, complaining that they "did not report on what lay behind the incident, and only played up and exaggerated what happened," and the South Korean media stated that "the one-sided reporting was due to an imperialist sense of superiority." One newspaper in Seoul even declared the U.S. and Japanese reporting to be "media terrorism."

Japanese newspapers then retreated, and made no further noise, but people in the United States continued to act as they pleased. The U.S. NBC television network offered ridicule, saying that the South Korean overreaction was "due to cultural differences." From that time on, therefore, South Korean public opinion concentrated on the United States. An anti-U.S. atmosphere enveloped the news media for the rest of the Olympic Games.

Precisely at this time, a U.S. swimmer got drunk and took a plaster statue from his hotel. Every newspaper in Seoul printed large stories about this "incidence of thievery," and people cut out the articles and posted them on bulletin boards in press rooms where reporters from every country came together, commenting sarcastically that the incident was "due to the United States' cultural differences." Some newspapers commented that the casual behavior of the U.S. athletes in the opening ceremonies of the Olympic Games was an insult to the hosts, and that Carl Lewis' refusal to participate in a press conference showed disrespect toward South Korea. Every newspaper went on to comment upon matters other than the Olympics: Some U.S. servicemen ran off without paying their taxi fare; a U.S. athlete kicked the door of a taxi during a dispute; people from the United States often met with theft on Itaewon Street, which is full of stores and where they often shopped; U.S. television stations showed "the conceit of a big and powerful country" by concentrating so much on the underside of South Korean society when they introduced the country to their audiences, and so on. Two Seoul television stations frequently focused their cameras on large anti-U.S. banners that had been unfurled on the grounds of the Olympic Games by young students, and they paid special attention to students who distributed anti-U.S. leaflets on the streets. One of them produced a show which broadcast interviews with common citizens who voiced anti-U.S. attitudes. Everyone knew that these two stations were controlled by the authorities.

The South Koreans' anti-U.S. sentiment has existed for a long time. Above all, they resent the fact that the U.S. Army has been stationed in their country for such a long time. They feel that this has not only hardened the split between North and South, but has turned the South Koreans into "second-class citizens." Command over South Korean military affairs is still completely in the hands of the United States. Furthermore, there is a "Korean Army Augmentation to U.S. Army" (KATUSA), by which students with outstanding grades and excellent English are chosen and sent to serve as "attendants" for U.S. military officers and soldiers. There are about seven or eight thousand of these "attendants," and they feel deeply that the stationing of the U.S. troops in their country is an affront to their dignity. Secondly, many South Koreans feel that the United States, from behind the scenes, manipulates and encourages the South Korean authorities to suppress the people. In 1980, when Chun Doo Hwan's army cruelly put down the people's revolt in Kwangju, the people of Kwangju listed the United States as one of "the five evils." Students at Kwangju's Chon Nan University painted a large U.S. flag (5 meters long, 3 meters wide) on the street in front of the university's front gate, so that anyone entering or leaving the school would have to walk on it. At the side of the flag they painted: "Stomp on it good! Stomp it to pieces!"

This anti-U.S. sentiment exploded as a result of the reporting on last year's Olympic boxing incident. After the close of the Games, the anti-U.S. sentiment had risen. When President Bush stopped in Seoul for 6 hours on his way back home from his visit to China, students from every university in Seoul took to the streets to spread leaflets in protest. Scholars and journalists began to discuss openly the question of a pullout of U.S. troops. TONG-A ILBO printed results from the latest public opinion poll on 1 April which showed that the proportion of South Koreans who hold a positive attitude toward the United States had decreased from 69.9 percent in 1984 to 30.1 percent last spring, and that those who disliked people from the United States increased from 3.3 percent in 1984 to 12.3 percent. Sixty percent of South Koreans favor a U.S. troop withdrawal, either in stages or all at once, and 90 percent of students favor a U.S. troop withdrawal.

The Attitude Toward Japan: Old Hatreds Difficult To Forget

If the anti-U.S. attitude of the South Koreans has grown precipitously in recent times, then their anti-Japanese sentiment has been stored up for a long time and it explodes whenever there is an opportunity. One can often hear Japanese complain in private that whenever there is a dispute between them, the South Koreans bring up "the 36 years" of Japanese rule just to pick at the Japanese scar. A director of a Japanese organization in Seoul told me that, apart from wages and other regular compensation, Korean employees of any Japanese organization (including investment companies) that operates in Korea also demand an "indignity fee," which means that one comes to work for the former invaders "in spite of the indignity entailed in so doing."

In comparison with a few years ago, expression of South Korean anti-Japanese sentiment has undergone a change. The "resist the Japanese" feeling of before has been replace by "overcome the Japanese," which is to say that the simple feeling of hatred has turned into a desire to defeat and surpass the Japanese. During the Seoul Olympics, South Korea for the first time allowed a Japanese singer to perform on stage in Seoul, and the singer also performed on television. A Japanese film (a science fiction movie called *The King of the Peacocks*) was permitted to run in South Korea for the first time early this year. This illustrates a new self-confidence on South Korea's part in its relations with Japan. However, there has been no fundamental change regarding anti-Japanese sentiment. The TONG-A ILBO public opinion poll also revealed that the proportion of those who "like Japan" had fallen from 22.6 percent in 1984 to 4.1 percent last spring, and those who "hate Japan" had increased from 38.9 percent to 62.4 percent. During last year's Seoul Olympics, whenever a Japanese athlete was involved in a contest, a large group of South Korean spectators would appear and root in unison for the opponent.

South Koreans are the ones who reacted most strongly to the trend in Japan toward rewriting history and embellishing war. A few years ago, when the "textbook incident" and the "Yakasone Shrine" affair occurred, every sector of South Korean society reacted strongly, just as we did in China. When it was learned that Emperor Hirohito was gravely ill, the South Korean press reacted to the trend within Japan toward sprucing up the emperor's image and whitewashing his responsibility for the war by stating directly that the emperor bore undeniable responsibility for the war. When Emperor Hirohito died last January and Prime Minister Takeshita made a speech evaluating the emperor's life, the South Korean press criticized the Japanese Government for "trying to deny the emperor's responsibility for the war."

In recent years, South Korea has expressed increasing uneasiness over signs that Japan is becoming a major military and political power. After the Japanese emperor died early this year, former South Korean presidential Chief Secretary Ho Mun-to spoke to the press about his impressions of the emperor's funeral. "Japan was using the death of the Japanese king—an old man who enjoyed a slightly higher social status than the average man on the street—as an opportunity to strengthen national cohesiveness. I couldn't help looking at their performance with a certain horror. With a Japan like that for a neighbor, we must have national unity to protect ourselves." An official from the Ministry of National Unification said that Seoul and Beijing should use friendly relations with Japan to check Japan's impetus toward militarism.

The "Emperor of Heaven" and the "King of Japan"

There is another historical reason for the anti-Japanese sentiment of the South Koreans. They feel that for the past 2,000 years the Korean people have given culture and technology to Japan, but the Japanese have repaid this benevolence with ingratitude. The South Koreans nurse deep grievances for the ravages that Japan has visited upon the peninsula during the last 100 years. This anti-Japanese sentiment, based on historical factors, can sometimes lead to unexpected consequences.

A few years ago, South Korean newspapers, which had habitually referred to the Japanese emperor by the title "Emperor of Heaven," without prior consultation among each other, last fall suddenly began to use the term "King of Japan" or "King of the Japanese Nation" as they reported on the emperor's illness and death. It followed logically, then, that Japan's "Son of Heaven" became the "Prince," the "Empress" became the "Queen," and the "Imperial House Foreign Relations" became the "Royal House Foreign Relations." HANGUK ILBO revealed the reason for the change of the titles. "The term Emperor of Heaven refers to the Jade Emperor, not to any earthly mortal. The term emperor refers to a king among kings. The emperors of China, Russia, and Rome could be called that, but there was no one under the Japanese king but local vassals, so he cannot be considered an emperor. To call him the Emperor of Heaven is even more ridiculous."

South Koreans generally believe that the Japanese emperor's ancestors emigrated from Korea to Japan. Three days after the death of the Japanese emperor, CHOSON ILBO wrote, in discussing the emperor's responsibility for the war, that "it is now beyond doubt that the Japanese royal family emigrated to Japan from the Korean Peninsula. The question now is whether their surname in Korea was Kim or Park. Scholars are still debating this issue. Hirohito passed away before this question was answered. If King Hirohito had known who his ancestors were, perhaps certain mistakes (the invasion of the Korean Peninsula) never would have happened..." During a conference televised in Seoul on 14 January this year, a scholar presented the theory that the Japanese emperor had emigrated to Japan from Korea. "The Japanese king eats garlic and uses spoons (during ceremonies), which matches Korean custom." Another scholar reasoned that the Japanese was a descendant of Paekche. There were also those who declared that if the new Japanese emperor visited South Korea, he would be "going to his ancestral home to visit relatives."

It is the complexity of the South Korean attitude toward Japan that prompted a U.S. attache in Seoul to remark that, although there are problems in South Korea's relations with the United States and Japan, the frictions with the United States might be resolved in 2 or 3 years, while the problem with Japan would not easily be solved in 20 or 30 years.

Of course, since the "normalization of Japanese-Korean relations" in 1965, relations between the two countries have become closer and closer. Chun Doo Hwan made the first visit to Japan by a South Korean head of state in 1984, and in recent years large amounts of Japanese investment have flowed into South Korea as a result of

the appreciation of the Japanese yen. Currently, 91 percent of the enterprises in the Masan export processing zone are Japanese-owned. Furthermore, it is generally believed abroad that disguised "Japanese-Korean military cooperation" is proceeding forward. For example, Japan provides bases and rear support services to the U.S. military stationed in South Korea, both parties share a defense perimeter, and Japan exports some materials to South Korea that can be used to manufacture weapons. Still, we must look at the universality and the depth of anti-Japanese sentiment in South Korea, and take all factors into account if we are to reach a relatively objective conclusion.

The Chances for a Withdrawal of U.S. Troops

Why the recent upswing of anti-U.S. and anti-Japanese sentiment in South Korea? It is due primarily to the self-confidence that South Korea's economic development has given to every sector in that society. The South Korean people's sense of independence and nationalism has been very strong for years. In recent years, the fact that South Korea's per capita output has vaulted to an average or above-average world ranking, the expansion of the middle class, and especially the strong sense of self-confidence derived from the successful hosting of the Olympics, have stood in sharp contrast to the stationing of U.S. troops on South Korean soil, the influx of Japanese capital, and the trade deficit with Japan. This has led to a tide of nationalistic, anti-U.S., anti-Japanese sentiment. This social movement has touched off an extremely sensitive issue: long-term stationing of U.S. troops in South Korea.

In the 1980's, a central focus of the struggle of South Korean students has been their opposition to the United States and their demand that the United States withdraw its troops. Beginning in May and June last year, the students launched another large-scale movement to resist the stationing of U.S. troops in South Korea and to promote reunification of the North and South. This movement dovetailed with the rising middle-class sense of independence and self-confidence, and it therefore expanded rapidly into an anti-U.S. trend throughout society. The anti-U.S. sentiment that exploded during the Olympic Games was, in fact, only the tip of an emerging iceberg. U.S. and South Korean authorities had no choice but take this social trend seriously. Therefore, the Seoul Olympics served as a turning point, after which the steps and stages of a U.S. military pullout began to become a topic of public discussion.

On 20 September last year, after the closing of the Olympics, No Tae-u said to a U.S. television station, after specifying several necessary preconditions, that "the possibility of a partial withdrawal of U.S. troops is imaginable." This was the first time that a South Korean head of state had directly addressed the possibility of a troop withdrawal. After the Olympics, the United States mentioned the issue of a troop withdrawal several times. In early October, a retired U.S. lieutenant general made a very meaningful statement. He said that "the proper time for a U.S. troop withdrawal no longer depends on military necessity, but will be decided on the basis of political conditions." Speaking to reporters on 20 October, U.S. President Reagan hinted that the situation on the peninsula was no longer so tense, and that the "necessity" of stationing troops there was decreasing. When President Bush visited Seoul last February, he reiterated current U.S. policy on troops stationed in South Korea, but, at the same time, a U.S. State Department official stated publicly that if anti-U.S. sentiment in South Korea continued to grow, the United States would have no choice but to consider a troop withdrawal.

Since early this year, Seoul has been vigorously discussing concrete measures connected with such issues as the scaling down of the U.S. presence, and the return of operational military command to South Korean authorities. It is reported that No Tae-u has stated privately that it is now time to study ways to revise the "United States-Korea Executive Agreement," move the U.S. 8th Army out of Seoul, limit the broadcast radius of the U.S. Army's television station (its shows can now be received throughout South Korea), and effect a turnover of operational military command. A Japanese reporter said that the possibility of withdrawing the U.S. military's line of defense to south of the Taejon line, and turning operational military command to South Korea during periods of "nonbelligerence," are being studied secretly by both sides at one level or another. An official from the Ministry of National Unification mentioned the following issues, which are "currently under consideration": Replacing the American head of the delegation from the South to the Military Armistice Commission with a South Korean; reducing the number of U.S. troops stationed along the 38th parallel; pulling back the 8th Army; and so on.

However, there are many within the South Korean hierarchy who advocate allowing the United States to continue stationing troops there for a long time. A Democratic Justice Party legislator stated that Japan dumped its burden of military spending on the United States and was thereby enabled to concentrate on economic development. "Why shouldn't we do the same?" A progovernment university professor said that if the South Koreans look upon the U.S. military as hired soldiers whose presence has been contracted and paid for, people could take the situation "calmly." Even officials who speak of the possibility of a troop withdrawal also say that "because the system of U.S.-Korean military cooperation has existed for more than 30 years, it involves some very complex relationships, and any changes are going to take at least five years." The Japanese specialist, Okonogi, feels that the issue of a phased pullout of U.S. troops cannot be put on the agenda until South Korea undertakes its "4th Five-Year Plan for Military Modernization" in 1992. But as long the United States drags its feet and refuses to leave, the anti-U.S. sentiment of the South Korean people will surely rise higher and higher.

Japan's Political System Reacts to Recruit Scandal

40050659 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 12, 23 Jun 89 pp 3-5

[Chen Jiehua 7115 3381 5478: "Viewing Japan's Political System in Light of the Recruit Scandal"]

[Text]**Low-Key Reaction by Society**

Japan's Recruit scandal has caused a furor in Japanese politics. There is hard evidence that the Recruit Company, in order to further its business interests, gave large bribes to important political figures. Starting in July 1986 it gave 100,000 yen every month to Noboru Takeshita's faction within the Liberal Democratic Party [LDP], and, by April 1988, had delivered a total of 2.4 million yen. Just how much is 100,000 yen per month worth? It is only equivalent to one-third or one-fourth of the average worker's monthly salary. By Chinese standards, that would come to only 30 or 40 yuan per month. Even the Speaker of the Lower House, Hara Kenzaburo, whose acceptance of nine million yen made him one of the major targets of the bribery, only took in the equivalent of 4 years of an average worker's salary, which in Chinese terms is equivalent to about 7,000 yuan. It is truly a trifling sum, hardly worth mentioning. Nevertheless, in the two years since the Recruit scandal came to light, Prime Ministers Nakasone and Takeshita have both fallen from power and two new leaders with high hopes of being elected prime minister, Shintaro Abe and Kiichi Miyazawa, have both had to bid a painful and permanent farewell to any chance of ever holding that post. Nineteen officials at the ministerial level and more than 100 other officials and secretaries have either been arrested and charged or have committed suicide for fear of prosecution. The number of people harmed by the Recruit scandal and the virulence of its impact are a rare phenomenon in the history of Japanese politics. However, Japanese society has reacted to this political crisis in an extremely low-key fashion.

First, the entire society has been able to resolve this instance of political malpractice in a peaceful and rational atmosphere. In the 1950's and sixties, repeated student movements of long duration and immense size exploded in protest against the U.S.-Japan Security Agreement, and there were cases of bloodshed. In the 1970's, Prime Minister Tanaka's Lockheed scandal was also occasion for an explosion of large student and general protest marches. But this time the reaction in all sectors of society, especially from the students, has been so calm as to seem "boring." This is because they believe that the Japanese political system is capable of effectively resolving the problem.

Second, the government's crisis has not affected the normal functioning of the national economy. The Recruit scandal investigation has run for more than two years. During this time, in spite of the political storm, the Japanese economy has posted unprecedented gains. The inflation rate during the past two years has been only about 1 percent, and it has been as low as 0.3 to 0.5 percent during many months. The unemployment rate has been only about 2 percent, and the especially sensitive exchange rate has hovered within 5 yen of 130 yen to the dollar. During this period, Japan has become "the world's largest creditor nation," the "nation with the most foreign reserves," and the "nation with the highest average per capita income."

Third, the government's crisis has not affected foreign relations. The fall of Nakasone and Takeshita had no effect on Japan's policies toward the United States, Europe, China, the Soviet Union, or Southeast Asia. Even after Takeshita announced his intention to resign, countries in Southeast Asia and the West still welcomed him to proceed with his visits as originally planned. These countries recognize clearly that a change of prime ministers will not affect the continuity of Japan's foreign policy.

A Political System Moving Toward Maturity

Japan is a country that has adopted the bourgeois democratic system. It has effectively protected the interests of the ruling classes in the postwar decades, and accumulated much experience in such areas as balancing conflicts between different interests and winning public support, thereby establishing a flexible and efficient system. To a certain extent, the Recruit scandal is a reflection of that fact.

I. The Oversight Function of the Press. The Recruit scandal first surfaced in Kawasaki Prefecture. The local police department in that prefecture suspected that Komatsu Hideki, deputy mayor of Kawasaki City, had been accepting bribes, and therefore started an investigation. But before long, the police department suddenly called off the investigation for lack of positive proof. It is perhaps a universal phenomenon for officials to cover up for each other. Viewed in terms of the "separation of powers" theory, the police belong to the executive branch, and to use the executive branch's police department to rein in the executive branch's mayor is apparently ineffective. The judicial branch, for its part, accepts and rules only on cases that have been brought before it. Regular oversight of government officials, carried out on its own initiative, is not the function of the judicial branch. Responsibility for this function has been assumed very naturally by public opinion. When the news media discovered that the police department had decided to terminate their investigation, a few young reporters in the Yokohama office of Japan's ASAHI SHIMBUN used the freedom and independence of the press granted by the Constitution to pursue the Recruit case, and overcame all interference and pressure, finally bringing to light for all to see, the details of a bribery case that had remained hidden for 4 or 5 years and had involved more than 100 people.

At the same time, using this incident as a forum, journalists encouraged public criticism of the Recruit scandal and thus reflected the dissatisfaction of the

public with the government officials who were involved in the scandal. Every large newspaper continually published results from public opinion polls this year, and public support for Takeshita fell lower and lower. In April, when newspapers reported that Takeshita's approval rating had fallen to three percent, he was finally forced to recognize the serious state of affairs into which the Liberal Democratic Party and he himself had lapsed. He therefore decided to resign the post of prime minister in order to prevent further worsening of the political crisis. In this manner the news media not only performed the role of oversight, but they also reflected the public mood and constituted a fourth branch outside the purview of the judicial, legislative. and executive branches. It cannot be denied that the judicial and legislative branches play an immense role in reining in the executive branch, but the judicial process is long and drawn out; much less can legislative action be achieved in days or weeks. The news media, on the other hand, can quickly reflect public opinion, and it is quite powerful. It forces the ruling party and the government to react quickly.

II. Checks and Balances Between the Ruling Party and Other Parties. The relative strength of the LDP and the relative weakness of the Japan Socialist Party (JSP), the Komeito Party, the Democratic Socialist Party (DSP), and the Japan Communist Party (JCP), has engendered a "one giant, many dwarfs" situation. However, the legal existence of a few opposition parties has been sufficient to constitute a powerful check on the LDP, which has not been able to act against the public interest. This check on the ruling party is manifested in basically three ways. **1. Electoral Checks.** Once the powerful LDP became involved in the bribery case, it unavoidably found itself in a passive position in the election campaign. With the Recruit scandal having been exposed, opposition parties (especially the Socialist Party and the Communist Party) gained many seats in elections early this year for local legislatures, while the LDP suffered serious losses. **2. Legislative Branch Checks.** Although the LDP holds a majority of the seats in the Diet, it would still be very difficult for them to pass their legislative proposals without the cooperation of the opposition parties. The opposition parties used precisely this mechanism to force Nakasone to come before the Diet to be questioned by opposition legislators on his connection with the Recruit case. Similarly, the need to pass the new year's budget provided the opposition parties with the lever to force Takeshita to resign. **3. Check by Public Opinion.** Strong criticism of the ruling party by the opposition parties, whether within the Diet or elsewhere, constitutes a very influential check.

III. Limitations Placed Upon Each Other by Different LDP Factions. Apart from the checks placed upon the ruling party by the opposition parties, there are several independent factions of roughly equal strength within the ruling LDP. They exert an even more powerful check upon the prime minister's ruling faction. This is a major characteristic of Japanese politics which distinguishes it from those of Europe, America, and Asia. The four major factions at this time are those of Noboru Takeshita, Shintaro Abe, Kiichi Miyazawa, and Yasuhiro Nakasone. It is because each faction's existence is legally sanctioned that they are able to counterbalance each other. Each faction wishes to rule and must therefore work extremely hard to come up with the best policies in order to defeat the other factions, and whatever faction is in power knows that any mistake it makes will be criticized by the other factions. They are always careful to avoid providing anyone with a weakness to pounce on. When one reviews the history of the LDP since the war, it is clear that any large mistake by the ruling faction brings severe criticism from the other factions and becomes a direct cause of the fall from power of the ruling faction. Within the LDP, there indeed exists a logical relationship whereby "politics requires power, power requires a large number of people, and having a large number of people requires money." This is the "money politics" of Japan. But in practice, "money politics" has not meant that whoever has money, has everything. On the contrary, there are strict legal limitations on the game. Once the law is broken, a chain reaction occurs whereby "money flees, people leave, and the faction dissolves." In the 1970's it was said that the Tanaka faction was the largest "army" within the LDP, and that they controlled Japanese politics. However, because they were involved in the Lockheed scandal they came under attack by the other factions and quickly fell from power. Soon thereafter the Tanaka faction scattered "like monkeys whose tree has fallen."

The LDP as a whole, in order to protect its interests, pays special attention in times of political crisis to choosing from the various factions a leader with a relatively positive image who can help them win popular support. For example, after Takeshita came under criticism and was forced to resign, every faction within the LDP held emergency talks and asked such relatively powerless men as Masayoshi Ito and Sosuke Uno to take the post of prime minister rather than "new leaders" like Abe and Miyazawa. The reason is that Ito and Uno are known as "hard working and honest" and have a relatively positive image that can win public support. The two "new leaders," on the other hand, in spite of their money, backing, and status as factional leaders, must reluctantly bid farewell to any chance of ever becoming prime minister because of their involvement in the Recruit scandal. The continuing revelations about the Recruit scandal are having a powerful impact on the "money politics" that have ruled Japan for so many years.

Party Organizations Tasked With Campus Ideological, Political Work

OW1409051489 Beijing GUANGMING RIBAO in Chinese 4 Sep 89 p 1

[Article by staff commentator: "Give Full Play to the Role of Party Organizations at Institutions of Higher Learning as the Political Nucleus—Second in Series on Strengthening Ideological and Political Work in Institutions of Higher Learning"]

[Text] This turmoil and counterrevolutionary rebellion has taught us an extremely important lesson, that is, the party's correct guidance to schools and party organizations' serving as the strong political nucleus of schools are significant factors that will decide whether ours are good socialist universities.

Schools of higher learning are an important front for training successors to the cause of socialism and communism. The college and graduate school students are the future of our motherland, on whom the party and the people place very high hopes. They should possess both ability and political integrity so that they can adapt themselves to the complicated environment at home and abroad in the wake of reform and opening and take on the heavy historical responsibilities of building socialism in China with Chinese characteristics.

Nevertheless, the domestic and foreign political forces advocating bourgeois liberalization have always made schools of higher learning their major target for political and ideological infiltration, and have always tried to find or cultivate representative figures to carry on the bourgeois liberalization drive. They are competing with our party for the younger generation. In recent years, especially since he assumed the post of general secretary, Comrade Zhao Ziyang earnestly proposed to reform the party and thin out party leadership, which, actually, was a proposal for the elimination of that leadership. At a meeting of leading cadres of schools of higher learning held in Beidaihe last summer, Bao Tong pushed further ahead Comrade Zhao Ziyang's erroneous proposals in a systematic and concrete way. After the meeting, fallacies such as "making party activities amateur," "gradually reducing the professional status of cadres working on party affairs," and "thinning out party leadership" spread widely among schools of higher learning, drastically weakening the functions of the university and college party organizations as their political nucleus, and dealing a serious blow to ideological-political work. Some of the universities or college-affiliated party organizations were placed in a very difficult situation during this competition for the young students.

Recently, the CPC Central Committee made it clear that all grassroots party organizations are the "political nucleus of the grassroots units," and pointed out that the party organizations at institutions of higher learning must "bring into full play their role as the political nucleus" and the "party committee must assume leadership over every aspect of ideological and political work." This is of extreme importance in the task of stabilizing the situation, adhering to socialist principles in running schools, and strengthening ideological-political work from the bottom up.

In strengthening ideological and political work in schools of higher learning, it is necessary, above all, to guarantee the party's political leadership core in the leadership system. Trial implementation in recent years of the system of the president assuming sole responsibility for the school has proved that the system of holding the president responsible for the school under the leadership of the party committee will be more suitable for the reality in Chinese schools of higher learning and will more effectively ensure socialist direction and facilitate fulfillment of the goal of comprehensive training in colleges and universities. Therefore, except for a few colleges and universities that have achieved marked results in trial implementation and are thus allowed to continue the system, institutes of higher learning, in general, should implement the system of holding the president responsible for the school under the leadership of party committees for a long time to come. This is an important policy decision for strengthening ideological and political work in colleges.

"It is necessary to exercise ideological and political leadership over the work in all fields." This is the central task entrusted by the party Central Committee to college party organizations, and it embodies the political nucleus role played by party organizations in schools of higher learning. In performing arduous ideological and political work, each party committee must be equipped with a compact and capable working organ, whose normal functions should, under no circumstances, be impeded under the pretext of streamlining the organization. The "practice" of "amputating the legs of" party committees is very dangerous and should be rectified immediately.

"We should pay particular attention to improving the quality of political work cadres in schools of higher learning." This is a demand of the central authorities, as well as the unanimous call by various sectors of society in the wake of the recent storm. Practice over the years has proved that a compact and capable contingent of both full- and part-time ideological and political work cadres is an organizational guarantee for party committees to exercise ideological and political leadership in all fields. In order to train such a contingent, a top priority task is to stabilize the existing contingent while systematically replenishing it with comrades having a firm political stand. Ideological and political education, as a science, requires specialized knowledge. Therefore, it is necessary to improve the quality of political work cadres through systematic training, guiding them to dedicate themselves to the party's ideological and educational undertaking, and to gradually become experts and professors in ideological and political education through tempering themselves in practical work.

The recent turmoil and counterrevolutionary rebellion have thoroughly exposed problems existing in party affairs in schools of higher learning. Comrade Deng Xiaoping pointed out recently: "We must attend to the party's affairs. Otherwise, it won't do." Without making determined efforts to earnestly consolidate party organizations of some schools of higher learning, how can we perform the historical mission of training successors in the cause of socialism? We must, in accordance with the guidelines of the 4th Plenary Session of the 13th CPC Central Committee, intensify party building in schools of higher learning and concentrate on improving the quality of party members and helping the overwhelming majority of them pass political tests. Currently, special efforts must be made to conduct education in upholding the four cardinal principles and opposing bourgeois liberalization among party members and cadres. It is necessary to achieve unity in understanding, based on Comrade Deng Xiaoping's analysis and conclusions drawn upon by the 4th Plenary Session of the 13th CPC Central Committee. While earnestly solving problems related to the ideology and understanding on the surface, we should focus attention on such deep-rooted ideological and theoretical problems as whether China should take the socialist road and adhere to the Communist Party's leadership.

Political and theoretical classes are important grounds for conducting ideological and political education among students. In recent years, such grounds were almost forsaken. Comrades engaged in higher education should enhance their understanding of the political and theoretical classes from the strategic view of training successors in the cause of socialism by effectively strengthening and improving the teachings of basic Marxist theory in schools of higher learning. Teaching of basic Marxist theory should be given an important position in all specialized training, especially in liberal arts for college students and postgraduates, so that colleges and universities can become a solid ground for opposing bourgeois liberalization and a cradle for training capable people in socialist construction.

Such mass organizations as the trade unions, the Communist Youth League, students unions, and graduate students unions are a bond and bridge for the school party committee to contact the teachers, students, and school staff and workers. They are also a vital force that the school party committee will rely on to carry out ideological and political work. Party organizations in an institution of higher learning should give full scope to the initiative and creativity of these mass organizations and let them launch various activities welcomed by the masses to educate while entertaining them. In addition, it is even more important for party organizations on campus to strengthen leadership over these mass organizations and guide them in playing their role in the schools' ideological and political work.

In recent years, there have been relatively more people from the democratic parties in institutions of higher learning, particularly in key universities. Most of these comrades are noted scholars and professors; some of them also have great influence on the students. On the premise that implementation of the principles and policies of the party and state is guaranteed, party committees in higher institutions should work actively to harmonize relations with the democratic parties, take the initiative in listening to their opinions and demands, and pay attention to giving scope to their positive role in the schools' work in all areas, including ideological and political work among the students.

There is another task for ideological and political work in these schools. That is to create a fine environment on the campuses for the students. Not too long ago, Wang Dan and his ilk organized the so-called "democratic salon" and rigged up a radio station on the campus to preach the thoughts of bourgeois liberalization and to instigate turmoil and counterrevolutionary rebellion. There must never be a repeat of such a farce. In the early days of the new school year, in addition to concentrated education among the students in politics and the legal system, it is necessary to improve order in the schools and promote good school spirit and style of study in order to create a prevailing moral atmosphere and a political environment conducive to the sound growth of the students. All illegal mass organizations and "salon" activities that have not been approved must be resolutely crushed. The big-character and small-character posters not protected by the Constitution and the law must be resolutely banned. Socialist campuses will never offer themselves as a rostrum for those people who are bent on creating ideological confusion and carrying out political instigation.

In short, to strengthen ideological and political work in higher institutions, the first step is to firmly establish the role of the party as the core leadership. This leadership should manifest itself in every aspect of the school. Only in this way can ideological and political work become meaningful and achieve results.

Colleges Called To Strengthen Ideological Work

OW1409071389 Beijing GUANGMING RIBAO in Chinese 8 Sep 89 p 1

[Article by staff commentator: "Unswervingly Train and Bring Up Successors to the Cause of Revolution—Third in Series on Strengthening Ideological and Political Work in Schools of Higher Learning"]

[Text] Indisputable facts explain that a serious struggle exists between two classes for winning the younger generation on the higher education front. The storm that took place between the late spring and early summer of this year cannot but be called a despicable performance staged by hostile forces at home and abroad to carry out "peaceful evolution" and subversive activities against China. Although the storm ended in failure, it has awakened us, and it deserves our vigilance.

In the process of founding, consolidating, and developing socialist New China, Western imperialists have

never ceased to carry out political and ideological infiltration and subversive and sabotage activities against China in an attempt to make our country abandon the socialist road. Threats of the use of force and advocacy of "peaceful evolution" are the tough and gentle tactics they have used alternately. From Dulles in the 1950's to Brzezinski in the 1980's, they all dreamed of winning an easy battle, pinning their hopes on the third and fourth generation of Chinese, and encouraging them to set up a capitalist country through "internal evolution." During the recent storm, reactionary forces abroad gave counsel to, incited, and supported a very small number of diehard advocates of bourgeois liberalization in openly carrying out counterrevolutionary demagogy and crime to topple the government in a vain attempt to establish a bourgeois republic. The Voice of America even took the lead in violating basic journalist ethics, trying its utmost to stir up trouble and spread rumor out of a desire to see China plunged into chaos. A U.S. newspaper said, without reservation: "The only way to end the disaster of communism is not to transform its system, but to thoroughly eliminate it." They do not cover up at all their ambition to topple, in one single stroke, the CPC's leadership and the socialist system in China.

We should be soberly aware that education has a class nature. Any class will educate and influence students with its ideology. China is no exception. As a socialist country, China should unswervingly orient education to serving socialism to train successors in the cause of proletarian revolution. Our party has always attached great importance to training and educating the younger generation. Chairman Mao once lauded young people as the "midmorning, rising sun." This was the case in the past, and so will it be in the future. It will be an important guarantee for building socialism with Chinese characteristics. In this way, history bestows such a glorious and yet arduous task upon all leaders, political work cadres, and teachers at institutes of higher learning.

In unswervingly training and bringing up successors to the cause of proletarian revolution, schools of higher learning should strengthen theoretical education among the students, that is, education in Marxism-Leninism-Mao Zedong Thought. Marxism-Leninism is no idle theory. It will reveal its unlimited strength only when integrated with practice. The party's basic line in the current stage is a great innovation of integrating the basic tenets of Marxism-Leninism with the reality in China. Currently, we must pay particular attention to educating college students in the basic line of "one central task and two basic points." It should be especially pointed out that our reform and opening policy and modernization drive are being carried out in a complicated international environment. Should we lower our guard against plots and actions of hostile forces at home or abroad and let the ideological trend of bourgeois liberalization spread unchecked, we would certainly encounter grave disaster, and the fruits the CPC has won with the blood of tens of millions of people would vanish overnight. Therefore, only by strengthening education on "one central task and two basic points" among college students can we enable them to see through the real countenance of capitalist hostility against the socialist system, effectively resist foreign reactionary forces' political, economic, and cultural infiltration against China, and become a new generation of people inheriting and shouldering the heavy task of revolution to usher in the future.

In unswervingly training and bringing up successors to the cause of proletarian revolution, schools of higher learning should also educate their students further about China's actual conditions. Most college students today have little knowledge of China's history and reality. Small wonder that a few of them temporarily lost their bearing with the influx of various Western bourgeois ideas since the reform and opening policy was introduced. We should go all out to explain to students the history of how China has developed from a semifeudal, semicolonial society into a socialist state, as well as the great achievements of the 4 decades since the founding of New China. They should be told that China is a developing country with a vast population and weak foundations. "One generation plants the trees under whose shade another generation rests." As pioneers and successors, we must plant the trees to enjoy the shade and work hard for several generations. No children will abandon their mother because of her poverty. Our generation is lucky to be able to live in the embrace of our motherland. Therefore, we are obliged to work hard to make her strong and prosperous. We trust that, once college students are familiar with the reality in China, they will understand the truth that "only socialism can save and develop China," and will be convinced that we can create our future only under the CPC's leadership.

In unswervingly training and bringing up successors to the cause of the proletarian revolution, schools of higher learning should teach their students to engage in productive labor. It is our party's consistent policy and good tradition to integrate education with productive labor. In recent years, an alarming trend has emerged among some college students. They despise manual labor and practice, and are unwilling to go down to the grassroots to perform difficult jobs on the front line of production. Should the trend continue, how can we train good successors to the revolution? In reiterating the integration of education with productive labor, we want the students to understand and temper themselves in the practice of production to become a new generation of well-trained people who are patriotic and realistic and have a profound sense of responsibility, as well as "noble ideals, moral integrity, a sense of discipline, and general knowledge."

In unswervingly training and bringing up successors in the cause of the proletarian revolution, schools of higher learning should encourage their students to learn from workers, peasants, and soldiers. Young people are prone to dream and divorce themselves from reality, entering a fanatic death ally, and are not easy to wake up. We should help them go deep into the reality of life and learn from the stand, views, and feelings of workers, peasants,

and soldiers, so that they can more speedily side with the party and the people ideologically and emotionally, and dedicate themselves to the cause of socialism. The revolutionary struggle over the past several decades have indisputably proved that there will be bright prospects for intellectuals only when they integrate themselves with workers and peasants, emerge themselves in the real life, follow a correct study style, and mingle with the masses of workers and peasants.

Young people are like a midmorning, rising sun. In the youthful golden period of development in life, they have a strong elasticity and grow intellectually and physically. As long as we intensify ideological and political education among them, they will surely live up to the expectations of the party and the people, and smash the Western capitalist countries' plots and actions on "peaceful evolution." The motherland's future is full of bright sunshine and magnificent radiance.

NATIONAL AFFAIRS, POLICY

'Investigative Report' on Private Enterprises

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[Article in "Investigative Report" column by Huang Dejun 7806 1795 0971, researcher at the Research Institute of the Office of the National People's Congress, edited by Xu Minzhong 1776 3046 1813 and proofread by Tai Yuying 6733 3768 5391: "Private Enterprises: Present Conditions, Special Characteristics, and Future Prospects—An Investigative Report on China's Private Enterprises"]

[Text] **I. Private Enterprises: Their Present State of Development**

After the socialist transformation in China, private enterprises adopted the cooperative and joint state-private operation formats, and there were no longer any private enterprises per se. The private enterprises we talk about today are enterprises which have developed since the 3d Plenary Session of the 11th Party Central Committee amid the reform and opening up when the state gave its approval to the individual economy.

After 1979, individual industrial and commercial household units and large specialized household units that employ more than seven workers began to appear in some parts of China. For example, in Guangdong's Gaoyao County, Chen Zhihong [7115 1807 7160] individually contracted to operate a fish pond and employed five full-time workers and six to seven part-time workers; he earned 60,000 yuan a year in net income and turned over nearly 40,000 yuan to the commune, netting 20,000 yuan for himself. With the emergence of private enterprises as a product of the natural development of the individual economy and the contracted management responsibility system, our party at first took a cautious "wait and see" attitude and neither encouraged nor discouraged them. From 1982 to 1985, nationwide, the individual and private economies entered a rapid growth period; from 1983 on, more than 4 million workers joined the private sector each year. According to a sample survey in Shaanxi, between 1983 and 1985, the number of private enterprises increased fourfold; the average number of workers each private enterprise employed increased from 27 in 1983 to 39 in 1985. In many parts of the country, many large units that employ hired help began to appear. Some employed several hundred, and a few hired close to a thousand workers. Meanwhile, some regions had a higher concentration of private enterprises than others. In Wenzhou, for example, there were already more than 10,000 private enterprises by 1985. Around 1986, the development of private enterprises ran into complications. Compared with 1985, individual and private economies hired more than 3 million fewer new workers in 1986. Based on incomplete data, in the first part of 1986, the number of private enterprises nationwide has dropped 2.6 percent since the end of 1985. In Liaoning Province, private enterprises decreased by 9.4 percent, and in Shenyang there were 265 fewer large household units that employ workers. According to a survey of 30 fairly large private enterprises in five counties across Hunan Province, 5.5 percent fewer workers were hired in 1987 than 1986, and 63.33 percent of the enterprises were either slowing down the rate of growth or cutting back. The reasons for this phenonemon are: 1) For too long, the central government remained "uncommitteed," and not all local cadres everywhere favored the development of private enterprises. Some localities enacted "unenlightened" policies to discriminate against private enterprises and discourage their development. 2) Because of the nationwide tightening of financial credits, some private enterprises were feeling the financial crunch and were forced to cut back or even quit business. 3) In 1986, the prices of capital goods soared and energy supply was tight across the nation. In addition, some private enterprises had been expanding too fast, and management, technology, and the quality of the work force could not keep up; consequently, they were wiped out by market competition. 4) The state strengthened taxation and market management and tightened up industrial and commercial enterprise registration rules, and these normal procedures were interpreted by some over-sensitive private enterpreneurs as a change in policy, and they reacted by selling out and cashing in. The above factors together made the period around 1986 a difficult development period for private enterprises. But the shrinkage was actually localized. In some areas, private enterprises continued to do very well. Besides, the difficult external environment forced China's private enterprises to go through a process whereby after a period of rapid growth, they began to break up, and some were eliminated and others were recombined to become better enterprises. This was particularly important for them as they entered a new period of stable development around the time of the 13th Party Congress in 1987. According to preliminary statistics gathered at the end of 1987, of the more than 13 million individual industrial and commercial households, about 115,000 employed more than eight workers. A total of 1,847,000 workers were employed in these private enterprises. Of course, there are actually many more private enterprises than the figures indicate. A fairly large portion of the private enterprises are registered as collectives (mainly town and township enterprises.) It is estimated that there are 50,000 of such enterprises, employing 800,000 people. In addition, of the more than 280,000 joint operations nationwide, 60,000 are essentially private operations; they employ more than 960,000 workers. Altogther, there are more than 225,000 private enterprises in China, employing a total of 3,607,000 workers.

Private enterprises are concentrated mainly in the rural areas. Statistics show that 80 percent of the units are in the rural areas and 83 percent of the workers are employed in private enterprises which also own 83 percent of the capital in rural areas. For example, in

Shandong Province, rural private enterprises account for 88.4 percent of the total number of private enterprises and 86 percent of the total number of workers employed, while town and township private enterprises account for the remaining 11.6 percent and 13.8 percent. In Zhejiang, Hebei, and other areas, studies also indicate that private enterprises tend to develop faster in the rural areas. This seems to indicate that the surplus rural labor force has more widespread need and greater urgency to find work.

With respect to the lines of business, there are some differences between private enterprises and individual industrial and commerical household units. More than 50 percent of the latter group are engaged in pure commerce, and if we add the restaurant, service, and repair buinesses, they make up more than 70 percent of the trades. Private enterprises are just the opposite: Statistics show that 81.78 percent of them are in industries, handicrafts, communications and transportation, and the construction business; they account for 87.07 percent of the employment and more than 70 percent of the capital. For instance, 75 percent of Jilin Province's, and 72 percent of Hubei Province's private enterprises are in industries and the handicraft trade; similarly, in Shangdong Province, 72 percent of the private enterprises, and 72 percent of the total work force in the private economy, are in industries and the handicraft trade.

China's private enterprises are still in the early stages of development and their operations are still fairly small in size. Each unit consists of an average of only 16 people, and 70-80 percent of them employ less than 30 workers; less than 1 percent hire more than 100 workers. Those that hire a lot of outside help may employ several hundred; a handful may hire as many as a thousand. But many large private enterprises are dependent on, or may operate under the name of, collective enterprises. Private enterprises have an average of around 50,000 yuan in capital, and the richest have just over 10 million yuan. In general, units in the economically well-developed regions have more capital on the average and those in less developed regions have less; enterprises in the transportation industry tend to have more capital and those in service trade have less. Supposedly, private enterprises in the coastal provinces such as Guangdong, Fujian, and Zhejiang on the average have around 100,000 yuan in capital. For example, survey in Ningpo shows the average unit to have 107,000 yuan. Units in the inland provinces and cities generally have 10,000-20,000 yuan in capital: Surveys in Shandong and Jilin Provinces shows that their private enterprises have an average of over 30,000 yuan but those in the transportation industry have as much as 100,000 yuan; the richest units have over 1 million yuan in capital.

As far as business is concerned, studies in more than a dozen cities and provinces, including Fujian, Guangdong, Zhejiang, Hebei, Jilin, and Beijing, show that the average per unit output value or volume of business is around 150,000 yuan a year; 50 percent or so of the enterprises make over 10,000 yuan a year in profit.

II. Wenzhou City and Quanzhou City: Spearheading the Development of Rural Private Enterprises

Wenzhou is among the first cities to develop the private economy and has one of the best developed private economy in China today. There are 10,000 wholly-owned private enterprises and 35,100 partnerships in Wenzhou; they make up 0.8 percent of Wenzhou's total rural households and 46.7 percent of the town and township enterprises. This is not all there is, because these figures do not include enterprises that are not private in form but are private in substance. Surveys show that more than 50 percent of the so-called "collective" enterprises in rural Wenzhou are, in fact, private enterprises operating under the name of collectives. If we take them into consideration, Wenzhou's private enterprises actually make up more than 70 percent of the town and township enterprises. In Wenzhou, the private enterprises may have as little as just over 10,000 yuan's worth of fixed assets but may also have several million, even 10 million yuan. Several hundred of them employ many workers. They may be in businesses as big as iron and steel or as small as button manufacturing; they are in just about every line of business.

In 1987, Wenzhou's GVIO [Gross Value Industrial Output] was worth 4.8 billion yuan, of which, 800 million yuan, or 16 percent, were generated by state-run industries; 2.3 billion yuan, or 46 percent, by collective industries (including private industries pretending to be collective industries; same below,) and 1.7 billion yuan, or 38 percent, by private and individual industries. Retail sale of commodities in society was worth 2.56 billion yuan, of which, 640 million yuan, or 25 percent, were generated by state-run businesses; 1.024 billion yuan, or 40 percent, by collective buinesses; and 896 million yuan, or 35 percent, by private and individual buinsesses. In 1980, however, the proportions were just the reversed: state-owned industries accounted for 31.44 percent of the city's GVIO while individual and private enterprises accounted for only 12.6 percent. Wenzhou's private enterprises started out either as family industries that make use of the city's large industries' leftover bits and pieces and discarded old materials or in the small goods business. As the family industries and specialized markets began to develop, the people accumulated funds and some management experience. Tens of thousands of salesmen who have gone all over the country not only have broadened their own horizons but have made available new information. These factors enabled the better equipped family industries to expand and hire more workers and to eventually become private enterprises. For example, in Qiaotou Township, which is known at home and abroad for making buttons, the mainstay enterprises are a group of partnerships that employ anywhere from 20 to 80 workers. Similarly, this type of enterprise plays a big role in Liushi township, which produces many electrical products—they employ more than 50 percent of the township's total labor force.

Wenzhou's private enterprises have two distinct characteristics: 1) They are comfortable with the market concept and train their eyes on market demands and market changes every minute. Wenzhou's private enterprises handle mostly the market's hot-selling products; each plant usually has one or two "house specialties," but the products can have thousands of specifications. 2) While these enterprises depend on their own strength, they also strive to get assistance from all quarters. They strive to get all the help they can from the higher level departments to secure everything they need, including land and loans. Most of Wenzhou's private enterprises have links to the science and technology departments or the large state-run factories and mines, and they offer preferential pay and benefits to hire senior engineers and skilled technical personnel. Thus, Wenzhou's private enterprises have inseverable ties to all levels of the government and with the state-run economy and in turn also reap huge profits from this relationship. The "Quanzhou-style" development of China's rural private economy differs from the "Wenzhou style," which has its origin in family industries. Quanzhou took advantage of its unique social historic factors and natural geographic environment, beginning by gathering funds in society and putting the emphasis on private shareholding enterprises. It planted its footing on local resources and, with the mainland at its back, turned toward Southeast Asia, Hong Kong, and Macao, adopting a market-oriented economic mode of importing from abroad and cooperating with units in the interior.

Quanzhou is well-known as the home of many overseas Chinese. There are 3.26 million overseas Chinese travelling and living abroad and another 400,000 living in Hong Kong and Macao, and there are 1.23 million returned overseas Chinese and their relatives in Quanzhou. Each year, more than 100 million yuan are remitted from overseas, accounting for 70 percent of the entire province's income attributable to overseas remittance. Since 1985, Quanzhou has been encouraging the masses and relatives of overseas Chinese to gathers funds and set up enterprises. In 1985 alone, 150 million yuan was raised; 50 percent of that money was invested by relatives of overseas Chinese. By gathering funds in society, Quanzhou dared to break the rigid rule of "using local materials, processing them in local plants, and selling the products in local markets" and got away from the township- and village-run collective enterprises. It has created a town and township enterprise system where there are township-, village-, brigade-, joint-household-, and individual-run enterprises—"spinning five wheels simultaneously"—and which is dominated by the latter two groups. For instance, of the 5,581 town and township enterprises in Jinjiang County, 4,527, or 81.17 percent, are assorted private enterprises; in Shishi Township (Shishi City today,) of the 592 town and township enterprises already in production by 1986, 491, or 82.93 percent, are privately funded. Among Quanzhou's many different kinds of private enterprises, the majority are set up and are operating under the shareholding system. Two-thirds of the shareholding private enterprises have assets between 10,000-200,000 yuan; only a few are worth over 200,000 yuan. Most enterprises are divided into two to five shares; most shares are worth 5,000 to 30,000 yuan, with the most expensive at several hundred thousand yuan a share.

Quanzhou may have had a late start in developing a private economy, but because it is fairly well endowed, it has beat out the oldtimers and has quickly become one of the regions with the best developed private economy in China. Since the central government formulated the new coastal economic development strategy, the "Quanzhou model" has attracted more and more attention.

III. Urban Private Enterprises: Slow Development

Compared to the rural private enterprises, the development of urban private enterprises has been relatively slow. This is one of the characteristics of the development of private enterprise in China. Even among different cities, development is uneven and is marked by different characteristics. Below, we will introduce some survey results gathered in eight large cities. Besides Beijing, Shanghai, and Tianjin, we have also included Guangzhou, Shenyang, and Chongqing which also have a fairly well-developed private economy, Hefei which has a mediocre private economy, and Changchun where development has been very slow. Urban private enterprises in these eight cities, in order of emergence, first sprung up in Shenyang in 1979, in Chongqing in 1981, and in Tianjin in 1982; most private enterprises started in Beijing after 1983. The private economy saw fastest development in Tianjin, which had around 8,000 private enterprises by the end of 1986; Guangzhou came in second, with 1,688 private enterprises, according to 1987 statistics. By April 1988, more than 1,300 of Beijing's individual industrial and commercial households have begun operating as private enterprises. Based on sample surveys, Shenyang and Chongqing have between 1,000 and 2,000 private enterprises each. Development in Shanghai has been relatively slow; by the end of June 1987, there were 971 private enterprises, and Changchun had around 300 of them by June 1988.

In these, eight large cities, private enterprises are found mostly in the suburban counties; few can be found within city limits. This coincides with the nationwide pattern of rural concentration, indicating that the closer to the urban centers the more obstacles one encounters to the development of private economy. As for the lines of business, most enterprises are in industries or handicrafts. Guangzhou has a larger, 29.4 percent, proportion of privately-owned restaurants, compared to 3.39 percent in Shanghai and 4.4 percent in Chongqing.

With respect to the number of hired-helps in the private enterprises: in Beijing, the average number is 14.8; 15.53 in Shanghai, and a dozen or so in Tianjin. Only a handful of enterprises employ more than 100 workers. In Guangzhou, 88 percent of the private enterprises employ from 8 to 20 workers, and only 0.7 percent employ more than

100 workers. In Chongqing, 73.4 percent of the enterprises employ 8 to 20 workers and 1 percent employ more than 100 workers. In Shenyang, 80 enterprises employ more than 100 workers but only four enterprises in Changchun hire that many workers. There are very few large private enterprises in the cities, probably because labor management is stricter and labor cost is higher in the cities, and because enterprise size is limited by many factors, including the availability of land.

With respect to the amount of capital, most of Shanghai's private enterprises have less than 30,000 yuan; a few have more than 100,000 yuan, and none has more than 400,000 yuan. Tianjin's private enterprises have an average of 30,000 yuan in capital, and the richest has more than 1 million yuan. Chongqing's private enterprises have an average of 13,700 yuan, and the richest has several hundred thousand yuan while the poorest moving team has only 300 yuan. Changchun's private enterprises generally have under 50,000 yuan in capital; very few have more than 100,000 yuan. Thus, urban private enterprises basically need over 10,000 yuan in capital, and so far very few have more than 100,000 yuan.

Based on conditions in the above eight cities, it is clear that most of China's urban private enterprises are still in the early stage of development. In terms of number, size, and scope of business, they are far behind the better developed rural private economies in some areas. The reasons may be: 1) The commodity economy is better developed in the urban areas; the state-run and collective enterprises are substantially stronger, leaving little "squeezing room" for the private economy. 2) There is no place to set up production and business facilities in the city, industrial and commercial management is strict, operating a private business in the city entails more red-tape and bureaucracy, and permits are harder to come by.

IV. Private Enterprises: Characteristics and Problems at the Present Stage

Surveys conducted around the country indicate that at the present stage, China's private enterprises share the following characteristics: 1) In terms of personnel composition, the entrepreneurs generally are capable people who are technically trained, who have management skills, who have courage and insight, and are not afraid to take risks. They are made up of three groups: the first group are former cadres from the grassroots level or villages and towns and former cadres or business personnel of town and township enterprises; the second group are armymen transferred to civilian jobs; the third group are young intellectuals who are educated, capable, and who have connections. Those working in private enterprises generally are friends and relatives or have been recommended by friends and relatives of the owners. This is particularly true in Zhejiang's rural areas. Because of the blood relations and petticoat connections, these enterprises are relatively stable.

2) Most of these enterprises are wholly-owned operations or partnerships of two or more individuals that employ outside workers. Only a few are limited-liablity companies.

3) In production management, they have the latest information, flexible operation, quick turnover, few managers, and high efficiency. Most of them let sales determine their production, and few products are stockpiled because they are unsaleable, and most goods are priced to sell in the market. An enterprise with several dozen workers usually have 3-4 or 1-2 management personnel; some may not even have a specialized management staff in addition to the production staff. These enterprises typically have short fund-turnover cycles: several hundred thousand yuan of funds often take a month, or sometimes slightly longer, to turn around, which is one-half or one-third the turnover rate in similar state-run enterprises. Because of their flexible operation, low cost, and high efficiency, their profit rate is also higher.

Four, with respect to the pattern of development, some enterprises started out as individual industrial or commercial household units with little capital and relied on their own management skills to accumulate funds gradually and grow; others found help in bank loans, but even more depended both on themselves, their partners, and on bank loans to grow.

As for the problems encountered during the development of private enterprises, surveys conducted throughout the country indicate that private enterprises are faced with the following problems:

1. The problem with external management: The most serious problem here is how to separate out the private enterprises from other economic entities now that their status is affirmed by law and government policy. As we said earlier, today's private enterprises are still mixed with some other economic elements; many are passing as collective enterprises, especially town and township enterprises. This condition can be blamed on several external factors, partly because all along private enterprises had no legal status, and even today, laws in this area are still inadequate. But more important is that to the collective units, linking up with the private enterprises means more income and, even if just in name, more economic power. From the standpoint of the private enterprises, linking up means protection; it helps them to survive under the present system, and it also allows them to pay lower, or no taxes, which also increases enterprise accumulation and personal income. But this arrangement brings trouble, even harm, to the state, to society, and often to the individuals as well.

2. The private enterprises' own internal management chaos: Private enterprises inherently "go where the profit is," and because of the state's poor external management, management in most private enterprises is very chaotic. Many have unsound financial systems, and tax fraud and tax evasion are prevalent. In pursue of

huge profits, some private enterprises ignore the interests of the consumers, do shoddy work, and use inferior materials; they substitute low grade products for high grade goods, palm off imitations, and practice fraud. Furthermore, few private enterprises provide for workers' education, welfare, and protection—some have very poor work conditions and very long hours. Internal enterprise management may go by the patriarchal system or the guild system; few really adopt modern scientific management methods.

3. Most employers and employees do not enter into labor contracts; thus, the rights and privileges, duties and obligations of both sides are not specified. This demonstrates a lack of legal concept. Some people act according to their "conscience," and neither side enters into any kind of agreement, and when there is trouble, there is no written evidence and no way to resolve it. If the employees should get hurt or die in an accident, the employers can deny any responsibility, and even lawsuits may not settle the disputes.

Furthermore, there is the problem of the excess income disparity between employers and employees. Generally, one cannot find fault with employers making five or even ten times more money than the employees, but very much more than that can be a problem. Surveys show that in one of Hubei's private enterprises, the owner's income is more than 50 times that of his employees. This obviously is too much of a difference in income. This kind of income disparity does not reflect the actual difference in work, and it can destabilize society, and we should keep it under control.

V. The Future of Private Enterprises: The Developmental Trend

Since the 13th Party Congress, the state's policy has been clarified, and the promulgation of various laws and regulations not only has defined the status and obligations of private enterprises but has also specified the state's protection of their legal rights and privileges. For example, in April 1988, the 7th National People's Congress ratified the constitutional amendment at the 1st plenary session and added the following provision to Article 11 of the Constitution: "The state permits the private economy to operate and develop within the limits prescribed by law. The private economy is a complement to the socialist public economy. The state protects the lawful rights and interests of the private economy and guides, supervises, and manages it." This eliminates all future worries of private enterprises. As for the private enterprises themselves, they now have greater economic strength and more experience competing in the market, and they have smoothed out various internal and external relationships. These are positive factors that facilitate their development. On the other hand, however, as more and more state-run and collective enterprises convert to the contracted management responsibliity system and leased operations, advantages private enterprises used to enjoy are no longer there, and their "heavenly opportunity" are often snatched by others. For this reason, while the political risks have diminished, pressure of competition generated by the economic risks the private enterprises are facing has increased and has become the main factor undermining their development. The survival of private enterprises henceforth will depend even more on "strength" in management, technology, products, and so on, rather than on policy variances. If the private enterprises do not wish to be eliminated in the competition, they must learn to adapt to changes in the external environment.

Well into the future, China's private enterprises may see the following basic development:

One, they will continue to grow.

Once the legal status of, and policies pertaining to, private enterprises are clarified, the existing private entrepreneurs will have a strong urge to invest. Survey in many areas shows that all the private entrepreneurs polled indicate that they are willing to continue to invest in their enterprises, and even more individual operators who so far have taken a wait and see attitude or for some other reason have employed less than seven workers are encouraged by the preferential policies, are attracted by the prospects, and have expressed hopes of expanding their operations. According to a sample survey conducted in rural Jiangxi, 13 percent of the existing individual operators who hire outside help have plans to become private enterprises. Objectively, because of the recently promulgated "Provisional Regulations on Private Enterprises" and other regulations, fewer private entrepreneur will waste enterprise profits; more funds will be invested in expanded reproduction.

Two, private enterprises will forge closer external economic ties with the state-run and collective enterprises.

Once the legal status is defined, the number of private enterprises wanting to forge the old kind of economic relationship with the collective enterprises—sharing the same name or cooperating in joint operations—will greatly diminish, but the kind of economic relationship between private and collective enterprises which has real substance will be enhanced. This is because as the private enterprises develop, they will run into fund and technological problems and will need the help of the state-run large factories, the banks, the state scientific and technological institutions, and the colleges and polytechnic schools. Also, as the private enterprises grow in size, more and more customers who buy their products will turn out to be state-run and collective units. Thus, in the future, private enterprises will have more and more lateral ties with the state-run and collective enterprises, and there will be diverse forms of alliance as well as stock participation. But because in many areas there are still great differences between the private economy and the state-run and collective economies, their relationship will primarily be external; internally, private enterprises will retain their own form.

Three, as private enterprises develop, the entrepreneurs will become better qualified.

In recent years, amid the development of private enterprises, the feudalistic overtone is continuously being eroded and washed away by the commodity economy. For example, as the partnerships make self-improvements, they are beginning to sever blood relations, family ties, and regional affiliation; they are paying more attention to their economic makeup, and there are more specialized, multi-village alliances. Instead of the partners or their relatives, more and more professionals who have management skills are hired to manage the business. Meanwhile, as the private enterprises develop, there are more younger and better entrepreneurs. Surveys conducted in Hebei Province's Yongnian County indicates that between 1985 and the end of 1987, private entrepreneurs under the age of 40 as a percentage of all private entrepreneurs increased from 62.3 percent to 72.9 percent; in this group, the percentage of entrepreneurs between 30 and 40 years old saw the fastest increase. This change in age composition demonstrates that record of service and experience, once valued by the natural economy, no longer "rule" in private enterprises. A group of entrepreneurs in the prime of their lives who think on their feet, who are willing to learn and work hard, who dare to think and act, and rely on information and skill to obtain wealth are just maturing.

Four, led by the super-large, core, and multi-regional private enterprises, production will become more socially oriented.

As the private economy develops, many super-size private enterprises that employ more than a thousand workers and produce almost 100 million yuan's worth of goods have appeared around the country. Some private enterprises have already escape regional boundaries, and using their specialized production business as foundation, they have opened branch factories and branch stores in faraway places. Furthermore, in some localities with a well-developed private economy, there are already a few large private enterprise cores. These large enterprises supply the small private enterprises with raw materials and technologies and market their goods for them and in turn become private enterprise groups with the large enterprises at the core, surrounded by many small enterprises which are dependent on them. Even though there are only a few of these super-large, multi-regional, core private enterprises in China today, they are very attractive to other enterprises and are the prototypes. With their emergence, we can discern a tendency of China's private enterprises to become more socially oriented.

FINANCE, BANKING

Tight Money Policies Expected To Continue

40060708 Beijing JINGJI RIBAO in Chinese 6 Aug 89 p 1

[Article by Jiang Bo 5637 3134: "Tight Money To Continue in Last Half of Year; Financial Situation Improving But Task Is Still Arduous"]

[Text] What is China's current financial situation? Li Guixian [2621 6311 7639], president of the People's Bank of China, believes that the financial situation in the first half of the year was better than predicted, but serious problems still exist, and the nation faces many difficulties. He stated that money will still be tight nationally during the second half of the year.

Li Guixian disclosed this at the People's Bank National Conference of Branch Bank Presidents, which convened on 5 August. In the first half of last year the net amount of currency in circulation was 8.861 billion yuan, and in the first half of this year there was a net withdrawal of 5.294 billion yuan. Savings deposits of urban and rural residents increased by 6,440 billion yuan, an increase that was 2,240 yuan more than for the same time period last year. Various payments increased 2,120 billion yuan, an increase that was 3,400 billion yuan less than for the same period last year. Foreign exchange taken in was a bit more than that expended, so there was an increase in the nation's balance of payments. Tight money also did not cause inflation, but had the positive functions of cooling down an overheated economy, curbing investment and expanded consumption, and promoting a stable market.

At the same time that he confirmed these successes in our financial work, President Li Guixian warned that the remaining financial problems are still very serious, and the situation is still quite bleak. There are formidable tasks which have grown out of a full year's control of currency issuance: in the first half of the year a considerable amount of currency which should have been withdrawn from circulation was not, so in the second half of the year there were great pressures on credit and cash reserves put into circulation. If the economy does not grow slowly, and the scale of fixed assets put into circulation is too large, the tendency of consumption funds to grow does not decrease, the base of savings deposits will destabilize. In the first half of the year, the majority of the increased savings deposits were assured direct savings deposited over a 3-year or more period, which explains why the masses of the people still have doubts concerning the stability of market prices. There are many pressures on credit funds, and much left over. At the end of May, industrial enterprises had 214.1 billion yuan's worth of unsold goods in storage, 39.9 percent more than at the same time last year. The majority of the funds in circulation are in the serious situation of being tight, embezzled, overdue and idle, and enterprises are not circulating funds enough, while many localities and departments are growing louder in their demands for banks to increase the credit funds in circulation. There is a great amount of this, which creates new pressures on the banks. There still exist certain phenomena which tend to confuse the financial order: some localities, departments and enterprise units have undertaken various kinds of unauthorized financial work; the operational offices of some specialized banks and trust investment companies have exceeded the authorized scope of their work to engage in illegal

operations; and fund-raising in society apart from the banks' operations is increasing rapidly. There are still problems with the balance of foreign exchange, although for the first half of the year the amount of exchange taken in was greater than that paid out. However, imports continued to increase, cutting down on the growth of nontrade exchange taken in. It will require a considerable effort to realize a balance of payments for the whole year. Currently, society's demands are still much greater than what society can supply, and funds for credit are tight. The reasons for this are: first, there is a serious overstock of goods produced by enterprises, and purchase of sideline and farm products was not eliminated in time, so too much of the funds were used up; second, newly investing enterprises have not put funds into circulation; third, is the increase in prices for sideline and farm products and raw materials; fourth, the troubles that key projects and key enterprises have had with bonds, unfunded and attracting chain arrearages in credit payments among enterprises; fifth, is that enterprises in such areas as food and foreign trade have been caught up in losses and debts, creating fund turnover problems for the enterprises.

Li Guixian noted that in the second half of the year the following tasks remained in our overall financial work: tighten up money, stabilize finances, reorganize financial procedures, deepen financial reform and further advance the continual stabilization and coordinated development of the domestic economy. In currency credit, there will be a continuation of the "total controls" policy. The key to this is continued adherence to tight controls, resolute adjustment of the money supply, perfecting the structure of newly extended credit, doing everything possible to ensure that controls on this year's issuance of currency and scale of credit are within the plan determined by the state.

Assessment of Financial Problems, Solutions

40060703A Beijing JINGJI CANKAO in Chinese 1 Aug 89 p 4

[Article by Bai Mingben 4101 2494 2609: "Another Discussion of the State's Financial Difficulties and the Way To Resolve Them"]

[Text] Several newspapers that have recently published articles on the grim situation of China's finance have also analyzed different reasons for this situation, and made suggestions as to how to cope with it. They all seem to have one thing in common, namely that they place much blame on the "expansion of authority and yield of profits." In my opinion, they miss the crucial point. The problem is serious and has already led to a trend in current economic policy of withdrawing authority and raising taxes. As the matter touches on the overall reform situation, it deserves an earnest assessment and discussion.

How are We To Understand the State's Financial Situation Since the Inception of Reform?

During the 10 years of reform, the basic financial strength of the state and fiscal revenue has been growing simultaneously with the growth of national income. Computed at comparable prices, and comparing 1987 with 1978, national income has had a 2.2-fold increase, the state's basic financial strength (comprising state funds within and outside of the budget) increased 2-fold, and the state's fiscal revenue increased 50 percent. It is even more evident if computed in absolute figures: In 1979, the state's fiscal revenue amounted to only 110.33 billion yuan, and extra-budgetary funds were only 45.3 billion yuan. By 1988, the state's fiscal revenue reached 258.782 billion yuan, a 2.35-fold increase, and extra-budgetary funds increased to 227 billion yuan, a 5-fold increase. The actual situation was that there was no sliding down year after year, but increases year after year, and at magnitudes that cannot be said to be small. An observation of the state of public finance must focus on two aspects: One is that the money in the hands of treasury was steadily increasing and not continuously decreasing. The second is to see the huge changes in the financial strength of society at large. These are all achievements of the economic structural reform.

The fact that the ratio of fiscal revenue in the national income is continuously declining since 1980 is regarded by some as a downward slide of fiscal revenue and an indication of declining national strength. This assumption is not based on facts. The ratio of fiscal revenue in the national income declined from 32.93 percent in 1979 to 22.8 percent in 1988, which is indeed a large decline. However, to break with the previously prevailing state of centralized management of all income and expenditure, when everybody was "eating from the big pot," it was necessary to impart new vitality into the enterprises and local authorities, so that they may have sufficient power and money for their development. This is much better than concentrating all power and money in the central authorities and having them unifiedly run all affairs. The result of carrying out the reform was not only that it assured substantial increases year by year in fiscal revenue, but that extra-budgetary funds would quadruple in 10 years. This lends impetus to economic development and is a source of increased national strength, and has been a successful choice benefiting development of commodity economy. The problems that have now arisen must be conscientiously regulated and controlled, and the extra-budgetary funds must be guided to better conform to production policy; this alone is the positive attitude toward getting on with the reform.

The higher or lower ratio of fiscal revenue in the national income is not a normal criterion to assess the state of a country's fiscal income. The ratios in the Soviet Union and in the GDR are very high, which is not necessarily a good thing, while it is generally very low in the developing countries to ensure fastest economic growth; that indeed is the objective situation. During the transition from planned economy to socialist planned commodity

economy, the ratio of fiscal revenue in the national economy will certainly decline, and as to how much of a decline would be appropriate, someone has made a comparative study: Basing on data derived from an analysis of tax statistics for 20 countries prepared by the World Bank to explore different tax rates in the macroeconomic structure (this refers to the ratio of fiscal expenditure within the total domestic output value) and their relation to economic growth rates and national per capita income, we arrive at the conclusion that China's optimal tax rate is, regionally differentiated, between 18 to 22 percent, while China's actual tax rate in the macroeconomic structure during the period from 1985 to 1986 was 28 percent, which is obviously inordinately high. The ratio of fiscal revenue in national income and the tax rate can be in a corresponding relation. In countries with planned economy, the ratio is surprisingly high, in the western developed countries the per capita income is high, growth rate is slow, and their ratio is also very high. Effecting vertical and horizontal comparisons without proper analysis are neither appropriate for particular national conditions nor consonant with reality.

Causes for the State's Financial Difficulties

Some say: "tax reductions, yielding profits, and the contract system for enterprises have had an adverse effect on the growth of fiscal revenue." It is my opinion that this assertion puts the cart before the horse and wrongly diagnoses the illness. The true causes for the state's financial difficulties are:

1. Slow progress in breaking down the old system of centralized management of all income and expenditure. In view of the limited financial resources, taking on too many key projects is the cause for too large an expenditure for the central authorities. For example, in the 1989 state budget, investments on fixed assets and funds for urban constructions amounted to as much as 85.67 billion yuan, or 30 percent of the entire budget. And not only that, there are other factors: circulating capital had to be loaned to supplement normally occurred gaps; using standard price for foreign exchange, energy, raw materials, and communication to reduce investments is to shift financial burdens; a considerable number of engineering projects are of long duration, very wasteful, and of little benefit. Centralizing all financial resources and having the central authorities undertake all key constructions creates a rigidity in expenditure and also causes a daily growing inflation, and these are the major causes for the pressures of domestic and foreign indebtedness.

2. Fiscal subsidies are too heavy a burden, and will also be impossible to be continued. According to the 1989 budget, inroads in fiscal revenue by enterprise losses amounts to 45.28 billion yuan, of which as much as 23 billion yuan are foreign trade subsidies. Price subsidies, included as financial expenditure, amount to 40.97 billion yuan. Adding the two items gives a loss to public finance of 86 billion yuan, which is as much as the total fiscal revenue for 1977. Because of the distortion of prices and the tardiness of readjustments, a vicious cycle is created with regard to the supply-demand disparity, and the burden of subsidies is growing heavier the longer it is on our backs.

3. Commodity economy has started to develop, but action has been slow in establishing a commodity economy order, a fact which has allowed official and private profiteers to run rampant, in turn causing of chaotic conditions in the circulation sector, and resulting in a loosening of political, legal, and financial discipline. A combination of these conditions with unhealthy tendencies caused a relaxation of restraints in the budgets, and in the financial and tax affairs of local authorities, enterprises, and in various other areas. Funds to be turned over were kept back, and not only that, the benefits from price increases were to the greater part allowed to be eaten up by the circulation sector.

4. The structural reform of the enterprises was developed unevenly; in overall perspective, progress was slow, and the macroeconomic comprehensive support was weak. Enterprises owned by the whole people lacked capability to expand reproduction, input was feeble and production was feeble, labor productivity increased slowly, economic returns from enterprises generally declined, the microeconomic base lacked the operational mechanism of a benign cycle, and this was bound to restrain large-scale steady growth of the state's financial resources and tax revenue.

Summing up, the true causes for the state's financial difficulties must not be sought in any dissipation of financial resources of the central authorities by tax reductions and yielding of profits, but rather in the coexistence of two systems and in the process of shunting from one track to the other. It must be blamed on the ineffectual way of deepening the reform and the incongruities that this brought about. We must not seek the causes in the reform, but must seek for a way out in the reform.

The Way To Extricate the State From its Financial Difficulties

At present, the way to extricate the state from its financial difficulties is: While maintaining the steady growth of the economy as a prerequisite, we must unswervingly continue the comprehensive reform of the structure of public finance and continue the structural reform of the enterprises. Principal measures to be taken are:

1. The state must rid itself of the large burden of key constructions; whatever can be dumped must be dumped. The key of the problem is reform of the investment system; enterprises must become the principal agents in investments. This demands that in their financial matters, enterprises must have the economic power for self-development and expansion of reproduction. In the last 2 years, large-scale contractual undertakings by the railways have produced very good results, which would have been even better with a more liberal

adjustment of the freight rates. By analogy and following this example, it should be possible to cut by half the expenditure on economic development by the central financial authorities. Some key construction projects would be much better served if left to the enterprises, to local authorities, and to joint efforts. However, the state must lay down policy on the premise of not reducing fiscal revenue, and must also give support by creating favorable conditions, including the appropriate adjustment of policy. By unloading a large part of key projects on to lower authorities, central finance will be able to advance with a much lightened burden.

2. Fiscal subsidies are the product of a developing commodity economy, as it follows the stagnation of the planned economy system. This is the second large burden pressing on central finance. The way out of this problem if to firmly and steadily promote comprehensive reform, including reform of commodity prices. Any attempt to achieve price reform in one big leap would be unrealistic. The realistic choice would be: first, to promote production development in reliance on the law of value, and second, to have a macroeconomic regulation and control that will gradually draw close to the law of value. The concrete method would be to plan well, execute in stages, adjust trends, and to adopt a more constant speed, which instead would allow more time. The "double-track system" is as successful as a transitional measure; it may be extended, but shunting from one track to the other should be accelerated. We must truly gradually reduce command-type plan norms and expand the function of the market as regulating the sources of goods. Inordinately low commodity prices must be raised in controlled small steps. Distribution of benefits from price increases must be in accord with the demands of production policy and used primarily for production development; secondly, it must be used for a price reform fund to be established in support of public finance.

3. Raising economic returns of enterprises is the fundamental way to broaden the sources of fiscal revenue. The primary method is to deepen enterprise reform, unswervingly perfect and develop the contractual responsibility system, thus adopting a policy of "providing water to raise fish." In the case of state-owned large and medium enterprises, the contractual responsibility system can serve to link the old and the new system, and could be developed to render enterprises into socialist commodity producers with much vitality. This would amount to a restructuring of the microeconomic foundation and forming a developmental mechanism for a benign cycle. Secondly, it would enhance macroeconomic regulation and control and the supervisory, inspection, and assessment system, thereby enhancing intensive business operations, promote structural adjustments, spur on technical innovations, and lead the way toward intensive expansion of reproduction, and substantially raise the level of enterprise returns.

4. We must strengthen readjustment and reform of the circulation sector. Blunders in policy and ineffectual development of the system brought on the chaotic situation in the economic field, which in turn led to serious drainage from financial resources and from tax revenue. This poses a primary task for the present movement of "improving the economic environment and rectifying economic order." We must make unremitting efforts to establish political, legal, and financial discipline as well as discipline in tax affairs. We must strengthen legislation, especially the law enforcement sector, so that it grow into a powerful and effective system of macroeconomic regulation and control; thus, state policy can be truly implemented in all these sectors, and public finance and tax revenue may enjoy a steady growth.

Bankers Discuss Enterprise Debt

40060719 Beijing JINRONG SHIBAO in Chinese 9 Aug 89 p 1

[Record of a discussion between several branch managers of the People's Bank at the Jingxi Guest House, Beijing: "How To Break the Chain of an Indebtedness of Over 100 Billion Yuan"; date not given]

[Text] Mutual indebtedness between enterprises has already reached 100 billion yuan! In these days of continued shortage of capital funds, this is a serious item of information, which weighed heavily on the minds of participants at the meeting of People's Bank branch managers from all over the country.

Capital funds are the lifeblood of enterprises. If the banks tighten up on funds, circulation of "blood" in the "blood vessels" of the enterprises becomes obstructed. If that happens, some enterprises will delay payments on mutual debts for goods, and that will start a cycle of "you owe me, I owe him," which will obstruct movement of all funds, and will further block what originally already had been an insufficient flow of "lifeblood." Faced with this dilemma of thousands of enterprises being weighed down by a 100 billion yuan indebtedness, what is in the minds of our bankers and what is their attitude? What good ideas may they have, to break the fetters of this huge indebtedness? At their meeting at the Jingxi Guest House in Beijing, several People's Bank directors freely expressed their particular ideas:

Delays in Payments Have Created a State of Extreme Urgency; There Simply Must Be a Settlement of Accounts

Zhou Zhengqing [0719 2973 1987], vice president of the People's Bank of China: One of the conspicuous problems of economic life is the mutual indebtedness of enterprises. Statistics show that up to the end of March of this year, indebtedness among enterprises for goods received amounted to a total of 108.5 billion yuan, of which 50.84 billion was owed to others, and 57.66 billion was owed by others. Delays of payments have created a state of extreme urgency, and there simply has to be a settlement of all these accounts.

Causes for the indebtedness are very complex, and we must distinguish between different situations. Any action must hit the right target, and we must suit the proper remedy to each specific case. As we understand from different trades and different localities, the situation is as follows: First, in the matter of clearing accounts of fixed asset investments, the constructing units owe money to their contractors, and units with new construction projects owe payments for equipment to machine building units. Second, commercial credits have not established a recording system, so that there is no evidence of the credits. Accounts that have been mutually credited between enterprises make up 20 to 30 percent of the total indebtedness and should really be treated as normal commercial credits. Third, changes in marketing conditions had items which originally commanded firm prices encounter new pressures and slack sales, which tied up much capital, and which, as a chain reaction, led to nonpayments between enterprises. Fourth, banks did not enforce settlement of accounts discipline with sufficient strictness. Fifth, the treasury owes allocation of loss subsidies to the amount of over 10 billion yuan. In the opinion of the Central Bank, feasible and effective measures must be taken during the third quarter of this year, under the leadership of governments at all levels and with close cooperation between all relevant departments, in a concentrated effort to clear up all debts.

Cheng Yuanye [4453 6678 2814], director of the Yunnan Provincial People's Bank: Even though we in Yunnan set a record during the first half of the year in the withdrawal of currency from circulation, we find that we still have insufficient capital funds. One of the reasons is the serious delay of due payments. Yunnan tobacco is Yunnan's "money-sprouting tree" [main source of revenue], but people owe the cigarette factories 1.5 billion yuan, and the cigarette factories owe others for raw materials and other expenses 1 billion yuan. The 2.5 billion yuan of debts are strangling the cigarette factories, and we can foresee that from 7 August there is not enough money to pay for tobacco leaf. Is it possible to go on without a general settlement?

Ma Jing [7456 4842], deputy director of the Guizhou Provincial People's Bank: Yunnan owes tobacco money, but Guizhou owes tobacco money as well as liquor money. The province is overstocked with high-grade liquor, such as Maotai and Dong liquor, while tobacco and liquor are the main sources of Guizhou's profits and tax revenue. The provincial party secretary would not take it quietly and had the acting provincial deputy governor take me to Beijing to revitalize our marketing policy, and not to come back unless successful. According to usual practice, all raw materials for Maotai must be ready at the time of the Double Ninth Festival (9th day of the 9th lunar month) to start fermenting the liquor. As one of the sources of money for the purchase of grain, they depend on the receipt of outstanding accounts. As it looks now, invigorating our cigarette factories and liquor producers would first of all require settlement of accounts to get funds moving, and to raise these funds we urgently need to revitalize our marketing policy.

Where Is the Money To Come From That Will Undo This Gordian Knot?

Zhu Yuanliang [2612 0337 2733], director of the Tianjin Municipal People's Bank: To get this capital fund chain moving again, a chain by which everyone is choking everyone, and one party's downfall will drag down hundred's of others, the first requirement is to provide some money to "prime the pump." Where is this money to come from? We have tackled the main contradictions by employing a variety of methods to raise funds. First, we have counted on the enterprises to clear out their warehouses, tap potential, and actively contribute one part. Second, we have counted on the specialized banks to promote increased deposits and thus contribute one part. Third, we have actively withdrawn loans and thus squeezed out one part. Fourth, we have used some of the newly increased short-term loans to put up another part. Fifth, we have expanded the scope of special start-up funds allocated to us by the head office and thus made available another part. By clearing up accounts, and at the same time reviving activities, and then by a renewed clearing up of accounts, we started "the snow ball rolling," and it proved successful. By the first half of this year, Tianjin Municipality had raised altogether 1.151 billion yuan as start-up funds for the settlement of accounts, and of this sum the enterprises had raised 187 million yuan by tapping potential, while the specialized banks had raised 267 million yuan by increasing deposits and retrenchment of loans. As a result, with a loan here, and setting a string of activities in motion there, it was possible to settle outstanding enterprise loans to the amount of 2.222 billion yuan.

Lin Zhenxiong [2651 2182 7160], deputy director of the Jiangsu Provincial People's Bank: The stagnation in fund circulation is due, on the one hand, to the tight money market, and on the other, to the overreliance of enterprises on banks; for every penny they have to spend, they come to the bank, and they are therefore unable to stand even the slightest sign of trouble, and the slightest tremor will knock them out. When providing start-up funds, we have therefore given serious attention to long-rang planning and to enhancing the ability of the enterprises themselves to supplement their circulating capital. Starting from last year, we have instituted and strictly enforced a system of supplementing circulating funds of enterprises in Wuxi, Nantong, Nanjing, and other cities. We have, for instance, raised the ratio of after-tax profits that enterprises were allowed to retain, so as to have them thereby supplement their circulating capital. We have established a system of user fees for circulating capital drawn by state-run enterprises, and for enterprises with new projects or expansions, we have provided sources for the fundamental layer of circulating capital. After comprehensive enforcement of the provisions for increasing circulation capital, computations show that the industrial and commercial enterprises of

Jiangsu Province can increase their circulating capital by 800 million to 1 billion yuan every year. If this is continued for some time, it will alleviate the shortage of capital funds in the enterprises and promote normal progress of production and business operations at all enterprises.

We Must Be Fastidiously Accurate in our Distinctions and Clearly Recognize the Limits of State Policy

Zhao Juncheng [6392 6511 2052], director of the Shandong Provincial People's Bank: Nonpayment of debts by enterprises is an extremely complex affair. As to which debts must be paid and which need not be paid, which to pay first and which to pay later, it seems that in this matter of using limited funds to get a large amount of stagnant funds moving, the crucial point is that we still need to make this matter a serious issue that deserves our intensive efforts. In other words, we must be apt at acting within the policy limitations in the matter of settling the indebtedness.

As regards readjustment of the loan structure and the entire economic and monetary regulation, Shandong Province stands on the principle of uniform and intensive action in the matter of settling all debts. Primarily cleared up must be the debts, in conformity with the state's industrial policy, of large and medium-sized enterprises, and enterprises which show good economic returns. Those that have no resources for capital constructions must have their projects stopped or suspended. Also those who are to be limited in their operations according to the state's industrial policy, or who nominally have a profit but actually incur losses, also those whose products have sluggish sales and who are overstocked, or whose products are sold or bought at long-term credit terms, or by agency arrangements, will not be granted loans to settle their accounts. These enterprises are primarily left to settle these accounts themselves, marketing loans will be withdrawn, and settlement will be primarily by the use of commercial notes, in accordance with the loan terms, to be actively discounted and rediscounted. Enterprises that conform with industrial policy and loan terms will be given direct loans to settle their accounts. If enterprises have deposits, but the bank's money supply is insufficient and causes delay in payment, short term accommodation is to be sought from specialized banks. If funds are owed between banks, the People's Bank takes the lead in organizing start-up settlement of accounts. Practice has proven that in this way the enterprises are very satisfied and settlements are easily accomplished.

The Overall Situation Must be Kept in Mind; Settlement of Debts Must be Tied up With Loan Structure Readjustments

Zhu Yuanliang, director of the Tianjin Municipal People's Bank: The objective of the settlement of indebtedness is to handle settlement of debts on the same track as the structural readjustment of loans, namely to invest start-up funds for debt settlement in those enterprises which according to the state's industrial policy are to be preferentially supported.

The Tianjin Municipal People's Bank Branch combined settlement of debts with retrenchment of capital constructions and control of the scope of investments, and had indebted units formulate, within a certain time limit, plans for repayment of their debts. For projects initiated by the enterprise, the enterprise itself must use its own free funds for repayments. If the enterprise is unable to do so by itself, the department in administrative charge of the enterprise must raise funds and advance them to the enterprise to be repaid by the enterprise later. As to newly proposed projects, we tried out to have the bank that handles the account check out the available resources before work is started and approve the project. For projects for which there is no capital available and for projects for which the enterprise that would carry out the work would advance funds and assume responsibility, contracts must not be allowed to be signed and work must be disallowed. Banks should also refuse loans and correspondingly withdraw whatever loan portion had been granted, in order to prevent an expansion of the scope of investments. In recent years, the outstanding debts owed by construction units of Tianjin Municipality had reached 307 million yuan, but through special efforts in the past 4 or 5 months, it has been possible to liquidate 30 million yuan of outstanding construction funds.

Qian Baosheng [6929 0202 3932], deputy director of the Jiangxi Provincial People's Bank: Jiangxi paid special attention to adjust the local loan structure and have it conform to industrial policy. It employed the method of "first exercising pressure and then effecting adjustment." To be able to "adjust," attention had to be given during the process of "exercising pressure" to closely linking this up with the work of repaying debts. On the one hand, a part of the start-up funds were issued to enterprises, to support key enterprises in their efforts to liquidate outstanding debts. For instance, the Provincial Industrial and Commercial Bank, while not increasing the total amount of its loans, made 20 million yuan available for the settlement of mutual outstanding debts in such lines of business as coal, electricity, and metallurgy. By granting one loan and thereby getting one line of business in motion, the "Gordian knot" in fund circulation was loosened, and up to the last 10-day period of March of this year, 200 million yuan of mutually owed debts were liquidated. On the other hand, the recovery of loans from some common enterprises and industrial manufacturing enterprises, which had reached the limit of retrenchments, resulted in an organic integration of the liquidation of outstanding debts and substantial readjustments. By the end of March, 4,229 firms were affected by the rollback in loans, reducing the total loans by 562 million yuan. At the same time, loans of 400 million yuan were granted to 322 enterprises of large and medium size, in preferential support of such lines as iron and steel and chemical

fertilizer, in accordance with the key points in our credit readjustment. As a consequence, a solution was found for the problem of mutual indebtedness between enterprises, and the capital needs of key enterprises were satisfied.

Settlement of Debts To Proceed in Stages—"Four Linkages" of Responsibilities

Zhu Qianzhu [2612 6197 1172], deputy director of the Qinghai Provincial People's Bank: Settlement of all indebtedness is obviously a heavy responsibility. We came to understand that a feasible and effective way was to proceed in stages in the settlement of all debts.

First stage: Inducing enterprises to settle their debts by themselves. Each enterprise was to set up, under plant leadership responsibility, an office for the tapping of potential for settlement of debts and to organize a special force which would personally call on parties, urging them to pay outstanding accounts for goods received. According to the statistics of 40 enterprises, over 1,000 persons had been sent out to personally collect outstanding debts for goods received, and they recovered somewhat over 200 million yuan of such debts. In this amount, the outstandings recovered from the Xining Iron and Steel Mill alone accounted for 40 million yuan.

Second stage: the specialized banks to settle all outstanding accounts within the system. After clarifying the amounts, times, and background of indebtedness, the specialized banks adopted toward its customer enterprises the method of "one firm being given a loan so that another firm may receive its money," and they closely followed up each case so as to recover all debts, or they organized meetings of all units who owed each other money and, then and there, did all the loaning and recovering of debts, so that accounts were cleared up one by one.

Third stage: Organizing, with the People's Bank leading the way, a supra-regional and supra-systems settlement of debts. The Provincial People's Bank and the Provincial Finance and Economy Commission selected as their targets large- and medium-sized enterprises, such as the Xining Iron and Steel Mill and the Motor Vehicle Plant, which owed comparatively large sums, and called a working conference on the spot, to be attended by the relevant specialized banks and enterprises, and they organized a supra-systems liquidation of debts. Up to the end of June, the mutual indebtedness liquidated through the banks amounted to 128 million yuan.

Xu Dejiang [1776 1795 3068], deputy director of the Harbin Municipal People's Bank: At the time when the enterprises were supposed to effect their own settlement of accounts, we introduced a "4-fold linkage," namely, linkage of settlement of debts with the norm for capital turnover, linkage of settlement of debts with bank credit, linkage of settlement of debts with bonus distribution to workers, and linkage of settlement of debts with the enterprise management responsibility system as it concerned the objective of enterprise working capital management. In this way the settlement of debts became closely and organically linked with an improvement of the business management of the enterprise and with improvement of the efficiency in the use of capital funds. Settlement of debts was also closely integrated with the adjustment of the loan structure and with a strengthening of supervision over bank loans. The Municipal Industrial Bank used, on different occasions, a total of over 30 million yuan for loans to assist 145 industrial and commercial enterprises in the settlement of 181 cases of mutual indebtedness between enterprises, involving the sum of 72.51 million yuan. Finally, the banks were able to recover all the loans they had invested, and in the first half-year outstanding debts were settled to the amount of 270 million yuan throughout the entire municipality.

Many further suggestions, and also many further concerns still remain; for instance, how do we solve the great difficulty of settling debts on the provincial level, and how do we negotiate their settlement? In addition, what should be done if enterprises that owe large sums and banks that keep their accounts show little inclination to settle accounts? And, how do we guard against debts going up again after the settlement? All these questions make it urgently necessary that we exchange ideas. Unfortunately, time was short at this meeting, and the attending bank directors could not say all they had wanted.

To amend the situation of capital shortage, the large amount of money that is now tied up due to nonpayment of debts for goods received must be cut loose and revitalized. Banks are pivots in the control of the flow of "lifeblood" capital. Their position is decisive in cutting the heavy chain of the 10 billion yuan indebtedness, and millions of people look to them for solutions. We are confident, our bankers will come up with some good ideas, and our readers may await follow-up reports.

SMALL-SCALE ENTERPRISES

Development of Rural Enterprise During Reform

40060681 Beijing ZHONGGUO NONGCUN JINGJI [CHINESE RURAL ECONOMY] No 6, 21 Jun 89 pp 3-5

[Article by staff commentator: "Further Develop Rural Enterprises During the Rectification and Ordering Period"]

[Text] For over half a year now we have been engaged in putting in order the economic environment and rectifying the economic order. Since the period of ordering and rectifying began, rural enterprise development has met with both new obstacles and new opportunities. To date, the obstacles have become worse, while at the same time, we haven't done a good job of taking advantage of the opportunities. The primary cause for this is that we

haven't solved the problem of how to develop rural enterprises during a period of "rectification, ordering, and reform." Some people feel that rural enterprises are one of the main reasons for our current economic woes, and thus they advocate making the rural enterprise the primary target of rectification. Others feel that development of the rural enterprise has been an important pillar of our economic progress over the last ten years, and thus we should not include the rural enterprise among the items slated for rectification. It appears that we must open our eyes a bit more and learn more about the significance of rural enterprise development.

Since the 3d Plenary Session of the 11th Party Congress, China's rural enterprise development has captured people's attention, as it has gradually become a way for agricultural villages to get involved in industry and commodities in a uniquely Chinese fashion. Henceforth, whether or not rural enterprises can weather the storms, take advantage of the opportunities offered by rectification, and develop more powerfully and efficiently under the new conditions is an issue that touches on the success or failure of our modernization construction. Because China's poverty and backwardness is mainly located in the agricultural villages, without further development of the rural enterprise and a marked increase in the average production value of rural workers, it is unlikely that the people as a whole will come to enjoy a fairly well-off standard of living, nor is China likely to advance to the level of a middle income nation.

Past experience tells us that, whether or not rural enterprises can do a reasonably good job at making adjustments and rectification and can ensure that development will be both powerful and efficient, depends completely upon our ability to grasp the main issues involved in further developing the rural enterprise and make feasible policy choices.

Two primary issues have presented themselves in our work over the last ten years to control the development of the rural enterprise. The first issue has been whether or not to permit the rural enterprise to develop. People were worried that rural enterprise development would conflict with the plan and weaken the state-run economy, and there were doubts that rural enterprise development was in line with socialism. The other issue involved questions about technology, the economy, and society, and in particular, questions about low efficiency. It now appears during this current period of rectification that the first issue, without a doubt, remains up in the air, but in the final analysis it is not a primary obstacle. With the "Party Central Resolution on Certain Issues Concerning the Strengthening of Agricultural Development" of 1978, the promulgation of "Party Central Document #4" of 1984, and in particular, the economic boom that rural villages and the nation as a whole have enjoyed in recent years as a result of rural enterprise development, the ambiguous questions involving national direction implicated in the first issue are now basically cleared up. However, the ability of the rural enterprise to enjoy further development increasingly hinges upon the latter issue.

First of all, agriculture is the foundation upon which rural enterprises develop. Prior to 1978, rural enterprises failed to enjoy good development, not because the level of agricultural development at that time was insufficient to support the rise of rural industry, but because the developmental strategies and the concomitant rigidity of the system served to suffocate any development that might have otherwise taken place. After we adjusted our developmental strategies and reformed the economic system beginning in 1978, rural enterprises started to really take off. The success of the reform that brought us the contract responsibility system for rural household joint production gave an enormous boost to agricultural development as a whole and strengthened agriculture's ability to support industrial development. All of this created conditions for advancement and continual development of rural enterprise. However, we must point out that agriculture in China remains extremely backward and further development of rural enterprise could serve to place even higher demands on agriculture. What this means is that the agricultural situation as it exists today in China is not prepared to provide a solid foundation for further development of the rural enterprise. Not only is this fact borne out by the fluctuating production and dismal overall state of grain since 1985, but it also becomes evident when we note the increasingly sharp contradictions in the comparative profits of leading industry and agriculture production for rural enterprises in developed regions. In the developed regions not only is agriculture incapable of providing a foundation for the rural enterprise, but it siphons off huge amounts of industrial profits and it is hard to keep agriculture from shrinking. In the backward regions, once rural enterprise develops to a certain point, a similar contradiction then becomes difficult to avoid. In our rectification work we must earnestly resolve this problem, and, by adjusting structures and intensifying reforms, we must provide a reliable assurance that agriculture will be there to support further development of the rural enterprise.

Second, we must create a good environment for rural enterprise development by doing a good job with economic reforms in the city. Prior to reforms, rural enterprise could only develop within the crevices of the city economy (strictly speaking, the planned economy). Rural enterprise enjoyed a certain degree of autonomy compared to the tightly controlled state-run enterprise. However, this led to the rural enterprise not enjoying the same competitive position as the state-run enterprise in many important areas. This was true in the supply of key production elements. And it was true in the areas of product transport, retailing, and export. As reforms in the city economy took off and intensified, rural enterprise began to improve its position in these areas. However, areas where rural enterprise enjoyed a position of superiority, normally or abnormally, soon began to fade away. In particular, this is because the cities enjoyed

industrial reforms earlier than did such departments as banking, materials, commerce, and transport. Thus, the erosion of the superiorities enjoyed by the rural enterprise came faster than did improvements in its points of weakness. If we look even deeper we find that with the enormous disparity between the availability of such key elements as technology and funding to the city and to the rural areas, with the high degree of similarity between the production structures of the city and the rural area, and with the huge disparity in the progress made in making industrial development more city-like in the city as opposed to the progress made in the rural areas, the problems associated with further developing rural enterprise loomed even larger and more complex. Thus, at the same time that we are doing patchwork rectification and adjustment, we should provide a good environment for further development of the rural enterprise by selectively speeding up economic reforms in the city, and in particular, by doing a good job with out market system, including construction and development of price signals, enterprise main bodies, and macro-adjustment and control.

In addition, we must consider the issues of export-oriented economic development and regional coordination. Traditionally, a key feature of Chinese industry has been that industry has been scattered throughout many different regions but industrial development and per capita income levels have varied widely among the different regions. In 1979, workers in Guizhou province had the lowest industrial output value per man anywhere in China, with each worker producing only 35.6 percent of the national average. This is unlike the situation in developed nations where a market economy is employed. In those nations low income agricultural regions nearly always lack industry. However, if we take the per capita income of Guizhou, which happens to be the lowest in China, and assign it 'one,' then the per capita income in Shanghai, which is the highest in the nation, would be 4.6, and we would see that this disparity of income is greater in China than in any other place in the world.

To a large extent, the industrialization of our farming villages has followed the same regional features of traditional industrialization. By 1985, over 60 percent of the national totals for rural enterprise employment, total production value, taxes paid to the state, and original value of fixed assets were accounted for by the rural enterprises of nine provinces and regions—Jiangsu, Zhejiang, Shandong, Guangdong, Hebei, Sichuan, Henan, Liaoning, and Hubei. Eleven provinces and regions, including Qinghai, Ningxia, Xinjiang, Gansu, Xizang, Guizhou, Yunnan, Guangxi, Inner Mongolia, Heilongjiang, and Jilin together only accounted for ten percent of these totals. And what is even more serious, if we look at the figures for the two levels of enterprises in the villages, which are the main bodies of rural industry, we find that since 1978 even greater disparities in rural industrial development have emerged among different regions. From 1979 to 1985, if we look at the ratios of employment and total income for the two levels of enterprises in the farming villages and compare it to the nation as a whole, we find that in the developed rural industry belt employment rose six percent and total income 6.7 percent, in the midlevel belt employment dropped four percent and total income 4.6 percent, and in the backward areas employment dropped two percent and total income 2.1 percent. If this situation continues on its present course, it will be difficult for overall rural enterprise development to make further advances. There are many reasons for this, but one direct reason is that rural enterprise in developed regions lacks the opportunities for foreign market development. At the same time, rural enterprise in the backward regions has very little ability to seize upon development opportunities and is presented with few opportunities to develop nonagricultural production. Because of this, product markets tilt from east to west, and key element markets go in the opposite direction. Thus, if we are to provide opportunities for further development of rural enterprises (whether it be in developed regions or backward regions), then we must develop the export-oriented economy, do a good job of coordinating regions, and put in order the directional structures for product and key element markets. During this present period of rectification, we should study more closely, adopt measures, and both actively and safely push the rural enterprises of developed regions out into the international market. By doing this, we can also simultaneously create further development opportunities for the rural enterprises of mid-level regions and backward regions.

Finally, and most importantly, is the issue of the development vitality of the rural enterprise and rural enterprise reform. Having gone through the course of ten years of development, rural enterprise is now faced with a situation where the very system it operates under makes it difficult to achieve further development. This situation applies whether we talk about rural enterprise in developed regions or backward regions, or whether we talk about rural enterprise that has adopted the "Wuxi model," the "Wenzhou model," the "Gengche model," the "Fuyang model," or the "Nanhai model." Granted, the contradictions are different depending on the region and the model employed. For example, in regions adopting the "Wuzi model," the problems are, on the one hand, overstaffing and excess personnel, and on the other hand, labor force shortages. Under the "Wenzhou model" the problems are that rural enterprise development lacks the proper direction and regulation, and so forth. However, as a whole, what all of the different models are confronted with is the fact that the potential of the rural enterprise is not being given full play. Thus, there is a huge disparity between actual results and potential results. We are looking at a problem of no macro-direction or regulation, and also a problem of market systems, in particular key element markets having failed to take shape. However, an important factor here is that the structures and mechanisms of the rural enterprises themselves are irrational. Thus, we

must intensify reforms during this period of rectification. On the one hand, we must adjust the ownership structures of rural enterprises, actively create more conditions, and encourage the development of rural enterprises run by the people, including privately-run enterprises and individual enterprises. On the other hand, we must do a good job of reforming town and village enterprises. We must thoroughly introduce competitive mechanisms, risk mechanisms, property transfer mechanisms, and bankruptcy and unemployment mechanisms to these enterprises, and with this as a foundation, we must strengthen control over the enterprises. Only by doing this can we assist in raising the efficiency of rural enterprises and increase their ability to further develop. For example, we must resolve the widespread problems of uneconomic scales and scale inefficiency; to do this we must, above all, create incentive mechanisms that will cause village governments, rural enterprise managers, and rural enterprise workers to strive for economic scales. That is, we must resolve the issue of how much profit will be allowed to accrue to the different economic scales, and more importantly, we must resolve the issue of how much profit will the enterprises be permitted to retain from property transfer transactions and retail sales. In addition, we must go all out to support the formation of rural enterprise groups, horizontal integration, and enterprise contracting. All of what has preceded can only be accomplished by rectification, adjustment, and intensified reform.

Strategies To Invigorate Township Enterprises

40060739 Beijing ZHONGGUO XIANGZHEN QIYE BAO [CHINA TOWN AND TOWNSHIP ENTERPRISE NEWS] in Chinese 9 Aug 89 p 1

[Article by staff commentator: "Vigorous Structural Readjustments, Ensuring Healthy Development of Town and Township Enterprises"]

[Text] Town and township enterprises have gained initial successes in implementing the party's policy of "improving the economic environment" and "rectifying economic order," in that the establishment of new enterprises has been placed under control, and growth rate distinctly slowed down, while production structure and product mix are being readjusted step by step. Statistics show that the growth rate of town and township industry has been slowed by 10 percentage points during the first half of this year compared with the corresponding period last year. Comparing the second quarter with the first quarter, this retardation was 7.3 percent, and the tendency during the second quarter is one of month-by-month decline. The decline from April to May was 8 percent, and from May to June 2.3 percent. Among the main products produced by town and township enterprises during the first half of the year, a certain growth rate was maintained in sources of energy and products needed but in short supply throughout the country: the supply of electric power increased 28.9 percent, raw coal supplies increased 16.9 percent, machine-made paper and cardboard increased 24.3 percent, and in addition production of arts and crafts increased 69.2 percent.

The recent 4th Plenary Session of the 13th CPC Central Committee and Comrade Deng Xiaoping's speech on the subject of town and township enterprises pointed out the direction for the development of town and township enterprises and for their "improvement" and "rectification." At present, all workers and administrative departments on the battle front of the town and township enterprises are earnestly studying and adopting measures to thoroughly implement the said guidelines.

To ensure the harmonious development of town and township enterprises under macroeconomic guidance, and having them perform the transition from the past period of large development to a period of well-adjusted growth, it is inevitably necessary to actively effect structural readjustments. We must adjust, safely and step by step, the production structure, the trade structure, and the product mix, strictly according to the demands of the country's production policy. We must resolutely close down and eliminate enterprises that waste much electric power and raw materials, that are the cause of serious pollution, and that have not adopted effective measures of improving the economic environment. For instance, brisk kilns producing the horseshoe-shaped bricks and cement plants with the egg-shaped kilns must definitely be closed down. At the same time, we must exert great efforts in organizing and guiding agricultural undertakings of a developmental nature, build up tertiary industries, develop the production of articles that fall short of the needs of the national economy and of the people's daily requirements, and must have town and township enterprises play an important part in supplementing omissions and deficiencies, also play a supporting role for large- and medium-sized state-run enterprises, have them share the anxieties and difficulties of the state, be effective suppliers of the needs of society and the people's livelihood, and thus open up a much broader perspective for the healthy development of town and township enterprises.

COMMERCE

Present, Long-Range Trends in Semiconductor Market

40080217 Beijing DIANZI SHICHANG [ELECTRONICS MARKET] in Chinese 22 Jun 89 p 2

[Article by Shi Dunli 4258 2415 4409: "Current Problems and Demand Forecast of China's Semiconductor Market"]

[Text] **Current Problems in China's Semiconductor Market**

China's semiconductor industry has taken a circuitous development path and has long overemphasized catching up in sample technology while neglecting production and market requirements, so that research has

been seriously out of touch with production, which in turn has been out of touch with the market. As a consequence, no effort has been made on certain product technologies that are genuinely needed by the market; production costs have not been brought down; quality is inadequate; full ranges of devices are not available, even in the case of medium-scale [MSI] and small-scale [SSI] integration; and there are not sufficient supplies of such color television components as high-current diodes, high-voltage power transistors and the like to meet domestic market demand. In addition, the semiconductor industry has not yet established itself economically in China, and its performance-to-cost ratio is low, preventing it from engaging in international market competition. As a result, China's semiconductor market is plagued by inadequate supplies and is being buffeted by imports.

In 1984-86, China's [annual] output of integrated circuits [IC's] hovered between 40 and 50 million units, but annual sales on China's IC market during these 3 years were 119.4 million, 172.1 million, and 230.8 million units. Chinese-produced circuits failed to meet user requirements in terms of quantity, assortment, quality, and price, so that available stocks could not be fully sold, further decreasing the industry's ability to engage in international competition.

In addition, owing to the above factors, China's IC products are quite unable to satisfy the needs of domestic economic development or meet electronic equipment requirements; furthermore, in the course of reform and opening up, no timely limitation and protection policy for the IC market has been issued, and this fact, coupled with oversights in management, has enabled circuits imported through a variety of channels to strike a serious blow at China's semiconductor market.

Available statistics indicate that imported IC's account for more than half China's IC market. But it should be noted that the statistical data on imported circuits consist only of the numbers furnished from the former China Electronic Components Company and the Microelectronics Office of the Ministry of the Electronics Industry and do not yet include nongovernmental imports of circuits; as a result, the actual importation of IC's is greater than the above figures.

Prediction of China's Semiconductor Market Structure and Requirements

In the last 1 or 2 years, the relevant departments have begun to adjust the development of China's semiconductor industry in order to orient it toward the market and make it satisfy the needs of the various sectors of the economy, of consumer electronics and of military devices. The semiconductor market is switching from an overemphasis on the catch-up model to a commodity-oriented market model; production is changing over from the workshop type to intensive large-scale production; in product structure, the focus on general-purpose IC's is being replaced by a development strategy based on application-specific IC's; and there has been increased emphasis on review of IC imports, with specific organizations designated for the purpose. As a result, starting in 1987, China's IC's took a turn for the better, with output reaching 76.764 million units, breaking through the 50-million-unit barrier at which it had long hesitated, and the IC market is beginning to approach a balance between output and sales. For example, in the first 9 months of 1987, the Wuxi No 742 Plant produced 20.77 million IC's and sold 19.0 million, or 91.5 percent of its output. During this period Shanghai produced 9.47 million IC's and sold 8.78 million, or 92.7 percent.

At present, China's IC market structure is focused primarily on consumer IC's, but there are large fluctuations: in the 3 years from 1984 to 1986, consumer electronics products accounted for 71.9, 52.9, and 61.8 percent of all IC's; it is predicted that in 1990 consumer electronics will still account for 39.6 percent of the IC market.

There are currently two domestic predictions of China's future IC market. According to one, in 1990 the market demand will be 400-600 million units, and that with average increase in output of 23 percent per year, China's IC market demand will be 1.1 billion units in 1995, 3.2 billion in the year 2000, and 9.0 billion in 2005; by 2005 China's IC market demand will be equal to the IC output of the United States in 1982. The other prediction is that, based on the overall market requirement for IC's and the rate of growth of the electronics industry, by 1995 China's IC market demand will be 1.1 billion units, of which 41 percent (656 million units) will be for consumer products, 25 percent (400 million units) will be computer IC's, 15 percent (240 million units) will be communications IC's, 10 percent (160 million units) will be used for automated control and instrumentation, and the other 144 million units will be for military use and maintenance purposes.

The VLSI's of the future are devices that will—on a single chip—incorporate information acquisition (sensor circuits), communications processing and control (computer and control circuits), and high-power-output functions (new types of power components and high-voltage power IC's). High-voltage power devices are key components of switched power supplies, AC-DC converters, highly energy-efficient lights, technologically modernized machine tools, and integrated electromechanical devices; they have very extensive uses in energy conservation, electricity conservation, civilian televisions, VCR's, radio-tape recorders, electronic instruments, motor control, power control, long-distance communications (repeaters) and the like. As a result, the development, production, and application of such devices is receiving great attention abroad.

Recently, party and state leaders Comrades Li Ximing and Song Jian attached major importance to developing semiconductor power devices and have given major instructions on the subject. Domestic experts predict

that in 1990-95 the domestic market demand for power IC's such as VMOS [vertical metal oxide semiconductor] transistors will be: 3-5 million units per year for broadcast communications, 8-10 million units per year for electromechanically integrated equipment, 2-2.5 million units per year for computers, 400-500 thousand units per year for military purposes, 12-15 million units per year for current and voltage converters, and 20-25 million units per year for consumer electronics, making a total of 45.4-58 million units per year. On the international market, it is estimated that sales will be 713-745 million yuan per year, with profits of 123-137 million yuan per year.

As a result, a high priority should be attached to developing power semiconductors and power IC's.

FOREIGN TRADE, INVESTMENT

MOFERT Issues Circular on Controlling Licensing of Computer Exports

40060735 Beijing GUOJI SHANGBAO in Chinese 15 Aug 89 p 1

[Article by Wang Chang 3769 1603: "MOFERT Issues Circular on Controlling Licensing of Computer Exports"]

[Text] The Ministry of Foriegn Economic Relations and Trade [MOFERT] recently issued a circular saying that beginning on 1 August 1989, it would control the licensing of computer exports.

The circular noted that currently there are several enterprises and corporations in the process of opening up our country's computer export market and that this has been beneficial both towards expanding our country's machinery and electronics exports, especially high-tech exports, and altering our export commodity structure. However, our country's production of computers, to a certain extent, remains dependent on imports of spare parts and basic components. According to the spirit of the agreements reached between our government and several other countries, we have already given our word that we will not re-export to a third country any of our imports of high technology or high tech products for which we have not received prior agreement to do so from the country exporting to us. On the premise of safeguarding foreign trust and respecting international practices, and developing our country's computer exports in a planned fashion, it is necessary to control the licensing of computer exports.

Controls will be carried out on licenses for exports of all kinds of digital computers and related special hardware. This specifically includes:

1) All imported assembled computers, imported unassembled computers, and major peripheral and auxiliary equipment that can be linked to the main body of a computer with electric cables. 2) Domestically produced computers and peripheral and auxiliary equipment. In order for the above export commodities to be exported anywhere, regardless of their model, volume, value, or method of being traded, they must first apply to MOFERT's licensing bureau for an export license, and they will also be checked by customs to ensure that they have been issued a license by MOFERT.

Multifiber Agreement, Western Protectionism

40060687 Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 6, 30 Jun 89 pp 46-50

[Article by Shi Yunjia 0670 0061 1367: "Making the Most of Limited Quotas under the Multifiber Agreement"]

[Text] Textiles occupy an important place in world exports. Since 1974, the textiles and apparel trade has largely been regulated by the Multifiber Agreement [MFA]. According to Article 1 of the agreement, its basic objectives are to "expand trade, lower trade barriers, and gradually realize the liberalization of world textile trade." The MFA seeks to "ensure the orderly and balanced development of textile trade and protects the domestic markets and industries of importing and exporting nations from disruptive influences." In reality, however, the implementation of the MFA has run into a series of difficulties, giving protectionists an opportunity to exploit. Besides, the MFA itself is strongly tinged with neo-protectionism. Its most salient feature is that it has enabled developed nations to step into areas in which the General Agreement on Tariffs and Trade [GATT] is silent, putting up trade restrictions under all sorts of pretexts and adopting so-called "grey zone" measures such as "voluntary export restraints" and "orderly marketing arrangements." Another concoction is textile export quotas. This article explores the response we should take by reviewing and analyzing certain features of the MFA.

1.Origins and Evolution of the MFA

After World War II, the capitalist world enjoyed a period of steady development, its production powerfully driven by a scientific and technical revolution. The rapid development of the textile and petrochemical industries after the war led to an endless parade of new fiber varieties and blend fabrics. Because the textile and apparel industries require relatively little investment and limited advanced technology but turn out highly transportable products, many newly independent nations scrambled to make these industries the vanguard of their industrialization drive and became major exporters on the world textile market. In view of the unevenness in the development of the textile industries in different nations, GATT attempted to find a legitimate tool to rationalize the textile trade. In 1959, talks were held on limiting textile imports quantitatively. In 1962 the "long-term textile agreement" was reached. This agreement covered only cotton textiles, but since new players in the textile

trade had broken into the man-made fiber and synthetic fiber markets,it was not long before the agreement became obsolete and needed to be replaced by a new set of textile trade regulations suited to the emerging situation. It was against this backdrop that the MFA was negotiated and signed in Geneva on 30 December 1973.

Under Articles 3 and 4 of the agreement, when one or several categories of textile imports seriously disrupt its domestic market, a developed nation may impose quota restrictions on those categories of imports. When imports cause serious damage, the importing nation shall unilaterally impose restrictions. When it is faced with a real threat of serious damage, it shall work out a bilateral agreement with the exporters to limit imports. The MFA covers fully processed woolen knitwear, man-made fibers, synthetic fibers, as well as cotton textiles. The expiry date of the MFA has been extended time and again. Thus far there have been four periods of application, the first period from 1 January 1974 to 31 December 1977; second, from 1 January 1978 to 31 December 1981; third, from 1 January 1982 to 31 December 1986; and fourth, from 1 January 1987 to 31 July 1991. After several rounds of revisions, the purview of the agreement has expanded steadily and the number of textile products regulated and producing nations involved has also grown. Meanwhile, as quotas are increasingly tightened, the MFA became more and more restrictive over time. During the first period, the United States had a bilateral agreement with 19 nations, but none of these agreements included explicit restrictions on the imports of so-called sensitive items. In the second period, however, the United States and its major textile trading partners entered into 41 bilateral agreements, of which 14 had specific provisions on sensitive items. The European Community [EC] came up with the concept of the variable "basket withdrawal" whereby restrictions can be extended to cover all textile categories whose exports are growing rapidly. If the exports of a nation to the EC exceed the quantitative standards for the category concerned, the EC shall have the power to consult with the exporting nation and convert the basket variety into a quota variety. During the second period, EC concluded bilateral agreements with 43 nations, up from 33, and the number of restricted product categories rose from 23 to 48.

It needs to be pointed out here that ever since its expiration date was first extended in 1977, the extension protocol approved in 1986 was the longest ever. Article 24 says, "Some exporting nations have expressed concern about the substantial increase in the imports of textiles made from plant fibers, from blend fabrics mixing plant fibers and fibers listed in Article 12, and from silk blend fabrics." It also says, "Articles 3 and 4 may be applied to those textile imports that constitute direct competition." This new provision was included at the request of the United States, which made its insertion an absolute condition for Washington's acceptance of the fourth phase of the MFA. Under that provision, silk, flax, ramie, and jute blend fabrics are all subject to quota restrictions. Article 8 too was written into the agreement at America's insistence. It allows an importing nation "forced' to impose unilateral restrictions to extend such restrictions for another 12 months as authorized by Article 3. Thus what used to be a 1-year unilateral restriction can now last 2 years. In addition, Articles 16 and 17 of the Extension Protocol increase the measures aimed at counteracting fraudulent practices and trade departures. Article 17, which involves untruthful reporting, was also incorporated into the protocol at the demand of the United States. Developing nations were deeply dissatisfied with the way Western countries, led by the United States, used the MFA to damage their export interests. They argued that the MFA violated the basic principles of GATT—most-favored-nation treatment and nondiscrimination—and its commitment to give special consideration to the interests of developing nations. To change this unjustifiable situation, developing nations entered into negotiations with their developed counterparts during GATT's "Kennedy round," "Tokyo round," and "Uruguay round" of talks with an eye toward ending the current quota restrictions and working out a method to ultimately return the textile and apparel trade to the GATT formula, thereby furthering trade liberalization. However, the differences of opinion between the two groups of nations were so deep that no substantive progress was made in negotiations revolving round textile trade barriers at the ministerial midterm review conference during GATT's "Uruguay round" of multilateral trade negotiations held in Montreal, Canada, last December. Consequently, it is difficult to set an exact timetable for the incorporation of textile trade into GATT.

2. The Price of MFA and its Impact on China

Imports from low-cost countries, particularly developing countries, would lead to job losses in the textile and apparel industries. This is the well-worn excuse of Western protectionists when they seek to restrict textile and clothing imports. Because of their unfairly low costs, imports, they claim, directly replace employment opportunities in the textile and apparel industries of the importing nation. Alternatively, they say, imports may force domestic producers to push productive forces to a higher than normal level had there been no such cut-throat competition. While demand by the workers of a certain industry for protection from imports in order to reduce job losses is understandable, protectionism is not suitable for the entire economy. In practice, import restrictions have had limited effect on the industry or sector protected. This is because unemployment resulting from imports affects different sectors of the same industry differently. Between 1970 and 1976, for instance, U.S. imports of men's and boy's shorts and women's and children's underwear had a minimal influence on employment in the American apparel industry. According to a British study, assuming no change in the low demand growth rate, increasing productivity in the British textile industry between 1983 and 1997 is projected to cut employment by 40 percent. If the MFA were to be abolished, employment would be reduced by merely 7 percent in the same period. Since automated equipment operated by skilled workers is expected to replace low-cost workers in the clothing industry in the

future, no new employment opportunities would be created. In fact, the current employment level would not be sustainable. Since the rise in productivity results from the introduction of new technology, we cannot blame rising imports for the decline in employment.

Champions of protectionism often argue that economic losses caused by import restrictions like those imposed under MFA are minuscule compared to the benefits of avoiding unemployment. Unfortunately, the evidence here is exactly the opposite of what these people claim. A direct and obvious result of protectionism is a rise in the domestic prices of the products concerned. After the second phase of the MFA came into effect, for instance, apparel retail prices in Britain jumped an average of 20 percent. The prices of products at the lower end of the market, such as overalls, soared 30 to 50 percent, while prices of children's wear even doubled. This kind of price inflation leads to enormous welfare losses. To cite a more recent example, as a result of import restrictions and the depreciation of the dollar, the United States has been importing less textile products. In 1987, over 20,000 jobs were created. In the first 8 months of 1988, employment rose 1 percent over the same period in 1987. On the other hand, analysis by Ke Lai Yin [0344 5490 0936] of the International Economic Research Institute, shows that it costs $50,000 to protect one job in the textile industry. A report by the President's Council of Economic Advisers points out that textile imports restrictions are already costing each American family $200-$400 in extra expenses each year.

It must also be noted that the extra benefits that accrue to the protected sector are offset to a certain extent by losses sustained by other sectors. Price and wage changes induced by protectionism have an unfavorable impact on the macroeconomic policy. Meanwhile, the vitality of the protected sector itself will also be compromised.

Protectionism seems to be a way of hitting out at international rivals, but the country that practices protectionism itself is also hurt. A policy aimed at preventing domestic enterprises from losing extra profits sacrifices the interests of another. It is only by invoking trade restrictions under the MFA that industrially developed nations have been able to save the jobs in question. Countries that practice protectionism invite retaliation, which in a majority of cases may lead to a trade war lowering the standard of living of all nations concerned. As for developing countries not in a position to retaliate, the consequences are even more unfavorable. Falling imports mean diminished export earnings, which will worsen their debt burden and push the countries into recession. Economic decline in developing countries bears the seeds of worldwide economic turmoil. If these countries, which account for three quarters of the world's population, remain bogged down in economic backwardness, the continuing development of advanced nations will be crimped.

Experts predict that protectionism will experience some ups and downs in the remainder of this century but will not disappear by and large. In fact, there will be no improvement in the protectionist conditions of textile and apparel exports, so protectionism may even intensify in those industries.

China is a developing nation. Textiles have consistently been its largest export commodity in recent years, constituting about one quarter of its foreign exchange earnings in 1987. The unfavorable effects of quota restrictions imposed under the MFA on China's textile exports are obvious. In December 1982 the Chinese government formally acceded to the MFA and the second extension protocol. In April 1987 it signed the third extension protocol. In accordance with the MFA, China has concluded bilateral textile trade agreements with the United States, Canada, Sweden, Norway, Finland, Austria, and the European Community. Textile trade between China and these nations must comply with the MFA and other obligations in the appropriate bilateral agreements. Already over 500 varieties of products are subject to quota restrictions as of today. In bilateral trade negotiations, the growth rate, the number of categories subject to quota restrictions, and flexible provisions are often the topics that generate the most heat. On 18 December 1987, the United States and China reached a new bilateral textile trade accord which stipulates that in the 4 years beginning 1 January 1988, Chinese textile and apparel exports to the United States will grow 3 percent, down from 19 percent. Under the new agreement, categories formerly not subject to quota restrictions are now assigned to either Groups 2, 3, or 4 under the MFA, each with its own quota. Chinese textile exports to the United States shall not exceed these quotas. This creates vast difficulties for China's effort to export products in Groups 2, 3 or 4 to the United States

New textile agreements signed by China and other countries last year did abolish restrictions on some varieties of products, but they also imposed new ones on others. All this militates against China's textile export drive and its effort to promote "three forms of import processing and compensation trade" and establish "banks of three capital sources."

Certainly the MFA also works to China's advantage in a number of ways. In other ways what is a disadvantage can be turned into an advantage. China still enjoys a certain strategic edge over other developing nations.

First, the restrictiveness of MFA varies from country to country and from product to product. While the latest round of restrictions imposed on Chinese textile exports by the United States are fairly stringent, it has so far limited itself to quantitative restrictions, not limits on the growth of export value. Quotas clearly have a depressing effect on China's export growth, but at a time when its textile industry is still clustered at the low end of the market compared to those of other nations and is still of a poorer quality, the quota system ensures stable growth for its exports within limits.

Second, as noted above, import restrictions imposed by developed nations may provoke the displeasure of exporting nations and lead to retailiation. China has developed a limited capacity for retailiation. Leery of Chinese retaliation, developed nations have been forced to act with self-restraint when moving to curb Chinese textile exports. According to U.S. sources, it was primarily the fear that China might retaliate by cutting U.S. agricultural exports that stopped the United States from lowering the growth rate of Chinese textile exports even further.

Third, after joining the MFA, China has gained full access to an international forum to air its point of view. It can join forces with other developing nations to oppose discriminatory and unfair trade practices on the part of developed nations. In bilateral trade negotiations, China should argue strongly, with justice on its side, in a bid for increased quotas and preferential terms of trade.

Fourth, China maintains good diplomatic relations with the overwhelming majority of nations, enjoys considerable prestige among developing nations, and is a pivotal player on the international stage. For these reasons, it may become a member of the International Textile Supervisory Organization. Set up under Article 11 of the MFA, the International Textile Supervisory Organization carries out day-to-day international supervisory work and is currently made up of eight member nations. Since disputes occur frequently among the member nations, the question of filling a vacancy takes on special importance. In any given period of time, whoever occupies a seat is empowered to change the recommendations of the supervisory organization.

In short, China should not be too rigid in its thinking but should instead concentrate on ways to deal with the situation, such as quota management and direct investment in the textile industry overseas, a topic that has not been discussed in this article.

3. Make the Best Use of Limited Quotas Through Effective Management

With the world entering the era of managed trade today, it is a common trend for a government to step up trade management. Foreign trade management agencies in most developed nations and regions control foreign trade very closely. In British Hong Kong, for example, close to 500 of the 700 employees of the Department of Trade are involved in textile export quota management. The fourth phase of the MFA has set the framework of textile trade for some years to come. Given the fact that Western protectionism will be present in the international environment for a long time to come, doing our homework, as well as managing and utilizing what limited quotas we have successfully, is an effective way to ensure the smooth development of textile exports. In the past, quota utilization in China was not under effective management. When the market softened and demand fell, the quota utilization rate declined and quotas were wasted. When market demand was strong, on the other hand, there was a scramble to issue permits and ship merchandise over and above what the quotas allowed. To toughen management, prevent exporters in China from issuing permits and shipping merchandise in excess of quotas without authorization, and remain vigilant against such illegal activities as forging and infringing upon China's textile quotas, the Ministry of Foreign Economic Relations and Trade established a stringent inspection system in 1987. It requires exporters to file monthly reports, and supervises and inspects quota utilization through a computer system, thereby improving quota adjustment and the award-punishment system. In addition, it has instituted an automatic inspection system for textile export licenses with Canada and the United States. The adoption of these measures has been instrumental in the normalization of the management of textile exports. Be that as it may, we cannot but realize that macro-management measures are still not well coordinated in this transitional stage as the old system gives way to the new. Consequently, even as we continue our mix of administrative, economic, and legal measures to strengthen textile quota management, we should pay special attention to sorting out the following two relationships:

First, the relationship between sound competition and a consistent foreign policy. After the power to conduct foreign trade is delegated and enterprises in the same industry spring up all over China, each fighting its way into the international market through its own export channels, we will certainly find ourselves at a disadvantage as far as warding off textile import restrictions imposed by developed nations is concerned if we fail to effectively come up with a uniform position in our dealings with foreign nations. In the absence of a uniform position, enterprises often scramble for sources of goods, bidding up their prices while competing for customers abroad by slashing the prices of their products. One company, for instance, used to export a line of knitwear to the United States and other countries. Sales were brisk. But because of the lack of a uniform position, other companies competed with it by cutting prices. As a result, the company suffered setback after setback despite a stable international market. Not only did this situation profit other countries, but it also made China open to "dumping" charges by Western protectionists. Moreover, such practices deprived legitimate foreign importers and agents of a sense of security. Fearing that they might lose money, they may decide not to do business with us. The upshot is that we will lose the market and customers also. The experience of a number of foreign nations in this area is instructive. India, for instance, has over 100 ports engaged in direct export, but the export prices of products of the same kind must not be lower than the base prices by 2 percent. Exporters who dump their products by slashing prices will be punished. Japan, on the other hand, relies on trade associations to enforce uniform export prices. In light of these practices, we must also set a ceiling for procurement prices and a floor for export prices, which are to vary depending on time and the product concerned. A fair competition law

should be drawn up. Monitoring and supervisory steps should be taken to protect positive competition and eliminate negative competition.

Adopting a uniform position toward the outside world also means drawing up a uniform textile export strategy based on a knowledge of the MFA and the trade legislation, including import restrictions, of the relevant nations. Such a strategy should incorporate the diversification of export regions and export commodities. Export regions and ports should practice division of labor and specialization. They should be prevented from concentrating on one or two products or, lured by quick profits, jumping on the bandwagon of exporting to a particular nation, which may alarm the textile industry in that nation and cause its government to intervene by imposing restrictions on lines of products that should not have come under such restrictions originally.

Second, balancing the quality, grade, and quantity of textile exports. As mentioned above, quota restrictions by developed nations like the United States and those in Europe impose a limit on quantity, not value, To counteract protectionist restrictions, therefore, we should trade up by improving quality. For instance, there should be a constant turnover in our products to meet the ever-changing preferences of foreign consumers. The exports of raw materials and semi-finished products should be reduced to a minimum. Variety in style and printing and dyeing designs should be stressed. Through multiple processing, we should increase the added value of products and earn more foreign exchange. For example, we export to the United States a line of knitwear at $3 apiece. The American importer puts a fashionable pattern on the product and sells it for over $10, even $20. If we have the capacity to do the printing based on what the U.S. market wants, we can vastly increase our foreign exchange earnings while staying well within the allotted quota. To get the most out of its woolen sweater quota, one manufacturer stepped up contacts with foreign businessmen and kept abreast of international market developments. By emphasizing speed in duplicating, delivering, and selecting samples, among other things, it has not only filled its U.S. and Italian quotas 100 percent, but also moved up from ordinary woolen products to an array of embroidered goods, including bead embroidery, woolen embroidery, and leather embroidery, from run-of-the-mill rabbit fur sweaters to upscale rabbit fur products, at the same time venturing into the cashmere market. As a result of these initiatives, it has raised the amount of foreign exchange earned per unit of merchandise under quota restrictions. In recent years, the China National Textile Import and Export Corporation has introduced a quota bidding system for some of the shuttle knit apparel and knitwear destined for the United States, Canada, and West Germany. Judging from the practice in recent years, the prices of shuttle knit apparel in the quota bidding system are higher by at least 20 percent than the regular quota varieties. For this reason, we should extend the quota bidding system to other lines of merchandise destined for the overseas marketplace.

Certainly even as we emphasize the development of upscale textile products, we must not dismiss textile products at the low end of the market categorically. As the latter still has a measure of vitality, we must pay attention to both ends of the market and adopt a balanced, two-pronged approach: move up to the upper end of the market, while keeping the lower end as our base. In some opened coastal areas, the textile industry is still lagging. These areas should work hard in a realistic manner and proceed step by step in accordance with the law of the development of productive forces. Specifically, they should adopt this textile export policy: acknowledge the ways in which they fall short, these gaps are the result of history and cannot be closed in the near future; exploit those gaps and continue to fill that niche in the international marketplace for low-end and moderately priced products, and strengthen basic management; cooperate with enterprises in the interior while attracting foreign technology and capital; and gradually work their way up to top-of-the-line products.

It needs to be pointed out here that low-end and moderately priced textile products must not be lumped together with shoddy textile products. Producers of low-end products must comply with the standards and specifications of their customers to ensure good quality. The factories and departments concerned must also step up quality control. Otherwise, even after a piece of merchandise is exported, the buyer must demand damages. When that happens, we have in effect wasted our quotas.

To sum up, we cannot effectively deal with Western protectionism and make the most of the limited quotas we have if we disregard coordination and management at home. As far as foreign trade is concerned, the most important thing is to take national interests into full consideration. We must always stress the fact that China is a single entity in formulating policies for international political and economic activities.

Impact of Changes in Japanese Economic Strategy

40060710 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 11, 8 Jun 89 pp 24-27

[Article by Fan Yongming 2868 0516 2494: "Strategic Change in Japanese Economic Development and Its Influence"]

[Excerpts] Pushed by the appreciation of Japanese yen, Japan's economic development has shifted from a foreign demand- to a domestic demand-dominated type and experienced continuous new growth. Objectively this change is conducive to economic cooperation in the Asian-Pacific area, especially Eastern Asia. As far as China's economy is concerned, this change has brought about excellent opportunities as well as more severe challenges. [passage omitted]

Sino-Japanese Economic Mutual Complementarity Will Increase Continuously

China is a close neighbor of Japan as well as an important member of Asian-Pacific economic cooperation. Because of this, the strategic change in Japan's economic development is bound to have great impact on China. Some people think that as Japanese economy shifts from a foreign demand- to a domestic demand-dominated type, economic mutual complementarity between China and Japan will be reduced. Their reasons are:

1. In the 1970's, Japan was after natural energy resources and cheap labor due to the oil crisis, so China was very attractive. Now that Japan's industrial structure has been changed to rely on service, information, and high technology, its demand for natural and energy resources has been reduced continously. In 1988 oil import alone was reduced by 10 percent as compared to that in 1987. In the meantime, China cannot even meet the demand for raw materials and energy resources needed for its own industrial and agricultural production, and China's labor does not have the advantage in competition because of its low technical level.

2. The gap between China and Japan in economic scale and the level of industrial structure has been increasingly expanded while the points of connection for technology transfer and investment have been increasingly reduced. The GNP of China is only a fifth of that of Japan. Judged from the level of industrial structure, Japan is developing toward the latter stage of industrialization whereas China is still in the preliminary stage of industrialization. Just as doctoral students and grade school students lack common language, the cohesive force and bond that provide opportunities for China and Japan to supplement each other economically are weakening.

3. Compared with the "Four Little Dragons" of Asia and ASEAN countries, China's investment environment is too poor. Not only is its public infrastructure backward but other intangible aspects of its investment environment are also undesirable. During the readjustment of the system of international division of labor in the Asian-Pacific area, the "Four Little Dragons" of Asia and ASEAN countries are obviously better than China in regard to their location and ability to absorb and assimilate Japanese funds and technology.

The above analysis makes some sense and is worth studying and reviewing by the Chinese so that they can take actions to strive to improve their investment environment. However, the view that the economic mutual complimentary between China and Japan is decreasing does not conform to reality; nor is it convincing. The following statistics show that since the appreciation of Japanese yen, especially since the shift of Japanese economy to the growth orbit dominated by domestic demand, Sino-Japanese economic relations have improved and developed soundly.

In 1987, total trade volume between China and Japan was $15.64 billion, and Chinese trade deficits were reduced to $852 million. In 1988, total trade volume between the two sides rose to $19.331 billion, and Chinese exports to Japan increased from $7.396 billion in 1987 to $9.851 billion, showing China's first trade surplus in 5 years. At the same time, Japanese exports to China also increased from $8.248 billion in the previous year to $9.48 billion.

In 1986, Japanese investment in China was $226 million. In 1987, it increased to $1.226 billion, an increase of $1 billion. Between January and September 1988, the amount of Japanese investment in China increased 63 percent and the number of projects increased 134 percent as compared to the corresponding period of the previous year.

If we examine Sino-Japanese economic relations from a higher level, we will find:

1. China has a sizable scientific and technological contingent. If fully mobilized, this contingent will be able to substantially enhance China's position in the international division of labor in the Asian-Pacific area and hasten the step in absorbing Japanese funds and technology. China now has 10.03 million specialized technical personnel of various kinds and levels and has made great achievements in the field of high technology such as super computers and astronautics technology which cannot be achieved by the "Four Little Dragons" of Asia and ASEAN countries. In recent years Hong Kong and some ASEAN countries made large amounts of investment in the inland because many of them wanted to use the S&T forces of mainland China. China's industrial structural level is indeed behind Japan, but China is not backward in everything. The S&T contingent of over 10 million people is the most active factor in connecting and complementing the industrial technology of both countries. Especially at present when Japan is abandoning its one-set system and speeding up the transfer of industry and technology to foreign countries, the role of this contingent is even greater and should deserve more attention from both China and Japan.

2. Potential for bilateral trade is great. Due to a loss of macroeconomic control and policy errors, the supply of raw materials and energy is indeed very tight in China, and its long-term per capita natural resource deposit is not abundant either. But this does not mean that there is no potential in developing trade between China and Japan. On the contrary, along with the readjustment of Japanese industrial structure and the development of Chinese modernization, the mutual complementarity of trade structure between the two sides will increase. At present and in the foreseeable future, China will need Japanese capital goods and intermediate products. This is determined by comparative profits and costs. It is also needed by China in practicing import substitution to accelerate modernization. Japan will need to import primary products and labor-intensive manufactured goods from China. This is determined by comparative

profits and costs. It is also needed for forming the international division of labor system in the Asian-Pacific area. Besides, as the quality of living in Japan improves and the demand for social consumption becomes diversified and individualized, developing China's exports to Japan will also become the trend of the times. Therefore, developing Sino-Japanese trade in the direction of expanding balance is guaranteed. Currently China puts great emphasis on exports to Japan and actually considers exports as the obligation of enterprises investing in China. Of course, we should realize that China has to do this in order to get the foreign exchange needed for the imports of advanced machinery and equipment. If China does not do this, the purchasing power it can afford to pay will shrink. In this sense, the occurrence of China's trade surplus in Sino-Japanese trade in 1988 explains that on the one hand Chinese exports to Japan have been promising since Japan opened its domestic market, and on the other hand the purchasing power China can afford to pay has been increasing. China may experience trade deficit in future trade with Japan due to structural factors and economic and technological differences between the two countries. The question is how to control the deficit within an acceptable range and guarantee that the purchasing power China can afford to pay is increasing continuously. This is exactly the manifestation of mutual complementarity in Sino-Japanese economic relations and trade.

3. Judged from the international economic environment provided for each other, Chinese and Japanese economies will prosper in cooperation and weaken in friction. Currently, Japan indeed occupies a dominant position in the economic development of the Asian-Pacific area. The appreciation of Japanese yen in particular not only has caused Japanese foreign investment to increase sharply and domestic market to open up increasingly but also enabled the "four little Dragons" of Asia to upgrade their production and ASEAN countries to take off economically. This has provided an unprecedented, favorable environment for the four modernizations of China. China can get capital, technology, and market from Japan as well as the "Four Little Dragons" of Asia and ASEAN countries. At the same time, we must not neglect to point out that since China is a large country, the Asian-Pacific economy cannot really take off without the economic development of China and that the Asian-Pacific economic cooperation cannot be complete without the participation and support of China. China's reform, open policy, and economic reform have injected fresh vitality into the Asian-Pacific economy. A review of Sino-Japanese economic relations in the 18 years since the establishment of diplomatic relations between the two countries in 1972 shows that bilateral trade and other economic cooperation did not really start until after 1979. Many people with insight have noticed this point. They attach great importance to the reform and opening up of Chinese coastal areas and think that the coastal areas are geographical joining points not only for Sino-Japanese economic cooperation but also for the cooperation of the entire Asian-Pacific area. Therefore, we may believe that after rectification and improvement, China's reform and opening up will be further deepened and Sino-Japanese economic cooperation will also be closer.

ECONOMIC ZONES

Xiamen's Experience With Separating Profit, Taxes

90OH0008 Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA ECONOMIC SYSTEM REFORM] in Chinese No 7, 23 Jul 89 pp 36-37

[Article by Su Chuncheng 5685 2504 2052 and Zhang Hongxun 1728 1347 8113: "Successful Implementation of the System of Separating Taxes From Profits in Xiamen's State-Owned Enterprises"]

[Text] With due consideration for the peculiarities of the special zone, Xiamen Municipality, during 1988, carried out a reform in state-owned industrial enterprises which are included in the municipal budget. The reform comprised "a reduction of income tax rates, abolition of the regulatory tax, instituting a division of taxes from profits in whatever amounts had to be turned over to the state, and repayment of loans after taxes" (for short: the "profit-tax division" reform), and the reform has achieved initial successes that very same year. Compared with 1987, output value from state-owned industrial enterprises included in the municipal budget increased 7.71 percent, sales receipts increased 33.91 percent, profits 22.08 percent, the total amount of taxes and profits to be turned over to the state increased 10.41 percent, the amount of profit retained by enterprises increased 4.4 times, repayment of special loans by enterprises increased 41.86 percent, and increases were also effected in the incomes of staff and workers.

Substantially, the "profit-tax division" reform has mainly had the following three aspects:

First, in the matter of reducing income tax rates and abolishing the adjustment tax: Since "three-type funded" enterprises and enterprises "with linkages to units in the interior" are already taxed at a 15 percent income tax rate, in the case of state-owned enterprises, the two-step 55 percent income tax rate that had applied to large and medium-sized enterprises after the shift from profit-delivery to taxation, and the new eight-grade progressive tax that had applied to small enterprises, were reduced to the same 15 percent that applies to "three-type funded" enterprises.

Second, the amount of profit after income tax that an enterprise had to turn over to the treasury was determined according to the method of "one specific rate to be applied to each account separately." The amount of profits that an enterprise was to turn over to the treasury was based on the actual profits made by the enterprise in 1987, divided into 11 grades, with the lowest grade being

1 percent, and the highest grade 35 percent, and the average throughout the municipality being 12 percent. At the same time, consideration was also given to the old loan problems left over from the past, and to the capacity of the enterprises to repay loans, and appropriate adjustments were made in the specific income tax and rates of profit to be turned over to the state in the case of 11 enterprises. Some were exempted for 3 years from turning over taxes and profits, some were exempted for 3 years from turning over profits after tax, some had their grades raised with regard to the rate of profits to be turned over to the state. After determining the rate of profits to be turned over to the state, enterprises turned over profits after income tax according to their different profit rate grading. This is in effect a form of contract system of profit delivery after tax.

Third, the system of repayment of loans before tax (before paying income tax) was changed to a system of repayment of loans after tax, and the enterprises were to determine themselves time and amounts of loan repayments.

This is an important reform that had a bearing on the distribution system, the investment system, and the operational mechanism of the enterprises. It is a shift from the "two-step system" applied to enterprises to a system of taxation, and an in-depth advancement and development of the contract management responsibility system. During the one year that the reform was carried out in Xiamen Municipality, very marked successes have been achieved, namely:

Because income tax rates for all enterprises were unified, enterprises are engaging in competition in the same market under equal conditions of income tax liability. This has enhanced the competitiveness of the old enterprises, a fact which is of very deep significance as this old-established city of Xiamen is now operating a special zone.

It enhanced the capability of enterprises for self-accumulation, self-renovation, and self-development. During 1988, 67 enterprises retained profits to the amount of 135.821 million yuan, which is 73.61 percent of their total profits of 184.514 million yuan. From a static, one-sided viewpoint, fiscal revenue seemed to have decreased, but because production of the enterprises has developed, having increased their economic returns, the absolute figures of income tax and profits received by the state will go up in the wake of increasing profits being achieved by the enterprises. Furthermore, with expanded enterprise production, the state will collect an increasingly larger turnover tax. There was not only no decline in the total amount of taxes and profits turned over to the treasury by the enterprises, but, on the contrary, these revenues increased by 14.2 million yuan, i.e. by 10.4 percent. As the treasury rid itself of the heavy burden of having enterprises repay loans before tax, it achieved a large reduction in fiscal expenditure.

It promoted separation of the state's function of controlling the economy from the functions of managing state-owned property, and provided favorable conditions for the separation of government administration from enterprise management, as well as for the separation of the "two powers" of ownership and operations, and for the establishment of a scientific management and operational system for state-owned property.

It promoted a positional change in the main subjects of enterprise investments. After shifting from repayment of loans before tax to repayment of loans after tax, there was a shift of the investment subjects from public finance to enterprises, and the enterprises assumed responsibilities and risks of investments. They developed a greater consciousness of self-reform and self-development, and also initially formed an investment mechanism that entailed self-restraint. This led to a more rational scale and structure of enterprise investments, enhanced investment returns, and promoted the shift of economic operations on to a track of benign circles.

It promoted reform of the monetary and financial system and the development of markets for such important elements as capital, capital goods, and labor, and laid an excellent foundation for the next step of comprehensively deepening reforms of the system.

AGRICULTURE

Food Grain Allocation, Shipment, Storage, Inspection

40060636c Beijing Dangdai Zhongguo De Liangshi Gongzuo /China Today: Food Grain/ *in Chinese 1988 pp 253-323*

[Chapter 8: "The Allocation and Transport, Storage, and Quality Control of Food Grains" from the book *Dangdai Zhongguo De Liangshi Gongzuo*; Deng Liqun, Ma Hong, Wu Heng, chief editors]

[Text] **Section I. Implementing the Unified Allocation System for Grain Distribution**

Food grain allocation and shipment means evening out of grain surpluses and shortages between one area and another. The main job is to determine through planning and coordination the kinds and amounts of grain to be distributed between one area and another as grain production and demand in each area warrants. This is an important job that entails unified planning of grain resources, and rational organization of commodity grain flow to bring about a balance between grain receipts and expenditures throughout the country and in all areas, insuring the needs of the armed forces and the civilian populace. Following the founding of New China, particularly during the period of grain shortage, unified planning taking all factors into consideration in the allocation and shipment of grain throughout the country played a decisive role in insuring the basic needs of all.

I. Implementing the Unified Allocation System for Grain Distribution

For more than 30 years, the state implemented a unified grain allocation system; the State Council or other units in charge centrally organized and planned grain allocation among provinces or other units in charge; and the provinces centrally organized and planned grain allocation among counties within provinces. Practice demonstrated such a way of doing things as being completely necessary in a situation of fairly large conflict between supply and demand for grain. It was an important measure in the policy of "carrying out uniform planning taking all factors into consideration in grain work."

At the end of 1949, State Council Deputy Premier Chen Yun, and the deputy chairman of the finance and economic committee of the State Council, Bo Yibo, said in a telegram sent to the finance committee of all administrative regions that grain under central government control (meaning agricultural tax grain) was to be centrally allocated by the central government, local governments being responsible for storing it. In March 1950, the State Council decided further to provide that "all agricultural tax grain that all jurisdictions throughout the country receive, with the exception of local government surtax grain, was to revert to the Ministry of Finance of the Central People's Government for centralized allocation." CPC Central Committee's, "Several Regulations About 1952 Grain Supply," of December 1951 also ruled that "CPC committees at all levels are to insure central government centralized movement of agricultural tax grain and trade grain in all jurisdictions." This lay a foundation for future centralized grain allocation and centralized control of state grain storage.

CPC Central Committee's, "Decisions on Instituting Planned Procurement and Planned Supply of Grain," of October 1953, stressed that centralized management is an important way of insuring implementation of monopoly grain purchase and sales policy. Not only did it set the limits of allocation authority for each level, but also made clear that the central government had authority to manage all grain in storage throughout the country. In a report to the All-China Conference of Grain Department Directors in 1957, State Council Deputy Premier Li Xiannian said that the greater the shortage of grain, the greater the need to submit to centralized management. Otherwise, it would not be possible to maintain balance among varieties, between one region and another, and from one season to another. Naturally, this was because of the shortage of grain: when everyone had sufficient grain, this problem did not arise.

In 1958 after the central government instituted control over disparities between purchases and sales, and a grain management system of contracting allotments, "All grain in storage throughout the country, with the exception of grain that local government could use in emergencies, remained under centralized central government control for centralized allocation."

Because of the errors committed during the Great Leap Forward, as well as for other objective reasons, beginning in 1959, a very serious shortage of grain occurred. In June of that year, to insure a stable grain situation and export needs, the State Council, when approving and forwarding the Ministry of Grain's "Several Ideas For Improving the Grain Control System," put forward the following statement: "When necessary, in addition to contracting allotments when there are disparities between purchases and sales, the central government may increase the amount of shipments of grain out of provinces and autonomous regions." In June 1960, the CPC Central Committee notified CPC committees in all jurisdictions of the "vesting of the Ministry of Grain with full authority and responsibility to ship grain from any place from which it is possible to ship grain." In August of the same year, the State Council ratified and forwarded the recommendations of the Ministry of Grain Party Group as follows: "The turnover of grain in storage throughout the country must be subordinated to central government centralized management." During the 3-year period of hardships from 1959 through 1961, execution of these decisions of the central authorities played a major role in easing the extremely sharp contradiction !between grain supply and demand at that time, and in enduring serious economic hardships.

In September 1962, the CPC Central Committee decided to change the grain control system, instituting unified centralism and a level-by-level control system, meaning that requisition procurement, marketing, and allocation plans for grain throughout the country were to be centrally planned by the central government. All surplus grain in excess of requisition procurement that was not sold in every province could be allocated by the province. The evening out of grain surpluses and deficiencies in amount, or varieties, or in different seasons between one region and another was to be done through allocation from the top down in accordance with the principle of level-by-level control, the central government having authority to make storage transfers at any time. By 1978, this highly centralized control system was in use everywhere. During this period, not only was parity price grain allocated in this way, but the evening out of surpluses and deficits between one area and another using negotiated price grain was also basically planned and allocated from the top down.

Following the 3d Plenary Session of the 11th Party Central Committee, the agricultural production situation improved. Grain production increased greatly which helped to ease the conflict between production and demand. Nevertheless, in an overall sense, grain was still not plentiful. Given this situation, it remained very necessary to continue to set forth some outshipment and inshipment control norms for the indispensable channeling of grain among grain-surplus and grain-deficit areas. This helped the planned development of grain production for a readjustment of the structure of agriculture in all jurisdictions. It helped in the coordination of relationships among all regions, and it helped relationships among the various links within the grain business

for good organization of commodity grain flow. Thus, good marcoeconomic control invigorated the microeconomy. Simultaneous with adherence to the centralized allocation of parity price grain, the grain department actively bought and sold grain at negotiated prices, [setting in motion an enormous increase in the use of negotiated price grain to equalize] grain-surplus and grain-deficit areas. By way of invigorating the buying and selling of negotiated price grain, in May 1980 the State Council ruled that "areas could form direct links with each other to even out surpluses and deficits using negotiated price grain and edible oil." This broke up the single vertical distribution system in which grain allocation was planned from the top down.

To summarize the foregoing, the highly centralized control system of centralized allocation and centralized storage that was used for 35 years played an important role in surmounting the grain shortage. Naturally, efforts had to be made to make the evening out of surpluses and deficits among areas both economic and sensible, doing all that was possible to avoid making large allocations over the long run. The need to develop lateral economic links also necessitated study of the centralized allocation system of vertical distribution. For example, in places having requisite conditions, bilateral talks between outshippers and inshippers, based on a rational direction of commodity flow, and conducted on the principle of mutual benefit for the step-by-step implementation of appropriate allocation methods in fixed areas, could be more helpful to a rational readjustment of the structure of agriculture, and to better the development of grain and other agricultural by-products production, as well as to the organization of commodity grain flow based on economic areas.

II. Basic Methods and Experiences in the Centralized Allocation of Grain

The methods and experiences in 30 years of allocating grain under unified planning taking all factors into consideration were primarily in the following three regards.

(I) Reliance on the leadership of the Communist Party of China and government at all levels. Because of the sustained and rather sharp conflict between grain production and demand following the founding of new China, the grain allocated among areas was frequently grain needed where it would do the most good or grain used for emergency purposes. The amounts allocated, whether large or small, not only had a bearing on relations between the central and local governments as well as on the economic interests among individual areas, but also had a major bearing on the livelihood of the people in cities and the countryside, and on social stability. Thus, good handling of these relationships to do a good job of allocating grain required reliance on leadership from the CPC and all levels of the people's government.

The 1950 across-the-board nationwide public grain plan was drawn up at the first All-China Grain Conference convened by the Finance and Economic Committee of the State Council. "Temporary Regulations on Grain Allocation and Shipment" promulgated by the Ministry of Grain in 1954 provided explicitly that "allocations and shipments among administrative regions are to be planned by the Ministry of Grain of the Central People's Government, and carried out following approval from the Central Finance and Economic Committee." In reality, the annual norms for grain allocation among provinces were set for 30 years after repeated discussion by the CPC committees and the people's governments of each province. Next, they were ratified and issued by the CPC Central Committee and the State Council. During the period of serious hardship in the grain situation, both quarterly and monthly grain allocation plans were also handed down by the CPC Central Committee and the State Council. Once the allocation plans were handed down, party and government leaders in the province and at all levels below the provincial level were also preoccupied with fulfilling the plans. During the 1950's, when Sichuan Province shipped out large quantities of grain, the first secretary of the provincial CPC Committee, Li Jingquan [2621 0064 3123], took a personal interest in the grain plan. The Ministry of Grain grain transshipment stations at Wuhan and Baoji were set up at his suggestion to speed the shipment of grain from Sichuan.

During the 3-year period of economic hardship, both the CPC Central Committee and the State Council devoted greater attention to grain shipments in order to get through the grain difficulties. During the 1 year and 10 months between February 1959 and November 1960, the CPC Central Committee issued 15 documents having to do with grain allocation. In early 1959, the CPC Central Committee Secretariat also set up a seminar attended by Peng Zhen personally together with the first secretaries of CPC committees from 13 provinces, autonomous regions, and municipalities under direct central government jurisdiction in east, south central and southwest China to discuss rice allocation problems. This meeting planned grain allocation quotas and rice export plans for the first half of the year. Grain allocation plans for the second quarter of 1959 were also decided through discussion among CPC committee secretaries from all jurisdictions during the Shanghai Conference that the CPC Central Committee convened. On 3 May 1959, CPC Central Committee Secretary Li Xiannian stated clearly in a speech to the meeting of finance and trade secretaries from all over the country that "all jurisdictions must fulfill third quarter allocation plans with no delay. Rice, the grain in shortest supply at the present time, must especially be allocated on time. Otherwise, the supply to cities and exports will be seriously hurt, and there will be a very great gap on the grain front." During 1961, the CPC Central Committee Secretariat convened telephone conferences each month for several months in which government leaders from all provinces, autonomous regions, and municipalities under direct central government jurisdiction, as well as

the directors of grain departments from these jurisdictions took part. These conferences were sponsored by central government Politburo members, and State Council deputy premiers, Tan Zhenlin and Li Xiannian. One important subject that they covered was the planning of grain allocations and examination of allocation plan fulfillment. In the spring of 1962, the grain situation in Sichuan Province took an abrupt turn for the worse. Once this was brought to the attention of State Council Premier Zhou Enlai, he immediately decided to ship 250 million jin of grain into Sichuan during the second quarter of the year in order to get through the spring famine. Party and government leaders at all levels, and comrades in charge in grain departments also devoted an extraordinary amount of attention to grain allocation. From the last half of 1960 through the first half of 1961, Jiangxi Provincial CPC Committee secretary and provincial governor, Shao Wuping [6730 2976 1627], held weekly telephone conferences with prefecture and county-level party and government leaders about allocation arrangements and inspection of progress made in allocation and shipping. During the period of a transportation shortage, Chen Guodong [7115 0948 2767], the Ministry of Grain Party group Secretary, frequently held in-house meetings on allocation, which studied and set quarterly, or even monthly, allocation plans. Deputy Ministers Zhao Fasheng [6392 4099 3932] and Yang Shaoqiao [2799 1421 2890], who succeeded each other in being responsible for allocation work, heard reports on the grain allocation situation almost once every five days, or even every day, in order to solve problems as soon as they arose.

When the grain situation was good and there was a substantial amount of grain in storage, increases in outshipments of grain from grain-surplus areas during periods of transportation shortage were also handled through the intervention of party and government leaders. From 1982 through 1984, a temporary situation occurred in some areas of "difficulty selling grain," "difficulty in storing grain," and "difficulty in transporting grain," most notably in Jilin Province. Only after State Council Deputy Premier Tian Jiyun [3944 4764 0061] went to Jilin to solve problems on the ground did that province's "difficulty transporting grain" contradiction ease.

(II) Upholding the concept of the overall situation. Arrangements for grain allocation always emphasized stabilization of the overall grain situation throughout the country. All allocations had to be made on the basis of the three principles of the central government first, then local governments; key areas first, then ordinary areas; and external shipments first, internal shipments second. The work in the following several regards being planned:

1. Insuring supplies to the armed forces and food for the civilian population. Supplying the needs of the armed forces was always the main focus in planning grain allocations, grain of proper quantity and quality being shipped wherever the armed forces were located. Prompt allocations were also made to to meet urban residents' grain ration needs and the needs of industrial and commercial firms. Even during the 3-year economic hardship period when there was extremely little grain in storage and transportation was in extremely short supply, every effort was made to arrange allocations of grain for the cities to insure that the residents received their ration. The same serious attention was given to rural cash crop areas, forestry areas, fishery areas, as well as grain-deficit areas. In disaster areas, in particular, whenever there was a disaster in one place, eight other places sent support. In 1954, the disaster-affected area of the country covered 182 million mu, including 109 million in the Chang Jiang basin, which historically had been a a grain-surplus area that shipped grain. Disasters were worst in Hubei and Anhui Provinces. During this year, the deficit between purchases and sales of grain in Hubei amounted to 1.46 billion jin, of which more than 500 million jin was made up out of the province's storage, and another 900 million jin being shipped in from elsewhere. In Anhui Province, the deficit between grain purchases and sales was 830 million jin. In addition to supplying more than 400 million jin from storage in the province, another nearly 400 million jin was shipped into the province from elsewhere. The prompt grain shipments enabled both provinces to get through the disaster-induced famine smoothly. When Hebei Province had a particularly large flood disaster in 1963, 2.88 billion jin of grain was shipped into the province, the largest amount ever shipped into the province in a single year. All provinces, autonomous regions, and municipalities under direct central government jurisdiction, except Tibet, assisted with grain, highland barley from the Qinghai High Plateau also being shipped to the North China Plain. On 7 August 1975, torrential rains caused a disaster in a Zhumadian Prefecture, Henan Province. Many grain warehouses were inundated, and the disaster victims urgently needed grain. The Ministry of Commerce immediately halted shipments of grain out of the province, and arranged for the transportation of grain from neighboring provinces to meet the emergencies. During August alone, 68 million jin of grain was shipped into the area, and large amounts of grain were also shipped from China's northeastern provinces during September and afterward. After receiving notice to ship grain, Shandong Province shipped 10 million jin of wheat flour within 24 hours from the three cities of Jinan, Qingdao, and Weifang. The Hebei CPC Committee also decided that a deputy department chairman from the provincial grain department would escort the first train carrying flour to the Henan disaster area to express appreciation for past support that province had provided in disaster relief. When the great earthquake occurred at Tangshan in Hebei Province in 1976, in order to thank Hebei Province, the Henan Provincial CPC Committee also decided to have a deputy from the provincial grain department escort the first train carrying wheat flour to assist the earthquake stricken area.

2. Coordination among foreign trade departments to organize the grain export trade well. During a 30 year period, grain departments coordinated with foreign

trade units in a spirit of regarding the entire country as a chessboard to import and export grain in order to even out domestic grain surpluses and shortages, to develop international economic exchange, to improve macroeconomic benefits, and to safeguard China's foreign trade reputation.

In order to change its backward economic situation, China had to export a certain amount of agricultural by-products every year in exchange for industrial equipment needed for domestic construction. Grain was one of the main agricultural by-products exported. During the 1950's, grain departments were relied upon to assemble and ship the grain exported each year. During the period of economic recovery from 1950 through 1952, 10.18 billion jin of grain was exported, 3.39 billion jin each year. During the First 5-Year Plan, 19.57 billion jin was exported, more than 3.9 billion jin each year. The $1.024 billion foreign exchange earned from these grain exports accounted for 15 percent of the total value of all foreign trade exports, making a due contribution to the country's industrialization. When boasting and exaggerating ran rampant during 1958 and 1959, grain export plans were also divorced from reality, too many contracts being signed with foreign countries. Despite the very great shortage of grain in the country at that time, in order to safeguard China's reputation abroad, exports were given first place in the allocation of grain. More than 7.2 billion jin of grain was taken out of storage before the export plans of these 2 years were finally largely fulfilled. However, the export of too much grain caused a grain deficit in China, which intensified the grain shortage.

In planning the export of grain and in organizing the shipment of export grain, grain departments conscientiously allotted grain to meet Hong Kong's needs, insuring needs for foreign trade export. Rice is the main grain that Hong Kong residents eat, all of it imported. Most of the rice exported to Hong Kong was premium quality Jimei and Simiao from Guangdong and Guangxi, the price of which was usually 50 percent or more higher than ordinary rice. Up until 1972, the Hong Kong government controlled the import of rice from inland China fairly rigorously, limiting the amount to within 30 percent of the amount imported. Later on, after efforts in many regards, 310 million jin was exported to Hong Kong in 1973. This was 42.7 percent of the amount imported by Hong Kong. In 1976, 420 million jin was exported to Hong Kong, the percentage of Hong Kong's rice imports rising to 60.3 percent.

Prior to 1960, most of China's grain import and export trade consisted of exports, the amount of imports being miniscule. After 1961, there were both imports and exports, imports being greater than exports in most years. Every year, grain departments in coastal ports received large quantities of imported grain, which they distributed and shipped to large cities and to inland provinces and autonomous regions. Sometimes port grain unloading was unable to keep up with domestic transportation capabilities, occasioning numerous difficulties in grain allocation. Grain departments cooperated closely with departments concerned to receive and ship imported grain in a more planned way. They devised various means of rapid unloading and rapid shipment to reduce losses stemming from port congestion.

Attention was also given to the use of international market opportunities favorable to China in planning grain allocations, some exchanges of varieties made to enliven grain trading and increase economic returns. In 1982, the international market price of round-grained glutinous rice was nearly double the price of long-grained glutinous rice. Therefore, following joint discussion and agreement between foreign trade departments and grain departments, some long-grained glutinous rice was imported from abroad to supply domestic markets; correspondingly, some round-grained glutinous rice was exported. This turnover of 61 million jin of each kind of glutinous rice not only did not adversely affect domestic allocation, but also earned more than $8 million in foreign exchange for the country.

3. Good performance in evening out varieties. China has a multitude of grain varieties, and the masses' consumption habits for the different kinds of grain differ from place to place. Organizing equitable grain varieties between one area and another insofar as grain availability and transportation capacity permits, and depending on the customary practices of the masses, policy approval, marketability, and economic benefit, were important parts of doing a good job of market supply.

In May 1950, the Finance and Economic Committee of the State Council decided to turn over to the Ministry of Trade large quantities of surplus coarse-food grains [e.g., sorghum, corn, and millet] from northeastern China for transportation south of the Great Wall, while the Ministry of Trade reimbursed the northeast with cotton cloth and other industrial-manufactured products. This decision not only enabled the exchange of coarse-food grains for surplus wheat with peasants south of the Great Wall to solve disaster victims' needs for coarse-food grain, and preventing a slip in wheat prices, but it also found a market for the northeast's surplus grain. Thereafter, the planned organization of interarea channeling of varieties became an important task in grain allocation.

CPC Central Committee's "Decisions on Planned Grain Procurement and Supply" of October 1953 both stressed the importance of doing a good job in regulate the grain varieties, but also advocated eating whatever was available and strictly regulating the grain varieties according to the grain shortage condition existing at the time. After the grain situation began to improve in 1955, controls were appropriately relaxed. On 23 September that year, Deputy Minister of Grain Yu Jie [0827 2638] said in a speech to the All-China Grain Shipping Conference that simultaneous with continued advocacy of "eating whatever was available" plans should be made for a rational

"regulating the grain varieties between one place and another," as the situation in the production of different varieties and actual possibilities warranted, actively doing a good job in regulating varieties to take care of the grain eating habits of the masses.

After the Great Leap Forward in 1958, grain became increasingly short, and the regulating the grain varieties was strictly controlled once again. On 7 December of the same year, in forwarding the Minstry of Grain Party Group's, "Report on Grain Shipping Problems," the CPC Central Committee noted: "The principle of eating whatever is available should continue to be carried out with suitable adjustment, transportation for the purpose of regulating the varieties being strictly controlled."

In 1963, after the grain situation took a turn for the better, seasonal adjusting among provinces was halted in order to plan properly the northeast region's grain supply. At the same time, the favorable situation of importing as much as 10 billion jin of wheat annually was used for the gradual and a large-scale adjustment of the grain varieties between one region and another in order to do a good job of supplying markets. Mostly imported wheat was exchanged for rice from the south and soybeans and corn from the northeast. Later on, rice was shipped to north and northwest China; soybeans were either exported or used for evening out out inside China; and corn was shipped to grain-deficit areas in north China or used as industrial grain. This kind of evening out not only increased the percentage of fine grain available throughout north China, but also greatly increased the supply of wheat flour available to the beverage and food industries and played a positive role in making markets flourish, improved the livelihood of the people, and increased macroeconomic benefits. Despite another grain shortage during the 10 years of turmoil and the 2-year period of fluctuation, thanks to the continued large scale importation of wheat, the evening out out of varieties continued as before, while the quantity also increased. For example, Hunan and Jiangxi exchanged rice for wheat; and Jilin exchanged corn and soybeans for wheat. A comparison of the year 1978 with the year 1965 showed shipments of wheat into the two provinces of Hunan and Jiangxi increased from 75 million jin to 790 million jin, and shipments of wheat to Jilin Province increased from 700 million jin to 1.57 billion jin.

As a result of the policy of invigorating the internal economy and opening to the outside world, further development of the evening out of varieties between one region and another occurred after 1979. Not only did all jurisdictions directly institute the exchange of varieties and the evening out of grain at negotiated prices outside state plan, but large scale evening out of varieties was also done in the allocation of grain within plan as well. The amount of grain shipped into both Hunan and Jiangxi provinces, and into Jilin Province for the purpose of evening out varieties in 1984 showed a 70 and 29 percent respective increase over 1978. In order to increase the grain utilization rate, large quantities of corn from the northeast was shipped to the south in exchange for paddy used to feed hogs in that region. This was either processed into husked rice for export or for shipment elsewhere. This both eased the very sharp conflict between supply and demand for rice at that time, and also accelerated livestock production in the south. In 1981 alone, 580 million jin of corn was shipped to southern provinces in exchange for paddy.

4. Stabilization of the overall grain situation nationwide as the starting point for the transfer of grain in storage. Up until the time of the 3d Plenary Session of the 11th Party Central Committee, the country had a grain shortage for a long period of time. In order to insure everyone's basic needs, in the allocation of grain, not only were purchases in excess of sales in grain-surplus areas shipped out, but when necessary, the central government and provinces might ship some grain into storage when it was possible to do so without hurting the local grain supply situation. This was done in order to make up for gaps in allocation, and to even out grain surpluses and shortages between one region and another. In 1956, when many places suffered severe natural disasters, 14 provinces and autonomous regions throughout the country transferred more than 3.2 billion jin out of storage for disaster relief. This amounted to 21 percent of the total amount of grain removed from storage throughout the country that year. During the nationwide grain shortage of 1960, 18 of the 19 provinces and autonomous regions that shipped grain took it from storage, transferring a total of more than 9.3 billion jin from storage. This was 66 percent of the amount removed from storage nationwide for the year. In 1972, more grain was sold than was bought throughout the country causing a large gap. Only the transfer of 4.1 billion jin out of storage brought allocations into balance.

A look at parity price grain allocations by all provinces and autonomous regions over the years shows the following: After offsetting shipments out against shipments in from 1953 through 1983, only the two provinces of Hunan and Jiangxi were net shippers of grain every year. During this 31-year period, Hunan Province showed a net outshipment of 27.96 billion jin of grain, an average outshipment of 900 million jin per year, shipments being made from storage in 12 of those years. Jiangxi Province showed a net outshipment of 27.27 billion jin, or an annual outshipment of 880 million jin per year, storage being dipped into to make shipments in 10 of those years. Total grain shipments during the 31-year period were greatest from Sichuan and Heilongjiang Provinces. Sichuan was a net shipper of 35.94 billion jin, shipping an average of 1.16 million jin per year. (This included a net shipment during the 1950's of 22.9 billion jin, 5.84 billion jin of it during 1957, the highest record for that province). On a per annum basis, Sichuan shipped grain for 24 years, dipping into storage to ship it for 14 years. It made no grain shipments in 3 years. In 4 years, it brought in grain, 1 billion jin in the year of greatest deliveries. Heilongjiang Province showed a net shipment

of 46.62 million jin of grain, shipping an average 1.5 billion jin each year. In per annum terms, it shipped grain in 28 years (shipping 5 billion jin in the highest year). In 4 of those years, it tapped storage to make shipments. It did not ship grain 1 year, and it brought in grain in 2 years, 2.7 billion jin of it in the biggest year. Other provinces and autonomous regions also regularly used supplies in storage.

In a situation of fairly tight grain supply, centralized allocation of grain in storage was an important measure for insuring supplies to the armed forces and food for the civilian population. During the 1950's, there was no disagreement about this anywhere. But after going through 3 years of economic hardships, some places had several fairly large reservations about shipping grain in local storage to assist other places. In view of this situation, the method of making a final settlement of allocations began in 1962. Under the new method, grain shipments outside the plan of grain-surplus areas were regarded as shipments ahead of schedule that counted toward fulfillment of the areas' shipment quota for the following year. In grain-deficit areas, grain scheduled for delivery under the annual plan that was not delivered was regarded as a delayed delivery, considered as a continual deficit in the succeeding year. Thus, even though a place might have to ship some of its storage grain, since the amount could be offset against the following year's shipment quota, the place was glad to comply. This also made it somewhat easier for those in charge to arrange allocations. (III) Attention to overall balance. Allocation is an intermediate link in commodity grain flow that is related to transportation capacity, warehouse storage facilities, processing conditions, and the economic returns of all parties. Thus, in planning grain allocations, all jurisdictions had to take into account the relevant factors given below—deciding, following study on a genuinely workable, economically fair allocation plan.

1. Every effort to conserve transportation: As the national economy developed, the supply of transportation became increasingly tight. As part of doing all possible to conserve the transportation needed to haul grain, shipments of husked rice were permitted, but shipments of paddy were not. During the 1950's, paddy-producing Sichuan Province had a very heavy shipment burden. By shipping large quantities of brown rice instead of paddy, the province realized a saving of approximately 20 percent on transportation. After 1979, when grain imports increased, the State Economic Commission and State Council leading teams at ports of entry, assembled units concerned annually and quarterly to study and work out plans for loading, unloading, receiving, and onward shipping of important goods, including grain. They balanced each port's cargo handling capabilities to help foreign trade units arrange ports and times for unloading of imports, to help transportation and railroad units arrange transportation for receipt and onward shipment, and to help grain departments plan the direction of allocation and transfer in order to avoid ship congestion, vehicle congestion, and port congestion that caused a waste of transportation.

2. Full use of warehouse capacity: Planning of grain allocation and transfer entails consideration of warehouse storage capacity at shipping and receiving areas in order to prevent situations from occurring in which site A has more grain than storage capacity, while site B has more storage capacity than it has grain. After 1982, in particular, when consecutive bumper harvest years used storage facilities to the fullest, this became an important factor in planning grain allocations and transfers. Every year scheduling had to be done to apportion grain in a rational way so that warehouse capacity in producing areas, marketing areas, in rural villages, and in cities was used to the fullest.

3. Dovetailing of processing capabilities: In deciding whether to allocate and transfer raw grain or processed grain, local processing facilities had to be taken into account. In allocating and processing export rice, not only did processing capabilities have to be taken into consideration, but attention had to be given also to the condition of processing equipment in order to fulfill export quotas in the agreed upon quantity and at the agreed upon quality.

4. Attention to economic returns: Whether the allocated quantities were appropriate, the varieties suitable, the transportation sensible, and the season timely had a bearing on the interests of both parties to the allocation and transfer, the industrial and commercial units using the grain, and the broad masses of consumers. Therefore, in drawing up grain allocation and transfer plans, the emphasis was always on economic returns. Not only did every effort have to be made to insure that varieties were readily marketable, but arrangements also had to be made to organize rational transportation of the grain.

III.The Principles and Methods of Pricing the Distributed Grain

After the founding of New China, the state consistently used a centralized grain allocation and transfer system. Pricing methods used in allocating and transferring grain between one province and another were also centrally prescribed by the authorities in charge on the basis of purchase and sales prices, the principle followed that shippers should be able to cover costs or make a slight profit. The pricing methods used in allocating grain within provinces were centrally prescribed by the province in light of pricing methods used for allocations between one province and another. As grain purchase and sales prices changed, inter-province pricing methods for grain allocation and transfer were also revised several times—three of them important:

(I) Pricing according to market procurement list price: During the period immediately following liberation, there was no centrally prescribed pricing system inasmuch as shippers and receivers set prices through consultation and signed agreements. "Agreement on

Transfer Methods For Ministry of Finance Grain Converted To Trade Grain," issued in December 1950 by the Ministry of Finance and the Ministry of Trade prescribed that "purchasing markets are to price according to the local grain company purchase list price at the time. If there is no local purchase list price, but only a sale list price, pricing is to be done at the sale price less 5.6 percent."[1] In 1951, the China Grain Company formally formulated allocation and transfer pricing methods for use within the company system, prescribing that at the time the shipper made shipment, all allocated grain was to be priced at the "final grain shipment point" local purchase list price, plus overhead charges, for the same kinds of grain of equal quality.[2] Should there be no purchase list price, the sale list price minus profit (1 percent) and taxes (2.3 percent) was to be used in pricing. All miscellaneous charges incurred by the shipper in moving the grain out of the local warehouse to the carrying vehicle or ship were to be borne by the consignee. Prior to monopoly purchase and sale of grain, there was a local price differential within counties because of regular changes in purchase list price. This enabled consignors to cover shipping costs.

(II) Pricing at the Monopoly Sale List Price: In October 1953, monopoly purchase and sale of grain was instituted, monopoly purchase and sales being centrally set and kept basically stable by the state. Thus, in December of the same year, the Ministry of Grain prescribed the following in the newly drawn up "Pricing Methods For Grain Allocation Within the Grain System:" "The transfer and allocation price for grain shipments is to be in accordance with the monopoly sale list price for grain of the same quality at the consignor's "final grain shipment point," less a 2.5 percent business tax. Since no business taxes were collected from dealers in wheat flour, the transfer and allocation price was according to the monopoly purchase list price at the "final grain shipping point." Responsibility for grain allocation and transfer expenses was to be borne by the grain consignor prior to the loading of vehicles (or ships) at the "final grain shipping point." After vehicles (or ships) were loaded, all expenses and designated shipping losses were to be borne by the consignee. Since the price differential between the monopoly purchase price and the monopoly sale price was fairly equitable at that time, this provision enabled shippers to obtain recompense from the price monopoly purchase and sale price differential for all costs from the time of purchase until shipment, plus a profit. This played a positive role in encouraging shipments from grain-surplus areas.

(III) Pricing According to Monopoly Purchase Price Plus Business Expenses: In 1960, the State Council decided to institute an added price bonus for excess grain purchases. Beginning with the summer grain harvest of 1961, the monopoly purchase price of grain increased enormously, but the monopoly sale price remained unchanged. Thus, a price inversion between purchase and sale price resulted. The existing method whereby the transfer and allocation of grain was priced according to the monopoly sale price was no longer consistent with these new circumstances. In order to stir the enthusiasm of grain shippers to make shipments, in May 1961, the Ministry of Grain redrafted yet again "Inter-province Grain Transfer and Allocation Pricing Methods," which prescribed that "all transferred and allocated grain (including raw grain, processed grain, by-products, and tubers) was to be priced according to the monopoly purchase price for grain of the same quality at the 'final shipping point' in the consigning province, plus business expenses and a grain requisition procurement bonus." Expenses continued to be borne as provided in the "Methods," which had been promulgated in 1953. Business expenses to be added for allocation and transfers among provinces were to be set by the Ministry of Grain once each year. This regulation enabled grain shipping units to recoup all expenses incurred from the time of purchase to the time of shipment from the prescribed business fees without incurring additional losses from shipment outside the province. Under normal circumstances, if they managed matters properly, they could also make a certain amount of profit. As a result of changes in business expenses and requisition procurement bonus methods later on, some small corresponding revisions were made. For example, in 1962 when requisition procurement bonuses were canceled because of the introduction of monopoly grain purchase; likewise, no longer did the consignee receive a requisition procurement bonus for shipped grain. In 1967, another change was made in which pricing was at the monopoly purchase price in the capital of the province from which the grain was shipped, plus business expenses. From then on, until 1984, no changes were made in pricing principles and the business fees to be added.

Up until 1978, the pricing method used for transfer and allocation of negotiated price grain between provinces was done in accordance with "Temporary Regulations on the Pricing of Negotiated Price Grain Transfers and Allocations For Provinces, Autonomous Regions, and Municipalities Under Direct Central Government Jurisdiction Within the Grain System," which the Ministry of Grain drafted in August 1963. This regulation provided that, without exception, calculations be made on the basis of the negotiated price for grain of the same quality at the "final shipping point" in the shipping province (or autonomous region), plus business expenses, which was similar to the method of pricing parity price grain transfers and allocations.

Grain turned over to foreign trade departments for export was also priced according to the methods used for allocation and transfer within the grain system, plus appropriate expenses and a profit. The foregoing methods of pricing parity price grain allocation and transfer, as well as the way of pricing negotiated price grain, and grain turned over for export all followed a single principle, namely safeguarding the economic interests of grain-surplus areas to encourage them to ship grain. However, as a result of the 10 years of turmoil, as well as for various other reasons, never in 20 years were

any changes made in the business expenses to be added when shipping grain. Some places incurred substantial expenses in shipping grain, which they were unable to recoup from the set business expenses. This created an inequitable situation in which the more grain they shipped, the greater their losses. This did not help encourage shipments, and violated the laws of value. Furthermore, grain allocations and transfers were all centrally arranged by higher level administrative units; business units had no decisionmaking authority. In addition, financial gains and losses from allocated and transferred grain were also borne by grain shippers and grain recipient grassroots-level grain businesses. This meant a disjunction among responsibilities, authority, and benefits, which was bad for the enlivening of the grain business.

Section II. Great Efforts Made for Grain Transport

"The flow of commodities in space, i.e., their actual movement, means the transportation of commodities."[3] Grain transportation is an indispensable link between purchase and sale. The main job was to transport rurally purchased grain to processing plants and urban supply points, or to move it to other grain-deficit areas according to the requirements of grain allocation and transfer plans, "rapidly, accurately, safely, and economically." Specifically, this entails work in the follwing three regards: "First is to organize the peasants to transport requisition procurement grain and do a good job of placing it in storage; second is to organize the marshaling of transportation, transporting grain from rural collection points to warehouses along transportation arteries; and third, after determining the varieties, amounts, and times for allocation and transfer among areas, is the selection of the proper transportation lines, and determination of the transportation modes to be used for safe transportation of the grain at specific times from the grain shipping points to the grain reception points. If the work in the above three regards is dovetailed, the requisition procurement and movement into warehouses of grain being laid out properly, the marshaling of transportation can be decreased. Likewise, if transportation is marshaled properly, the number of shipments can be reduced. Therefore, improvement of organizational skills and increased scientificness has always been required in grain transportation. This was the key to complete fulfillment of transportation work.

I. The Main Measures Taken To Fulfill the Task of Grain Transport

In the circulation process, grain usually had to be transported twice. In 1950, approximately 7 million jin of grain were transported. By 1984, this increased to more than 500 billion jin, or about 10 percent of the total volume of goods shipped in the entire country. For a long period of time, the country's transportation capacity could not keep up with national economic development. Thus, genuinely effective measures had to be adopted to fulfill such an enormous grain transportation task.

(1) Compulsory grain transportation: Before the founding of New China, a glorious tradition existed in liberated areas whereby the masses transported agricultural tax grain as a matter of duty. After 1950, this tradition was systematized. State Council "Decisions on Centralized Collection, Storage, and Movement of State Agricultural Tax Grain" of March of the same year stated clearly that "when agricultural grain taxes are collected and the grain is to be moved into warehouses, the persons paying the grain tax are required to deliver tax grain over a round-trip distance of 100 Chinese li." In March 1953, the Ministry of Finance decided to change the one-way distance for peasant compulsory transportation of tax grain to 30 Chinese li. After institution of monopoly grain purchase and sales, when both tax grain and monopoly purchase grain were moved to warehouses at the same time, the obligatory transportation distance was calculated at 30 Chinese li. In order to reduce the burden on the peasants, a June 1961 State Council notice provided that "a transportation fee should be paid at locally prevailing transportation prices for the actual transportation distance covered in moving monopoly purchase grain into warehouses. The formerly prescribed compulsory transportation distance will continue to be enforced for state collected agricultural tax grain." However, since it was difficult to distinguish purchased grain from tax grain, many places continued to apply to all grain the obligatory transportation required for tax grain. In April 1964, the CPC Central Committee and the State Council ratified and forwarded "Views on Resolving the Problem of Obligatory Grain Transportation Imposing Too Great a Burden on the Peasants," from the State Planning Commission and the Ministry of Grain Party Group, which provided limitations on amounts for which transportation was obligatory. In most places, where the tax grain and monopoly purchase grain tendered by production teams was no more than 200 shijin per capita in terms of total production team population, the compulsory transportation distance (one way) was no more than 30 Chinese li. Transportation beyond the obligatory distance would be paid for by grain departments at state-set local transportation prices. Thereafter, these provisions were enforced.

Moving requisition procurement grain from production teams to state granaries required a large amount of transportation when transportation conditions were poor and transportation costs high. It was the most difficult segment of grain transportation. Compulsory movement of grain assured the transportation of grain on this segment, and set the stage for on-shipment of grain.

(1) Establishment of grain transportation command agencies: The large scale transportation of grain necessitated the use of various modes of transportation, and involved several sectors. Frequently, problems of one kind or another were encountered. In order to complete grain transportation tasks smoothly, it was necessary to set up some nationwide or regional grain transportation command agencies to coordinate relationships among all

parties, and to make centralized arrangements for transportation tasks whether transporting grain during the slack season in farming or at times and places when transporting grain was hectic.

In 1950, all of the country's grain was handled in a comprehensive way. The south-central and east China regions each set up grain transportation committees, and all their subordinate provinces and municipalities also established corresponding organizations. Not only did the grain company dispatch personnel to take part, but the south central region temporarily transferred 3,000 people, and the east China region 2,000 people, to take part in grain transportation work. In 1960, grain transportation tasks were extremely onerous and hectic. Acting on State Council Deputy Premier Deng Xiaoping's suggestion, a central grain, oil, and cotton allocation and transfer headquarters was set up in February headed by Deputy Premier Li Xiannian, and a national telephone conference was convened on 1 March. At the conference, Li Xiannian said that, "Grain allocation and transportation work has to be regarded as a political task." Later on, numerous provinces and autonomous regions set up grain transportation headquarters. Province (or autonomous region) CPC Committee secretaries, provincial governors (or chairmen) from Sichuan, Gansu, Jiangxi, Guizhou, Jilin, Heilongjiang, Inner Mongolia, and Henan provinces chaired telephone conferences for implementation. At a conference, Sichuan Province CPC Committee First Secretary Li Jingquan [2621 0064 3123] called on all jurisdictions to act at once to insure fulfillment of shipment quotas by using the 2 million-man short-distance hauling corps throughout the province to move grain rapidly. Inner Mongolian Autonomous Region CPC Committee First Secretary Ulanhu convened the autonomous region standing committee specifically for the purpose of discussing grain allocation and transfer problems. Not only did they mobilize local motor vehicles and draft animals to haul grain, but they also requested the Shenyang Military Region and Liaoning Province to assist with more than 400 vehicles.

In order to assure the supply of rice to Shanghai, in 1961 the East China Bureau of the CPC Central Committee also set up a powerful grain transportation command headed successively by East China Bureau Secretary Li Baohua [2621 5508 5478] and Deputy Secretary Han Zheyi [7281 0772 0001], with finance office director Liu Hegeng [0491 0735 6342] in charge. The Ministry of Grain sent several department and bureau level cadres to participate in the command's leadership group, and transferred three bureau level cadres from Shanghai to lead a group of 130 cadres who went to Jiangxi, Zhejiang, and Anhui Provinces to oversee and keep in touch with grain transportation work. This played an important role in assuring the city's rice supply.

Grain imports increased in 1961. In January the State Council set up a special central grain import receiving and transportation work team headed by Deputy Premier Li Xiannian. Minister of Transportation Wang Shoudao [3769 7445 6670], and State Council Finance and Trade Office Deputy Director Yao Yilin [1202 0181 2651] were deputy team leaders. At the founding meeting, Li Xiannian called upon all departments concerned, and the CPC committees of concerned provinces and municipalities under direct central government jurisdiction to take action at once. They were to set up powerful work teams, and organize sufficient forces, insure quick access to information, and be able to act quickly as though about to fight a large scaloe military campaign, doing a good job of receiving, unloading, and transshipping imported grain. After the meeting, Deputy Minister of Grain Zhou Kangming [0719 1660 3046], Deputy Finance Minister Li Shude [2621 2885 1795], and Chinese People's Bank Main Office Deputy Director Jiang Dongping [3068 2639 1627] led a work team to the three major ports of Dalian, Tianjin, and Shanghai. Departments concerned also dispatched department and bureau level cadres to lead work teams to other ports such as Qinhuangdao, Qingdao, Huangpu, and Zhanjiang where they assisted each of the ports to organize the receipt and transshipment of imported grain. Cadres were also assigned from concerned ministries such as Communications, Railways, Foreign Trade, and Grain to organize operating agencies to be set up in the Finance and Trade Office of the State Council to make arrangements for the receipt and transportation of imported grain. All provinces and municipalities under direct central government jurisdiction, as well as the seven aforementioned ports, set up corresponding organizations. During the first half of 1961 when grain movement was most difficult, all ports smoothly fulfilled their imported grain receipt and transportation tasks, moving 4.3 billion jin of grain rapidly to areas of urgent need. Their work could not have been performed without these powerful organizational measures.

In order to fulfill Jilin Province's task of shipping 5 billion tons of grain in 1984, the Jilin Provincial Grain Shipment Allocation and Transfer Team was set up at the behest of State Council leaders with State Economic Commission Deputy Minister-in-Charge Zhao Weichen [6392 4850 5256] as the team leader. The Grain Shipment Allocation and Transportation Team was specifically responsible for planning and coordinating with all parties concerned the quarterly and monthly entrepot and direct railroad shipments from the two ports of Dalian and Qinhuangdao into areas south of the Great Wall. It was also responsible for studying and deciding on plans for the transformation of the Ganjingzi grain transportation pier in the Port of Dalian in order to prepare conditions for an expansion of transshipment capabilities.

Practical experience demonstrated that the establishment of grain transportation command organizations under leadership of CPC committees at all levels and all levels of the people's government played an active role in the strengthening of vertical and lateral relationships in an effort to fulfill grain transportation tasks.

(3) Organization of various kinds of transportation capabilities: Large volume, long distance grain hauling

depended mostly on the Ministry of Transportation and the Ministry of Railways for transportation. The large quantity shipments of grain from Sichuan Province during the 1950's depended mostly on the Chang Jiang. The more than 5.8 billion jin of grain that that province shipped in 1957 accounted for 27.7 percent of the total volume of all cargo transported on the Chang Jiang. During the 3 year period of hardships, tasks were heavy, time was of the essence, and changes were numerous in the allocation and transfer of domestic and imported grain. Both the transportation and the railroad sector accorded grain transportation a key position, going wherever there was grain. As a result, many cities and many industrial and mining areas having scant storage facilities never ran out of stock. During 1975 and 1976, Sichuan Province was continuously stricken with serious disasters. It was in urgent need of grain deliveries on a large scale. However, many railroad sections had been damaged by the "gang of four," and were paralyzed. The State Economic Commission decided to assign some ocean-going ships to move a large portion of the grain from the northeast region to Sichuan. They carried the grain from the Port of Dalian to the Port of Zhanjiang where it was transferred to the railroad for transportation to the Chengdu-Chongqing Line and then divided up for movement into other parts of the province. After being transported by relay for several thousand kilometers, supplies to disaster areas were finally assured.

The marshaling of transportation for short hauls was largely a matter of assembling manpower from within society. China is a vast land in which transportation is relatively backward. During the 1950's, in particular, not only was there little railroad-operating distance, in many places there were no-through highways. In April 1950, Chen Yun said it was necessary to transport surplus grain from out-of-the-way places to transportation lines where it could be moved, going both forward or backing out. Only such deployment and action can supply the grain needs of the whole country. In December, 1953, Deng Xiaoping also said that grain should be located along primary, secondary, or tertiary transportation lines as transportation and storage permitted to be marshaled for transportation line by line. Thus, it was necessary for regular widespread organization of civilian transportation forces to take part in the movement of grain. During the 1950's, the large amounts of grain that were shipped from the southwestern region each year went on the backs of humans and animals, and on all sorts of folk transportation vehicles. It moved across rivers large and small, over paths between villages, in baskets on carrying poles, and in carts and boats, gradually being assembled on the banks of the Chang Jiang and on both sides of railroad lines. After the grain situation suddenly worsened in 1959, grain storage facilities along transportation lines became more and more empty, the number of areas able to ship grain lessened, and the task of marshaling grain for shipment became more and more strenuous. Furthermore, materials such as gasoline and tires were deficient at that time, and motor transportation was in extraordinarily short supply. It was for this reason that the CPC Central Committee and the State Council issued three notices on the development of short-haul grain movement during 1959 and 1960. Resolutely carrying out the spirit of the notices, all provinces, autonomous regions, and municipalities under direct central government jurisdiction very rapidly developed a nationwide mass short-haul grain craze in which a thousand ships set sail, myriad carts rumbled, water and land transportation developed simultaneously, and vehicles and boats set out together. According to incomplete 1960 statistics, more than 57 million trips by people, more than 3.1 million trips by animals, more than 4.7 million trips by folk transportation vehicles, and more than 300,000 boat trips were made in the mass transportation of grain, thereby marshaling along communications lines the grain that was scattered among the grassroots and accumulated in mountain regions. In many parts of Sichuan at that time, there was a slogan that said, "Send people if you have people, and send carts if you have carts." A million-strong grain transportation army, a thousand carts and countless carrying poles were fielded to labor day and night. At the height of the grain hauling, provincial CPC Committee Secretary and Provincial Governor, Li Dazhang [2621 1129 4545], inspected progress being made in short hauls once every other day. In Hailun County in Heilongjiang Province, which had a fairly large shipping quota, the county magistrate personally took the lead; all the cadres, staff members and workers in the Grain Bureau set forth, and cadres from other agencies as well as some ordinary citizens were organized to take part in transporting grain. In Hunan Province, many county CPC committees took charge of agricultural production with one hand while taking charge of grain transportation with the other. During the hiatus in agricultural production, transportation work pushed ahead. Dayong County assembled a workforce of more than 10,000 to attack the transportation problem. Yueyang County assembled 35,000 laborers and more than 14,000 crude carts into a grain transportation army. Guzhang County used a combination of a special corps and an assault corps. The assault corps worked on production morning, and hauled grain afternoons. In the mountains of Jiangxi, in addition to mobilizing wheelbarrows and carrying poles, special bamboo rafts were made to carry grain. They used these piecemeal methods to transport "dead area grain," and "difficult-to-transport grain." (Footnote: All the grain that just could not be transported or that was lost after being shipped was "dead area grain.") Not only was this done during the period of grain hardship, but even in normal times grain departments in all jurisdictions organized large numbers of folk conveyances, tractors, and civilian vehicles each year during the period of grain requisition procurement and warehousing to haul grain. As purchases were made in order to get a large amount of the grain to supply points, processing points, storage points, and outshipment points at one time, a foundation was laid for completing the grain transportation task for the whole year.

Additionally, all jurisdictions also established special grain transportation vehicle corps and boat corps. During the early 1950's, some places set up grain-hauling horse cart brigades. Following monopoly purchase and monopoly sales, short-haul collection work increased steadily. Many places built grain-hauling truck brigades and boat brigades. Following the Great Leap Forward campaign of 1958, transportation was in extremely short supply as a result of "large scale steel smelting." The grain situation became very pressing, and the task of hauling grain very strenuous. In view of this situation, when the CPC Central Committee convened a conference in Shanghai in April 1959, Li Xiannian said the following: "In order to solve current difficulties in allocating and transferring grain, I propose the transfer of 1,000 motor vehicles to do nothing but transport grain." In 1960, the task of marshaling grain became even more strenuous. In November of the same year, the State Council ratified founding of a motor vehicle corps having four groups and 17 squadrons equipped with motor vehicles. The Central Military Affairs Committee also transferred a large number of cadres and soldiers from various field armies to work in the grain hauling motor corps. It was sent directly to all major shipping areas to join in hauling grain. Additionally, the hauling capacity of existing motor vehicle units and grain departments in all jurisdictions was substantial as well. The organization of manpower from society at large to haul grain for short distances lay a foundation for the marshaling of grain. In addition, there was the truck transportation capacity of grain and transportation departments. From July 1960 through June 1961, 4.2 billion jin of "dead grain" and "difficult to transport grain" that had accumulated for years in mountain regions was moved from the mountains to the plains, and from branch lines to trunk lines, the "dead grain" becoming "live grain" to give powerful support in supplying grain to cities and towns, and to industrial and mining areas. By the 1980's, grain departments had nearly 30,000 vehicles of their own with a 140,000 ton capacity, as well as 500 boats with a 30,000 ton capacity. Grain unit truck transportation of grain accounted for approximately one-third of all highway grain transportation.

(IV) Adoption of strict organizational measures: Grain shipment, from dispatch to receipt, is an extremely complex process. In addition to the vertical relationship between higher and lower levels, there is a lateral relationship that involves purchase, transportation and marketing channels, as well as relationships between one area and another, and between one department and another. Thus, only by adopting meticulous, strict, and strong organizational measures can there be order, grain transportation proceeding in a rhythmical way.

1. Drawing up good grain transportation plans: This is the basis on which grassroots grain units carry out grain transportation tasks, and on which railroads and transportation units get consignment plans. In 1951, the Ministry of Trade drew up "Drafting Procedures for Transportation Plans," for general use with all commodities. In February 1954, the Ministry of Grain promulgated "Temporary Regulations on Grain Allocation and Transfer," which detailed the limits of authority, principles, and procedures for drafting grain transportation plans. Despite numerous subsequent revisions, the tenor of these documents did not change.

2. Timely preparation of bags for grain: Most of the grain transported in China is bagged. An old folk saying has it that "Before the grain moves, the bags come first." Timely preparation of bags was a prerequisite for fulfillment of grain transportation quotas. More than 30 years of control over bags was mostly for the purpose of fulfilling grain transportation quotas.

3. A good job of coordinating among concerned departments: This was a valuable experience gained in more than 30 years of fulfilling grain transportation quotas.

First of all, grain departments had to insure sources of grain supply; departments concerned had to assign responsibility for a division of labor, making all preparations for grain shipments and moving it as it was allocated.

The Wanxian County Grain Bureau in Sichuan Province was a pacesetter on the grain transportation front during the 1950's. From 1949 through 1961, year after year, quarter after quarter, and month after month, it fulfilled or overfulfilled its grain transportation quotas. The main experiences it gained were 1) to always have in readiness three different grain sources; namely, maintain a grain source for regular transportation, a grain source as a hedge against processing failure, and a grain source as a hedge against loss through truck, railroad, and boat breakdowns. 2) To practice "four guarantees" under leadership of the county transportation command; namely, grain departments guaranteeing supplies and guaranteeing shipment, communes and brigades guaranteeing short-haul marshaling of grain, transportation units guaranteeing vehicles and ships, and medical and public security units guaranteeing personnel and grain safety. 3) Adhere to the "five fixeds" on the basis of this division of labor; namely, fixed leaders, fixed quotas, fixed personnel, fixed times, and fixed responsibilities resulting in the practice of "five sustains," namely, short hauls sustaining long hauls, feeder lines sustaining trunk lines, the 10 day periods of each month sustaining the whole month; months sustaining quarters, and quarters sustaining the year. During 1960 when Jiangsu Province was hard-pressed for grain, when transportation was in short supply, and when electric power was inadequate, in order to fulfill their third quarter grain shipment quotas, grain departments in the province got grain supplies ready along transportation lines; transportation units supplied transportation wherever grain was waiting; and electric power supply units insured a supply of power to grain processing units first. As a result of all units concerned taking the initiative to make things easy, in the end, the provinces shipment quota was fulfilled ahead of schedule. In 1984, when Jilin Province had very

heavy grain shipment quotas, some of the grain had to move via Dalian and Qinhuangdao for transshipment to ports in Shanghai, Guangzhou, and Zhanjiang from where it continued separate journeys inland. Every batch of grain had to go through from two to five transportation relays. Jilin grain departments coordinated closely with units concerned to tighten up at each of the relay points. They made ready plenty of grain at railroad shipping stations and all entrepots so that grain was always on hand for arriving trains and ships, thereby making fullest use of both transportation and berths for smooth overfulfillment of quotas.

Second, was mutual support and mutual coordination among all units concerned with grain transportation. Normally, there was a slack period in transportation every year, particularly during holiday periods, when a great decrease occured in both passenger and freight transportation. Consequently, insofar as the availability of grain permitted, grain departments made sure to use these slack periods to ship grain. Every year, they sent announcements to railroad and transportation departments for the specific purpose of arranging holiday transportation so as to avoid a waste of transportation. After the Tangshan earthquake in 1976, the Beijing Municipal Grain Bureau received an allocation order for the immediate shipment of 10 million jin of assistance grain. Grain, railroad, and transportation units coordinated closely to overfulfill quota in 2 days. On 2 August, the Ministry of Commerce arranged another allocation of 15 million jin. The Yongdingmen granary received the notice at midnight the same day. It immediately contacted transportation units, worked throughout the night, and at 0700 the following morning, it shipped out 45 truckloads of grain.

4. Regular inspections of transportation progress: In order to find out promptly about the status of completion of grain transportation quotas, take care of problems that arise in the process, and obtain information about grain purchases, sales, allocations, and storage, beginning in the 1950's, a telephone call or a telegram had to be placed once every 5 days from the bottom upward. During the period of difficulties in the movement of grain from 1958 through 1962, a report had to be made once each day, or sometimes several times each day. At that time, the director of the Ministry of Grain Storage and Transportation Department and personnel concerned inquired about the situation during the day, and got together at night to study it in order to be able to make a report to the Minister of Grain once every 5 days daily. During the 10 years of turmoil, although the inspection period was changed to cover every 10 days each month, after a major flood disaster occurred in Henan in 1975, it was changed back to both day and night every day. In the following year, when the earthquake struck Tangshan and sent ripples to Beijing, personnel in the Ministry of Commerce responsible for grain allocation and transportation, moved telephones into two trucks and continued on duty night and day, inspecting the status of completion of grain shipment tasks nationwide. This was even more the practice in grain department allocation and transportation command agencies where grain allocation and transportation units at every level had an even more strenuous and more daunting task collecting information on the status of grain allocations and shipments.

In summary, grain transportation has been an extraordinarily daunting task during the past 35 years. A series of vigorous actions taken by CPC Committees and governments at all levels, the coordination of relationships among all parties concerned, the obligatory movement of grain by the masses, and the widespread organization of transportation forces throughout society served as a basis on which transportation and railroad units' transportation capabilities played a main role. They were supported by the transportation capabilities of grain departments, plus a body of genuinely workable organization and management in the final timely fulfillment of grain transportation quotas to insure supplies for cities and export needs.

II. Organizing the Rational Transport of Grain

The rational transportation of grain gradually developed out of the realities of the Chinese grain management system under leadership of the socialist planned economy.

Northeast China was a region that was liberated relatively early, had a relatively large number of railroads, where grain transportation quotas were rather large, and where a certain work foundation was in place. It was also the place in which rational grain transportation developed earliest. During the period immediately following liberation of the northeast, many irrational situations existed in grain transportation there, such as routing the same kinds of grain in opposite directions, repeatedly, and via circuitous routes. These problems resulted from agricultural tax grain and trade grain being under control of the Ministry of Finance and the Ministry of Trade respectively, and little planning of purchases and sales. In March of 1951 alone, 11.1 percent of the total volume of transportation during the month was senseless transportation. At this rate, each year 10,000 freight cars worth of transportation was wasted. In order to change this irrational situation, rational grain transportation began to be organized in 1952. A rational direction of transportation flow was drawn up for four major grains, namely soybeans, corn, sorghum, and husked sorghum, on the basis of grain production and marketing in the northeast region. In addition, monthly grain shipment plans were collectively compiled monthly, meaning that that all shipping and receiving units got together to prepare and compile shipping plans in common, and to examine and readjust irrational transportation. This method produced very good results. Transportation costs as a percentage of overall commodity circulation costs stood at 50.7 percent in 1951, declining to 45.4 percent in 1952. Next, the south-central and east China administrative regions prepared transportation plans.

Beginning in April 1954, the Ministry of Grain also instituted collective compilation of nationwide grain transportation plans.

From practice in the readjustment of all sorts of irrational transportation, a workable "graphic operating method" was deduced. Use of this method revealed transportation irrationalities that lay hidden on all lines, such as movement of the same kinds of grain in opposite directions, repeatedly, and via circuitous routes. Next, mutual readjustments were made to produce an optimum transportation plan. During that time, when no electronic calculators existed, this was a wonderful creation. Professor Hua Luogeng [5478 5012 1649] of the Chinese Academy of Sciences headed scientific research personnel from the institutes of dynamics and mathematics on an on-the-spot survey that resulted in validation of the theory and gave it high marks. "The advance grain allocation and transfer graphic operating method is simple to use, easy to master, permits rapid calculations, and is extremely important. It enables transportation links to meet their most rational requirements, i.e., their minimum ton kilometer requirements. Furthermore, doing the same thing using the foreign mathematics methods that we know frequently requires laying out countless unknowns and linear equations as well as complex calculations in order to derive rational allocation and transportation plans. Even mathematicians have to waste a very great deal of time." "The 'Graphic Operating Method' is a model that uses simplified and easy-to-understand means to explain complex mathematical problems [4] From that time on, when grain units at all levels collectively prepared transportation plans, they applied this method to readjust irrational transportation between one area and another on major transportation and railroad arteries, saving a large amount of transportation and transportation expenses. From January 1955 through March 1956, in the preparation of interprovince grain transportation plans, the irrational transportation of 1.37 billion jin was readjusted for a 3.2 million yuan saving in transportation expenses, and a saving of 160 million ton kilometers of transportation.

At the same time, grain units at all levels also figured out how to organize rational transportation at the grassroots level. Grain units used a summarization of the planning work done in all jurisdictions in connection with requisition procurement and movement of grain into storage. In "Instructions on the 1954 Autumn Grain Monopoly Purchase Job," they proposed trial use of "fixed site tract zoning" [dingdian huapian 1353 7820 0439 3651]. Their specific method was as follows: stipulating grain receiving points, and defining the area from which grain was to be received by each grain receiving point on the basis of the direction of grain transfers, and the availability of transportation, warehouses, and processing facilities, in conjunction with local supply and demand, and with peasant convenience in marketing their grain in mind. "Fixed site tract zoning" was not restricted by administrative zones; however, monopoly purchase quotas continued to be figured in terms of administrative zones. In 1955, following implementation of the "three fixed policy" for grain [fixed production, fixed purchases and fixed sales], further clarification was made of the general application of "fixed point tract zoning," and county grain departments were required "to calculate surpluses and shortages uniformly on the basis of the three fixeds." "Full use is to be made of negotiated transportation distances" in moving grain to warehouses, "grain being assembled along transportation lines, at points to await transportation, or in areas needing grain as the rational direction of movement dictates. The foregoing methods subsequently developed into the basic method used in making rational grassroots-level grain deployments in connection with requisition purchases and moving grain into warehouses.

Bringing about a balance between grain production and sales in separate areas was yet another development in rational transportation. When the State Council ratified and forwarded "Provisional Methods For Rational Transportation in Connection With Balancing Production and Sales of Coal in Separate Areas" in March 1954, it also called for the application of this method to grain transportation in order to conserve the country's transportation. In May of the same year, the Ministry of Grain established a special research group with Ren Zhijie [0117 1807 2638], deputy director of the Rational Transportation Section of the Allocation and Transfer Department appointed its director. This group conducted surveys and studies to formulate the rational direction of flow of five different kinds of grain, which it issued to grain departments in January 1955 for trial operation, internally at first. In November of the same year, the Ministry of Grain also issued "Report on Trial Implementation of Rational Transportation in Connection With Balancing Grain Production and Sales in Individual Areas," which the State Council ratified and forwarded to all jurisdiction in February 1956, calling for joint implementation by grain, railroad, and transportation departments. Four points were more clearly spelled out than formerly, as follows: First, it set the rational direction of transportation flow for 10 varieties. Under normal circumstances, this would be an important basis for drawing up seasonal and monthly grain allocation and transportation plans to prevent irrational transportation between one season and another and between one month and another. It also clearly spelled out that the rational direction of flow would have to be revised yearly on the basis of changes in grain production, purchases, sales, and transportation. Second, was the shaping of a rational transportation system, with specific provisions for good rational transportation methods, and for dealing with violations of the rational transportation direction of flow. Third, railroad and transportation departments were to supervise enforcement. Fourth, it proposed methods for the delineation of economic zones or the organization of grain transportation according to the principles of balanced production and sales. Marked economic benefits were derived from the trial implementation of this system. In 1956, the average distance that grain was transported by rail was shortened 31 kilometers for a saving of more than 500

million ton kilometers of transportation, and a saving of more than 100 million yuan nationwide in miscellaneous charges for grain transportation. Consequently, the Rational Transportation Section was designated an advanced work unit among Ministry of Grain agencies. In 1956, its director, Ren Zhijie, was selected to attend a congress of advanced workers in the national grain system.

After 1956, grassroots rational transportation also began to become more systematized. In June of that year, the Ministry of Grain issued, "Several Regulations on Grain Allocation and Transfer in Adjacent Areas of Different Provinces." In September 1957, it also issued "Instructions on Further Good Performance of Grassroots Level Rational Grain Transportation." The most important part of this instruction was that "fixed point tract zoning" for requisition procurement and movement of grain into warehouses should be part of the basis for grain transportation. It further proposed that before requisition procurement and movement of grain into warehouses during the summer and autumn of each year, certain facts about the local grain situation should be determined in connection with the "three fixed" policy for grain. Specifically, information should be obtained about the status of grain production, purchases and sales, and about the availability of processing, storage, and transportation. Then, the principle should be followed of using nearby grain to supply nearby areas, shipping surplus grain elsewhere, and accommodating the peasants in their hauling of grain to state warehouses. Every effort should be made to get requisition procurement grain to supply points, processing points, storage sites, or onward shipping points in a single movement, organizing cross-boundary marketing by economic area without reference to administrative zone boundaries. The instruction additionally proposed rational transportation of grain to cities and towns. Very good economic results were obtained from the rational arrangements made at the grassroots level. Take Wanxian County in Sichuan Province, for example, where 72 percent of the requisition procurement grain to be moved into warehouses in 1955 was placed along transportation lines in a single movement. In 1956, the figure was 82 percent, and in 1957, 83.3 percent for a reduction in the amount of double marshaling and movement required, thereby saving manpower, material, and financial resources.

In light of the turmoil in commodity flow that the Great Leap Forward had caused, in 1962 the 10th Plenary Session of the 8th CPC Central Committee required the organization of commodity flow along economic area lines in "Decisions on Problems in Commercial Work." In April 1964, the North China Bureau of the CPC Central Committee designated the Finance and Trade Office responsible for sending work teams to work together with work teams sent out by the Hebei Provincial CPC Committee in the Tangshan area, assisting commercial and grain departments in organizing pilot projects for commodity flow and grain flow along economic area lines. Not long afterward, the Ministry of Grain also sent out work teams to take part in this work. Working together on the pilot project with 460 cadres from grain departments at all levels in the Tangshan area, they applied a combination of graphic examination and actual surveys to determine the direction in which more than 7,000 production brigades sent grain to government warehouses and the burdens involved in transporting it; the location of more than 280 warehousing points and their capacity to receive grain; information about more than 300 principal transportation lines, and the volume of flow of 15 different grain and edible oil varieties making more than 170,000 data calculations. After analyzing and studying the foregoing large amount of data, they began reform of the commodity grain flow system, the main aspects of this reform being as follows: They divided into three economic zones the whole area centering on the two cities of Tangshan and Qinhuangdao, and the Luanxian transportation hub, making them hubs for the various channels of grain flow throughout the zones. Then they organized requisition procurement and movement of grain into storage, readjusted allocation and transfer relationships, supply relationships, refined grain processing and supply relationships, and the location of official agencies in each economic zone centering on these three centers. At the same time, they also reduced the number of links in the operating chain and revised rules and regulations. In this way, they linked together into an organic whole the links of grain procurement, marketing, allocation, storage and processing, as well as rational transportation over the three segments of the grassroots, trunk lines, and cities and towns, organizing commodity grain flow along economic area lines. This both demolished administrative area limitations and also went beyond the confines of organizing the rational transportation of grain only in terms of the single allocation and transfer link. It prevented at its source, from purchase to sale, the movement of the same kinds of grain in opposite directions, via circuitous routes, and backwards, and it further perfected the rational grain transportation methods. In August 1964, the All-China Grain and Edible Oil Storage and Transportation Conference endorsed the spread of the methods used at Tangshan. In 1965, the Ministry of Grain again sent several department and bureau directors to join work teams, which went to Tangshan Prefecture to summarize experiences further. In May and September of that same year, they endorsed the spread of Tangshan's experiences at the All-China Conference on Grain Departments Reform of Administration and Management, and at a conference of grain department (or bureau) directors. In addition, they also promoted the spread of experiences gained by the Suzhou Special District in Jiangsu Province in centrally planning the purchase, sale, allocation, storage, and processing of grain obtained through requisition procurement, and the organization of commodity grain flow along economic area lines. As a result of a nationwide campaign to learn from Tangshan and catch up with Suzhou, miscellaneous grain transportation charges declined year by year throughout the country. Miscellaneous expenses per 10,000 jin of grain received fell from 53.40 yuan in 1964

to 51.40 yuan in 1965, and to 50.40 yuan in 1966. Taking the 1963 amount as a base figure, a saving in miscellaneous fees amounting to 550 million yuan was realized over a 3 year period.

During the 10 years of turmoil, rational grain transportation sustained very great obstruction and damage. Following the smashing of the "gang of four," grain departments everywhere devoted themselves conscientiously to this work, achieving definite results. After 1979, computers were tried out in the selection of the optimum grain transportation scheme to find a method even more scientific that the "graphic operating method" for rational transportation.

Following the Third Plenary Session of the 11th Party Central Committee, new circumstances and new problems arose in grain transportation as a result of the new situation of bumper grain harvests year after year. For example, a multichannel commodity grain flow between areas was instituted. Within the grain system alone, not only were grain allocations arranged from the top down, but also the exchange of varieties outside plan and trade in negotiated price grain as well. For this reason, irrational transportation was virtually unavoidable in commodity grain flow through various channels between areas. After financial profits and losses from grain were made a part of local fiscal budgets, it was not easy to solve problems in which Party A increased earnings while Party B increased expenditures as a result of the irrationally readjusted transportation. These problems required examination and study to provide methods for improvement.

III. The Safe Transport of Grain

By safe transport of grain is meant preventing loss of quantity or quality in the transportation process, including various mishaps such as damage to bags, contamination or poisoning, mildew spoilage, dampness, and losses through theft, vehicle upsets, ship sinkings, and fires. In order to prevent the foregoing mishaps, state grain departments concentrated their efforts on three different areas.

(I) Establishing and perfecting rules and regulations.

"Methods of Pricing Grain Allocations and Transfers," "Temporary Regulations on Grain Allocations and Transportation," and "Temporary Regulations on Management of a Certain Amount of Grain Shipment Losses," which the Ministry of Grain promulgated in 1954, provided three major principles for the prevention of grain shipment accidents as follows: 1. Shippers must ship good grain, insuring that no bad grain is shipped. 2. Institution of grain shipment regulations. Except in special circumstances, grain shipment regulations are to be enforced for all grain shipments within the system in order to increase the responsibility of grain shippers. 3. Delineation of the responsibility of all parties. All accidents or losses that occur prior to grain shipment from the point of origin to the point of receipt must be documented in accordance with regulations by the recipient, and representations made to the carrier for compensation if responsibility lies with the carrier. If responsibility for the accident does not lie with the carrier, the shipper is to bear responsibility. Accidents that occur after the arrival of railroads or ships at railroad stations or wharves has been reported to the grain recipient, are the responsibility of the grain recipient. The dividing line for transportation damages is the shipper's "final grain shipping point," damages within the set amounts to be borne by the grain recipient. Damages in excess of the set amounts are to be the responsibility of the shipper.

After the Ministry of Grain drew up "Grain Allocation and Transportation Management Regulations" in 1963, two revisions were made on the basis of practical experience for the gradual shaping of a body of professional procedures on grain shipments, which played a positive role in preventing grain shipment accidents. The main provisions were conscientious monitoring of loading at the time the grain was being shipped, the following required: 1. Diligent examination of the condition of railroad cars and ships, and the status of grain shipment preparations before loading into cars or ships, adhering to the "five no loading situations," namely: no loading into cars or hulls from which grain can leak, or in which it can become wet; no loading when the grain can become contaminated from the cars, the ship, and tarpaulins; no loading into cars or ships that have not been swept clean; no loading in the absence of inspection, weighing, or quality inspection certificates; no loading when bags are broken and seams do not meet specifications. 2. When loading cars or ships, do "three cushionings" before work begins, and "five sweepings" after work ends, i.e., put down cushioning materials alongside cars and ships, and under loading and unloading machines before work begins; when work is finished, sweep up grain spills alongside cars, along wharves, and around transportation lines, freight yards, and granaries. 3. When loading railroad cars and ships, grain bag openings should face inward, and bags should be stacked neatly. When loading grain on gondola cars, it should be piled to a peak, covered with a tarpaulin that has no holes and does not leak, and then tied securely. When grain is loaded into boxcars, a little open space should be allowed between the grain bags and the boxcar doors, the doors closed tightly and sealed to guard against loss through leaks.

(II) Good cooperation with units concerned.

In 1957 serious grain losses and spoilage from mildew occurred during shipment because of the way in which vehicles and ships were cleaned, as well as failure to inspect rain protection and dampness protection equipment. During May and June, 79 mishaps involving the mildewing of 1.22 million jin of grain en route to Beijing occurred. Not all of these mishaps could have been prevented by grain departments. Therefore, the ministries of grain, transportation and railways issued a joint notice on safe grain transportation. This document

stressed that all units should have a division of labor with individual responsibility in order to prevent mishaps to grain shipments. It called upon units concerned to organize joint inspection teams to conduct on-site surveys of reasons for mishaps, and for proposing specific measures to prevent them.

As the national economy developed after 1979 and transportation capacity became increasingly short, more and more grain was transported in gondola cars. The tarpaulins used to cover these cars were not replaced promptly, so grain quality declined steadily. Furthermore, some places were concerned only with quantities loaded and unloaded, and not with quality. Some areas also purchased quite a bit of grain having a high moisture content, which made safe transportation difficult. All these things resulted increasingly in grain in transit getting wet from the rain, becoming mildewed, and being lost piecemeal, arousing the serious attention of units concerned. Beginning in 1980, before the beginning of the monsoon season each year, the Ministry of Railways, the Ministry of Transportation, and the Ministry of Grain issued a joint notice based on actual circumstances during that year calling for safe grain transportation during the rainy season. In the summer of 1983, as a result of serious losses to grain resulting from molding and soaking rain while in transit, the ministries of railways, transportation, and commerce convened an urgent telephone conference on 8 July on fulfillment of grain transportation quotas, insuring grain transportation quality. In August 1984, the three ministries convened a joint conference on safe grain transportation to implement Bulletin No 14 from the CPC Central Committee Discipline Inspection Committee for the exchange of experiences in safe grain transportation by all jurisdictions, and to propose measures to be taken by all units concerned to prevent mishaps to grain in transit, and how to fix responsibility.

(III) Strict handling of responsibility for mishaps. In 1954, the Ministry of Grain promulgated "Provisional Methods For Handling Grain Transportation Mishaps," which provided explicitly that following a mishap, units concerned were to salvage materials jointly, after which they should investigate the causes of the mishap and fix responsibility for it. Transportation regulations issued in 1963 divided grain shipment mishaps into three categories, namely, major mishaps, large mishaps, and ordinary mishaps. Major mishaps and large mishaps were usually handled in a spirit of "three no let-ups," (namely no let-up until the causes for the mishap have been fully analyzed, no let-up until those responsible for the mishap and the masses have been indoctrinated, and no let-up until preventive measures have been taken), fully arousing the masses, investigating the reasons fully, receiving indoctrination, drawing up measures for improvement, and dealing conscientiously with matters at once. Those responsible for serious mishaps were not criticized in a notice, but punished administratively or according to law. After 1979, many places drew up a system of rewards and punishments for the prevention of grain transportation mishaps in connection with the promotion of personal responsibility systems.

In order to arouse all jurisdictions to devote serious attention to safe grain transportation, from 1981 through 1983, the CPC Central Committee Discipline Inspection Committee, and the discipline inspection committees of the Ministry of Grain and the Ministry of Commerce conducted a thorough investigation after which they circulated a notice throughout the country on three serious grain transportation mishaps. During the second quarter of 1983, after a serious mishap occurred in which rice en route to Shanghai from some areas was spoiled by mold and changed color from heat, the CPC Central Committee Discipline Inspection Committee specially issued Circular No 14 titled, "Bureaucrats Who Seriously Neglect Duties Must Be Severely Punished" in connection with this matter, which aroused the notice of all jurisdictions. During 1984, a marked decline occurred in mishaps involving spoilage from mold and losses from rain soaking. In particular, the moisture content of second quarter grain shipments to Shanghai showed a general decline from the previous year, virtually no mildew spoilage occurring for which anyone was responsible.

More than 30 years of practice have demonstrated that transporting grain safely holds important significance for reducing grain losses and safeguarding the people's physical health. Even though the prevention of grain transportation mishaps is a long-term and complex task, a good job can be done in transporting grain safely. All that is needed is to proceed from realities to perfect rules and regulations, and to establish strict personal responsibility systems at very link in the transportation process. The key to good preventive work is the grain units acting in close cooperation with other units concerned to reinforce cadre, staff member, and worker indoctrination in professional ethics, solemnly organizing discipline, providing rules to follow, and bring violators to account.

IV. Beginning Bulk Grain Transportation

Improving transportation methods through active development of bulk grain transportation can save large amounts of manpower, material, and financial resources. Because of a shortage of burlap bags in the northeast region during the early 1950's, at first grain to be shipped was bundled for shipment to railroad stations. Later on, the bundles were opened and the loose grain emptied into railroad cars for shipment. In the early 1960's, all the grain imported from abroad was shipped in bulk. In order to shorten ship unloading and transshipment time, most ports adopted loose railroad bulk shipment. This caused grain receiving warehouses to want bulk unloading and bulk storage as well, resulting in an expansion of bulk grain shipments in China. During the 1970's, both the northeast region and the cities of Beijing and Tianjin greatly developed "round earthen storage" [tuyuan cang 0960 0955 0221], and in places like Jiangsu in the south, grain storage machines developed fairly rapidly. This urgently required further development of

bulk transportation to permit use of the storage machines as well as of "round earthen storage" for the automatic flow of grain in and out of granaries in a complete process. The State Economic Commission also made bulk grain shipments the principal emphasis in national development of bulk shipments. It was against this backdrop that the Ministry of Commerce convened the All-China Bulk Grain Shipment Conference in September 1978, which summarized the country's experiences with bulk shipments, took into account the situation abroad, and clearly stated that the development of bulk grain transportation was inseparable from the modernization of storage facilities. It called upon all jurisdictions to phase in "four bulks" in grain storage (bulk loading, bulk shipment, bulk unloading, and bulk storage). Thereafter, in coordination with the Ministry of Railways and the Ministry of Transportation, bulk grain shipment saw substantial development in China. By the early 1980's, bulk grain shipment accounted for approximately 15 percent of all grain shipped, and storehouse transportation facilities and the kinds of grain shipped also changed markedly from formerly. First, the "four bulks" were gradually linked into a complete process. Many places began to build large numbers of "round earthen storehouses," round brick storehouses, and silos suited to the "four bulks," and loading, unloading and transportation machinery in granaries and grounds also developed rapidly. In some places, the "four bulks" formed a complete process from rural grassroots level grain storehouses or from ports to storehouses and processing plants in cities. Second was special vehicles for carrying grain in bulk. In 1979, the Ministry of Railways manufactured 100 Model K-17 bulk grain hopper cars, which traveled the line from Xingang to Tianjin, Beijing, and Inner Mongolia. Some places also had special trucks for the bulk hauling of wheat flour and rice, and automatic or semiautomatic dump trucks for bulk raw grain. Third, the kinds of bulk-shipped grain developed raw grain to refined grain. In some cities, between 70 and 80 percent of all wheat flour or rice sold was bulk shipped. Bulk shipping produced marked economic benefits. Take Zhaodong County in Heilongjiang Province, where the "four bulks" were used almost everywhere. In 1983, 92.5 percent of that county's total shipments were bulk shipments, 75 percent of its operations were mechanized, and the number of warehouse workers decreased 72 percent. Not only did labor intensivity decrease, but the labor productivity rate also rose 50 percent. Loading and unloading time decreased one-seventh for trucks, and one-fifth for trains. Each year 600,000 fewer burlap bags were used for a saving of 30,000 jin of jute cord, and 350,000 pieces of straw matting for straw bags. Loading and unloading costs of grain traveling by rail from rural villages decreased 81 percent per ton for a total annual saving of 300,000 yuan, which was equal to approximately one-third the total investment in the "four bulks."

However, because of a lack of experience, some places did not pay attention to forming the "four bulks" into a complete whole when they began the bulk grain shipment process, thereby creating some waste.

Simultaneous with the advent of bulk grain shipments was vigorous development of the bulk shipment of edible oil.

During the period immediately following founding of New China, edible oil and vegetable oil used for industrial purposes were shipped in drums in China as had been the case before liberation. This method generally entailed 15 different steps to get edible oil from the production area to the marketing area or port, and it also required large quantities of processed steel to make the drums. Returning the drums to production areas also wasted a lot of transportation. Toward the end of the 1950's, the supply of drums did not meet demand, so some areas began to experiment with the use of railroad tank cars to transport vegetable oil. By the 1960's, bulk shipment of oil had developed to a certain extent. During the 10 years of turmoil, processed steel for making drums was extremely scarce, so quite a few places resorted further to bulk oil shipments. Following the 3d Plenary Session of the 11th Party Central Committee, with the sudden increase in the growing of oil-bearing crops, state purchases, allocations and transfers, and storage of oil increased enormously. The task of shipping edible oil became increasingly strenuous, and the drum method of shipping it was obviously unable to keep up with production demands. As a result, every province, autonomous region, and municipality under direct central government jurisdiction, with the exception of Tibet, began the bulk shipment of edible oil. Edible oil storage facilities or oil tanks of a certain capacity equipped with pipelines, oil pumps, and measuring equipment were built at rural purchasing points and processing plants, at railroad and port transfer stations, and at warehouses and retail stores in large and medium size cities, their size depending on the number of kinds of oil handled, the volume of oil handled, and a rational distribution of such points. Special purpose tank trucks, railroad tank cars, and tanker ships were purchased for the preliminary building of a crisscrossing land and water bulk oil shipping network connecting producing and marketing areas, and connecting procurement, processing, storage, transshipment, wholesale, and retailing in one complete transportation line. From 1979 through 1984, 4.5 billion jin of edible oil was bulk shipped nationwide, 2.6 billion jin of it in 1984 accounting for 20.8 percent of all shipments for that year. These shipments resulted in a saving of 13.5 million work days, 170 million yuan, 43,000 freight cars, 76,000 tons of processed steel, and a more than 60 percent reduction in loading, unloading and returns as compared with drum shipment. Special purpose trucks and ship transportation also prevented contamination and reduced losses through transfers. These facts demonstrated bulk oil shipments to be a highly effective shipping method with few intermediary links. They were of great importance in accelerating the movement of commodity oil and improving economic returns.

Section III. Manage Well the Stored Grain

Following the founding of new China, the task of storing grain was a very arduous one. The amount of grain that the state received into warehouses each year through requisition procurement increased from more than 35 billion jin in 1950 to more than 200 billion jin in 1984. Not only was this a large quantity, but it consisted of many different kinds of grain as well. This was unprecedented in China's history, and it was also a rarity in any country of the world. Storage sites were rather dispersed, little mechanized, and of poor quality requiring that granary keepers steadily improve grain storage techniques. They launched a "four absences granary" campaign[5] and they intensified granary control, completed arduous grain care tasks, and insured safety of the stored grain in keeping with the needs of grain management, reduced grain losses, and curtailed expenses. In addition, they replaced production teams in looking after some of the stored grain, and passed along care techniques to rural villages, making contribution to safe rural grain storage.

I. Setting Up Different Forms of Grain Storage

As grain dealings developed and the grain control system changed, the state established several different kinds of grain storage. The quantity of grain in storage also increased steadily.

(I) Revolving storage, by which was meant grain stored in granaries, in processing plants, in retail shops, and grain in transit for the purpose of insuring regular grain supply. After October 1949, in addition to some revolving storage grain in the hands of state-owned grain businesses, a very large portion of agricultural tax grain under Ministry of Finance control was also transferred to commercial units for use in supplying cities and the countryside. Additionally, privately-owned grain businesses also had a certain amount of revolving storage.

Following institution of monopoly grain purchase and sale in 1953, all storage of state requisition procurement grain was under centralized control of grain departments. Negotiated price grain administered by grain departments was not stored in separate granaries; instead, it was stored together with requisition procurement grain and centrally cared for, though separately accounted for.

After 1978, as a result of changes in the commodity grain flow system and control system, revolving grain storage was divided into directly controlled revolving storage, fixed quota revolving storage, and negotiated price grain storage, all under a single centralized control.

(II) State storage was mostly grain stored in preparation for war or famine. In October 1954, CPC Central Committee "Instructions on Requisition Grain Procurement Work" said: "Today the state has no grain reserves under its own control. The grain in storage is simply revolving grain for meeting essential needs. The state must put into reserve a certain amount of grain to meet famine resulting from disasters and for various unexpected occurrences." Acting in this spirit, in 1955 the state began to designate a portion of revolving storage grain as reserve grain, and granaries designated for reserve storage were allocated reserve funds. In 1959, there was a grain shortage compounded by as yet unperfected reserve grain control methods that provided no clearcut authority for using grain reserves. Consequently, the designated reserve grain came to be used once again as revolving storage grain. In 1960, grain was in even shorter supply. In order to meet emergency needs, a small state reserve was established under direct control of the Ministry of Grain.

As a result of the 3 year period of grain hardship, everyone better understood both the necessity for and the importance of establishing a grain reserve. Thus, with a turn for the better in the grain situation beginning in 1964, the State Council decided to make reserve grain a part of the annual grain receipts and expenditures plan. During the same year, the Ministry of grain said in the newly drawn up "Temporary Regulations on Control of State Grain Reserves" that "Authority for access to state grain reserves belongs to the State Council." In 1965, Chairman Mao Zedong enunciated the strategic policy of "prepare for war, prepare for famine, and for the sake of the people." In February and September of the same year, first the National Conference of Grain Department (or Bureau) Directors, and then the Conference of Finance and Trade Secretaries made a special study of the reserve grain issue. Thereafter, the amount of state grain reserves increased substantially.

(III) By social reserves was meant grain reserves held in rural production teams and peasant households as a hedge against famine. In December 1953, Deputy Premier Deng Xiaoping said it was necessary to begin thinking about whether an obligatory storage system should be set up in rural villages during 1954. The "National Agricultural Development Program for the Period 1956 Through 1967 (Revised Draft)," promulgated in 1957, the "Instructions on Making Great Efforts to Develop Agriculture and Making Great Efforts in Grain," and the "Rural People's Commune Regulations (Revised Draft)," both of which the CPC Central Committee issued in August 1960, stressed the need to increase output, to balance bumper harvests against lean harvests, storing grain in preparation against famine. In some places production teams actively responded to the call to establish grain reserves. In Lianyuan County in Hunan Province, rural grain reserves stored in villages throughout the county stood at 74 million jin in 1957. Nevertheless, in terms of the country as a whole, the shortage of grain prevented most production teams from setting up grain reserves. Even when some production teams did put a little grain in reserve, usually it went into the reserve in the winter only to be used in spring, and be all gone by summer.

In 1963, the CPC Central Committee summarized experiences and problems in rural grain reserves. The establishment of collective rural grain reserves formed an

important part of its "Instructions on Grain Work." This instruction provided explicitly that state grain units could take the place of production teams in looking after grain reserves. Should production teams have financial difficulties, the state could pay for grain at list prices, production teams having the right to buy it back at any time. In consequence, social grain reserves were established fairly widely in rural villages. The grain situation continued a turn for the better in 1965. In October of that year, in ratifying and forwarding "Report on the Ministry of Grain Seminar on Launching Rural Collective Grain Reserve Work," the State Council again made some specific regulations about the guiding thought and specific control methods to be used in setting up collective grain reserves. As a result, rural collective grain reserves saw further development. During this grain year, more than 90 percent of production teams in good performing counties had reserves. Grain reserves in state granaries under state rather than production team control stood at 4.57 billion jin (of raw grain). This increased to 19.32 billion jin in 1979. This was an important rear area defense line that played a fine role in insuring the basic grain needs of all.

With the year-after-year bumper harvests and the tremendous increase in the amount of grain in storage in the country after 1979, there was a serious shortage of storage facilities. Not only was there no increase in the amount of grain reserves in state granaries under state rather than production team control, but rather the amount declined to 11.84 billion jin in 1983 as a result of a decline in the amount of grain that some production teams sold to the state at the excess procurement price.

Marx said: "Without commodity reserves, there can be no commodity flow," and "there must be a certain amount of commodity reserves in order to be able to satisfy the amount of demand during certain periods."[6] Over a period of more than 30 years, national grain reserves (including revolving storage grain and state reserves) increased gradually as market supplies of grain increased. Nevertheless, this increase followed a tortuous route. In 20 of these years, the amount in storage was less than in the previous year. This included the period 1958 through 1961 when, for four years in a row, it was necessary to tap reserves in order to get by. During the 10 years of turmoil, reserves also had to be tapped in 5 years. These facts showed the necessity and the importance of systematically accumulating and establishing grain reserves. Under normal circumstances, they played a "reservoir" role enabling the smooth flow of commodity grain. During periods of severe grain shortages, in particular, they could meet emergency needs, regulate surpluses and shortages between one area and another, between one variety and another, and between one season and another, playing a very great role in getting through a difficult grain situation.

II. Building Grain Storage Facilities

As the amount of grain storage increased and purchases and sales developed, the building of grain storage facilities also increased, creating the necessary conditions for good care and good control of grain in storage.

(I) Steady Increase in Storage Capacity

Following the victorious conclusion to the war of liberation, the number of granaries left behind by the Kuomintang government that were taken over was very small, their storage capacity amounting to only 11.404 billion jin. This included a storage capacity of 5.785 billion in ancestral halls and temples converted to storehouses, 5.32 billion jin in rudimentary storehouses, and 299 million jin in regular granaries. However, the amount of commodity tax grain obtained as agricultural taxes and through purchases increased rapidly, so the inadequate storage presented a very large problem. In order to meet needs for grain storage, grain departments acted to expand storage capacity from four directions at the same time during the period of economic revival: 1) Warehouse renovation: They converted ancestral halls and civilian houses into temporary warehouses. "Instructions on Improved Storage of Agricultural Tax Grain," which the Finance and Economic Commission of the State Council issued in April 1950, called upon peoples governments at all levels to assist in designating suitable temples and ancestral halls for use, or borrowing them for use for grain storage as a priority matter. By 1952, as a result of transfer, rental, or loan, such structures were renovated to provide 10.75 billion jin of storage capacity. 2) Development of storage yards: By this was meant the open air storage of grain protected by mats. This method was not suitable for long-term storage, but since both materials and funds were lacking to build granaries, this was all that could be done to meet the need for grain storage. During this period, storage yard capacity increased to a total of 21.54 billion jin. 3) Storage rental: During this period when the economy was still developing gradually, foreign trade had not yet developed, and freight transportation units did not have heavy burdens. Consequently, both coastal and Chang Jiang harbor affairs units, as well as other economic units had empty warehouses. Grain departments used this opportunity to rent warehousing space with a total capacity of 16.560 billion jin, 11.68 billion jin of it warehouses, and 4.88 billion jin of it storage yards. 4) New granary construction: In 1950, the State Council Finance and Economic Commission required that "all jurisdictions must allocate some funds for the building of new granaries from out of money approved for grain matters." New granaries built from 1949 through 1952 had a storage capacity of 10.27 billion jin, 8.29 billion jin of it in rudimentary storage and 1.98 billion jin of it in regular granaries. These statistics showed that despite the very great lack of funds and materials during the economic revival period, new granary construction greatly exceeded the rudimentary and regular storage facilities that the Kuomintang government left behind.

This included 55.8 percent more rudimentary storage capacity, and 5.6 times again as much regular storage capacity.

Thanks to the foregoing energetic measures in four regards, storage capacity was increased by 59.12 billion jin, which substantially satisfied grain storage needs.

After the institution of monopoly purchase and sales, both the amount of grain going into storage and the amount of grain in storage increased abruptly, and the time of movement into storage was concentrated. More than 40 percent of annual requisition procurement grain was moved into storage within 2 months after the autumn grain crop reached the threshing grounds. After the advent of the First 5-Year Plan, there was no longer any space left for storage in ancestral halls and temples, and some of the rented and borrowed storage areas had to be returned. Consequently, there was a glaring lack of sufficient storage capacity. In 1954, more than one-third of the grain was stored outside in storage yards.

Despite the shortage of funds during the First 5-Year Plan, large amounts were allocated to the building of granaries in order to solve the grain storage problem. Granary capacity built with capital construction financing amounted to 44.05 billion jin. During 1958 and 1959, another 34.39 billion jin of storage capacity was completed. When this storage capacity was added to the storage capacity built using the local "four expenditures,"[7] a total of approximately 90 billion jin of storage capacity had been built from 1953 through 1959, playing a major role in solving storage difficulties. Per unit costs of granary construction also declined gradually. Granary construction costs nationwide per 10,000 square meters were 51 percent lower in 1955 than in 1952.

In regard to the pattern of distribution, the policy for granary storage construction during the 1950's was one of "orientation toward the cities while looking after rural villages, most construction being in large and medium-sized cities and in industrial and mining areas; concentration primary and dispersal ancillary, safe areas having convenient transportation being selected while also taking into account the needs of places perenially prone to natural disasters. The design of granaries was copied from the Soviet Union for the most part. Following enunciation of this policy by grassroots grain units in 1954, different opinions arose within the grain system as to whether granaries should be built in production areas or marketing areas, and whether grain storage should be on site or centralized. Consequently, in implementation, some places stressed the on-site method so as not to adversely affect agricultural production. This required the building of many warehouses in rural villages. In the selection of granary design, ever since Soviet storage exports came to China in 1953, copying of the Soviet model was promoted everywhere in the country. This played a positive role in completion of the large scale construction, and in lowering construction costs at that time. However, natural conditions differed from place to place throughout the country, and the kinds of materials available for building granaries also differed greatly. To use a single blueprint everywhere risked failing to take reality into account in some cases, not to mention that these squat and fat storage houses with their large girth and overly low walls, and that took up a lot of land but provided little capacity, and stored little grain could also not be easily ventilated to disperse heat. This had a bad effect on grain storage. Consequently, many places revamped these granaries. Toward the end of the 1950's, Guangdong, Zhejiang, and Shanghai built some round brick storage silos requiring little processed steel and cement.

During the early 1960's, when the national economy was undergoing readjustment and construction funds were in short supply, and when the amount of grain being moved into storage as well as the amount of grain in storage declined dramatically, granary construction was greatly curtailed. From 1960 through 1965, only 10.98 billion jin of grain storage capacity was built using state allocated capital construction funds. After three years of national economic readjustment, agricultural production gradually revived, and along with it the grain situation gradually took a turn for the better. Once again there was a shortage of granaries. Therefore, during the Third 5-Year Plan, granary construction increased once again, state capital construction funds being allocated to build 30.37 billion jin of storage capacity. In addition, grain departments in all jurisdiction used renovation funds to build some warehouses. During this period, granary site selection suffered interference from the leftist ideology of "mountain, dispersed, and cave" storage. In 1967, "Several Ideas About the Building of National Reserve Warehouses" from the Ministry of Grain pointed out that "the construction of new reserve storage according to the principles of "dispersal, concealment, relying on mountains, and mobility" generally requires selection of sites on regular highway and water transportation routes 10 kilometers away from railroad lines. Their pattern of distribution and the scale should follow the principle of "small local groupings" to build a warehouse complex. Design should be in keeping with war preparation requirements, using "three conversions" (conversion of houses, conversion of courtyards, and conversion of villages). Inasmuch as reserve storage and circulating storage could not be easily separated completely, some unusable "dead corner warehouses" were built away from transportation lines between 1968 and 1971.

At the end of the 1960's, both the amount of grain dealings and the amount of grain in storage continued to rise, and reserve grain under the care of state grain granaries instead of rural communes and brigades also increased considerably. Granary construction could not keep up with the need for grain storage. Furthermore, the damage to the national economy from the "Great Cultural Revolution" was becoming more and more serious. Funds and materials were in extraordinarily short supply, so it was also not easy to buy the mats needed for

outdoor grain storage. It was under these circumstances that the National Conference for the Exchange of Experiences in Grain Work Reform, convened in June 1969, promoted the experiences of Mingshui County in Heilongjiang Province in building "round earthen storehouses" using some straw and mud. These "round earthen storehouses" could be built at a low cost without steel, lumber or cement. They could be paid for out of circulating funds without being limited by capital construction investment. Thus, this conference called for their general spread throughout north China, and the running of experiments in their use in the south. During those several years, it seemed that virtually the whole country was engaged in building "round earthen storehouses." The most and the best of them were built in north China. By the end of the 1970's, "round earthen storehouses" provided a storage capacity of 16.6 billion jin of which 10.6 billion jin was in service.

The large scale construction of "round earthen storehouses" played a definite role in easing the shortage of capacity at that time, in replacing outside grain storage using mats, in improving storage conditions, and in promoting the development of grain storage machines. The practical experience of the two cities of Beijing and Tianjin showed that in terms of construction costs and utilization time, the cost of storing 10,000 jin of grain in "round earthen storehouses" was less than half than half the cost in mat storage for rather market economic benefits. The problem was that the 1966 promotion of this kind of storehouse did not proceed from realities, nor were general methods suited to specific circumstances. The headlong rush into mass action before the building techniques were fully matured created some waste and loss.

Simultaneous with the building of "round earthen storehouses," house-like storehouses continued to be built. From 1971 through 1978, in addition to the construction done using funds that local governments provided, 24.82 billion jin of storage capacity was built with state allocated capital construction funds. Furthermore, some underground rock cave and some underground horn-shaped grain storage areas were built as geographical conditions permitted.

Following the 3d Plenary Session of the 11th Party Central Committee, agricultural production production developed very rapidly and the amount of grain moved into storage increased enormously. "Difficulty selling grain," difficulty storing grain," and "difficulty transporting grain" occurred in some places for a time. Many reasons accounted for this, but one major one was the failure of storage facilities to keep pace with changes in the situation.

Thus, from 1979 through 1984, in addition to the 10.92 billion storage capacity completed using state provided capital construction funds, all jurisdictions used most of three kinds of special funds, namely updating and transformation funds, rudimentary construction money, and profit withholdings (including apportionments to reduce losses) to build warehouses, building a capacity of 60.02 billion jin. Much progress was also made on warehouse design. Coastal ports and some transportation hub areas built a number of modern silo-style granaries. Beijing, Tianjin and the three northeastern provinces built large number of round storehouses made of brick and reinforced concrete. Southern areas developed high, arched top storehouses, and some places such as Shanghai began to build storied grain elevators. Some places also built small steel plate granaries. All areas also developed a large amount of outside grain storage grounds.

(II) Gradual Development of Grain Storehouse Machines.

During the period immediately following the founding of new China, simultaneous with the building of granaries, granaries in large and medium size cities bought rubber conveyor belts from machine industries, and they also imported from the USSR some dryers and grain cleaning machinery. Because no research related to realities was done at that time, and because of the lack of technical personnel, most of the machinery was left unused, unable to play a role and tying up large amounts of capital. In view of this situation, the Grain Storage Machinery Technical Research Conference convened in April 1954 was devoted mostly to learning about and studying basic knowledge of grain cleaning machinery, conveyers, and drying machines, as well as how to use and maintain them. This conference enunciated policy in setting up mechanized granaries as being: "Emphasis on installation; mastery of skills; summarization of experiences; and steady progress." It set 1954 as the date for the installation of 600 conveyers, 150 grain cleaning machines, and 60 dryers in key granaries and large graneries in which conditions were better than elsewhere throughout the country. However, because these machines were too heavy, required great strength to operate, were very inefficient, and were impractical, they were removed or transferred to other units within a few years. Under influence of the "Great Leap Forward," a large scale mass technical innovation policy was called for that employed both indigenous and foreign methods, going from the indigenous to the foreign." It also called for major processes in granaries to be mechanized or semi-mechanized by 1959. Thus it was that grassroots granaries and stations themselves manufactured large numbers of manpower-operated, wooden granary machines, an overwhelming major of which gradually vanished because they were not durable or were unsuitable. Despite the lack of successful grain machinery products during this period, the advantages of machinery operations to take the place of manpower began to be understood among the broad masses of granary staff members and workers whose demand for machinery becoming more and more urgent.

In the early 1960's, the Ministry of Grain established at Zhengzhou the first grain machinery plant in the whole country devoted primarily to producing grain storehouse machinery. At the same time, it also called upon grain departments everywhere to examine and appraise all the

mass-innovated and transformed granary machines of the "Great Leap Forward" period, putting to active use all that was found to be effective. Places having requisite conditions might emphasize equipping one or several different kinds of mechanized granary sites, constantly adding to and improving them to serve as a direction for future development. In order to do this, granaries and grain stations in some places organized innovation teams equipped with a small number of machine tools that did their own designing and their own manufacturing. They transformed wooden construction to metal construction, and changed manpower to electric power to produce some granary machines basically suited to grain movement, cleaning, drying, and weighing. The products of the Zhengzhou grain machinery plant also began to be sold throughout the country. However, this fine beginning very quickly came under attack from the countercurrents of the 10 years of turmoil, and was halted temporarily.

With the development of "round earthen storehouses" during the early 1970's, mechanization of entry and exit of grain into granaries, loading, unloading, and weighing became new problems in urgent need of solution. In 1973 and 1974 Deputy Premier Li Xiannian often made written comments about the development of commercial machines (including granary machines), attracting the serious attention of leaders at all levels. The Ministry of Commerce allocated raw and processed materials for the production of grain storehouse machines, and in 1975 it held a national inspection and learning conference on the innovation of machine techniques in granaries and grain shops, thereby enabling further rapid development of granary machinery production. From 1974 through 1978, on average, 10,000 granary machines were added annually, their quality improved, and the number of kinds of machines increased. However, development was very uneven from one area to another, machine models were not uniform, parts were not interchangeable, and the technical level was also very low.

After 1979, the building of all sorts of silo storehouses, and the transformation of the "Soviet copy storehouses" increased the elevation at which grain was stored. Grain could not be put into them without machinery. The peasants used tractors, trucks, and boats that transported a lot and turned around fast to deliver grain, but there were no machines to receive and unload it. Granaries that used the "four bulks" (bulk loading, bulk shipping, bulk unloading, and bulk storage), in particular, could not organize work into a continuous process without machinery. These objective circumstances showed that granary machinery had become indispensable to the various tasks of requisition grain procurement, marketing, allocation and transfer, storage, and processing. In order to solve the foregoing problems step by step, reverse the proliferation of many models of machines, and gradually institute grain storehouse machinery standardization, interchangeability, and serialization, in 1979 the Ministry of Grain Storage and Shipping Bureau convened a national conference on granary machinery model selection and model finalization standards, listing 25 grain storage machines for model selection and model finalization. In 1980, it convened another seminar on grain storehouse mechanization work attended by 14 provinces, autonomous regions, and municipalities under direct central government jurisdiction, which explored the problem of grain storehouse machinery development. In 1981, the National Grain and Edible Oils Warehousing and Inspection Work Conference enunciated the guiding thought for work on granary machinery. It had to be guided by the policy of national economic readjustment, persevere in proceeding from realities, act within the limits of strength and capabilities, seek substantial results, and advance actively and steadily. The conference proposed three requirements in principle, namely: suiting general methods to specific circumstances to do a good job of planning; stress development with rational integration to form a totality; and improve management in a quest for substantial results. Thereafter, grain storehouse machinery saw further development. Statistics taken from 1983 survey data showed that as of the end of 1981 the country had a total of 124,000 granary machines and stationary conveyers converted to machine terms, up 86.9 percent from 1978. Machinery-equipped warehousing points totaled 13,323, or 22.8 percent of all warehouses. At these warehousing points, 53 percent of all operations were machine operations in 1981. In the three cities of Beijing, Tianjin, and Shanghai, the three northeastern provinces, and Jiangsu Province, 71 percent of all the granary work done in these three city and four provinces was done by machines. By the end of 1984, the country had a total of 157,869 granary machines and stationary conveyers converted to machine terms, up 26.6 percent from 1981. In terms of the depth of granary mechanization, there were machines that made the jobs of bringing grain in, taking grain out, and looking after grain more convenient. For the most part, they were able to perform continuous operations, linking all parts into a continuous whole to lay a better foundation for improving granary machinery science and technology, and for the modernization of grain departments. As a result of the development of granary machines, marked results were obtained in prompt fulfillment of commodity movement tasks, in reducing labor intensivity, in saving expense, and in conserving the country's transportation.

A review of the building of grain storage facilities during the past more than 30 years shows that despite ups and downs, overall there was very great development that was basically suited to requirements for grain management. Of course, the lack of long-range, comprehensive planning, and genuinely workable storehouse building policies in the building of storage facilities resulted in an insufficiently rational pattern of present granary distribution, and a relatively low technical level of storage facilities.

III. Steady Improvement of Grain Storage Techniques

Following the founding of new China, all jurisdictions drew up grain storage plans and grain storage principles

in order to be able to do a good job of storing the large quantities of requisition procurement grain moved into storage. They ran training classes in grain storage techniques, set up scientific grain research institutions, and publicized and provided education on grain storage techniques in order to provide conditions for the improvement and development of grain storage techniques. All jurisdictions also relied on the launching of a "four absences grain storage" campaign among the broad masses of staff members and workers in grain storage, and they summarized and spread experiences gained both in China and abroad on effective grain storage in accordance with the need to "make the past serve the present," and to "make foreign things serve China." They also constantly developed and innovated in the course of practice, thereby building grain storage techniques having a distinctively Chinese character, some of which met or approached advanced world standards.

(I) Formulation and perfection of grain storage policy. In 1953, the Ministry of Grain proposed a policy of "emphasis on prevention rather than control" in grain storage work. It reiterated this policy in "Provisional Methods to Prevent and Control Insect Pest Damage in Grain System Storehouses and Processing Plants" of 1954, and it spelled out overall prevention and control methods based on experiences in grain storage introduced by a Soviet expert: Cleanliness and sanitation are fundamental; the physical plant and machinery are of primary importance; and pesticides are a last resort." The general spirit of these three methods of prevention and control was correct. However, some places understood them as three steps to be taken one after another. Some places that might have used pesticides used manpower and machines instead at enormous expense for small results. Consequently, by 1954 insect pest infestations of stored grain were rather serious everywhere. In August of this year, insect pest infestation of grain in storage was 14 percent greater than during the previous year, and in some seriously infested provinces, infestation was 26 percent higher than the previous year. The Ministry of Grain sought to correct this situation nationwide in two conferences, one in 1955 and the other in 1956, which pointed out the need for a total, correct and flexible application of the policy of "emphasis on prevention rather than control." It called for the use of various effective measures to wipe out insect pests while protecting personnel, and protecting and conserving grain. Later on, it capsulized this spirit in the principle of "safe, economic, and effective" grain storage. In 1959, it changed the policy of "emphasis on prevention rather than control" to "simultaneous prevention and control, prevention first."In 1965, it was again changed to "prevention first, with simultaneous prevention and control." It also pointed out the need for both prevention and control, prevention being fundamental, but controlling while preventing, and preventing while controlling.

(II) Development of Various Kinds of Grain Storage Techniques.

1. Conventional storage: China was one of the earliest countries in the world to develop grain storage techniques, accumulating a wealth of experience with both grain storage facilities and grain storage techniques. During 1954 and 1955, The Ministry of Grain used a summarization of historical experiences as a basis for promulgating "Provisional Methods For the Prevention and Control of Insect Pests in Grain System Storehouses and Processing Plants," and "Provisional Methods For Managing State Grain Storehouses," which provided a body of grain storage rules and regulations. It also incorporated into the above methods the basic experiences of grain departments in Yuhang County in Zhejiang Province in the pioneering of "insect-free" grain storehouses. Thus, they became conventional grain storage techniques of general significance.

2. Pesticide preventative method: Sanitary conditions were extremely bad in the warehouses that Shanghai took over and rented during the period immediately following liberation. The walls were infested with insect pests, inside warehouses moths flew into one's face, and beetles lived in droves beneath the floors. Grain losses to insect pests were extremely serious. In order to eradicate these insect pests, East China Grain Company technician Yu Jusheng [0060 5468 3932], and staff members and workers in the Shanghai municipal grain departments adopted the methods used abroad for eradicating insect pests, using chemical pesticides to fumigate warehouses and grain. Later on, this became a method used everywhere to get rid of insects in stored grain. Between 1950 and 1953, Shanghai alone used 865,000 jin of chemical pesticides of various kinds to fumigate 359 million jin of grain. As a result, Yu Jusheng was judged a national labor model in 1950.

During the late 1950's, Jiangxi and Sichuan province began to experiment with chemical storage, meaning they hermetically sealed grain in storage after having fumigated it with chemical pesticides. This method showed marked results in protecting grain having a high moisture content. A 1959 national conference on grain and edible oil storage conducted a special study and discussion of this method, which was steadily applied during the 1960's.

During a period of more than 30 years, prevention and control chemicals were steadily improved; dosages steadily declined; fumigation methods steadily improved, and chemical prevention and control techniques also advanced steadily.

3. Temperature-controlled storage: This included both high temperature and low temperature storage. High temperature storage meant storing grains such as wheat and peas in hermetically sealed packages while hot immediately after sunning in order to kill insects and prevent mold. This was an experience for preserving grain borrowed from China's working people in ancient times. The peasant method of storing grain in pits reported more than 1,000 years ago in "Essential Techniques of the Masses" which read, "The grain must be

sun dried and buried at once while hot" explained this principle. Following the founding of new China, it was reaffirmed in joint experiments conducted by scientific research units and grain units, and it was promoted in use throughout the entire country during the 1950's. Natural low temperature storage was always a means of protecting grain, particularly in north China. The principal methods used were natural ventilation to lower the temperature and the moisture content of the grain; the building of underground or partially underground storehouses to take advantage of the heat insulating properties of the earth to control grain temperature; and taking advantage of frigid temperatures during the cold season to move grain into storage. During the mid-1950's, some places experimented with machine ventilation to lower grain temperature and moisture content. A substantial investment in ventilating equipment was made at that time, but the technique was not fully mastered; thus, it was not further promoted. It was not until the 1960's that some places began to use it. From the 1970's onward, grain storehouses in many places began to install mechanical ventilating equipment. By 1984 such equipment was being used on 5 billion jin of grain in Jiangsu Province, which had begun to use it earlier than other places. Storehouses in Zhejiang, Jiangxi, Anhui, and Shanghai possessing such equipment also ventilated a capacity of 2.2 billion jin. Refrigerated cooling got off to a fairly late start in new China. During the mid-1970's, a small number of granaries in large and medium size cities began to install such equipment. Thereafter, Shanghai used air conditioners in place of refrigerators for cooling. This air conditioning lowered storehouse temperature accurately and fairly quickly, was easy to operate, and consumed a small amount of electricity. During the 1980's, it gradually became the main way of storing rice through the summer in the Shanghai area. At the same time, other cities also adopted this method.

4. Air-controlled storage:[8] By this is meant maintaining the internal air composition in grain piles. When used in conjunction with grain temperature and moisture regulation, it serves to delay biophysical activity in grain and to kill insects and control bacteria. This was a grain storage technique developed during the 1960's. In 1963, the Second Wholesale Supply Station of the Shanghai Municipal Grain Bureau conducted small-scale experiments on air-controlled storage. Inspired by the above experiments, in 1966 the Shanghai Municipal Grain Storage and Transportation Company conducted some production experiments at the No 1 Granary, including vacuum-sealed grain storage, natural anerobically-sealed grain storage, and sealed nitrogen-charged storage, all of which produced fine results. Subsequently, these three air control storage techniques entered the application stage in Shanghai. After comparing several years of practice, they scrapped the vacuum storage method in 1969. After 1973, they used mostly the natural anerobically-sealed storage method. From 1966 through 1984, Shanghai used these three methods to keep 6.74 billion jin of grain, including 30 million jin in the 1960's, 2 billion jin in the 1970's, and 4.71 billion jin from 1980 through 1984. Such extraordinarily rapid development demonstrated these methods to be good ones for storing grain safely. During the 1970's, grain storage units in other places used the foregoing three methods, and also experimented with or used other air control storage techniques such as carbon dioxide-charged storage, charcoal burning deoxidation storage, and molecular sieve deoxidation storage.

(III) Comprehensive prevention and control: By this is meant the use in combination of the three methods of cleanliness and sanitation, physical machines, and chemical agents to effect prevention and control. During the period of simultaneous experimentation and application of air-controlled storage during the 1970's, some places also experimented with low oxygen and low amounts of chemicals (or the "two lows," for short) to protect grain. The All-China Conference to Examine Work in Grain and Edible Oil Storage," which convened in December 1975, formally proposed "adoption of cleanliness and sanitation, physical machines, and chemical agents as complete prevention and control methods for protecting grain." This was a new advance in grain protection techniques that showed development from single prevention and control methods toward comprehensive prevention and control methods. Thereafter, many places experimented and employed the "three lows" (low temperature, low oxygen, and low chemical dosage) to protect grain. Each of these methods, including physical machines (temperature-controlled storage, and oxygen-controlled storage), and chemical agent prevention and control had their own advantages and were mutually reinforcing so that they produced greater prevention and control. Practice everywhere demonstrated that the use of complete prevention and control methods to protect grain could lower costs, reduce labor intensivity, and control the biophysical activity of grain, and of fungus and mold to achieve the goal of eradicating insect pests to preserve grain quality. They were completely in keeping with the grain protection policy of "prevention first, with simultaneous prevention and control," and the principles of "safety, economy, and effectiveness." For these reasons, the "two lows" and the "three lows" grain protection techniques steadily developed everywhere.

IV. Launch "Four-Absence Grain Storages" Campaign (Absence from Insects, Molds, Rodents and Birds"

"Four absences grain storage" was an advanced grain protection experience that grassroots staff members and workers distilled from practice. The important measure of following a policy in grain protection of "prevention first, with simultaneous prevention and control" was an important indicator in judging the quality of grain protection work.

(I) Background to the "four absences grain storage." During the period immediately following founding of new China, grain units confronted an extremely daunting grain protection task. This task was characterized by: a rapid increase in the amount of requisition

procurement grain entering storage, a serious shortage of storage capacity, extremely rudimentary storehouses, extremely dispersed grain storage, and backward grain protection techniques. (See Table 14).

Table 14. Quantities Going Into Storage and Storage Capacity

Date	Units: 100 Million Jin					
	Amount of Grain Going Into Storage	Available Storage Capacity				Total Storage Capacity as A Percentage of Amount Going Into Storage
		Total Capacity	Including			
			Regular Granary	Rudimentary Storehouse	Ancestral Halls, Temples, and Houses	
1950	356	159.7	9.5	92.3	57.9	44.9
1951	479.3	191.5	11.2	122.4	57.9	40.0
1952	595.4	324.2	22.7	136.2	165.3	54,5

How to take care of the grain was a major problem that the broad masses of grain keepers faced at that time.

The table above shows a 67.3 percent increase in the amount of grain going into storage in 1952 versus 1950. Although capacity was twice that of 1950, it could still accommodate only 54.5 percent of the amount of grain to be moved into storage that year, and 93 percent of that in ancestral halls, temples, and civilian houses. An overwhelming majority of the grain was scattered in rural villages and in inland cities and towns. Since there was too much grain for the available storage points, and since some storehouses could not be used at times, in places where there was too much grain for available storehouses, a large percentage was stored outside on storage grounds where damage caused by insects, mold, rodents and birds was fairly serious. At that time, many grain keepers felt that bugs always grew in grain, and that damage from mold, rodents and birds was unavoidable. It was rather common for rodents to eat from the top layer of grain in storage, for mold to attack the bottom layer, and for insects to crawl all over the interior. Pilferage, fires, rain leaks into storehouses in need of repair, and collapse from delapidation occurred all the time. A Shanghai flour mill that had been in business for 50 years had never cleaned up and eradicated insects throughout the mill. From 15 through 21 May 1959, Shanghai municipal grain units fielded 480 people for more than 2,000 man days to clean the mill thoroughly and eradicate insects. They cleaned 21,000 jin of old flour and 3,437 jin of insect pests from the machinery. From under the floor, they cleaned more than 40,000 jin of refuse, including an incalculable number of insect pests. This example shows the seriousness of insect pests at that time.

(II) Establishment and development of "four absences storehouses." In view of the foregoing situation, from 1950 through 1952, the State Council Finance and Economic Commission issued notices for 3 years in a row on improving the care of agricultural tax grain, calling for insuring grain safety with no molding and rotting. The broad masses of staff members and workers responded positively to this call, battled heroically, and performed arduous pioneering work for outstanding completion of the task of taking care of the grain. In 1953, staff members and workers in grain units in Yuhang County, Zhejiang Province worked with indomitable will, endured great hardships, and did a large amount of work to carry out a major clean up using their own two hands and simple tools, which transformed storehouses, improved grain storage conditions, and got rid of insect pest nesting places. This work, together with other measures, produced the first "insect-free grain storehouses." Fifty-five of the 88 grain storehouses throughout the province were "insect-free grain storehouses." Their primary experiences were: first, storehouses had to be thoroughly cleaned so that the inside of the storehouses had "six shiny surfaces," and the outside of storehouses had "three rids" (rid of weeds, garbage, and sewage). Second, five steps had to be taken before a storehouse accepted grain, namely, a complete sweeping; cleaning of storehouse equipment; elimination of insect nests; whitewashing of cracks; and use of pesticides to kill insects. Third, after grain entered the storehouse, three tasks had to be given attention: maintenance of cleanliness and sanitation, prevention of insect pest infestations; and promptly tracking down and killing overwintering storehouse insects, conducting regular inspections and dealing with problems promptly. In 1954, the Xiangang Granary in Kaiping County, Guangdong Province, and the Ningwu County Grain Bureau in Shanxi Province both created "mold-free granaries." Although the experiences of Kaiping and Ningwu differed from those of Yuhang, all three counties resolutely carried out the grain protection policy of "emphasis on prevention rather than on control," establishing a body of strict conventional grain care regulations. The Ministry of Grain promptly summarized and spread their experiences, and both central government and local

government periodicals publicized and reported them widely. That year, the manager of the granary in the Yuhang County seat, Xing Fuhe [6717 4395 3109], Xianling Granary grain keeper Yu Chuanxiu [0827 0278 4423], and Ningwu County Grain Bureau director Zhou Zizhong [0719 1311 6850] were invited to Beijing to take part in the "May 1" Labor Day celebration. The Ministry of Grain convened an advanced deeds lecture meeting especially for these three models of grain keeping.

The founding of "insect-free" and "mold-free" storehouses emancipated the thinking of numerous caretaker personnel and reinforced their confidence in being able to fight insects and mold to take care of grain. A mass socialist competition in grain keeping unfolded in which everyone learned about the advanced deeds of the grain keeper models through real actions.

When the All-China Grain Storage Work Conference convened in April 1955, the Ministry of Grain used the "insect-free" and "mold-free" granary experiences as a basis for focusing on rodents, birds, and all sorts of accidents that damaged grain storage safety. It issued "Ideas on the Complete Launching throughout the Grain System of Insect-free, Mold-free, Rodent- and Bird-free, and Accident-free Granary Work" It also drafted basic conditions and specific instructions for "Four Absences Storehouses." Since these proposals derived from practice, they had a broad mass basis and contained clear-cut instructions. They could be seen, felt, examined, and compared and assessed. Consequently the broad masses of grain keeping personnel responded to them with enthusiasm. Very quickly a campaign for studying advanced examples and creating "four absences" unfolded throughout the grain storage system. The broad masses of staff members and workers engaged in grain keeping work acted with selfless enthusiasm and an attitude of masters in their own house to overcome all sorts of difficulties, battling night and day to improve grain storage conditions. In order to gain an understanding of the best ways to control insects and eradicate rodents, many staff members and workers squatted inside storehouses day and night and crawled across grain piles to observe their movements. The sweat of their hard labors earned them rich results. Statistics from 20 provinces, autonomous regions, and municipalities under direct central government jurisdiction showed the appearance of 22,461 "four absences granaries" by 1955. Comparison of 1955 with 1954 showed a 35.2 percent decrease in storage losses, and a 26 percent per 10,000 jin decline in grain storage expenses. Thirty-four granary keepers attended the May 1956 All-China Congress of Advanced Producers. This was 32.4 percent of the total number of people from the grain system who attended this conference. In November of the same year, the Ministry of Grain convened the All-China Congress on Advanced Grain Work, which was attended by 741 delegates, 319 of them engaged in purchasing and storage. The pioneers in creating "insect-free" and "mold-free" storehouses, namely the Cangqian District Grain Administration Office in Yuhang County, the Xiangang District Grain Administrative Office in Kaiping County, and the Ningwu County Grain Bureau took part in this conference as advanced units. By 1957, "four absences storehouses" had a storage capacity of 42.5 billion jin, more than 30 percent of the total storehouse capacity at that time. The amount of wormy grain declined very greatly, and serious cases of grain being eaten by insects or spoiled by mold, and other storage accidents decreased tremendously. An unprecedently fine situation occurred in grain keeping work.

The years 1953 through 1957 were a healthy stage of development of "four absences grain storage" from inception to general spread.

Influenced by the tendency toward exaggeration, a campaign of "seven absences grain storage" (insect-free, mold-free, rodent and bird-free, no accidents, no changes in color, no off taste, and no diseases was proposed, but it did not get off the ground for lack of objective conditions. Next came the 3 years of grain hardship. Rationally speaking, the greater the grain shortage, the greater the necessity for good grain keeping work, doing all possible to reduce grain damage and spoilage. However, some places slackened leadership for a time, so serious molding and worm infestations of grain occurred. In December 1964, Premier Zhou Enlai wrote a comment on this matter as follows: "It is necessary to establish regular care, cleaning, prevention and control, sunning, and inspection." Vice Premier Li Xiannian also noted that "the grain system should take firm hold of grain keeping work, regarding it as an important matter. It should also diligently summarize the fine experiences of the past several years, and vigorously advocate four absences granaries." As a result, after 1965 the the "four absences grain storage" campaign quickly revived, a large number of new and old advanced granaries emerging and developing, the most prominent of which was a granary directly administered by Yutian County in Hebei Province. Acting under leadership of the granary manager, Zhang Ru [1728 0320], in 1954, all the staff members and workers of this granary began to study the experiences of Yuhang County in Zhejiang Province. They persevered for many years in carrying on a campaign of "four absences grain storage", continuing and carrying forward the fine tradition of grain departments operating storehouses with industry and thrift. They raised the slogan of "Better to shed 1,000 drops of sweat than spoil a single kernel of grain." The two hands of the broad masses of staff members and workers transformed 72 old storehouses and improved grain storage conditions, bringing forth a "four absences" granary in 1956. Next they built 50 outdoor storage places, leveled a more than 900 square meter cinder tract, and built a 150 meter long wall around it. They also made and looked after more than 1,000 pieces of machinery and implements, saving the country a large amount of investment and expense. As a result, grain keeping costs at this granary dropped from 55 yuan per 10,000 jin of grain in 1955 to 7.10 yuan in 1965, 73.5 percent less that the national

average that year for 10,000 jin of grain. When the Ministry of Grain convened the All-China Storage Work Conference in December 1965, it summarized and promoted their experiences. Ministry of Grain Deputy Minister Yang Shaoqiao [2799 1421 2890] presented this granary with a trophy banner. At the conference, he also called upon granaries throughout the country to emulate them, thereby advancing the further development of the "four absences grain storage" campaign.

"Four absences grain storage" came under attack during the early part of the 10 years of turmoil. Some places mistakenly criticized the practice of "four absences" as "putting vocational work in command," and as "only paying attention to bugs and not to the line." In 1972, the State Council proposed restructuring of enterprise administration, reviving the regulations for safety in production. In accordance with this spirit, when the Ministry of Commerce convened the All China Conference for Exchange of Experiences in Grain and Edible Oil Keeping Work that year, it reiterated the intention to continue the "four absences grain storage" campaign. The All-China Conference on Grain and Edible Oil Storage Inspection Work in 1978 fully affirmed the correctness of the orientation of the "four absences grain storage" campaign; however, because of the influence of "leftist" ideology at that time, some of its targets were overly high and divorced from reality.

The period from 1958 through 1978 was 20 years in which the "four absences grain storage" campaign moved forward along a winding road, and it was also 20 years of testing.

Following the 3d Plenary Session of the 11th Party Central Committee, "leftist" influence was eradicated, and various policies put in place. In 1981, the All-China Conference on Grain and Edible Oil Storage Inspection Work" proposed that "four absences grain storage" be completely assessed, all units genuinely meeting "four absences" standards being re-issued certificates and awarded commendations and prizes. Incomplete statistics from 22 provinces, autonomous regions, and municipalities under direct central government jurisdiction showed that as of the end of 1981, 22,970 granaries had been evaluated as being "four absences" granaries. This was 76.7 percent of the granaries in these places. In early 1983, the Ministry of Commerce convened a nationwide congress of "four good" and "four absences" advanced granary units, which reviewed and summarized experiences in carrying out the "four absences grain storage" campaign. On behalf of the Ministry of Commerce, Ministry of Commerce Deputy Minister Jiang Xihuan [1203 5045 6703] presented to 54 "four absences grain storage" advanced units, including the Yuhang County Grain Bureau in Zhejiang Province, and the Yutian County Grain Bureau in Hebei Province with silk banners and certificates of merit. After this conference, the "four absences grain storage" campaign saw further development and improvement. In 1984, the number of advanced units doing grain and edible oil storage work increased again to 66.

(III) Results obtained by the "four absences grain storage" campaign. In the course of more than 30 years, despite its ups and downs, the "four absences grain storage" campaign's achievements were most important and tremendous. This campaign improved grain storage conditions, improved the quality of stored grain, promoted the development of grain keeping techniques, trained a grain keeping corps possessing specialized knowledge, and also produced marked economic benefits. After the "four absences grain storage" campaign was launched, each year an average of more than 30 billion jin of grain having a high moisture content, and more than 80 billion jin of insect-infested grain (including amounts processed more than once) were processed, thereby insuring stored grain safety. During the early 1950's, the natural loss rate was 0.3 percent and above per grain storage year, and the insect infestation rate was more than 60 percent, By the 1980's, the natural grain loss rate was generally within 0.2 percent, meaning a more than 100 million jin reduction in grain loss in this single category. The grain infestation rate also fell to 6.8 percent.

"Four absences grain storage" not only struck root in the hearts of the people in China's grain system, but also earned good marks from experts in the same line of work abroad. In mid-July 1980, Kasasi, an official of the United Nations Food and Agriculture Organization said feelingly after an inspection tour of the Canqian Granary in Yuhang County, which had pioneered "insect-free grain storage": "'Four absences grain storage' is good! I have been to many countries, but I have yet to see grain keeping done as well as 'four absences grain storage.'" This showed the need for this experience to be introduced to other countries.

Even though the "four absences grain storage" campaign scored very great accomplishments and accumulated rich experiences; nevertheless, as the result of the increasing improvement in the grain situation after 1979, the amount of grain in storage steadily increased, and grain keeping tasks became more strenuous. Simultaneous with continued deepening of the "four absences grain storage" campaign, grain departments faced new problems requiring study and solution in how to prevent grain from becoming stale, and how to maintain freshness.

V. Improvement of Granary Management and Administration

In order to arouse the enthusiasm of the broad masses of granary cadres, staff members, and workers to take good care of grain in storage, fixed production quotas were instituted, administration was promoted, and independent accounting with responsibility for one's own profits and losses was tried.

(I) Institution of fixed production quotas. For more than 30 years, fixed production quotas were an important method that granaries used to decrease materials consumption, increase labor efficiency, reduce expenses,

and make rational use of storage capacity. In 1954, the Ministry of Grain formulated "Fixed Production Quota Trial Methods For Warehouse Capacity, Equipment, and Personnel," and "Several Fundamental Regulations For Grain System Storage Losses." Uniform regulations providing quotas for storage losses were made for the whole country. Quotas for storage capacity, equipment, and personnel had to be tried out in all key warehouses and warehouses under municipal jurisdiction according to a uniformly set calculation formula. Storage conditions differed in countless ways at that time, so requiring a uniform formula for calculating quotas was clearly somewhat unrealistic. Consequently, these three quotas were changed in the 1955 warehouse administration methods to allow each jurisdiction to try them out as their situation dictated.

During the early 1960's, the national economy underwent a readjustment in which the CPC Central Committee called for a reversal of the administrative turmoil resulting from the "Great Leap Forward" for a revival of the normal economic administrative system. The National Conference of Grain Department and Bureau Directors of July 1962 discussed and approved "Regulations on the Improvement of Financial Management in Commercial Grain Enterprises and Vigorous Efforts to Turn Around Needless Losses," which said: "Quotas should be drawn up for all enterprise-paid commodity circulation expenses for which quotas can be drawn up in order to institute quota management." "State Grain and Edible Oil Storehouse Administration Methods," which the Ministry of Grain promulgated in 1963, also provided for the quota management of granary expenditures, and stated explicitly: "Granaries having requisite conditions may institute accounting by individual sections, or granary team and group accounting, applying accounting norms or quotas to teams and to individuals. These methods also provided that quotas should be set for all materials for which use quotas could be set, particularly straw and rush mats." This would better help set expenditure quotas for each section in the granary. During the first half of 1964, in response to a call made at the All-China Conference on Improvement of Administration and Management of Commercial Departments, The Jiangsu Provincial Department of Grain set up a complete quota management pilot project at the Jihe Village Granary in Nanjing. As a result of the pilot project, more than 300 quota norms were set for seven categories including capacity, equipment, labor, expenses, storage losses, working capital, and profits and losses. Basically, a quota was set for each job. In conjunction with the fixed quotas was attention to personal responsibility systems, which brought about a marked change in the mental outlook of staff members and workers, and in work performance. Administrative expenses per 10,000 jin of grain dropped 12 percent, and storage costs per 10,000 jin of grain dropped 35.5 percent. At the All-China Grain and Edible Oil Storage and Transportation Conference in August 1964, a briefing was given on their experiences. Many granaries in other places also intensified quota management. However, these quota management methods and measures were soon disrupted by the "Great Cultural Revolution."

Following the 3d Plenary Session of the 11th Party Central Committee, many places tried out quota management, personal responsibility systems, and percentage bonus calculation methods in accordance with the call from the CPC Central Committee and the State Council for promotion of economic responsibility systems. This further linked quota management and the principal of greater gain for greater work. The 1981 All-China Conference on Grain and Edible Oil Storage Work noted a need to "put in place economic responsibility systems for good grain care and good granary administration at every level throughout granaries, both for granary teams and groups, and for individuals." After the Beijing Municipal Grain Bureau instituted quota management of administrative expenses at a granary in the western suburbs, the granary instituted an internal team and group accounting system of "five quotas" (personnel quotas, expense quotas, storage capacity quotas, equipment quotas, and funds quotas) for the shaping of a rather complete economic responsibility system extending from the granary to administrative offices, from administrative offices to groups and teams, and from groups and teams to individuals. After the Tianjin Municipal Dazhigu Granary tried out a storehouse rental system, the granary adopted tri-level accounting (at the granary, administrative office, and group and team levels). It also instituted percentage bonuses, the amounts depending on business receipts. The bonuses were based on fulfillment of "six quotas" (for amounts of work done, labor efficiency, work quality, expenditures, profits, and safety and sanitation). This system permitted administrative offices, groups and teams, and individual staff members and workers to obtain monthly bonuses based on the amount by which they exceeded work quotas, embodying the principle of greater gain for greater work. However, nationally, the problem of granaries eating out of the national "large common pot" was not solved. It required further study to suggest reform methods.

(II) Promotion of democratic administration. During 1957, the CPC Central Committee issued instructions on the trial establishment in enterprises of a staff member and worker congress system, and cadre participation in labor. In August of the following year, it ratified and forwarded the report of the on-site finance and trade work conference that the Ministry of Finance and Trade Work convened in Xinhui County, Guangdong Province, which fully affirmed a system whereby staff members and workers participated in administration, cadres took part in labor, and the masses engaged in supervision and administration, and calling on all jurisdictions to promote it actively. The Ministry of Grain put the foregoing instructions into practice, and it tried out democratic administration in some granaries. "State Grain and Edible Oil Storehouse Administrative Methods," which the Ministry of Grain promulgated in 1963,

made democratic administration part of the system. In accordance with pertinent instructions from Chairman Mao Zedong in 1975, the Ministry of Grain further proposed at the All-China Conference on Grain and Edible Oils Storage Inspection Work that the spirit of the "Charter of the Anshan Iron and Steel Company" should be diligently applied to granary administration, "two participations, one change, and three combinations" with reliance on the mass of workers being upheld in granary management. In June 1981 the CPC Central Committee and the State Council formally promulgated "Provisional Regulations on Staff Member and Worker Congresses in State-owned Industrial Enterprises." Acting in the spirit of this document, in September of the same year the Ministry of Grain convened the All-China Conference on Grain and Edible Oil Storage Inspection, which called for greater democratic management of granaries. Staff member and worker congresses, or staff member and worker meeting systems were established post haste to insure the democratic rights of the masses of staff members and workers to manage enterprises as masters in their own house, the better to bring into play the sense of responsibility of the masses of staff members and workers as masters in their own house.

(III) Trial use of independent accounting with responsibility for one's own profits and losses. Granaries were the principal grassroots level units of grain departments. The fixed assets of the 58,400-odd storehouse sites in the country accounted for approximately two-thirds of the total value of all fixed assets in the grain system. For a long time, there had been no clear distinction between government and enterprise functions in granary organization. Granary financial receipts and disbursements were in the hands of grain departments, the granaries themselves having no autonomy. Because of the price inversion between grain purchase and sale prices, the purchase cost of grain delivered was determined by the party to whom it was shipped. Frequently, as a result the more grain granaries received and stored, the greater their losses. This monopoly of financial receipts and expenditures by higher authority meant that the granary had neither a potential that could be tapped nor any motivation to increase earnings and reduce expenditures. Nor was their any external pressure on it to bear responsibility for business losses. Following the 3d Plenary Session of the 11th Party Central Committee, in order to change this state of affairs, distinguish between granary losses of a political and a business nature, as well as the boundaries between higher level grain unit and granary economic responsibility, many places set up pilot projects for reform of granary administration and management based on local circumstances. These were mostly of three kinds as follows:

One was "expense quota management to increase earnings and reduce expenditures, retaining profits." This meant that all losses stemming from policies, and payments about which the granary had no say (such as gross profits, gross losses, miscellaneous transportation fees outside granaries, and interest on funds tied up in commodities) were to be borne by grain departments at a higher level, reimbursement being provided for actual expenditures. For business payments about which a granary had a say, a fair per unit quota payment (figured per 10,000 jin) was to be set for separate tasks such as movement of grain into storage, care of the grain, and moving the grain out of storage, higher level grain departments making payment of actual amounts involved. Granaries could retain a suitable amount of profits realized as a result of increasing earnings and lowering expenditures. This method encouraged granaries to think actively about ways to tap potential, to do more business, to increase earnings, and to reduce expenditures while still doing a good job of storing grain.

Second was institution of a "storehouse rental system." Under this system, granaries were regarded as independently operated "warehouses," and higher level grain units or special companies (such as negotiated price procurement and marketing companies, and livestock feed companies) were regarded as "goods owners." The warehouses were agents of the owners, meaning that the granaries represented the owners in receiving, storing, and shipping grain, and in financial settlements. Whoever stored the grain made payment, both parties signing an agreement and conducting business according to the agreement. This provided a separation between the granary's storage work and the purchase, sale, and shipping work about which the granary had no say. It separated responsibility for losses attributable to policies from those attributable to the granary's own actions enabling granaries to become independent, and to become independently accounting economic entities responsible for their own profits and losses. They became juridical persons having uniform responsibilities, rights, and interests. It made them willing to receive more grain, store more grain, concentrate forces to do a good job of caring for grain and for granaries, striving to increase earnings, reduce expenditures, and improve administration and management.

Third was quota subsidies for losses attributable to policies. This meant the setting of fair quotas for the subsidization of losses on the basis of business volume or sales volume (including the amount of shipments), plus average storage volume in the spirit of "Trial Methods For Quota Subsidies for Policy-Related Losses of Commercial Grain Enterprises," with reference to past practice in conjunction with actual circumstances. Grain departments at a higher level paid subsidies in fixed amounts, granaries regarding the subsidies as income, offsetting expenditures against this income to be responsible for their own profits and losses.

Although the foreign methods were not completely identical, and though they differed in content, they had one thing in common, namely they aimed at reversing the longstanding situation of no separation of government administration and granary management, no separation of policy-related losses and business-related losses, and

the disjunction among responsibilities, rights, and interests. They enabled granaries to become relatively independent operating and accounting enterprises to solve the problem of enterprises eating out of the national "large common pot." However, since financial departments in provinces, autonomous regions, and municipalities under direct central government jurisdiction placed a cap on the total amount of local grain department government policy-related losses that could be subsidized, and did not set unit subsidy quotas, these three methods were only tried out in grain departments in some areas instead of being instituted everywhere. Granaries in many places still did not become relatively independent operating entreprenural units.

Section IV. The Quality Control of Grain and Edible Oil

Grain and edible oil quality have a bearing on the interests of the state, producers, and consumers. Good quality control to guarantee the quality of grain and edible oil is an important task of grain departments in supporting industrial and agricultural production, good performance of commodity grain and edible oil flow, and protecting the people's health. Very great progress and improvement was made in the course of more than 30 years in the establishment of a grain and edible oil inspection network through the formulation and enforcement of grain and edible oil quality standards.

I. Formulating Quality Standards for Grain and Edible Oil

The formulation of grain and edible oil quality grading standards on the basis of the actual quality of the country's grain and edible oil was an important basis on which grain departments correctly exercised the policy of setting price according to quality, setting differential prices for quality at every step in the commodity grain and edible oil circulation process.

(I) The process of formulating grain and edible oil quality standards. The task of setting grain and edible oil standards was a gradual one that began from nothing and was gradually refined. Capitalist grain dealers in the old China had no quality standards for grain except for the quality standards that businesses set for flour. Nor did the Kuomintang government set standards for the requisition procurement of grain.

During the period immediately following liberation, no uniform nationwide quality standards for grain and edible oil were formulated because of a lack of inspection personnel and needed reference data. Instead, individual jurisdictions set standards as their own circumstances warranted. In November 1950, the Songjiang Provincial Company of the China Grain Company formulated quality standards for purchases of 13 different items including soybeans, sorghum, corn, rice, unhusked sorghum, millet, paddy, peas, buckwheat, millet, red beans, broom corn, and soybean oil. In December 1951, the Northeast Region Grain Company added wheat, barley, and soybean cake to the above. In a notice about doing a good job of moving the autumn grain harvest into storehouses in 1953, the Ministry of Grain said as follows: "In advance of autumn requisition procurement, all jurisdiction should draw up appropriate quality standards based on local natural conditions, storehouse conditions, and this year's harvest for the movement of grain into storage (including moisture content, impurities, and disease damage), local medium grain quality generally being the standard." During autumn requisition grain procurement in the following year, the Ministry of Grain made further clarification saying: "The situation in the past in all jurisdictions, and the general quality of grain this year should be the basis for correctly setting medium quality standards," quality grading being done on the basis of the grain's dryness, cleanliness, and fullness."

In 1955, the Ministry of Grain formulated quality standards for moisture content, impurities, and grain imperfections for 10 different kinds of grain that were based on the standards that individual jurisdictions had set, and on requirements for the allocation and transfer of grain among provinces. These standards were applied to the allocation and transfer of grain from one province to another. This was the beginning of the formulation of ministry standards. Nevertheless, these standards were fairly rudimentary. Grain and edible oil quality were not closely linked to grade, and the standards did not truly reflect the principle of premium price for premium quality.

In order to improve quality standards work further, in 1956 the Ministry of Grain issued "Trial Raw Grain and Processed Grain Inspection Standards (Draft). This draft formed the basis for the formulation in 1957 of ministry standards for 19 different grains and tubers. In 1962, ministry standards were increased to cover 42 kinds of things, 22 kinds of raw grain, six kinds of refined grain, six kinds of oil-bearing crops, and five kinds of oil, and three kinds of tubers. These ministry standards set grades for differences in quality (e.g., the brown rice outturn rate for paddy, grading of wheat by unit weight, lowering grade for impurities, and increasing or reducing price for moisture content). This substantially embodied the policy of premium price for premium quality, and marked a step forward from the three quality standards. However, it still applied only to the allocation and transfer of grain and edible oil from one province to another.

In 1963, the All-China Conference on Grain and Edible Oil Examination, and Prevention and Control Work studied a 10-year plan for grain and edible oil standardization. A proposal was made to proceed in three steps as follows: (1) For all grains and edible oils under grain department administration for which no standards had been set, provinces, autonomous regions, and municipalities under direct central government jurisdiction were to set provincial standards for local enforcement. (2) Provincial standards were to be used as a basis for conducting study and trial implementation with a view to formulating ministry standards for major varieties for

which standards should and could be uniform throughout the whole country. (3) After ministry standards were put into practice, summarization of experiences should be used as a basis for the further formulation of national standards in a planned and focused way. Acting in this spirit, the All-China Conference on Grain and Edible Oil Examination, Prevention, and Control Work of 1964 discussed a draft of national standards for seven different kinds of grain. However, before it was revised and promulgated, the "Great Cultural Revolution" began. Not only was grain and edible oil standardization work brought to a halt, but ministry standards for grain and edible oil allocation and transfer between provinces ceased to be enforced for a time.

Acting on Premier Zhou Enlai's call for a restructuring of enterprise management in 1972, the National Planning Conference made clear that enterprises should revive technical operating regulations and the quality system. Thus, in 1973 the Grain Bureau of the Ministry of Commerce began to organize personnel doing inspection work in grain departments everywhere to form coordination teams. Three years were spent traveling around to 1,370 counties (or cities), and to more than 8,300 grassroots storehouses stations and production teams inspecting and analyzing 275,400 grain and edible oil samples and reviewing more than 15,000 pieces of relevant data. This was collated, and national standards drafted for 12 different grains and edible oils. Views on it were widely solicited from all quarters. In 1976 and again in 1978, the Ministry of Commerce convened conferences on grain and edible oil inspection work, which discussed and approved the draft. This formed the basis for National Bureau of Standards formal publication in January 1978 and April 1979. Beginning with the requisition procurement of the 1979 summer grain and summer oil-bearing crop, all jurisdictions throughout the country were to try out these standards in all aspects of grain and edible oil circulation including requisition procurement, sale, allocation and transfer, storage, processing, and export.

By 1982, grain departments were dealing in 156 kinds of grain and edible oils (not including grain and edible oil food products and by-products), 38 kinds of raw grain, 37 kinds of refined grain, 30 kinds of oil-bearing crops, 43 kinds of oil, and eight kinds of tubers. National standards had been issued for 12 of these, namely for the six major grains, two kinds of oil-bearing crops, and four kinds of edible oils. Thirty of the formulated standards applied to allocations and transfers between provinces. Provincial standards were formulated for all others, and were enforced at each link in the circulation process by provinces, autonomous regions, and municipalities under direct central government jurisdiction.

Looked at in terms of the particulars examined and the criteria, the standards for grain and edible oil that the state formulated were little different from those of economically developed countries (such as the United States, Canada, and Japan). However, because of the limitations of inspection techniques, nutritional standards bearing on people's health had not yet been formulated, nor had different major standards based on the different requirements of processing industries been formulated.

(II) Guiding thought in the formulation of grain and edible oil quality standards. Complex natural conditions had a fairly substantial effect on grain and oil-bearing crop quality. Grain and edible oil quality standards had a bearing on the implementation of national economic policies and on the interests of all quarters. They involved millions upon millions of households. When formulating grain and edible oil quality standards, the guiding thought had to take into consideration the features and pertinent factors given below.

First, to help implement the policy of setting prices according to quality. Grain and edible oil quality standards were criteria for judging grain and edible oil quality, and they were also the basis for setting prices in terms of quality. Historically, quality standards were set on the basis of grain and edible oil quality. Usually medium quality criteria were set first for medium grain and edible oil in a normal harvest in order to maintain an overall average price for all grades no higher than, or lower than, the state monopoly purchase price. The setting of differential prices for grades had to be done on the basis of quality differences between one grade and another in order to give expression to premium price for premium quality.

Second, to help advance production and safeguard the people's health. There were specific precision and purity requirements for the formulation of refined grain and edible oil standards. In formulating national standards, it was also necessary to guard against contamination, genuinely carrying out national food sanitation standards and relevant plant quarantine provisions.

Third, concurrent concern for the interests of the state, collectives, and individuals. Following unification of national standards, the level of the peasants' original earnings had to be taken into consideration in determining quality price differentials. Peasant earnings could not be reduced when grain was purchased just because uniform quality standards were set. Calculations for major producing areas of four kinds of grain, namely paddy, wheat, soybeans, and corn, showed that following trial use of state standards, the peasants still increased their earnings after offsetting purchase price increases and decreases against each other.

Fourth, suiting general methods to specific circumstances instead of practicing "arbitrary uniformity." China is a vast land in which the climate, soil, and farming techniques differ. The quality of the grain produced also varies. Consequently, though it was all right to seek a uniformity within certain limits and to a certain degree, it was also necessary to allow some variations in standards from one place to another. For example,

different criteria had always been used for the moisture content of corn grown north of the Great Wall and south of the Great Wall.

Fifth, quality standards had to be lenient in some ways and strict in others, and complicated in some ways and simple in others. When setting quality criteria among different grades, standards for grain and oil having fairly low value should be rather lenient, and strict in the reverse situation. Distinctions also had to be made among the various particulars that made up quality criteria. Since control over impurities was fairly easy, criteria had to be strict. Since moisture content was very greatly affected by the natural environment, criteria had to be lenient. The particulars examined in grain and edible oil quality were few or numerous according to their ability to reflect quality requirements accurately.

II. Enforcing Grain and Edible Oil Quality Standards

Impartial and fair testing and verificatdion of grain and edible oil quality and grading in accordance with set grain and edible oil quality standards and state food sanitation standards, determining whether the grain and oil contained toxic or harmful substances was important in safeguarding the economic interests of all, protecting the physical health of the people, and avoiding disputes about quality among those engaged in procurement, marketing, allocation and transfer, storage and processing of grain and edible oil.

(I) Guaranteeing quality control

1. Good performance in the inspection of grain and edible oil procured for movement into storehouses affected the interests of the state, collectives and individuals. It also formed the foundation for good performance of grain and edible oil storage work. "Provisional Methods For State Granary Administration," which the Ministry of Grain issued in 1955, said quality testing was to be used to determine the quality of grain being moved into storage, "every effort being made to 'store separately dry and moist, old and new, and insect infested and insect-free grain'"

During the period immediately following the founding of new China, since no uniform grain and edible oil quality standards or grain inspection procedures had been formulated, and since there was no equipment for conducting inspections, generally the experience and sense organs of storehouse procurement personnel were relied on to verify quality. When monopoly purchase and sale was instituted in 1953, grain inspection was rather superficial and overly lax. Grain going into warehouses had too high a moisture content and many impurities, disguised means of raising the grade to increase the price paid for it. Some granaries also exercised stringent control to force down the grade in disguised ways to force down the price. In the following year, the Ministry of Grain called upon all jurisdictions to correct this situation during autumn grain requisition procurement, pointed to the need to carry out the policy of "setting price according to quality," conducting full political mobilization before grain was moved into storage, and appealed to and organized the peasants to dry and winnow the grain before selling it. Quality inspection was conducted in two ways: The one way was for township and village cadres to take responsibility for organizing the peasants to compare and assess, inspecting the grain in villages, separating the good from the less good, not allowing bad grain to leave the village. The other way was to inspect quality at grain delivery points, setting the grade and giving a price. Later on, this procedure gradually developed into a method whereby the masses were relied on to insure quality of grain going into storage. The 1961 Grain and Edible Oil Storage and Transportation Work Conference capsulized the essentials of this method in four articles: (1) Diligent propaganda and education work, using the economic balance sheet to explain to the peasants that the sale of good grain was to the advantage of the country, the collective, and individuals (2) Organize forces in advance of the movement of grain into storage to go into production teams to help enlarge sunning grounds, and to mobilize the masses to dry and winnow the grain. (3) Set rational standards for the movement into storage of grain and edible oil. Correctly understand the policy of fixing price according to quality during enforcement, giving premium price for premium quality. (4) Visits of inspection personnel to production teams to find out the quality of grain to prevent bad grain from leaving the production team.

In order to solve problems of peasants having to open up and rebag grain when they delivered it to storehouses, as well as having to line up to have quality inspected, in July 1969 Anchang Grain Station in Anxian County, Hunan Province began a pilot project for "production team evaluation and station verification," which showed good results and was extended throughout the county the following year. Subsequently, the Ministry of Grain also spread their experiences throughout the country. The essentials of this method were as follows: Grain departments turned over to the masses state-set grain and edible oil quality standards, differential prices for grades, and inspection methods. Then, production team cadres, quality inspection personnel, and representatives of the masses organized quality inspection teams to assess the quality and grade of grain and edible oil to be sold to the state. Afterward, inspection personnel from the state granary or grain station took samples for reverification, setting a price on the basis of grade. Practice demonstrated that in all places where "production team evaluation and station verification" was done well, relations between the state and the peasant masses became closer, quality of requisition purchased grain and edible oil was good, prices were fair and equitable, and the grain was delivered quickly. This helped agricultural production, and made the state, collectives, and individuals happy.

2. Diligent enforcement of a system for guaranteeing quality inspection in allocation and transfer, processing, and export. Prior to 1955, there were no uniform quality

standards for the allocation and transfer of grain and edible oil between one area and another. Shippers and receivers reached agreement and signed contracts. In the process of enforcing contracts, very many disputes over quality occurred regularly. Therefore, in April 1955 the Ministry of Grain issued "Trial Regulations on Grain Allocation, Transfer, and Turnover, and Pricing on the Basis of Quality Within National Grain Organizations." This regulation set forth three quality standards for 10 different kinds of grain. In 1956, a system was further required whereby shippers had to issue grain quality inspection certificates for grain allocated and transferred between one province and another. Granary management procedures also required that grain and edible oil entering and exiting granaries must be strictly inspected according to allocation and transfer standards, thereby laying a foundation for a grain quality inspection system.

Prior to 1956, quality inspection of grain processors consisted mostly of joint inspections of raw grain and oil bearing crop quality by commercial grain enterprises and grain processing enterprises before processing each batch of grain and edible oil, setting the finished product rate according to product specifications. After 1956, with the advent of grain and edible oil quality standards work, uniform inspection standards were also continuously set for raw grain and oil-bearing crops entering processing plants, and finished grain and oil exiting plants. "Grain and Edible Oil Industry Technical Control Trial Regulations" from the Ministry of Grain in 1963 provided that "all products must be inspected, chemically tested, and recorded. For products not meeting specifications, procedures may not be completed permitting them to go into storage, much less may they be allowed to leave plants."

Up until 1958, the inspection of export grain and edible oil was usually performed first in accordance with quality standards and quarantine provisions of export contracts, after which commodity inspection bureaus in foreign trade departments formally inspected them. In 1958, grain and edible oil exported from China's three northeastern provinces and from the eastern part of Inner Mongolian Autonomous Region more and more came to be inspected by inspection units in grain departments, commodity inspection bureaus in foreign trade departments supervising inspection. In this way, grain departments were able to hold complete control over quality requirements for commodities sold inside and outside the country, promptly prepare reserves or supplies, and rationally allocate, store, and ship, insuring quality of export grain and edible oil. This also simplified grain and edible oil export inspection procedures, and shortened shipping station and port shipping times, facilitating export. In April 1959, the Ministry of Grain and the Ministry of Foreign Trade issued a joint notice based on this experience, which provided that grain departments in all provinces, autonomous regions, and municipalities under direct central government jurisdiction within the Great Wall were to be responsible for inspecting export cereal grain and oil seeds, commodity inspection bureaus supervising inspections.

In 1972, Zhejiang Province discovered that a large quantity of grain was contaminated with pesticides and could not be eaten. The contamination problems were discovered with imported grain and edible oil, which aroused concern about the healthfulness of food throughout the country from top to bottom. The 1973 dispatch from the Ministry of Health to the Ministry of Foreign Trade and the Minister of Commerce of personnel to form work teams to inspect soybean oil imported from the United States gave impetus to the launching of grain, edible oil, and food health checks. When the State Council ratified and forwarded the State Statistical Commission's "Report on Prevention of Food Contamination" in 1974, it called for "no production, no exit from plants, no sale, no export, and no import of foods that do not meet health requirements." Acting in the spirit of this document, the 1975 All-China Conference on Grain and Edible Oil Storage Examination Work called upon grain departments in all jurisdiction to strictly enforce pertinent health quality standards, launched a widespread survey and examination of grain and edible oil contamination, determined the extent of and the reasons for local grain and edible oil contamination, and studied mildew-prevention, detoxification, and non-injurious measures for protecting the people's physical health. In March 1981, the Ministry of Grain issued another bulletin making coordination with health units to carry out and enforce grain and edible oil health standards and to perform grain and edible oil health inspections a major task of grain and edible oil inspection agencies. Thereafter, requirements for insuring quality inspections became more stringent, and the particulars examined more numerous as well.

(II) Improving Inspection techniques. The first thing done to improve inspection techniques was to formulate uniform inspection methods and particulars to be inspected. In July 1956, the Ministry of Grain issued "Draft Provisional Regulations on Performance of Grain Inspections," which unified inspection methods. In September 1962, it issued another notice providing unified regulations on the particulars to be checked, and an explanation of the meaning of terms in the operating regulation standards. Second, it improved inspection techniques. During the period immediately following the founding of new China, sensory appraisal was relied on for the most part. Some large and medium size cities had only a small amount of equipment for testing moisture content, impurities, and per unit weight. In September 1957, the Ministry of Grain issued "Instructions on Further Expansion of Grain and Edible Oil Inspection Work," which called on all jurisdictions to increase appropriately their essential inspection equipment, combining sensory appraisal with instrument inspections. Only afterward did grain departments' inspection equipment and inspection skills develop fairly rapidly, and the degree of accuracy of inspections of grain quality also improved very greatly.

After contamination of large amounts of grain aroused the concern of leaders at all levels in 1972, the number of

particulars inspected increased, and inspection techniques were also improved. Not only were large amount of precision instruments used in detecting the presence of toxic substances imported, but instruments used to determining moisture content, impurities, and per unit weight also came into general use throughout the country. The amount of rather high quality quick and accurate electrical devices increased substantially.

(III) Setting of the authority and responsibilities of inspection personnel. In 1964, and again in 1980, the Ministry of Grain promulgated trial regulations on the functional responsibilities and authority of the country's grain inspection personnel, which contained five main points as follows: 1) Inspection technicians have authority to inspect quality, set grades, and issue certificates of grain and edible oil quality. 2) Inspection personnel have authority to halt and report to their leaders, or to go out of channels to report to higher authority the willful alteration or violation of national standards, regulations and operating rules. 3) Inspection technicians may inspect the quality grain and edible oil being stored, processed, sold, shipped in, or shipped out, including the cleanliness and sanitation of packaging, and transportation equipment. When they discover problems, they should promptly recommend ways of dealing with them to their leaders. In special circumstances, emergency actions may be taken in order to prevent situations from becoming worse. 4) Inspection personnel must diligently enforce both the policy of setting prices according to quality, and grain and edible oil standards (including national food sanitation standards, national grain and edible oil quality standards, ministry standards, and provincial standards), strictly observing operating procedures, and impartially and accurately assessing grain and edible oil grade, showing responsibility to the country, producers, and consumers. 5) Inspection technicians who treat their responsibilities lightly, violate national policies, laws, discipline, rules and regulations, standards, and operating procedures, thereby causing serious political consequences or economic losses for the country shall be punished according to the nature of their error and the seriousness of the circumstances, bearing strict legal responsibility.

III. Establishing a Grain and Edible Oil Inspection Network

During the period immediately following the founding of new China, granaries and grain stations were equipped, little by little, with inspection, and prevention and control specialists for the purpose of inspection quality and storing of grain and edible oil brought into storehouses through requisition procurement. Laboratory technicians were also placed in some fairly large grain and edible oil processing plants for the purpose of chemically testing raw materials brought into plants, and finished products leaving plants. Departments in charge of storage and processing at all levels also set up their own technical offices and laboratories. They did large amounts of work in quality testing at every stage including procurement, storage, processing, and export, playing a definite role in safeguarding the state's and the peasants' interests, insuring the safety of grain and edible oil in storage, and insuring quality of refined grain.

As the national economy developed during the period immediately following the founding of new China, people demanded better and better grain and edible oil quality. Following the founding of agricultural cooperatives, in particular, when agricultural cooperatives sold large amounts of grain and oil-bearing crops to the state within short periods of time, the state devoted more attention to, and set higher standards than before cooperativization for the inspection of quality, determining grades, and setting prices. In order to perform inspection work more meticulously, more scientifically, and more impartially and fairly, and to insure further implementation of the policy of determining price according to quality, in July 1957 the Ministry of Grain not only merged inspection personnel from processing bureau laboratories and from procurement and storage bureau technical offices into a grain inspection department established in the Procurement and Storage Bureau, but it also issued a notice requiring grain departments everywhere to "strengthen leadership of inspection work, establishing and perfecting inspection agencies." As a result, grain departments in all jurisdictions gradually built up inspection agencies and increased the number of inspection personnel. Following the 1964 All-China Conference on Grain and Edible Oil Inspection, Prevention, and Control, some places additionally established a number of laboratories for inspection, prevention, and control. After large amounts of grain were found to be contaminated in 1972, detection of grain and edible oil contamination was paced on daily agendas. The Ministry of Commerce, and some provinces and municipalities under direct central government jurisdiction, set up central laboratories and trained a number of technical personnel. The December 1975 All-China Conference on Grain and Edible Oil Storage Inspection Work acted in the spirit of "Report on Prevention of Food Contamination Problems" from the State Statistical Commission, which the State Council ratified and forwarded, proposing that all provinces, autonomous regions, and municipalities under direct central government jurisdiction quickly establish central laboratories. It also called for active creation of conditions for gradual establishment of primary level prefecture and municipal central laboratories to meet the needs of the developing situation.

Grain and edible oil inspection work was further reinforced following the Third Plenary Session of the 11th Party Central Committee. In March 1980, the National Bureau of Standards, and the Ministry of Grain jointly convened the All-China Conference of Grain and Edible Oil Standardization Work, which called for grain departments at all levels to "improve organizational mechanisms, augment inspection personnel staffing, and raise the level of science and technology." In "Notice on Intensifying and Widening Grain and Edible Oil Sanitation Inspection Work," of March 1981, the Ministry of

Grain again emphasized the "establishment and perfection of inspection agencies," and spelled out the character and duties of inspection agencies. The notice said that the inspection offices, central grain and edible oil laboratories, and monitoring stations that the Ministry of Grain had set up were skilled administrative organizations for grain and edible oil inspection with the goal of insuring quality control. Their duties were: 1) to enforce national and ministry promulgated standards, and to formulate and enforce local government grain and edible oil standards; 2) to work together with health departments to enforce grain and edible oil health standards, carrying out grain and edible oil health inspection work; 3) to carry out quality inspection of stored grain, guiding the timely turnover of grain, moving out old grain and storing new grain; 4) to initiate campaigns for grain and edible oil quality analysis and sensible use of grain and edible oil resources; and 5) to do a good job of training and examining the skills of local inspection technicians. In September 1981, the All-China Conference on Grain and Edible Oil Storage Inspection Work further proposed that not only should provinces, prefectures, and counties set up independent, conventional testing organs such as central laboratories or central monitoring stations, but large- and medium-sized granaries should also set up testing organizations or designate personnel responsible for testing work. Small granaries should also designate personnel responsible for testing work for the gradual formation of a grain and edible oil testing network.

In summary, as grain and edible oil standardization work proceeded, grain departments' inspection forces also grew in strength, and inspection organs gradually improved to form a fairly independent conventional inspection network. Regular inspection organs were not only responsible for grain and edible oil quality control, but also carried responsibility for grain and edible oil health testing, doing macroanalysis. Some provincial central laboratories were also able to do microanalysis and trace analysis. Nevertheless, inspection organizations in a small number of provinces, autonomous regions, and municipalities under direct central government jurisdiction were still under the administration of two or three departments, which hurt, to a certain extent, the smooth performance of their grain and edible oil inspection work.

Footnotes

1. The 5.6 percent was the average nationwide purchase and sale differential price at that time.

2. "Final grain shipment point" meant the station or port for loading vehicles or ships that the shipping unit named in the shipping plan, once consignment documents were issued, no changes in transportation mode to be made connecting transportation aside. In order words, the grain was to go to the station or port at the consignee unit's initial grain reception point.

3. Marx, *Das Kapital*, People's Press, 1975, Vol 2, p 170

4. Extracted from the 2 April 1959 issue of LIANGSHI BAO [FOOD GRAIN JOURNAL]. Reprinted from a treatise titled *Brilliant Mathematical Method—Rational Transportation Graphic Operating Method*, from the Operations Research Laboratory of the Institute of Mathematics of the Chinese Academy of Sciences published in RENMIN RIBAO.

5. Absence of worms, fungus, rats and sparrows, and accidents.

6. *Complete Works of Marx and Engels*, People's Press, 1972, First Edition, Vol 24, p 164.

7. The four expenditures were expenditures for technical organization measures, expenditures for labor safety protection, expenditures for the purchase of assorted fixed assets, and expenditures for the construction of rudimentary storage sheds.

8. Some scientific and technical units also call this air-regulated storage.

Analysis of Problems in Agricultural Production

Solution To Agricultural Fluctuations

40060748a Beijing JINGJI DAOBAO in Chinese 30 Aug 89 p 2

[Article by Yan Qialin 7051 0595 2651: "Where Lies the Crux of the Irresolute Behavior of Agriculture?"]

[Text] The crux of the irresolute behavior of agriculture lies in price parities.

Since 1985, the wavering behavior of agriculture has all along appeared parallel to the rise in commodity prices and the overheating of the economy; it thus constitutes one of the three large problems faced by China's economic development. Even though this year's summer harvest has been most gratifying, achievement of the plan norms for a total annual grain output that would exceed all historical records is still beset with great difficulties, due to many deep-rooted factors that restrict agricultural production and have not yet been resolved. Some eminent economists have forecast that 1989 could possibly become the fifth year of agricultural production that maintains an irresolute behavior.

The fluctuations that have occurred in agricultural production have already attracted attention and induced reflections in many quarters. The most prevalent view on the causes for the said fluctuations is that in times of greatly increasing agricultural production, many places, in an attitude of unjustified optimism, relaxed in their guidance of and serious attention to agriculture, and as a consequence there has been a reduced input into agriculture. Although there is some justification for this way of analyzing the situation, it does not at all disclosing the exact crux of the matter. If it really were a problem of

guidance, why is it that agriculture, after receiving generally all necessary attention during the last 2 years, still vacillates and does not advance?

The state's reduction of agricultural investment is also a point that should be submitted to a more specific analysis. Specialists have pointed out that one must not draw an analogy from the Fifth 5-Year Plan for the state's agricultural investments in the Sixth 5-Year Plan and in the last few years. During the period of the Fifth 5-Year Plan, the state's finances were run on a system of centralized receipts and expenditures, and when revenue was more, investment was also more. When finances were decentralized as from 1980 on, a considerable portion of the funds and assets, which originally had been state revenue, were assigned to the local authorities. Accordingly, a portion of the state's expenditure should have become expenditure of the local authorities, but since returns from agriculture are comparatively low, local authorities were in fact frequently reluctant to increase investment in agriculture. Looking at this year's conditions we see that some largely agricultural provinces, though loudly proclaiming increased investments in agriculture, and originally most enthusiastic about it, were rather deficient in the implementation of their intentions. At the agricultural work conference in Hubei Province at the beginning of this year it was said that this year 140 to 150 million yuan would be made available for agricultural investments, but according to the most recent statements of the relevant department, only somewhat over 20 million yuan of investments will materialize. According to accounts drawn up by the finance department of Sichuan Province, agricultural investments this year could be increased to 150 million yuan, but what actually materialized was also only 20 million yuan. Furthermore, according to reports from various localities, due to the effect of comparative returns, many peasants are reluctant to invest in agriculture, particularly growing grain or cotton production.

Obviously, a thorough solution of the agricultural investment problem cannot merely rely on having the leadership give more serious attention to agriculture. Agricultural investment will still suffer the restraint due to comparative returns, and it is the comparative returns that constitute the decisive factor that is restricting agricultural production.

Comparative returns are generally a reflection of comparative prices (parity prices). People generally acknowledge that the fluctuations in China's agriculture are caused by a series of problems, such as that governments at all levels for a time did not give sufficient attention to agriculture, that investments in agriculture were reduced, that science and technology was not spread sufficiently vigorously, that prices for agricultural products were inordinately low, that production enthusiasm among the peasants is declining, etc. However, if we sum up all these restrictive factors, also pay particular attention to check grain production, we shall discover a basic cause-and-effect relation, namely that it is due to the incongruity of parity prices as between industrial and agricultural products and also within the whole range of agricultural products, that the comparative prices for grain show up as inordinately low, and thus seriously affect the grain growing enthusiasm of the peasants, and at the same time engender a whole series of problems, such as the reduction of investments.

The first 3 or 5 years of the rural reform created considerable enthusiasm for grain growing among the peasants. If we look back and reassess the situation, the important thing was that, apart from introducing the production responsibility system, the procurement prices for grain were raised. As a consequence, the peasants derived greater benefits from growing grain and their enthusiasm increased.

However, the situation has obviously changed since 1985. Although the state further raised grain prices during this period, and the absolute price for grain cannot be said to have been low, its parity price declined, as manifested on the one hand, in that the magnitude of grain price increases was much below that of the increases in industrial products, particularly of agricultural means of production. This resulted in a widening of the price scissors between industrial and agricultural products, a differential which at one time had shown a tendency of narrowing, and also in steep increases in the costs of producing grain. Computations show that in 1978, the absolute scissors differential between industrial and agricultural products was 44.78 billion yuan, and that it reached 104.49 billion yuan in 1987. This was 2.3 times the 1978 figure, and also an expansion of 62.4 percent compared with the 1984 figure. There is a great disparity between returns from growing grain and from working in industry, which in the end leads to the flow of investments of manpower, financial, and material resources into the primary and secondary industries. On the other hand, there is a great disparity between grain prices and prices for other agricultural and sideline products. In recent years, grain prices were raised far less than prices for vegetables, fruit, tobacco, cocoons, and other agricultural and sideline products. This has led to a situation where it was less profitable to grow grain than to grow vegetables or raise silkworm cocoons. According to an investigation in Kunming, the ratio between returns from growing vegetables and from growing grain was from 7:1 up to 10:1. As a result, many farmers, after growing just enough grain for own consumption and to fulfill contract obligations (and some not even to that extent), invested land, manpower, capital, and means of production into the production of highly profitable vegetables as well as industrial and sideline production.

In sum, the inordinately low parity prices for such agricultural products as grain and cotton, which caused a decline in production enthusiasm among the peasants, is a major reason for the agricultural fluctuation which has now lasted for several years. Only a resolute adjustment of the irrational parity prices for agricultural products will create the necessary preconditions for increased investments in agriculture and for the spread of science and technology.

Managing New Situation

40060748b Beijing JINGJI RIBAO in Chinese 14 Sept 89 p 2

[Article by Yan Qiaolin 7051 0595 2651: "Studying the New Situation in Agricultural Production"]

[Text] At the 1st Plenary Session of the 7th National People's Congress, held last year, Comrade Li Peng clearly pointed out: "For all the new situations and problems that have arisen in our present agricultural production, we must provide guidance and solutions in the course of developing commodity economy, according to the law of value. This is an important line in our guiding ideology, which has to be firmly established in rural work." As to how to apply the law of value in our guidance of agricultural production, it is now of primary importance that parity prices of agricultural products be adjusted according to the principle of exchanges at equal value.

First, we must consider fixing parity prices for agricultural and sideline products which are centered around grain prices. For highly profitable commercial crops and local specialty products, prices should be appropriately lowered, tax categories should be expanded, a special products tax should be levied, and interest rates on outstanding accounts for goods should be adjusted, so as to appropriately raise comparative returns from the production of grain, cotton, and edible oil.

Second, we must resolutely narrow the price scissors between industrial and agricultural products, using a variety of economic levers to appropriately adjust the comparative price differential between industrial and agricultural products, especially the differential between returns from farming by peasants and the profits from industrial and commercial pursuits. We must further adjust the prices for grain, cotton, and edible oil, especially those prices fixed in procurement contracts, and change the situation of having these items procured and marketed at low prices. Loans for the production of grain, cotton, and edible oil should not only be charged low interests, or be interest free, but should also be guaranteed to be available at the full amounts, and the peasants should be allowed to set up special cooperative fund organizations, especially to be of service to agricultural production. For agricultural means of production which have been in short supply for a long time, such as chemical fertilizer, plastic film for agricultural use, and diesel oil, prices should be brought down, adopting the principle of state-monopolistic operations, and by such methods as command-type of planned production, or granting state subsidies. In addition, we should consider changing the way funds are provided for agricultural subsidies "as special favors" by town and township enterprises from industrial pursuits to a system of imposing an agriculture-subsidy tax at a certain ratio, so forth. Through all these measures we must strive to balance out rational returns for all the various lines of production.

Third, we must devote more time and energy to the problem of raising economic efficiency of agricultural production. Apart from the effect of the wide price scissors, there are internal reasons for the comparatively low returns in agricultural production, namely the present state of production technology and production scales. We have to recognize that under conditions of backward technology and small-scale operations, it will be impossible even with larger investments to achieve an equilibrium between returns from agricultural work and from industrial work. It is therefore extremely necessary to pay serious attention to the two problems of agricultural technology and right-scale operations. Experts have pointed out that although the slogan of scientific farming has been voiced for many years, the present situation shows that peasants are still farming according to traditional ways. Presently, the available agricultural science and technology is applied to only about 15 percent of all farmland. If we were to establish a truly effective new system of widespread application of science and technology, even if the achievement of scientific research and applied techniques were applied at the rate of only 50 percent, it would bring about almost limitless benefits. Agricultural departments must therefore take up the application of science and technology as an important matter and see to their effective application. As to achieving production goals at an approrpiate scale in agriculture, we should take it as a general direction to follow. What has to be done now is to sum up and popularize as quickly as possible some of the favorable experiences and help the peasants to gradually shift from small-peasant economic scales of operations to the track of a large-scale commodity economy. As we understand, in some regions of Hubei Province, peasants are allowed by means of public tenders to lease arable land. In this way, those who want to farm may expand the scale of their operations, and those who are not active cultivators will not leave fields barren. In a certain village of Yun County, 270 mu land had been left barren, but after instituting leasing of land, not only was the entire land again taken into cultivation, but the farming enthusiasm of the peasants rose to a much higher level than at the time of the separate responsibility system. This method of leasing land indeed deserves serious attention.

Strategies for Developing Rural Investment

90OH0016A Nanjing XINHUA RIBAO in Chinese 5 Sep 89 p 2

[Article by correspondent Zhu Xinhua 2612 2450 5478: "How To Conduct a Tilt Policy Toward Agriculture—Director of Province Replies to Reporter's Questions"]

[Text] How can rural banking units, which share a common destiny and prosper along with agriculture, make a contribution in invigorating the agricultural economy to rise to new heights? It was with this question in mind that I interviewed the provincial Agricultural Bank director, Zhao Jingbang [6392 2529 6721]

Director Zhao said: "Agriculture is the prerequisite and the foundation for the existence of the Agricultural Bank. Promoting the development of agricultural production is our bounden duty. In operating in accordance with the government-proposed policy of tilting toward agriculture, we have won definite accomplishments."

Increased Investment—"Warming" Agriculture While "Cooling" the Atmosphere

Bank director Zhao said that the goal of state control of the macroeconomy and tightening of the money supply was to force a "cooling" of the overheated atmosphere; however, as far as agriculture was concerned, there was a "maintenance of warmth" and further "warming." Consequently, no matter how tight funds become, agriculture will be taken care of. Plans will include exceptions for agriculture; agriculture will receive priority for funds; investment priorities will be set; and appropriate preference will be granted for interest rates. We will give priority to supporting development of the farming and breeding industries, highlighting support for grain, cotton and oil-bearing crop production in order to support and assure production for effective market supplies of meat, poultry, eggs, milk, fish and vegetables. Statistics show that loans for support of the farming and breeding industries during the first half of 1989 year accounted for 93.2 percent of the increase in all agricultural loans, up 13 percent from the same period in 1988, substantially assuring fund needs for grain, cotton, and oil-bearing crop production. Original plans called for a 40 million yuan investment in the "shopping basket project" for meat, poultry, and eggs, but 100 million yuan was actually invested.

Bank director Zhao said that "sustenance" will needed if agriculture is to develop. During the first half of 1989, we invested 4.45 million yuan in the transformation of small chemical fertilizer plants. We also made funds needed for the franchising of agricultural means of production an important part of the increase in agricultural investment. Loans for investment in the means of agricultural production increased by 300 million yuan during the first half of 1989, up 23.5 percent from the same period in 1988. More than 200 million yuan was also paid as surety to departments concerned with the means of agricultural production for the importation of chemical fertilizer. In addition, credit investment was also appropriately increased to promote agricultural science and technology, for the agricultural production service system, and for sensible resources development.

No Issuance of "IOU's"—Solid Mass Basis for the Development of Agriculture

Bank director Zhao said that in conducting the policy of tilting toward agriculture, it was necessary to focus on more than support for production alone. The whole process had to be stressed, namely providing support from the production to the procurement to the circulation of commodities, and before production, during production, and after production. Right now the emphasis is on procurement, which has an important bearing on peasant enthusiasm for production, and whether agriculture can grow steadily. Under the unified leadership of government at all levels and with the vigorous support of the People's Bank, all Agricultural Bank's have made the supply of procurement funds for agricultural and sideline products a matter of major importance during the summer season this year for a substantial turn around of the previous straitened circumstances. During the period January through July, the province issued a cumulative total of 4.981 billion yuan in loans for the procurement of agricultural and sideline products, 3.327 billion yuan, or 66.8 percent of it, issued from April through July. No "IOU's" were issued to support summer procurement of 1.705 billion kilograms of grain, 900,000 dan of spring silkworm cocoons, and 118 million kilograms of oil-bearing crops.

Helping Along the Superior and Restricting the Inferior—Strengthening the "Underpinnings" of the Rural Economy

Bank director Zhao said he believed that in carrying out the policy of tilting toward agriculture there was also the question of how to help agriculture enhance its own capabilities for development. As far as Jiangsu Province was concerned, particularly the rural villages of southern Jiangsu, there are limits to the dependence that has been placed during the past 10 years on the national treasury and on financial investment for the development of agriculture. The main reliance is to be on industry helping agriculture, and industry building agriculture, meaning the development of township and town enterprises to provide the materials and funds needed to assure the steady development of agriculture. Thus, we cannot overlook township and town enterprises as a mainstay for the development of agriculture. Our past efforts were marred by rushing headlong into rash action and providing support blindly. Today, there can be no rushing headlong away, doing everything with "arbitrary uniformity." All during 1989, we upheld the principle of "controlling total amounts, readjusting the structure, and both maintaining and restraining," using cutbacks as a means of freeing funds to support enterprises that earn foreign exchange from imports, and to support enterprises whose products are readily marketable and who ensure effective market supply. Control over the total amount of township and town enterprise funds spurs improvement of the loan structure, and also promotes the beginning of a fall in the overly high speed development of township and town enterprises. It helps bring about a gradual solution to the previous abnormal situation of dependence on overloaded operations to maintain overheaded development.

"What is the main task of provincial agricultural banks during the last half of 1989? What is the funds situation?", the correspondent asked.

Bank director Zhao said that we will continue to carry out a tilt policy toward agriculture in accordance with the aforementioned priorities. First, we will have to

marshal some funds in time for the farming season to support overfulfillment of autumn crop production. Second, we will have to do a diligent job of organizing and supplying funds for the procurement of autumn agricultural and sideline products. Third, is the need to provide a certain amount of funds to support township and town enterprises, the principle continuing to be support for the superior and restricting the inferior, actively supporting "sunrise" enterprises, and selectively intensifying loan risk management for "sunset" enterprises as circumstances warrant.

Finally, bank director Zhao said that there will continue to be certain difficulties in funding during the second half of 1989. We will have to base our efforts on tapping the potential of what is available, for which the possibilities must be said to be very great. If 10 percent of the currently available more than 20 billion yuan credit can be loosened up, that will mean more than 2 billion yuan. Incomplete statistics show that this will require collecting 3.8 billion yuan in delinquent funds owing by enterprises. Prying loose these funds is a major way in which to ease the funds shortage. In this regard, we plan to concentrate for a time on waging a "war of assault." We will also have to continue to muster funds vigorously. As of the end of July, the rural savings surplus in agricultural banks and credit cooperatives throughout the province amounted to 14.43 billion yuan, 1.539 billion more than during the same period in 1988 for an all time high. During the next 5 months of 1989, we must "maintain the increase and add to it," organizing more idle funds in society the better to support development of agricultural production.

Guizhou Increases Agricultural Funds

40060001c Beijing ZHONGGUO NONGJIHUA BAO in Chinese 6 Sep 89 p 1

[Summary] Guizhou Province has increased agricultural funds to develop grain output. In the first half of 1989, investment funds of financial departments at the provincial, district, and county levels totaled 3,380,000 yuan; of this amount, financial departments at the district, prefecture, and city level invested 1,028,000 yuan, and financial departments at the county level invested 1,270,000 yuan.

Agricultural Development Continues in Southern Hunan

90OH0016c Beijing JINGJI RIBAO in Chinese 8 Aug 89 p 2

[Article by Xiong Qingquan 3574 3237 3123, Hunan CPC Committee Secretary: "Vigorous Development of Agriculture in Southern Hunan"]

[Text] The province's tremendous achievements during 10 years of reform are universally acknowledged. Nevertheless, the situation we face in a year-by-year population increase, a year-by-year cultivated land decrease, and a steady increase in demand for commodity grain remains rather serious. It has become a major problem affecting the survival and development of the nation. Given these circumstances, simply going around in circles on conventional agriculture will not suffice to solve the difficult situation existing in agriculture. Comprehensive development of agricultural resources must be done in a planned, step-by-step way. This is both a strategic measure to assure the sustained, steady development of agriculture, and also the hope for the development of agriculture. It was in this realization that our provincial CPC committee and provincial government used the hearing of views from all parties as a basis for taking advantage of a favorable opportunity for readjustment of the economic structure to work out a strategic policy for development of agriculture in southern Hunan Province.

Southern Hunan is territorially contiguous with both Guangdong and Guangxi provinces; it has plentiful agricultural resources; conditions for development are rather good; and the potential for development is very great. The region comprises both Chenzhou and Lingling prefectures as well as Hengyang City, 31 counties and cities, a population of 15 million, 12 million mu of cultivated land, 34 million mu of forests, 9 million mu of reclaimable land, and 17 million mu of barren mountains suitable for forests or pastureland. The topography of southern Hunan is generally flat, suiting it to the development of diversified agricultural crops and the aquatic breeding industry. Were the region's wasteland and barren mountains to be developed, they could produce an additional approximately 2.5 billion jin of grain, 5 million lean meat hogs, 1 million livestock, 1 million cubic meters of timber, and 2 million dan of fruit for very great economic and ecological benefits. When we reported our ideas for the development of southern Hunan to Central Committee and State Council leaders during the winter of 1988, they were immediately accepted, and a decision made to provide state support for development.

After southern Hunan was made a key national agricultural development area, the province immediately established a leadership team for the comprehensive development of agriculture in southern Hunan with a deputy governor in charge. Responsible provincial CPC committee and provincial government comrades conducted several on-site development surveys and studies, and leaders in cities and counties throughout southern Hunan concentrated their energies on stirring the thinking of the masses and the development of model demonstrations. They devoted themselves to the validation of development plans, the formulation of policy measures, and to the task of organizing and coordinating in various ways. Thanks to the painstaking organization and leadership of leaders at all levels, the enthusiasm of the broad masses for the development of agriculture was very high. During the winter of 1988 and the spring of 1989, a "craze for development" occurred in southern Hunan. During the winter of 1988 and the spring of 1989, a total of 400,000 mu of land was reclaimed,

including 140,000 mu of land suitable for the growing of grain, 50,000 mu for the growing of cash crops, and 210,000 mu for the growing of fruit. Additionally, work was completed on changing 55,000 mu from dryland to wetland fields; 880,000 mu of low yield fields were transformed; 680,000 mu of ton grain fields were built (that is, high-quality paddy fields having 1,000 kilogram per mu grain yields), and 1.12 million mu of barren mountains were afforested.

The first act in the development of southern Hunan has begun, but the future tasks will be daunting. We conscientiously summarized experiences in the previous stage of development, further strengthening leadership, firmly relying on the masses, carrying forward a revolutionary spirit of self-reliance and arduous struggle, and striving to overcome all hardships. We are firmly resolved to do a good job from start to finish in the development of southern Hunan, which is of such importance to the economic development of the whole province. On the basis of the knowledge gained from previous surveys in southern Hunan, we will have to adhere to the following guiding thoughts during the future development of southern Hunan.

Adherence to taking grain as the key link, suiting general methods to specific circumstances for comprehensive development. The overall principle for the development of southern Hunan should be to proceed from realities as they exist in each area, suiting general methods to specific circumstances to grow grain in places suited for the growing of grain, to raise livestock in places suited for raising livestock, to produce fruit in places suited for growing fruit, and to grow forests in places suited for growing forests. However, under the natural conditions existing in southern Hunan, quite a few places are suited not only to the growing of grain, but also to the growing of forests, fruits, and cash crops. This poses a problem in where the emphasis in development should be placed. In present terms, grain is the precious commodity that the country needs most. Not only do we ourselves need it, but several neighboring provinces also need it. Therefore, in the overall development of agriculture in southern Hunan, it is only grain that should be taken as the key link. Suiting general methods to specific circumstances can only be construed to mean growing grain in places suited for the growing of grain; growing something else only when grain cannot be grown. We must seize this opportunity to develop agriculture, increasing southern Hunan's output of commodity grain as rapidly as possible to make southern Hunan the second largest granary in the province (after the Dongting Hu region).

Adherence to building water conservancy facilities first, paying attention to the planned building of water conservancy as a priority matter. In Hunan, growing grain means mostly growing paddy. "Paddy, paddy, only where there is water can there be paddy" runs a saying. Not only does grain production require water, but neither can cash crops be grown without water. Only by solving water conservancy problems can the yields of southern Hunan's large tract paddy fields be increased, can large tracts of dryland fields be converted to wetland fields, and can large tracts of barren slops be developed into cultivated land. Thus, in a certain sense, the development of southern Hunan amounts to the development of water conservancy.

Adherence to development both in breadth and in depth, fully tapping available cultivated land potential. In-breadth development should not be construed to mean only reclamation of wasteland. In some places, a greater potential exists for increasing the utilization rate of existing cultivated land. A decision must be made to develop winter agriculture and agriculture on the raised paths between fields, putting these resources to full use. In-depth development means mostly the transformation of low yield fields, and the building of "ton of grain fields," increasing yields per unit of area and increasing the quality of agricultural products.

Adherence to the removal of restrictions to spur development, building a development system that is filled with vitality. Development of southern Hunan requires adherence to the country, collectives, and individual rising together, the pooling of funds through various channels, many methods of development, and arousing the enthusiasm of all quarters. The leasing of development and the joint development that some places are now using are workable. However, no matter the method used, attention must be given to bringing into play the enthusiasm of the broad masses of peasants. Hunan has been approved by the State Council as a "pilot project area in the transition of reform and opening to the outside world from the coast to the interior." Transitional policies and flexible measures should be fully applied to attract entreprenurial units and individuals both in China and abroad, and from inside and outside the province to invest and to contract development, taking the road of using removal of restrictions to spur development.

Hunan Grain Procurement, Funds

40060740c Changsha HUNAN RIBAO in Chinese 8 Aug 89 p 1

[Summary] In 1989 Hunan Province plans to procure 5.495 billion jin of contracted grain, and 450 million jin of negotiated grain, Hunan will need 1.422 billion yuan in procurement funds. As of 8 August, financial departments had raised 253 million yuan, banks 837 million yuan, and grain enterprises 50 million yuan.

Jiangxi Rural Savings

40060002b Nanchang JIANGXI RIBAO in Chinese 1 Sep 89 p 1

[Summary] As of 20 August, rural saving deposits in Jiangxi Province totaled 4,050,730,000 yuan. Per capita savings were 136.9 yuan, an increase of 70.83 yuan over the end of 1988.

Shanghai 'Solves' Surplus Pork Problem

40060701c Beijing JINGJI RIBAO in Chinese 10 Aug 89 p 2

[Article by Chai Mao 2693 5399: "Shanghai Basically Solves Excess Pork Problem"]

[Text] In the first half of this year Shanghai Municipality made an effort to sell its stored pork in order to solve the problem of excessively large pork reserves. The effort has been successful.

Since the beginning of this year, commercial departments throughout the country have purchased more pigs than they have sold, and reserves are fairly large. At the end of June there were 21.63 million pigs in the reserves, an increase of 31 percent over the figure for the same period last year. At the same time, the storage period for a lot of frozen pork has been excessively long, thus adversely affecting the quality of this pork as a food. According to statistics from 13 marketing areas, the storage period for about 30 percent of the frozen pork is over 10 months. If the sales were not expanded and the structure of the frozen pork reserves not adjusted, the enterprises' administration and management would be seriously affected, and also it would be detrimental to the support of the development of pig production. Making the expansion of pork sales the focus of its work in the first half of this year, Shanghai Municipality sold a total of 146,000 tons of pork, a 25 percent increase over the figure for the same period of last year. It sold more and laid in more, thereby supporting production and invigorating the market and providing experiences for solving the problem of rising stocks of pork.

The main way Shanghai expanded pork sales was to adapt consumption to demand by initiating sales of pork trimmed of fat. In recent years the masses' demand for "lean not fat" pork has become stronger and stronger, and consumers do not welcome pork with a lot of fat. Therefore, the municipality made the sales of pork trimmed of fat the breakthrough point in expanding sales. Through tests it was found that the consumers most welcomed ham, fillings, and squares in which the fat was trimmed down to 1 centimeter. After these three varieties were trimmed of fat, the retails prices for each 500 grams respectively rose by 1 *jiao*, 2.6 *jiao*, and 3.4 *jiao* and the masses were happy to buy them. The rate of pork ration coupons used rose from 70 percent last year to 90 percent, and the trimmed fat was recovered by wholesale departments for heating edible oil.

To support production in the producing areas, in line with the changes in supply and demand, the municipality expanded sales. In April, May, June, and July, in combination with the festival days celebrating the 40th anniversary of Shanghai's liberation, the municipality increased the residents' ration supply by 2.4 yuan per person per month; on two occasions it increased the mess supply amount; and packets of square pork paste, filling paste, and filling lean meat were temporarily supplied free of charge.

By the careful and painstaking processing of pork, more sales were obtained. The municipality increased the raw materials for cooked meat on the market by 2,000 tons, thereby enriching the market for cooked meat products; expanded the production of canned meat and increase the export of canned meat, thereby "digesting" 6,000 tons of pork; and vigorously developed the production and sales of pork packets, with the result that in the first half of this year the output of pork packets reached 43,000 tons.

Shanxi Cotton Area

40060001f Taiyuan SHANXI NONGMIN in Chinese 15 Aug 89 p 1

[Summary] This year Shanxi Province has sown more than 1,800,000 mu to cotton, an increase of 50,000 mu over 1988; gross output is expected to exceed 1,800,000 dan, an increase of about 70,000 dan over 1988.

Cotton Production, Sales Rise in Shanxi

40060701a Beijing JINGJI RIBAO in Chinese 3 Aug 89 p 2

[Article by Wang Yawei 3769 0068 0251 and Chen Qigan 7115 0796 3227: "Benign Cycle Appears in Shanxi's Production, Marketing of Cotton"]

[Text] In recent years cotton production in the nation as a whole has hesitated and has not advanced, but since 1987 Shanxi's production has steadily increased and purchasing has grown year by year.

Its main experiences are:

With agricultural and commerce becoming more closely coordinated, the level of leadership over cotton production has been constantly rising. For example, in 1987 the provincial cotton and hemp company organized deputy county heads and agricultural and animal husbandry bureau directors in charge of agriculture in key cotton-producing areas to go to Hubei Province's cotton areas and observe its experiences in developing cotton production; in 1988 it organized them to go to cotton areas in Shandong and Hebei to study the experiences there. On the basis of summing up the experiences, in March 1989 the province's supply and marketing cooperative and its agriulture and animal husbandry department jointly signed with the provincial government a collective purchasing contractual agreement. The agriculture and animal husbandry department guaranteed the total area and the total output of cotton; and the supply and marketing cooperative, in accordance with the state's policy for preferential treatment, guaranteed the supply of the means of agricultural production and the contracted purchase of cotton. Afterward, the provincial government, representing agriculture and commerce, signed contracts with administrative offices, and level by level the contracts were broken down by county, township, and village.

In the economy there was a step by step increase in the policy of preferential treatment for cotton. For example, in 1987 cotton's purchasing price was changed from an inverse proportion of 4:6 to an inverse proportion of 3:7 (30 percent average price and 70 percent over-purchase price). The policy of one *jin* of cotton, one *jin* of fertilizer was implemented, and counties that sold unginned cotton to the state in a proportion of 70 percent or higher were given economic bonuses. In 1988 for every *dan* of cotton sold to the state there was an added bonus of five *jin* of diesel oil, and large households that planted five or more *mu* of cotton wre given a discounted-interest advance purchase fixed sum of money. In 1988 for every *dan* of cotton sold to the state, there was an additional 30 *jin* of phosphate fertilizer given above bonus, and the purchasing price of cottonseed oil was raised.

In accordance with the requirements for standardized administration and intensified production, beginning in 1987 the focii of production were put on the basic points of large counties, large townships, large villages, and large households, so that the area of cottonfields was basically put in the hands of the agricultural households that wanted to plant cotton, that had the land for it, that understood technology, and that could manage the fields. The planted area that is being regularized, being specialized, and being transformed into commodity production is being expanded step by step. In 1988 in the province there were 48 townships and towns with 10,000 or more *mu* of planted cotton, 38 percent of the total area planted to cotton in the province and 46 percent of the province's output.

To do good work in sending textiles down to the township, the provincial government decided that this year the supply and marketing cooperative would the business operation of processing the provincial agricultural market's 350,000 *dan* of cotton with seeds into knitted cotton goods. Beginning in March the provincial cotton and hemp company set up throughout the province seven textile purchasing and supply stations, which were made responsible for the task of purchasing, allocating and supplying the processed products brought to them. With the textile stations directly supplying at wholesale the basic-level cooperatives, the number of intermediate links is reduced and prices are kept down, so that the peasants get material benefits. If the retail price of calico is 0.56 yuan per *chi*, the prices of colored cloth, prints, and yarn-dyed fabrics, compared with last year's market prices, will fall 10 percent and the price of knitwear will fall 5 percent. At the same time the supply and marketing cooperative has expanded its administration and business. According to statistics from the textile stations, in the first half of this year there could be purchases worth 50 million yuan, sales worth 35 million yuan, and a profit of more than 1 million yuan.

Sichuan Issues Agricultural Tax Regulations

Farm, Forest Specialty Products

40060741 Chengdu SICHUAN RIBAO in Chinese 11 Aug 89 p 2

[Article: "Sichuan Farm and Forest Specialty Products Agricultural Tax Collection Enforcement Regulations (Issued by the Sichuan Provincial People's Government on 6 January 1987; Revised by the Sichuan Provincial People's Government on 11 July 1989)"]

[Text]**Sichuan Provincial People's Government Directive Number 9**

"Sichuan Farm and Forest Specialty Products Agricultural Tax Collection Enforcement Methods have been revised, and are hereby reissued following examination and approval by the 31st Provincial People's Government Standing Committee Meeting on 11 July 1989."

Provincial Governor Zhang Haoruo [1728 4110 5387]
12 July 1989

Article 1. In order to strengthen control over the collection of agricultural taxes on farm and forest specialty products, even out the agricultural crop tax burden, promote rational readjustment of the rural industrial structure, increase the availability of funds for investment in agriculture, and support development of agriculture, this regulation has been formulated in accordance with the "Agricultural Tax Code of the People's Republic of China, and "Various Regulations on the Collection of Agricultural Taxes on Farm and Forest Specialty Products," and "Circular Notice on Further Good Performance in Farm and Forest Specialty Products Agricultural Tax Collection Work" issued by the State Council as they relate to realities in Sichuan Province.

Article 2. Listed below are the farm and forest specialty products on which farm and forest specialty product taxes (hereinafter abbreviated to farm and forest specialty product taxes) are to be collected:

(1) Horticultural income, including income from fruits, melons used for fruit, fresh tea (not including bian [6708] tea), mulberry leaves, flowers (including flowers used in tea processing), chrysanthemums, nursery stock (not including nursery stock grown for personal use), medicinal materials (including medicinal materials of animal origin), and edible fungi (including brown wood fungus).

(2) Income from bamboo, timber, and forest products, including bamboo, timber, coir fiber, raw lacquer, rosin, camphor oil, Chinese tallow seeds, white wax (containing wax insects), dry and fresh bamboo shoots, Sichuan pepper, walnuts, Chinese chestnuts, lac (containing lac insects), Chinese gallnuts (containing gallnut aphids), wood oils, black and white wood fungi, and other forest products.

(3) Income from aquatic products, including income from aquatic plant products such as lotus roots, gaosun [7559 4571], and mat grasses, and from fresh water products (not including fish fry, fingerlings, and aquatic products raised in rice paddies for personal use).

Article 3. All units and persons deriving income from farm and forest specialty products covered by Article 2 of this regulation are farm and forest specialty product

taxpayers, and are to pay farm and forest specialty product taxes in accordance with the provisions of this regulation.

Article 4. Taxes on income from farm and forest specialty products covered by Article 2 are to be computed on the basis of actual output for the year at local intermediate procurement list prices or guidance prices. When no local list prices or guidance prices exist, the list prices or guidance prices of neighboring jurisdictions are to be used in calculating an equitable income tax. Taxes on income derived from the direct processing of farm and forest specialty products into other products (such as bamboo and wood manufactures, charcoal, silkworm cocoons, and canned goods) may be calculated in terms of the raw materials consumed. When taxes are levied on farm and forest specialty products, corresponding reductions are to be made in the land area for which existing agricultural taxes are calculated, in the calculation of taxes on normal year output, and in the calculation of amount of taxes.

The specific methods prescribed for figuring taxable farm and forest specialty product income are to be formulated by finance departments at the county level.

Article 5. Tax rates for farm and forest specialty products covered by Article 2 are as follows:

Ten percent of income from fruit, including 15 percent of income from citrus fruits and apples; 10 percent of income from aquatic products, including 15 percent of income from pearls; 10 percent of income from melons used as fruits; 8 percent of income from timber; 8 percent of income from the rhizome of Chinese goldthread [Coptis chinensis], and 5 percent of all income from other taxable products. Tax rates are to be appropriately increased on income from a small number of products yielding high profits, or that are grown at the expense of grain crops, the rates being set by municipality, prefecture, and autonomous zhou finance departments following approval by the provincial department of finance, the maximum tax rate not to exceed 30 percent.

Article 6. Methods used for collecting taxes on farm and forest specialty products are to be decided by individual jurisdictions as their specific situations warrant. For products whose outputs are fairly stable, taxes should be levied on fixed quotas; for products whose output varies, such as Chinese medicinal herbs, and for products transformed through processing such as silkworm cocoons, taxes should be levied on sales. The specific means of taxing sales should be set by provincial departments of finance and units concerned. Several different taxes on a single kind of product are not to be levied within a single county. Double taxation is to be avoided.

Article 7. Exemption, reduction or deferred payment of farm and forest specialty product taxes may be allowed for all farm and forest specialty products covered by the Article 2 provisions that meet the conditions given below following verification and approval by county departments of finance:

(1) Farm and forest specialty products that scientific research units use for experimental purposes;

(2) Farm and forest specialty products during the initial period of their production on uncultivated land, or farm and forest specialty products that grow in small amounts over a widely scattered area, as well as those that renew rather slowly for which the payment of taxes poses a hardship.

(3) Those products for which payment of taxes poses a hardship for special reasons such as having been stricken with natural disasters.

(4) Key forestry work enterprises and forestry work enterprises incurring losses during the current year for which payment of taxes poses a hardship.

Article 8. No taxes are to be levied against peasant households for farm and forest specialty products when total taxable income from farm and forest specialty products is less than 200 yuan per year upon petition from the taxpayer and following verification and approval by a county department of finance. When no farm and forest specialty product tax is collected, an agricultural tax is to be collected in accordance with existing regulations, i.e., the tax rate calculated on the normal year output of like land.

Farm and forest specialty products outside the provisions of Article 2 of this regulation are to be taxed as originally provided, i.e., the tax rate is to be figured in terms of the annual output of grain grown from the same grade of land. Such products grown on non-agricultural land are to be taxed at 3 percent of actual income for the year.

No unit or individual may unauthorizedly decide on an exemption, reduction, or deferral of farm and forest specialty product taxes outside the provisions of this regulation.

Article 9. Farm and forest specialty product taxes are a part of budget control. So long as provincially set agricultural tax collection quotas are assured of fulfillment, income from these taxes may be retained by counties, provinces, municipalities (prefectures, and autonomous zhou) without apportionment.

No less that 60 percent of farm and forest specialty product tax income may be used to improve fields and improve the soil, to reclaim land for cultivation, and to benefit grain or farm and forest specialty product production. This percentage should be paid into an agricultural development fund containing special funds for special purposes.

All jurisdictions may deduct 10 percent of the total amount of farm and forest specialty product taxes collected as a tax collection fee. They may make no additional levies.

Article 10. Departments of finance are responsible for the administration of farm and forest specialty product tax collections. Administration of collections is to be in accordance with provisions of "Provisional Regulations on the Administration of Tax Collection of the People's Republic of China," and "Sichuan Province Regulations for the Administration of Tax Collection." Local people's governments, and public security, judicial departments, industrial and commercial administration and management departments, commercial departments, banks, transportation departments, railroads, civil aviation departments, and post and telecommunications departments at all levels are to actively support financial departments in the collection of taxes according to law.

Article 11. Taxpayers must factually report income and pay taxes promptly. Tax evasion and refusal to pay taxes will be pursued by tax authorities to obtain payment of all taxes due, and fines up to five times the amount of taxes overdue may be levied. In serious cases, when a criminal offense has been committed, investigation will be conducted and criminal responsibility fixed according to law.

Article 12. Collection organs and collection control personnel must strictly enforce relevant policy provisions, be law abiding, collect taxes according to the law, strictly prohibit raising amounts at each level, and apportion tax amounts per capita. All who act wrongly out of personal considerations or accept bribes are to be administratively punished by organizations in charge. Those who violate the law are to be investigated and subjected to criminal responsibility according to the law.

Article 13. Specific problems arising in the course of enforcing this regulation are to be solved by provincial departments of finance.

Article 14. This regulation is to take effect as of the day of publication

Provincial Official Interviewed

40060741 Chengdu SICHUAN RIBAO in Chinese 11 Aug 89 p 2

[Article by Agricultural Tax Department, Sichuan Provincial Department of Finance: "Provincial Official Replies to Correspondent's Questions on Initiation of a Comprehensive Tax on Farm and Forest Specialty Products"]

[Text] Effective 1989, the State Council stipulated that a comprehensive tax on farm, forest, and specialty products would be levied. The provincial government revised "Sichuan Farm and Forest Specialty Products Agricultural Tax Collection Enforcement Regulations," which the provincial government originally published in January 1987, republishing them on 12 July 1989. A provincial official concerned replied to the correspondent's questions in this regard.

[SICHUAN RIBAO]: Is the farm and forest specialty products tax a new kind of tax?

[Answer]: The farm and forest specialty products tax is not a new kind of tax. Ever since liberation, all jurisdictions throughout the country have had a farm and forest specialty products tax. Sichuan Province combined grain field tax collections for farm and forest specialty products grown on cultivated land, and set individual tax rates for farm and forest specialty products grown on nonagricultural land. During the "Great Cultural Revolution," production of farm and forest specialty products developed sluggishly. In fact, except for taxes on these products that were combined with taxes on grain fields, the collection of farm and forest specialty product taxes was halted. Following the 3d Plenary Session of the 11th Party Central Committee, production of farm and forest specialty products developed rapidly. In accordance with "Various Regulations on the Collection of Agricultural Taxes on Farm and Forest Specialty Products," which the State Council published in 1983, the province drew up regulations for tax collections in 1987 providing for a separate calculation of taxes on farm and forest specialty products. Clearly, the farm and forest specialties product tax is not a new kind of tax. Rather, it is a revival of that tax, and the method of calculating it has changed; it is no longer combined with the agricultural tax on grain but is collected separately.

[SICHUAN RIBAO]: What is the need for a comprehensive farm and forest specialty products tax?

[Answer]: Since the 3d Plenary Session of the 11th Party Central Committee, production of farm and forest specialty products nationwide has increased at an average 22.8 percent per year. During the same period, the state also increased tremendously procurement prices paid for farm and forest specialty products. Returns from farm and forest specialty products are fairly high and have developed fairly rapidly, so much so that their production has displaced the growing of some grain. The country's grain growing area declined by 78 million mu between 1980 and 1987. Complete revival of the farm and forest specialty tax holds extremely important significance for the regulation of farm and forest specialty producers' and grain producers' earnings, for evening out the tax burden on various kinds of agricultural products, and for maintaining stable development of grain production, thereby adding a regular of channel of funds for the treasury and for investment in agriculture for further rational readjustment of the structure of agricultural production.

[SICHUAN RIBAO]: Just who is required to pay farm and forestry specialty taxes?

[Answer]: This includes state-owned farming, forestry, animal husbandry and fishery units, cooperative organizations, and peasant households in the cooperative economy, as well as enterprises, public organizations, military units, schools, official bodies, temples, and citizens having income from farm and forest specialties.

[SICHUAN RIBAO]: How is the taxable income from farm and forest specialty products arrived at?

[Answer]: In general, farm and forest specialty products taxable income is actual output for the year times the price on which tax is calculated. The price on which tax is calculated should be the local intermediate purchase list price or guidance price. When there is no local list price or guidance price, the list price or guidance price in neighboring areas, or the local market price may be used. For products on which the tax is collected by the procurement unit, the amount of procurement funds used serves as the taxpayers' taxable income. For products that are directly converted through processing (such as bamboo and wooden manufactures charcoal, silkworm cocoons, and canned goods), taxable income may be arrived at on the basis of the raw materials consumed. For farm and forest specialty products companion cropped on cultivated land, the taxable income may be derived from the percentage of companion cropping. The former method whereby the agricultural tax on farm and forest specialty products grown on taxable land was assessed on the basis of the normal year output of grain fields is to be changed completely to the taxing of farm and forest specialty projects on the basis of actual earnings. A corresponding reduction will be made in the former land area for which agricultural taxes are calculated, the normal year output on which taxes are calculated, and the amount of taxes collected.

[SICHUAN RIBAO]: What is the specific implication of a taxable income totaling 200 yuan in the farm and forest specialties tax?

[Answer]: In order to continue to encourage the broad masses of peasants to develop economic diversification, the province has retained the policy that has been in force since 1987 whereby taxpaying households having an income of less than 200 yuan for the whole year receive preferential treatment. This means that only an agricultural tax is levied on the farm and forest specialty products that they grow on cultivated land; no farm and forest specialty product tax is levied. For farm and forest specialty products that they grow on non-agricultural land, a 5 percent farm and forest specialties product tax is to be paid for those products that fall within the purview of taxation. For those that fall outside the purview of taxation, a 3 percent tax is to be collected. Sichuan Province has not yet ruled which products are outside the purview of farm and forest specialty product taxes.

[SICHUAN RIBAO]: A farm and forest specialty product tax is levied on specialty products and a product tax also has to be paid on them. Isn't this double taxation?

[Answer]: The tax code provides that the taxpayers who pay the farm and forest products specialty tax and the products tax, the amount of taxable income, and the segments of commodity circulation affected differ. The first is a tax collected from producers on income from their products when they receive the products and profits from them. The second is a tax collected from dealers in products. It is levied on the amounts bought and sold in the course of commodity flow that is collected in the course of dealings. For products that cannot be easily taxed at the source (such as mulberry and medicinal materials), tax collection organs commission procurement units to collect or deduct on their behalf the farm and forest specialties taxes that producers are to pay. Purchasing units also have to pay product taxes in accordance with regulations on these products when they deal in them. Because those from whom the tax is collected are not the same taxpayers, one cannot term this double taxation.

Yunnan Lacks Procurement Funds

40060002a Beijing NONGMIN RIBAO in Chinese 5 Sep 89 p 1

[Summary] In September and October, Yunnan Province will need 2.3 billion yuan to purchase farm and sideline products; however, agricultural banks can provide only 750 million yuan. If relevant departments do not help out, IOU's will have to be issued.

EAST REGION

Shandong Party Leader Directs Enterprise Ideological Work

SK1609071189 Jinan Shandong Provincial Service in Mandarin 2200 GMT 13 Sep 89

[Text] Ma Zhongchen, deputy secretary of the provincial party committee, recently conducted investigations and study at nearly 20 plants and enterprises in Yantai, Weifang, Qingdao, and Weihai Cities. He offered opinions on how to strengthen the ideological and political work of enterprises and correctly handle the relationship between the party and the administrative bodies within an enterprise.

Comrade Ma Zhongchen said: "Since the 4th Plenary Session of the 13th CPC Central Committee, the ideological and political work of enterprises has been and is being strengthened. This is a good trend. A socialist enterprise has two distinct properties, one economic and the other political. It should produce both products and talented people. Therefore, the ideological and political work of an enterprise should be carried out in coordination with economic work, the work of party building, and the work to maintain honesty in official duty performance and to improve democratic politics and the legal system. From a long-term point of view, the ideological and political work of an enterprise should focus on implementing the basic line of 'one central task and two basic points,' and on cultivating a contingent of workers who have lofty ideals and moral character and who are better educated and well-disciplined. Only with continuous education on socialist ideas can we overcome money worship and the idea of dependency, establish a firm faith in communism, and unswervingly take the socialist road. Only by continuously improving the political and professional qualities of workers can an enterprise maintain high vitality. The current ideological and political work of an enterprise should emphasize education on adhering to the four cardinal principles and opposition to bourgeois liberalization. Meanwhile, ideological and political work should be carried out through various measures to comply with actual conditions in production, work, and the people's thinking. We should overcome our past, many oversimplified and vulgar ways of doing work, such as lopsided emphasis on replacing education with recreational activities to the neglect of education through positive examples, lopsided emphasis on persuasion to the neglect of inculcation, lopsided emphasis on showing understanding to the neglect of conducting criticism and self-criticism, and lopsided emphasis on ensuring production tasks to the neglect of remolding the people's world outlook, and comprehensively and conscientiously carry out the ideological and political work of enterprises. In the meantime, we should remain attentive to avoiding neglecting economic work while emphasizing the ideological and political work of enterprises and going from one extreme to another. We were only making a comparison when we said that we were strong in one field and weak in the other. We never meant that we were strong enough in economic work. What we meant was that we should further strengthen ideological and political work, in which we were weak, while carrying out economic work. Another work is that the number of the personnel in charge of political work in an enterprise may be arranged in such a way that they, in general, amount to 1 percent of the total number of its workers. However, the number may be flexible to comply with the actual conditions of an enterprise."

Speaking on the relationship between the party and the administrative bodies of an enterprise, Comrade Ma Zhongchen said that the key to handling well the relationship between the center and the core lies in setting right the central position of an enterprise director and the position of an enterprise party organization as a political core, and correctly handling the issues of directing production, managing operation, developing technology, and distributing material interest, and issues of cadre management, and ideological and political work of an enterprise. With regard to the important issues of an enterprise, its party committee should participate in discussions and support its director in performing his duties. In this way, by participation beforehand instead of criticism afterward, the party organization of an enterprise will be able to better perform its guaranteeing and supervisory role. This embodies both the central position of an enterprise director and the position of an enterprise party organization as a political core; and both responsibilities that party and administrative leaders of an enterprise should emphasize respectively and the spirit of unity that they should display when working concertedly to achieve their common goal. It is a fairly successful work system.

NORTHEAST REGION

Heilongjiang Hosts National Day Reception for Foreigners

SK2909054389 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 28 Sep 89

[Text] The provincial government held a National Day reception in honor of foreign experts, scholars, and engineering and technical personnel working in our province at Harbin's Swan Hotel on the evening of 28 September. Wang Yaochen, director of the provincial Foreign Affairs Office, presided over the reception. Provincial Vice Governor Huang Feng proposed a toast. He first introduced the tremendous achievements scored by the PRC, under the CPC leadership and, through overcoming countless difficulties over the past 40 years since its founding, and the significant progress in socialist construction achieved by Heilongjiang Province. He also extended heartfelt gratitude to the foreign experts, scholars, and engineering and technical personnel, who had rendered assistance and support to our province. At the reception, both the hosts and the guests proposed toasts repeatedly to commemorate the 40th

national day, and to wish longevity to the friendship between the Chinese people and the people of various countries.

Jilin's Jiaohe Attains County-Level City Status

SK2909001289 Changchun Jilin Provincial Service in Mandarin 1030 GMT 27 Sep 89

[Text] On 27 September, with the approval of the State Council, Jiaohe County has been officially changed into a county-level city administered by the provincial authorities.

Liaoning's Foreign Ties Reviewed

SK2509131289 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 24 Sep 89

[Text] Our province has made rapid progress in establishing friendship ties to foreign countries over the last decade of reform.

So far, our province has established friendship ties to 37 foreign cities. This ranks the province first in China. Since 1979, along with implementation of the policy of opening the country to the outside world and the strategic readjustment of our foreign policy, our province has established friendship ties successively to Japan's Kanagawa and Toyama Prefectures, the United States' Illinois and North Carolina, [words indistinct], Poland's Katowice Province, and Rostock District of the German Democratic Republic. The cities and counties under the jurisdiction of Liaoning Province have established friendship ties to 28 foreign cities. Meanwhile, the province also established friendship ties to South Yorkshire in Great Britain. In addition, the province has maintained friendship ties and cooperation with North Pyongan Province of the DPRK. Over the past 3 years, the province also conducted friendship contacts and established economic and trade contacts with the Russian Soviet Federated Socialist Republic.

Shenyang Publishes Books on PRC Achievements

OW0310142189 Beijing Domestic Service in Mandarin 1200 GMT 20 Sep 89

[Text] A large reference book on China's outstanding achievements of the past 40 years, entitled *On the People's Republic of China's 40 Years of Accomplishments*, has been published by the Shenyang Publishing House.

The Shenyang City people's government and the Central People's Broadcasting Station jointly held a ceremony at the Great Hall of the People this morning to officially launch the book. Also published were books on China's achievements in foreign affairs, economic relations, and trade. They were entitled, *China's 40 Years of Foreign Economic Relations and Trade*, and *China's 40 Years of Foreign Diplomacy*.

Leading comrades such as Peng Chong, Zhu Xuefan, and Lei Jieqiong attended the ceremony to extend their best wishes.

On the People's Republic of China's 40 Years of Accomplishments catalogues China's achievements in various fields since the founding of New China. Its contents are divided into 23 categories. There are 2,437 entries containing more than 1.3 million characters in the book.

Speaking at the ceremony, Lei Jieqiong, vice chairman of the National Chinese People's Political Consultative Conference Committee, said the publication of the book was an achievement in itself. He noted the implications of publishing the book on the occasion of the 40th anniversary of the republic's founding.